FRANCHISE DISCLOSURE DOCUMENT

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

The franchise offered in this disclosure document is for the rights to operate a Settle Inn-branded hotel.

The total investment necessary to begin operation of an 80-room Settle Inn ~~h~~Hotel ~~franchise~~ with a minimal food and beverage offering is estimated to range between $6,423,000 to $9,008,500 for new development and $278,000 to $1,253,500 for conversion hotels. These amounts include $38,000 to $60,000 that must be paid to us. These amounts do not include the cost of purchasing or leasing land or any real estate taxes.

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, contact the Franchise Development Department at Red Lion Hotels Franchising, Inc., at 201 W. North River Drive, Spokane, Washington 99201 and (509) 777-6643 or development@rlhco.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also 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 may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date ~~of this Franchise Disclosure Document~~: April 6, 2018, as amended July 2, 2018

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 I for information about the franchisor, or about franchising in your state.

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

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

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

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

3. AT THE FRANCHISOR'S DISCRETION, THE SPOUSE(S) OF ANY INDIVIDUALS WHO PARTICIPATE IN THE FRANCHISE MAY BE REQUIRED TO SIGN A PERSONAL GUARANTY TO THE FRANCHISE AGREEMENT MAKING THEM JOINTLY AND SEVERALLY LIABLE FOR ALL DEBTS 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, PARTICIPANTS, AND SPOUSES AT RISK.

4. YOU MUST MAKE MINIMUM ROYALTY OR ADVERTISING FUND PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

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

STATE EFFECTIVE DATES

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

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

California effective date:	April 19, 2018, as amended _____, 2018
Hawaii effective date:	~~April 16, 2018~~_____
Illinois effective date:	*exempt*
Indiana effective date:	April 9, 2018, as amended July 2, 2018
Maryland effective date:	April 20, 2018, as amended _____, 2018
Michigan effective date:	April 6, 2018, as amended July 2, 2018
Minnesota effective date:	April 23, 2018, as amended _____, 2018
New York effective date:	*exempt*
North Dakota effective date:	May 17, 2018, as amended _____, 2018
Rhode Island effective date:	April 6, 2018, as amended _____, 2018
South Dakota effective date:	April 9, 2018, as amended July 2, 2018
Virginia effective date:	April 27, 2018, as amended _____, 2018
Washington effective date:	May 1, 2018, as amended _____, 2018
Wisconsin effective date:	April 6, 2018, as amended July 2, 2018

In all other states that do not require registration, the effective date of this disclosure document is the issuance date of April 6, 2018, as amended July 2, 2018.

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

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ITEM 1. THE 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 (the "Franchise Agreement"), the form of which is attached as Exhibit D to this disclosure document, and the other agreements as described in this disclosure document. The spouse of each guarantor also will be required to sign the guaranty.

Our agents for service of process in the states whose franchise laws require us to name an agent for service ~~is~~are shown on Exhibit I 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 1550 Market Street, Suite 350, Denver, Colorado 80202; however, we may provide certain support services relating to the Brand from our offices at 201 West North River Drive, Spokane, Washington 99201. Our parent corporation was incorporated in the State of Washington on April 25, 1978 and changed its name from WestCoast Hospitality Corporation to Red Lion Hotels Corporation on September 19, 2005 ("RLHC"). RLHC shares our principal business address and is publicly traded on the New York Stock Exchange. We and RLHC, directly and indirectly through its subsidiaries and affiliates have been active in the ownership and management of hotels since our incorporation.

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

On ~~April 3~~May 14, 2018, we ~~signed an~~acquired the intellectual property assets and hotel franchise agreements related to ~~acquire~~ the Knights Inn hotel brand from Wyndham Hotel Group, LLC~~.~~ and its affiliates, through ~~T~~the acquisition ~~is subject to customary conditions and is anticipated to close in May 2018. Either an affiliate or we will offer franchises for~~of Knights Franchise Systems, Inc., and certain assets related to the Knights Inn brand ~~following the consummation of the acquisition~~in Canada from Wyndham Hotel Group Canada, ULC. We and RLHC ~~also will~~ provide ~~ongoing~~ franchising support to approximately 350 existing Knights Inn franchisees in North America.

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

The Franchised Business

We grant franchises to operate mid-priced, extended stay hotels under the service marks Settle Inn® and Settle Inn & Suites® and certain other proprietary marks, including all service marks, copyrights, trademarks, logos, insignia, emblems, symbols, designs, slogans, distinguishing characteristics, trade names, domain names, and all other marks or characteristics associated or used with or in connection with the System (as defined below), and similar intellectual property rights, that we designate to be used in the System, collectively referred to as the "Settle Inn Marks", under a form of Franchise Agreement, attached as Exhibit D.

We have offered franchises under the Settle Inn Marks since July 2016. A franchise grants you the non-exclusive right to operate a hotel under the Settle Inn Marks at a specified location (a "Hotel" or "System Hotel").

Hotels licensed under the Settle Inn Marks shall be collectively referred to as the "System." The System Standards (defined below) are designed to provide distinctive, high-quality lodging service at hotels licensed under the Settle Inn Marks. The System currently includes the Settle Inn Marks; access to a reservation service; advertising, publicity and other marketing programs and materials; training programs and materials, standards, specifications and policies for construction, furnishing, operation, appearance and service of the Hotel; other elements we refer to in the Franchise Agreement, the System Standards, the Manual (as defined below) or in other communications to you; and programs for our inspecting your Hotel and consulting with you. We may add elements to the System Standards or modify, alter or delete elements of the System Standards.

One of the hallmarks of the System is its "Signature Moments," those brand-required (or, in some instances, strongly recommended) elements that are intended to delight guests and take their stay out of the ordinary. Examples of Signature Moments for all Hotels are reflected in our practical but distinct landscaping and outdoor areas; guest reception areas; guest bath with custom amenities and terry package; and high-quality, memorable complimentary coffee service. Design features may include color illumination exterior lighting; indoor and outdoor communal spaces; a chalkboard wall; and inspired use of System-authorized colors and materials.

You must follow the high standards we have established as the essence of the System, and you may be required to make future investments. "System Standards" means the mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for constructing, equipping, furnishing, supplying, operating, maintaining and marketing System Hotels, including the Hotel. System Standards may be included in the Manual or otherwise distributed by us in writing. "Manual" means one or more documents or guides commonly referred to as the brand standards manual together with its supporting documentation. The Manual may include the System Standards and information on suggested procedures and your other obligations under the Franchise Agreement.

Franchisor's Business

We also offer franchises for hotels under the following brands:

Red Lion Hotel & Red Lion Inn & Suites

We have offered franchises for full-service, mid-priced hotels under the Red Lion Marks since 1999. "Red Lion Marks" refers to the Red Lion®, Red Lion Hotel®, Red Lion Inn®, and Red Lion Inn & Suites® service marks and related trademarks and service marks. Typically, Red Lion Hotels are full-service hotels that offer food and beverage and meeting space. Red Lion Inn & Suites are typically limited service hotels.

As of December 31, 2017, there were 31 Red Lion Hotel franchises open or under contract and 42 Red Lion Inn & Suites franchises open or under contract. We also owned or managed 14 hotels under the Red Lion Marks as of December 31, 2017.

Hotel RL

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. We have converted five hotels to the Hotel RL brand. In addition, we have executed seven franchise agreements with franchisees, two of which had opened as of December 31, 2017. The Hotel RL® and RL™ service marks and related trademarks, service marks and trade names are collectively referred to as the "RL Marks."

Signature

In October 2017, we began offering franchises under the brand Signature℠, a midscale and upscale brand that features similar design elements to the Signature Inn℠ brand (described below) as modified for properties in larger markets, destination markets, or that otherwise fall within the midscale or upscale segments. ~~Previously~~Initially, Signature℠ was offered as a brand extension of the Signature Inn℠ brand in the same franchise disclosure document as the Signature Inn℠ brand. However, as of April 2018 the Signature and Signature Inn brands are offered under separate disclosure documents. As of December 31, 2017, there were no Signature℠ hotel franchises. The Signature℠ service mark and related trademarks, service marks and trade names are collectively referred to as the "Signature Marks."

Signature Inn

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

GuestHouse

Since May 2015, we have offered franchises for the economy segment, primarily limited service hotels, under the GuestHouse Marks. The "GuestHouse Marks" refers to the GuestHouse℠ service mark and related trademarks and service marks. As of December 31, 2017, there were 34 GuestHouse franchises open or under contract.

Knights Inn

In June 2018, we began offering franchises for the operation of hotels in the limited-service segment under the Knights Inn Marks. The "Knights Inn Marks" refers to the Knights Inn® service mark and related trademarks and service marks. As of our acquisition in May 2018, there were 339 Knights Inn franchises open or under contract in the United States.

As of October 2016, we began offering franchises, each under a separate franchise disclosure document, for hotels under the following Acquired Brands:

Americas Best Value Inn

In October 2016, we began offering franchises for the operation of hotels in the limited-service segment under the service mark Americas Best Value Inn® ("ABVI") and certain other proprietary marks, collectively referred to as the "ABVI Marks." As of December 31, 2017, there were 816 Americas Best Value Inn-branded hotels open or under contract, approximately 136 of which are franchisee-owned. The remaining became affiliated with the ABVI brand through VHGI's membership model, and we provide services for those ABVI hotels as well.

Country Hearth Inn

In October 2016, we began offering franchises for the operation of hotels in the budget lodging segment under the service marks 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, 2017, there were 42 franchised Country Hearth-branded hotels open or under contract.

Former Franchise Offerings

We offered franchises for the operation of midscale and upper midscale hotels in the select-service and full-service segments under the service mark Lexington® and certain other proprietary marks, collectively referred to as the "Lexington Marks," from October 2016 to March 2018. We no longer offer new franchises under the Lexington brand. As of December 31, 2017, there were 20 Lexington-branded hotels open or under contract, six of which are franchisee-owned. The remaining became affiliated with the Lexington brand through VHGI's membership model, and we provide services to those Lexington hotels as well.

We offered franchises for Leo Hotel Collection hotels only during 2013. As of December 31, 2017, there were no Leo Hotel Collection hotels. We do not intend to continue to offer Leo Hotel Collection hotels.

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

The Red Lion Marks, RL Marks, GuestHouse Marks, Settle Inn Marks, Lexington Marks, Jameson Inn service marks, Signature Marks, Signature Inn Marks, Knights Inn Marks, ABVI Marks, Country Hearth Marks, and other marks used by hotels for which we offer franchises in the future are collectively referred to as the "Network Marks." Hotels we license, have licensed in the past, or may license in the future to operate under any of the Network Marks are collectively referred to as the "Network Hotels." "Red Lion Brands" refers to all hotels licensed

to operate under any of the brands listed above and their various extensions, and any other brands that we periodically may own.

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

Our Affiliates

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

Our affiliate, Red Lion Hotels Canada Franchising, Inc. ("RLHCF"), is a Washington corporation that was formed on August 18, 2016. RLHCF began offering franchises to operate hotels in Canada under the Red Lion Marks in February 2017; under the Canadas Best Value Inn®™ Marks in April 2017; and under the RL Marks in July 2017. RLHCF does not currently own or operate any Brand properties in Canada, nor does it offer franchises for the Brand in Canada, but intends to do so during 2018.

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

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

Laws, Rules and Regulations

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

The Market and Competition

The market for your services will depend on your Hotel's location, size and the nature of your services (e.g., your Hotel is suited for guests on frequent business travel, traveling sports teams, and so on). Our franchisees seek customers and business referrals from the local community and typically solicit business from tour and travel groups, on a local, regional and national level. Business and leisure travelers, meeting planners and attendees, and organizers of and attendees of social functions make up the primary market of Settle Inn customers. In

general, you will compete with national hotel and motel chains and independently operated local hotels and food outlets offering similar types of hotel rooms and food and beverage services to the same clientele. In addition to competing with hotels that offer services comparable to the System Hotels, you may also compete with lodging designed to serve particular segments of the market and to fill particular lodging demands.

ITEM 2. BUSINESS EXPERIENCE

Gregory T. Mount – Director, Chief Executive Officer and President

Mr. Mount joined RLHC as President and Chief Executive Officer in January 2014. He has also served as Director, Chief Executive Officer 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. From November 2009 to January 2014, he served as President of Richfield Hospitality, Inc., a hotel management company based in Denver, Colorado.

Douglas Ludwig – Executive Vice President, Chief Financial Officer and Treasurer

Mr. Ludwig joined RLHC as the Executive Vice President, Chief Financial Officer and Treasurer of RLHC and Red Lion as of March 2017. After Mr. Ludwig served as Chief Financial Officer for Baha Mar Resorts Limited, a new resort and casino project in Nassau, Bahamas from November 2006 to May 2015, he semi-retired before joining RLHC and Red Lion.

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. Mr. McKeirnan served as Senior Vice President of RLHC and Red Lion from 2005 to February 2013.

Others with Management Responsibility:

Paul Sacco – Executive Vice President, President of Global Development (RLHC)

Mr. Sacco has served as Executive Vice President, President of Global Development of RLHC since June 2018. From October 2017 to June 2018, he served as RLHC's Chief Development Officer. He is based in Boston, Massachusetts. Prior to joining RLHC, Mr. Sacco was the President of TPG Hotels in Cranston, Rhode Island from September 2013 to September 2017. From April 2012 to September 2013, Mr. Sacco was the Senior Vice President of Pyramid Hotels in Boston, Massachusetts.

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, Franchise Operations and Sales (RLHC)

Mr. Sladich has served as Executive Vice President, Franchise Operations and Sales of RLHC since November 2017. He previously served as RLHC's Executive Vice President, Hotel Operations and Sales (from February 2014 to October 2017), and as RLHC's Executive Vice President, Sales and Marketing (from May 2010 to February 2014).

~~**Roger J. Bloss**~~**Gary Sims – Executive Vice President and ~~President, Global Development~~Chief Operating Officer (RLHC)**

~~Mr. Bloss joined RLHC as President, Global Development in October 2016 and became an Executive Vice President in November 2017. He 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; 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; 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; and President and Secretary of The Country Club of Coral Springs Golf Academy, Inc. since 2011. Mr. Moyle provides services to these various entities out of our offices in Coral Springs, Florida.~~

~~**Angela Landgraf – Senior Vice President Development Western NAD (RLHC)**~~

~~Ms. Landgraf has been the Senior Vice President Development Western NAD of RLHC since November 2017. Prior to that, she served as the Senior Vice President, Corporate Development of RLHC from October 2016 to October 2017. She previously served as RLHC's Senior Vice President, Business Development from April 2014 to September 2016. Previously,~~

Ms. Landgraf served as Senior Vice President, Business Development & Management Services for Richfield Hospitality in Orange County, California from November 2009 to April 2014.

Paul Sacco – Chief Development Officer (RLHC)

Mr. SaccoSims joined RLHC in October 2017 as its Chief Developmentas Executive Vice President and Chief Operating Officer. He is based in Boston, Massachusetts. in June 2018. Prior to joining RLHC, Mr. Sacco was the President of TPG Hotels in Cranston, Rhode Island from September 2013 to September 2017. From April 2012 to September 2013, Mr. SaccoSims served as Managing Director of Omni Hotels & Resorts in Carlsbad, California from October 2015 to June 2018. From May 2013 to October 2015, he was the Senior Vice President of Operations for Pyramid Hotels Group in Boston, Massachusetts.

Michael Marquez – Vice President of Development (RLHC)

Mr. Marquez joined RLHC in December 2017 as its Vice President of Development. Prior to joining RLHC, Mr. Marquez was employed by Red Roof Inn in Houston, Texas from July 2017 to December 2017 as its Vice President of Sales. From June 2016 to July 2017, Mr. Marquez was the Director of Sales for Best Western Hotels & Resorts in Phoenix, Arizona. From March 2015 to June 2016, he was the Senior Vice President of Sales for Waterwalk Hotel Apartments in Wichita, Kansas and from November 2002 to January 2015, he was the Regional Vice President of Sales for Choice Hotels International in Rockville, Maryland.

Taylor Goff – Member Development Manager (RLHC)

Mr. Goff joined RLHC in October 2016 as Member Development Manager 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.

Aaron Allison – Business Development Manager (RLHC)

Mr. Allison joined RLHC in October 2016 as its Membership Development Coordinator and became Business Development Manager in November 2017. He is based in Coral Springs, Florida. Prior to joining RLHC, Mr. Allison was employed by VHGI, in Coral Springs, Florida, from September 2004 to September 2016, most recently as its Membership Development Coordinator from August 2014 to September 2016 and prior to that, as its Legal Assistant from February 2010 to July 2014.

ITEM 3. LITIGATION

Pending:

Barry Greer, et al. v. Bernard T. Moyle, Case No. CACE-18-001264 (Circuit Court of the 17th Judicial Circuit, Broward County, Florida). On January 17, 2018, plaintiffs filed a lawsuit against Bernard T. Moyle ("Moyle") for breach of fiduciary duty, fraud and fraud in the inducement. Plaintiffs were shareholders, directors and officers of Thirty-Eight Street, Inc. ("TESI") and Vantage Hospitality Group, Inc. ("VHG"). Plaintiffs allege that Moyle failed to comply with corporate formalities in his capacity as a shareholder, director and officer of TESI and VHG, made false representations of material fact in relation to plaintiffs' shares in TESI and VHG and the impact of the redemption and sale of those shares, and made fraudulent

~~representations to plaintiffs in his position as a director and officer of TESI and VHG. Plaintiffs are requesting the disgorgement of all profits and gains Moyle realized as a result of his alleged breach of fiduciary duty and damages for fraud in excess of $15,000. On March 6, 2018, Moyle filed an answer and affirmative defenses.~~

Red Lion Hotels Franchising, Inc. v. Ghazanfar Khan, et al., Case No. 2:17-cv-00094, Case No. 2:17-cv-00155 (United States District Court for the Eastern District of Washington). In March 2017, we filed a lawsuit against two former franchisees and their guarantors for trademark infringement, false designation of origin and breach of contract as a result of their failure to comply with their post-termination obligations under their franchise agreements (the "Franchise Agreement Lawsuit"). In May 2017, we filed a second lawsuit against the guarantors for breach of contract as a result of their failure to comply with their post-termination obligations under their guaranties and the underlying franchise agreements (the "Guaranty Lawsuit"). On May 4, 2017, the court granted our motion for preliminary injunction in the Franchise Agreement Lawsuit requiring defendants to immediately cease all use of our trademarks. On August 9, 2017, the defendants in the Guaranty Lawsuit filed an amended answer and asserted amended counterclaims against us for breach of contract, violation of the Washington Franchise Investment Protection Act and violation of Washington Consumer Protection Act alleging that we charged additional fees which were not identified in the applicable franchise agreements. In connection with their counterclaims, defendants have requested an unspecified amount of damages. On August 11, 2017, ~~we filed a motion to dismiss~~ defendants' ~~counterclaims in the Guaranty Lawsuit. Also on August 11, 2017, defendants~~ in the Franchise Agreement Lawsuit filed an amended answer and asserted amended counterclaims against us for breach of contract, violation of the Washington Franchise Investment Protection Act and violation of Washington Consumer Protection Act alleging that we charged additional fees which were not identified in the applicable franchise agreements. In connection with their counterclaims, defendants have requested an unspecified amount of damages. On ~~September 8, 2017, we filed a motion to dismiss defendants' counterclaims in the Franchise Agreement Lawsuit. On September 19, 2017, the court ordered the parties to brief the issue of arbitration in both lawsuits. On~~ November 29, 2017, the court issued an order compelling arbitration of defendants' counterclaims in both the Franchise Agreement Lawsuit and the Guaranty Lawsuit, denying all pending motions as moot, and staying our pending claims pending the outcome of arbitration. Defendants filed a demand for arbitration on December 22, 2017, and on January 12, 2018, we filed our response. On April 13, 2018, we issued a request for production. Defendants failed to respond to our discovery requests, so, on May 22, 2018, we filed a motion to compel defendants' response to our discovery requests and an award of our attorneys' fees relating to the motion to compel. On May 25, 2018, the arbitrator issued an order (a) compelling the defendants to respond to our discovery requests by June 14, 2018, (b) awarding us our reasonable attorneys' fees and costs relating to the motion to compel, and (c) granting our oral request to file a motion for summary disposition, among other things. An arbitration hearing has been scheduled for October 29, 2018.

Red Lion Hotels Franchising, Inc. v. Kumar and Sadikila Vemulapalli, Case No. 16-2-01814-3 (Superior Court of the County of Spokane, WA). On May 12, 2016, we filed a complaint against guarantors of a former franchisee seeking to enforce their personal guaranty of a franchise agreement. On December 15, 2017, defendants filed an answer, affirmative defenses and counterclaims for breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel/reliance damages, and fraud in the inducement/fraud alleging that we: (i) failed to provide services and support under the franchise agreement, (ii) demanded payment of fees other than what defendants allege was agreed upon, (iii) countersigned a copy of the franchise agreement that did not contain defendants handwritten changes and therefore

was not what defendants believed to be the contract, and (iv) interfered with hotel operations following termination. On December 15, 2017, defendants also filed a motion to transfer the case to Ohio or dismiss the action. On December 29, 2017, we filed a motion for summary judgment on defendants' liability under the personal guaranty, and a motion for sanctions for defendants' violation of the court's discovery order. On January 4, 2018, we filed a motion to strike defendants' claims and defenses (and their dispositive motion) as untimely. On January 26, 2018, the court heard oral arguments on defendants' motion and issued a written ruling denying the motion on February 23, 2018. Also on February 23, 2018, the court heard oral arguments on our motion for summary judgment and motion to strike. On ~~March 27~~April 6, 2018, ~~we filed proposed~~the court entered findings of fact, conclusions of law and an order ~~for the judge's consideration, with defendants' approval, that acknowledges (i) the~~that (i) deni~~al~~ed ~~of~~ our motion for summary judgment, and (ii) ~~the~~ grant~~ing~~ed in part and ~~denying~~denied in part ~~of~~ our motion to strike, pursuant to which the court ~~will~~ (a) will allow defendants to pursue their wrong contract defense at trial provided that we have the opportunity to depose two additional witnesses, and (b) ~~strike~~struck the remaining defenses and counterclaims asserted by defendants~~, and (c) potentially strike~~. On June 21, 2018, we filed a renewed motion for summary judgment on defendants' ~~remaining defenses~~liability under the personal guaranty. A hearing on that motion is scheduled for July 20, 2018. The case is set for trial on August 6, 2018.

Completed:

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

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

Red Lion Hotels Franchising, Inc. v. First Capital Real Estate Investments, LLC et al., Case No. 17-cv-00145, Filed April 19, 2017 in the United States District Court for the Eastern District of Washington.

Red Lion Hotels Corporation v. Tiya Hospitality, LLC, Case No. CV-2017-902126.00, Filed May 24, 2017 in the Circuit Court of Jefferson County, Alabama.

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

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

Application Fee

You will pay us an application fee of $20,000. You must complete a franchise application, and must pay us a $2,500 non-refundable deposit on the application fee when you submit the application to us for processing. The balance of the application fee is immediately due and payable upon our approval of your application. The application fee is fully earned and non-refundable following our approval of your application. If for any reason we do not grant you a franchise, or you withdraw the application prior to our approval, if you have already paid the entire application fee then it will be refunded to you, less the $2,500 deposit. If we approve your application subject to certain requirements, we may revoke our approval if you fail to meet those requirements. Upon the revocation of our approval, we will refund your application fee less the deposit, as described above.

Initial Marketing Materials

You will purchase initial marketing materials from us, which includes advertising brochures and displays. The cost of the initial marketing materials typically ranges from $10,000 to $20,000 depending on the initial marketing materials and set-up costs that you require based on various factors, including the size of your Hotel, the type of property and your market location. This amount will be due in a lump sum and payable when billed, typically when you receive your first monthly invoice after opening your Hotel. This fee is non-refundable.

Other Initial Fees

We will provide, or engage a third party to provide, the training programs required for your staff. We estimate these costs to range from $8,000 to $20,000. The invoice for this fee will be issued to you after completion of the training program. This fee is non-refundable. You are also responsible for the costs of your staff's salaries, training materials, travel and living expenses while your staff attends training, which costs are not included in the estimate provided.

ITEM 6. OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (Note 1)
Monthly Royalty	$50 per room~~,~~ per month.	Payable monthly	See Notes 1-4.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (Note 1)
Fee		by the 15th day of the following month	
Reservation Fees	Range from $1.75 to $9.50 per reservation	Within 15 days of billing if invoiced. If ACH, on the 15th of the month.	See Note 5.
Group Bookings ~~m~~Made EZ	$100-$200 per reservation based on number of room nights	As billed	This is an administrative fee charged by us to help defray some of the costs incurred by us in generating group leads for you. No additional commission is payable to us.
Third-Party Distribution Program Fees	Varies based on third-party fees	As incurred	These fees are payable to us in connection with the processing of certain transactions associated with our Third-Party Distribution Program, and includes an administrative fee for our services. See Note 6.
Online Travel Agency Commission Settlement Fee	Currently may be up to $0.85 per transaction	As incurred	See Note 7.
Guest Satisfaction Program	$25 per issue, unless the issue is not resolved and closed within 48 hours of communication to the Hotel, then $75 per issue. If Guest Relations team is required to resolve issue, then $125 per issue. Hotel pays the cost of sales on all comps or other guest recovery items offered.	Varies	All guest issues are logged as a case in the CRM platform with Level 1 escalation notification being the property's General Manager. If the General Manager does not close the case within 48 hours, a supplemental notification will be sent to the General Manager and our franchise operational leadership. If the case is still not closed after 72 hours, our Guest Relations team lead will resolve the guest issue and close the case. You must pay all charges and administrative fees in connection with guest complaint resolution. Prices are subject to change.
Quality Assurance Annual Inspection	Currently, $350-$2,300; at least once per year, plus travel (not to exceed $300), meals and lodging expenses. If your Hotel fails the quality inspection, a re-inspection will be required at an additional fee of $1,000 plus travel (not to exceed $300), meals and lodging expenses.	As incurred	Inspection and travel fees shall be paid to Red Lion, its affiliate or a third party, as applicable, for the inspection process. Prices are subject to change. See Note ~~7~~8.
Brand Conference	$75 per month	Payable monthly by the 15th day of the following month	Red Lion will admit one individual per property to Red Lion's Brand Conference. Typically, Brand Conferences are held annually. Conference attendees pay travel, wages, and all personal expenses. See Note ~~8~~9.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (Note 1)
Service Charges for Overdue Payments	Lesser of 1½% per month or the maximum rate permitted by applicable law	Upon demand	You must pay service charges if you do not make any payment when due. Our acceptance of your payment of any deficiency will not waive our right to terminate the Franchise Agreement under its terms.
Insurance	Varies	As billed	If you do not obtain or maintain the required insurance or policy limits described in the Manual, then we can (but are not obligated to) obtain and maintain the insurance for you without first giving you notice. If we do so, then you must immediately pay us the premiums and the cost we incurred when we request you to pay. See Item 7.
Taxes	Varies	Upon demand	If any sales, use, gross receipts or similar tax is imposed on us for the receipt of any payments you are required to make to us under the Franchise Agreement, then you must also pay this tax to us.
Indemnification	Varies	Case by case basis as incurred	You must reimburse us for all payments made, and expenses incurred, by us or our parent, subsidiaries or affiliates due to any claim, demand, tax, penalty, or judicial or administrative investigation or proceeding arising from any claimed occurrence at your Hotel or to remedy any default under your Franchise Agreement, including attorneys' fees and court costs we reasonably incur to protect us, our parent, subsidiaries or affiliates. See Note ~~9~~10.
Processing Fee for "Permitted Transfers"	$20,000 (plus additional processing fee of $2,500 if transfer requires securities registration)	When you submit transfer consent request	If you propose a "Permitted Transfer" (not a Change of Ownership – see Item 17), you must submit a Permitted Transfer Consent Request with all required information and the non-refundable processing fee.
Fees for Change of Ownership	Proposed owner must submit an application and pay the then-current application fee.	Upon or before execution of the Franchise Agreement	Any proposed transfer that does not qualify as a Permitted Transfer will be considered a Change of Ownership. If there is a proposed Change of Ownership and proposed owner desires to continue to operate the Hotel in accordance with the System Standards, proposed owner must submit an application for a new franchise agreement and pay the then-current non-refundable application fee. We also require the proposed owner to comply with a property improvement plan ("PIP") in the event we determine there are renovation requirements for the Hotel.
Public Offering Processing Fee	$2,500 and any additional costs we may incur in reviewing your documents, including reasonable attorneys' fees.	When you submit request for approval of public offering	

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (Note 1)
Administrative Fee for other requests	$2,500 and any additional costs we may incur in reviewing your documents, including reasonable attorneys' fees .	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.
Default Remedies	You shall reimburse us for all our costs and expenses we incur to remedy your default. In addition to any other remedy, in the event of a monetary Event of Default that results in suspension of Reservation System services, you shall pay an administrative fee for resumption of services. Currently the fee is $1,000.	Case by case basis as incurred	Our expenses may include attorneys' fees (including fees for in-house attorneys), court costs and non-legal fees reasonably incurred to protect us, our subsidiaries or affiliates or to remedy your default.
Termination Fee (Liquidated Damages)	(a) All amounts owed us for periods before termination date, plus (b) the "Termination Fee" calculated as described in Note ~~10~~11.	Within 10 days after date of termination	If we terminate the Franchise Agreement because of your default or if you terminate the Franchise Agreement without cause, you must pay us the Termination Fee as liquidated damages. You also must pay us the Termination Fee if your Hotel closes due to fire or other casualty, and either of us elects to terminate the Franchise Agreement in connection with such termination.
Special Termination Fee	(a) All amounts owed before termination date, plus (b) an amount equal to three times the Termination Fee calculated as described in Note ~~10~~11.	Within 10 days after date of termination	You must pay us the Special Termination Fee if: (1) you cause two or more franchise agreements with us to be terminated within 12 months (between either you or your affiliates and us or our affiliates) - and if we terminate those agreements following your breach or default, you will be deemed to have caused the termination, or (2) your Franchise Agreement terminates as a result of an unapproved transfer to a Competitor (defined in Item 15).
Liquidated Damages for Unauthorized Opening	$5,000 per day that your Hotel is open without authorization and our costs, including attorney's fees	Upon demand	If you open your Hotel before we authorize it to open as a System Hotel, you must pay us liquidated damages to compensate us for damage to our Network Marks. You must also reimburse us for our costs of enforcing our rights.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS (Note 1)
Pre-Opening Termination Fee	If your Franchise Agreement is for the conversion of an existing hotel to the System, a lump sum equal to $1,200 for each ~~G~~guest ~~R~~room approved on the Rider to the Franchise Agreement. If your Franchise Agreement is for the development of a new hotel under the Settle Inn Marks, a lump sum equal to $3,600 for each ~~G~~guest ~~R~~room approved on the Rider to the Franchise Agreement.	Upon demand	You must pay us this lump sum Termination Fee if we terminate the Franchise Agreement for your breach before the authorized opening of your Hotel.
Revenue Management For Hire	$750 to $2,250 per month depending on room count, market and square feet of function space	Payable monthly by the 15th day of the following month	Note ~~11~~12 provides a description of this service which is ~~optional~~required unless your Hotel ~~does not have~~has a dedicated and certified Revenue Manager. Fees are subject to change.
Public Relations & Crisis Management	$1,000 per crisis situation and any out-of-pocket expenses we incur.	As billed	See Note ~~12~~13.
Room Addition Fee (if applicable)	Application Fee divided by number of ~~G~~guest ~~R~~rooms according to Franchise Agreement, then multiplied by the number of additional ~~G~~guest ~~R~~rooms.	When you submit an application to add any ~~G~~guest ~~R~~rooms to the Hotel.	You must submit this application to us before you enter into any agreement to add any ~~G~~guest ~~R~~rooms to the Hotel.

Note 1 - Unless otherwise indicated, all fees described in this Item 6 may not be uniformly applied, are payable to us and are non-refundable. You must pay us by means of an automated payment system using pre-authorized transfers from your bank account (ACH). We may process the transfers at the time any payment is due and owing. Failure to fund your account at the time of an ACH withdrawal will constitute a breach of your Franchise Agreement. In rare circumstances, we may grant a waiver of our ACH requirement and allow a franchisee to pay us by check (in which case we will charge a $200 per check processing fee) or credit card (in which case we will charge a convenience fee (currently up to 4% of the Net Realized Revenue)). "Net Realized Revenue" means your gross revenue less any refunds you have paid.

Note 2 – We may create any programs, and allocate monies derived from Monthly Royalty Fees to any regions or localities. The Monthly Royalty Fee does not cover your costs of participating in any optional marketing programs and promotions offered by us in which you voluntarily choose to participate. These fees also do not cover the cost of operating the Hotel in accordance with the System Standards. Upon ~~thirty (~~30~~)~~ days prior written notice to you, we may increase the Monthly Royalty Fee up to a maximum of ~~three percent (~~3%~~)~~ per calendar year.

Note 3 - You must honor the terms of any discount or promotional programs (including any guest recognition program) that we or our affiliates offer to the public on your behalf and that we decide to adopt for the System, unless we designate the discount or promotional program as one for which an "opt-in" or "opt-out" choice is available. You must also honor any room rate quoted to any guest at the time the guest makes an advance reservation and any complimentary stays provided to hotel guests participating in the programs we adopt for the System.

Note 4 - Your Hotel must participate in the ~~brand loyalty~~guest recognition program (as it may be ~~revised~~modified) for as long as we choose to ~~market a brand loyalty~~offer a guest recognition program. The basic program fees are included in your Monthly Royalty Fee. In addition, you are also responsible for the cost of certain guest amenities that may be provided to ~~brand loyalty~~guest recognition program members. These guest amenities could include, but are not limited to, bottled water, snacks, free rooms, complimentary breakfast, free room upgrade, complimentary upgraded Wi-Fi internet access, or other~~.~~ amenities. We also may run periodic promotions in which guests that participate in our guest recognition 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 guest recognition benefits at your Hotel through the central reservation system ("CRS"). We expect to modify our guest recognition program later this year. We do not anticipate that there will be any cost to you other than a fee payable to us of 10% on redemption stays. See also, Item 11, Guest Recognition Program.

Note 5 – Each reservation is subject to the following fees: $1.75 through Central Reservations System Direct Connect interfaces to associated onward distribution channels; $1.75 through Central Reservations System Internet Booking Engine for Web and Mobile Direct reservations; $4.70 through Central Reservations System Internet Distribution System to onward distribution switch or channel manager providers; $9.50 through Central Reservations System for reservations sourced from the Global Distribution Systems; and $9.50 through the Central Reservations Office for all voice reservations. Separately, you must pay all other costs, including third party costs and fees incurred through the Central Reservation System. Fees are subject to change. In addition, you must pay any relevant travel agencies a commission on room revenue they generate by booking stays at your Hotel. This commission is typically 10% to 18% but may be more in the event we run travel agency promotions.

Note 6 – We participate in ~~all~~most major distribution channels and have established enterprise-level agreements with many of the leading intermediaries. We may enter into arrangements with certain distributions channels and online travel agencies, or OTAs, that allow them to offer your hotel room inventory through their websites including, in some cases, rooms at our Hello Rewards member rates (collectively, the "Third-Party Distribution Program"). If you choose to participate in our Third-Party Distribution Program you must participate in all of our third-party distribution relationships and under the terms and conditions we negotiated, including price terms. If you participate in our Third-Party Distribution Program, you will be responsible for the payment of all reservation fees, including third-party booking fees, GDS fees, and fees associated with the CRO (call center) and CRS, in connection with stays booked at your Hotel through their websites. Those fees are subject to change by the applicable third-parties.

In connection with the Third-Party Distribution Program, we have established an internal centralized payment solution through which we will pay commissions you owe to certain OTAs and other intermediaries on your behalf. You will authorize repayment to us by ACH, and will have an opportunity to reconcile your commissions through our owners' portal. ~~In rare circumstances, we may grant a waiver of our ACH requirement and allow a franchisee to pay us~~

by check or credit card, in which case we will charge a convenience fee (currently up to 5% of the Net Realized Revenue). Through the centralized payment solution, we also may collect revenue on your behalf from certain OTAs and other intermediaries, which we will remit to you. If we reconcile your reservations through our optional Auto Save Program, you will pay us an additional processing fee of, currently 1% of the Net Realized Revenue. " but we may increase it up to 5% of Net Realized Revenue" means your gross revenue less any refunds you have paid.

Note 7 – We may use, or require you to use, a travel agent commission settlement program operated by a third-party provider selected by us. We expect settlement fees to be no more than $0.85 per transaction, but this fee may periodically change as third-party fees increase. These settlement fees may be paid directly to the third-party provider or we may collect them and further remit your payment to the third-party provider, less an administrative fee per transaction.

Note 78 – You must participate in all required System quality assurance programs and maintain minimum performance standards and scores that we may establish as required by the System Standards. We may provide these programs through its affiliates or agents. We (or our affiliates or agents) will conduct an evaluation of your Hotel using the System Standards. Your Hotel will be inspected a minimum of one time per year. The inspection entails a review of Hotel operations. At the conclusion, the results of the inspection will be delivered to your Hotel management. A copy of your results, in a written and numerical report, will be provided to the Hotel management and to us. Your Hotel must write off folio charges (room, tax, food and beverage and incidental charges) for the inspector. We may require additional inspections if your Hotel's total score is below an acceptable level. You must pay the costs of all inspections. The cost, frequency and methodology of inspections may change from year to year.

Note 89 – Our Brand Conference interfaces with our President's Circle Program (the "Program"), which is intended to recognize and motivate sales and catering associates to exceed individual, quarter and annual booking goals. You must participate in the Program, which participation will include completion of quarterly audits of goal performance of the Hotel; submission of quarterly booking results to the National Sales Office Sales Administrator; attendance by the Hotels' Director of Sales at Red Lion's annual Brand Conference (at your expense); and, in the event that your Director of Sales is selected as a Program winner, participation by your Director of Sales in Red Lion's annual Program winner's incentive trip (at your expense, which shall include a payment to us up to $2,500 for lodging and food, plus additional out-of-pocket expenses to you for travel and entertainment). You will pay us between $695-750 for the Hotel's Director of Sales, and each additional attendee, to attend the Brand Conference.

Note 910 - You must also defend us, our parent, and its subsidiaries or affiliates and any officers, directors, employees, agents, successors and assigns. However, we retain the right, through counsel of our choice to control any matter to the extent the matter directly or indirectly affects us, our parents, or their subsidiaries, affiliates, officers, directors, employees, agents, successors or assigns.

Note 1011 - The Termination Fee will be $1,000 multiplied by the number of Gguest Rrooms in your Hotel.

Note 1112 - The optional Red Lion centralized "revenue management for hire" ("RMFH") program provides you with the services of a Director of Revenue Strategy. This includes a

dedicated and certified revenue management leader providing direct oversight over all aspects of subscribing hotels' price positioning, inventory management and distribution strategies and management of the RMS. Additionally, we require dedicated revenue management services and may require the use of our RMFH program in the event you do not have a dedicated person carrying the title of Director of Revenue Management, Inventory Manager, Revenue Manager, Revenue Analyst, or a similar position. An ~~on~~ on-property revenue management resource must have at least two years of dedicated revenue management hotel experience, be a college graduate, and certified on the RMS. Certification costs are $1,095 per person. We do not represent or warrant that your Hotel's performance will improve as a result of participating in our revenue management program and we are not liable for poor performance.

Note ~~12~~13 - In the event we deploy our public relations and crisis management team as a result of a situation at your Hotel, 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 Hotel for the benefit of the System, us or RLHC and our and their 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

SETTLE INN HOTEL (Note 1) – 80 ROOMS

YOUR ESTIMATED INITIAL INVESTMENT					
Type Of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
	New Development	**Conversion**			
Application Fee	$20,000 (Note 2)	$20,000 (Note 2)	~~Lump Sum~~Two installments	Deposit due ~~U~~upon submitting application, balance due upon our approval of application	Red Lion
Sign Survey	$2,000 to $2,500 (Note 3)	$2,000 to $2,500 (Note 3)	Lump sum	Before preparation of plan	Supplier or Red Lion
Real Estate, Legal and Title Expenses	Variable (Notes 1 and 4)	Variable (Notes 1 and 4)	As arranged	As arranged	Suppliers
Improvement Costs (Note 5)	$5,200,000 to $6,640,000 (Note 6)	Variable (Note 7)	As arranged	As arranged	Suppliers
Permits, Plans, Architectural/ Engineering Fees, Testing and Contingency	$235,000 to $380,000	Variable (Note 7)	As arranged	As arranged	Suppliers, governmental agencies
Furniture, Fixtures and Equipment	$200,000 to $546,000	$10,000 to $546,000	As arranged	As arranged	Suppliers

YOUR ESTIMATED INITIAL INVESTMENT					
Type Of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
	New Development	**Conversion**			
Minimum Computer Costs – Central Reservations workstation costs (if applicable) (Note 8)	$180,000 to $240,000 (Note 9)	$90,000 to $150,000 (Note 9)	As arranged	30 days before opening	Suppliers
Organizational Expense (Note 10)	$50,000 to $300,000	$50,000 to $300,000	As arranged	As arranged	Accountant Attorney
Initial Operations, Initial Inventory, Pre-Opening Expenses, Advertising and Grand Opening (Note 11)	$15,000 to $30,000 (Note 12)	$15,000 to $30,000 (Note 12)	As arranged	As arranged	Suppliers and Red Lion
Signs (Note 13)	$8,000 to $25,000	$8,000 to $25,000	As arranged	As arranged before opening	Suppliers
Expenses for Required Training	$8,000 to $20,000 (Notes 14 and 15)	$8,000 to $20,000 (Notes 14 and 15)	As arranged	As arranged	Red Lion and suppliers
Insurance	$15,000 to $55,000 (Note 16)	$15,000 to $55,000 (Note 16)	As arranged	As arranged	Insurer
Interest on loans	Variable (Note 17)	Variable (Note 17)	As arranged	As arranged	Lenders
Miscellaneous Opening Costs (Note 18)	$40,000 to $75,000	$10,000 to $30,000	As arranged	As arranged	Utilities, third parties
Contingencies (Note 19)	$400,000 to $600,000	Variable (Note 7)	As arranged	As arranged	Contractor Suppliers
Additional Funds (during the first 3 months of operation) (Note 20 and 21)	$50,000 to $75,000	$50,000 to $75,000	As arranged	As arranged	Employees, suppliers, utilities
Total (Note 20, 21 and 22)	**$6,423,000 to $9,008,500**	**$278,000 to $1,253,500**			

Note 1 – We have estimated costs based on ~~a~~an 80-room, ~~three story~~three-story Settle Inn Hotel that provides minimal food and beverage, a land area of 2.0 acres, and a building area of 13,000 square feet on each floor.

Note 2 – We require payment of a non-refundable deposit when you submit your application, with the balance due upon our approval of your application. The application fee for a Hotel is $20,000, regardless of the number of rooms. If we do not approve your application and you have already paid the entire application fee, the application fee less the $2,500 deposit will be refunded to you. Once we approve your application, the application fee is non-refundable.

Note 3 – This includes the survey supplier's cost to travel to your Hotel. We do not require you to have a sign survey completed prior to the opening of your Hotel. However, if it is determined that your Hotel signs do not comply with any applicable local municipal requirements, you are responsible for installing signs that comply with any applicable local municipal requirements and any costs associated therewith, including obtaining any necessary sign surveys.

Note 4 – It is difficult to estimate real estate costs. These costs vary widely by reason of location, size of parcel, competitive market conditions and type of interest acquired. Typical locations include secondary and tertiary markets in suburban, rural, business districts, and airport locations with a land area of approximately 2.0 acres and a building area of approximately 13,000 square feet on each floor. Additional costs incident to Real Estate may include legal fees and title recording expenses, all which will vary by location.

Note 5 – Your Franchise Agreement contains a deadline by which construction or work must begin and be completed. You may request a 90 day extension of this deadline under the terms set forth in the Franchise Agreement. The fee for each extension is $5,000. This fee is non-refundable once the request has been approved.

Note 6 - Construction costs may vary due to unusual conditions associated with site preparation, foundations, etc.

Note 7 - In a Change of Ownership or Conversion situation, you will incur costs to bring your existing property into conformity with the System Standards as specified in your Franchise Agreement. We cannot estimate these costs at this time as they vary significantly based upon the amount, type and physical condition of the hotel's existing property, fixtures, equipment, furnishings, furniture, signage, and similar items.

Note 8 - These estimated amounts include the costs of hardware, software and installation (see Item 8 of this Disclosure Document). For a new development, this estimate includes the costs of all systems. For a conversion, this estimate includes the cost of the reservation system only.

Note 9 – These amounts include the cost of the telephone system but do not include telecommunication connectivity.

Note 10 – Actual cost depends on work done by accountant and attorney, and standard regional rates.

Note 11 - Pre-opening advertising costs may vary by market and include the expenses you incur for billboard and other advertising to announce your presence in the local market and in all key markets identified in your Hotel business plan. Markets include travel agencies, corporations and consumers. This includes the amount you will pay to Red Lion for the initial marketing materials described in Item 5.

Note 12 –These amounts include payroll costs of the general manager, assistant general manager and one maintenance employee for a period of two to three months during the startup phase of the Hotel. The range of these types of expenses is large because the start-up costs of a newly constructed Hotel can be much more than for a Conversion or a Change of Ownership. This expense is difficult to estimate for a newly constructed Hotel. For a Conversion or a Change of Ownership Hotel, this expense should be comparable to what was experienced before conversion plus new required supplies and appropriate public relations activity to support brand opening.

Note 13 - Signs include freestanding signs and primary identification for the building. The amount includes installation, freight, foundation and wiring.

Note 14 - We will provide, or engage a third party to provide, the training programs required for your staff. You are responsible for the costs of your staff's salaries, training materials, travel and living expenses while your staff attends training, which costs are not included in the estimate provided.

Note 15 – This estimated range of costs reflects the typical range of days of training provided to franchisees and includes the cost of the training program provided by a third party and the lodging and travel expenses for such third party trainers. If you request or require additional training, we will charge additional training costs based upon the number of days of additional training provided.

Note 16 - You must maintain, at your expense, insurance of the types and in the minimum amounts we specify, whether in the Manual or otherwise in writing. This insurance must be with insurers having minimum ratings we specify, name as additional insureds the parties we specify, and carry the endorsements and notice requirements we specify, whether in the Manual or otherwise in writing. Insurance premiums vary widely by reason of location, size of hotel and type of coverage purchased and are difficult to estimate.

Note 17 - Interest costs vary widely due to your location, size of your Hotel and type of loan and cannot be estimated.

Note 18 - Miscellaneous opening costs include security deposits, utility deposits and business permits. These figures are estimates and will vary by locations.

Note 19 – The term "Contingencies" refers to unanticipated construction cost overruns and other unanticipated expenses.

Note 20 - Additional funds are those funds required during the first three months of operation, including other payroll costs (see Note 14 above), utility costs and expendable supplies. They also include the costs of travel agent commissions, costs charged by telecommunications carriers for connection to the central reservation system, team opinion surveys and other programs, Internet access for special marketing programs, all of which you currently must pay directly to the providers; in the future, we may pay the providers on your

behalf and then bill you for those amounts plus a reasonable transaction charge to cover our costs. These costs are difficult to estimate for a new development. Your costs will vary depending upon factors such as your management skill, experience and business acumen; local economic conditions; prevailing wage rates; and competition. This does not include royalties, marketing and reservation fees, or management fees, each of which will be a percentage of your revenues.

Note 21 - The terms you negotiate with outside suppliers or third parties or that we may negotiate with authorized vendors (see Item 8) govern the refundability of all payments to those outside suppliers, third parties or authorized vendors, respectively.

Note 22 – Total Development Costs for a newly-constructed hotel are much more than for conversion of an existing hotel to a System Hotel, and so they are reflected separately. The other expenses likely to be incurred during the first three months should be comparable for a new hotel and a converted hotel and vary depending upon the market.

We have relied on our and our affiliates' management's years of experience in the lodging business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to pay us any money or enter into a Franchise Agreement with us.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Specifications and Suppliers

This Item describes your obligations to buy or lease from us or our designees, from suppliers we permit you to use, or in accordance with our specifications.

All franchisees must build, furnish, equip and supply their hotels in accordance with the System Standards. We review, modify and implement product standards and specifications. We may periodically modify and update the System Standards to reflect operational requirements, advances in technology, improved methods of manufacture, new materials and structures, new products, improved prices and other factors. We may (but are not obligated to) seek input from our Brand Advisory Board (described in Item 20) in connection with material changes to the System Standards or the Manual. We currently issue, modify and update specifications by giving you written notice in the form of updates to the Manual. We may periodically require you to modernize, rehabilitate or upgrade your Hotel's fixtures, equipment, furnishings, furniture, signs, computer hardware and software and related equipment, supplies and other items to meet the then current System Standards. You are responsible for the costs of implementing all changes required because of modifications to the System Standards.

You must comply with our System Standards regarding the purchase of products and services, including furniture, fixtures, equipment, food, operating supplies, consumable inventories, merchandise for resale to be used at or sold from the Hotel, in-room entertainment, property management, revenue management, telecommunications and telephone systems, long distance services, signs/environmental graphics, customer satisfaction measurement programs, uniforms, materials with logos, property print advertising, guest assistance program, computer networking and other computer and technology systems, and any and all other items used in the operation of the Hotel (collectively, the "Supplies"), including our specifications for all Supplies. You must also maintain acceptable product quality ratings at your Hotel and maintain the Hotel in accordance with the Manual. In some cases, we may require you to purchase a particular

brand of product ("Required Brand"), however, you may purchase this Required Brand from any authorized source of distribution. We do not require any purchases from us or our affiliates.

You must install, display, and maintain signage displaying or containing the Settle Inn Marks and other distinguishing characteristics in accordance with plans and System Standards we establish for System Hotels.

You currently may purchase the furniture, fixtures and equipment ("FF&E") and other supplies for your Hotel from any source as long as the System Standards are met. However, photography services (for display on the Corporate and Hotel-Specific Websites and other third party sites used in connection with the Reservation Service and all marketing) and certain amenities must be purchased from a supplier approved by us in the authorized vendor network. In the future, we may require you to purchase FF&E and supplies and other services from a supplier approved by us, or we may require you to purchase a particular brand or model of suppliers or equipment that is available from only one source, and we may derive profit as a result of those purchases. We also may use, or require you use, a travel agent commission settlement program, which may include a mandatory pay-by-ACH form and certain settlement fees, operated by a third-party provider selected by us (See Item 6).

Suppliers we approve become members of our authorized vendor network and are labeled "Authorized Vendors." We publish and distribute the authorized vendor network listing from which you may select products ~~or~~and services offered by Authorized Vendors. You are required to immediately cease any purchasing from Authorized Vendors upon expiration or termination of your franchise for any reason. We evaluate suppliers based on many factors, including: (i) the quality and cost of the products or services; (ii) the supplier's established history in serving the Network Hotels with products that consistently meet or exceed the System Standards; (iii) the level of support and recognition of the supplier by us and our franchisees, as well as the System's demand for those products/services; and (iv) the supplier's ability to service the needs of the System. Authorized 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.

If you want to use a product, or a particular brand or model, that has not been specified as having met our System Standards, or if you want to purchase from an unapproved supplier an item that must be purchased from an Authorized Vendor, then you can submit a written request for us to approve the product or supplier. We may require certain information or samples which you must provide at your expense. We will review all of the pertinent information. While we have no obligation to respond within a certain time frame, our review typically takes 30 days to complete. Other than the quality and price benefits described above, we do not provide any material benefit to a franchisee based on a franchisee's use of designated or pre-approved suppliers, except that your purchase or lease of goods or services as required is an essential element of your compliance with the Franchise Agreement and the System Standards, and your failure to do so is a breach of the Franchise Agreement and may result in your loss of material benefits, up to and including the termination of the Franchise Agreement.

We may receive volume based allowances from certain Authorized Vendors with whom we have negotiated contracts, generally as a percentage of net or gross sales made by franchisees or by Network Hotels we own or manage. The allowances we receive generally range from 2% to 5% of net or gross sales on such items as FF&E, operating supplies and

equipment, merchant processing, and food and beverage products from purchases made by franchisees or by Network Hotels we own or manage.

Neither we nor any of our affiliates currently is an exclusive supplier of any product or service used to operate your Hotel, although we 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, n~~None of our officers owns an interest in any authorized or recommended suppliers.

Management and Entertainment Technology Systems

You must purchase and maintain property management, revenue management, central reservations, in-room entertainment, telecommunications, and other computer and technology systems we designate as System-wide (or area-wide) programs based on our assessment of the best interests of hotels using the System, considering the interest of the System as a whole, as set forth in the Manual or otherwise in writing. You will not maintain more than one property management or revenue management system in connection with the operation of the Hotel unless directed or first approved by us in writing. All reservations will be processed and all revenue reported through the property management and revenue management system.

Guest Survey

We have instituted a uniform guest survey system in which you must participate. We may implement a different program at any time. A company specializing in customer feedback, unaffiliated with Red Lion, administers the program. You will be provided with training information for your Hotel employees to effectively monitor and respond to the guest survey program. Guest surveys are electronic and generated automatically upon daily departures. Based on the survey scores, you and we will be provided with a summary of your Hotel and comparative information from other hotels through a web-based program. The purpose of this program is to assist you in providing a high level of customer satisfaction which is consistent through the system and provide the Hotel and Network Hotels with objective actionable feedback from customers.

Reservation Service

We will provide a reservation system for your Hotel and other Network Hotels. We also will provide advertising, promotion, publicity, system programs (including the Third-Party Distribution Program) and related programs (this does not include booking fees, transaction fees, or commissions) as we reasonably determine to be appropriate for the entire Network. You must exclusively use the "Reservation Service," defined as follows, for reservation referrals. The Reservation Service includes all "Voice" (defined as all phone-based reservations other than those answered at the Hotel location), "Central Reservation System" or "CRS" (defined as the Central Reservation System technical and human resources used by Red Lion in the reservation fulfillment process), "GDS" (defined as the Global Distribution Systems connected to the CRS, examples of which are Galileo, Amadeus, and Worldspan and their successors and affiliates), "OTAs" (defined as Online Travel Agencies connected to the CRS, examples of which are such third party intermediaries as Priceline, Booking.com, Hotwire, and

Expedia) providing travel products for sale electronically to travel agents, corporations, meeting planners, and consumers), "Corporate and Hotel-Specific Websites" (defined as the web and mobile direct booking engines of the brand), "Internet" (defined as the World Wide Web connections to the CRS), "Extranet" (defined as online fulfillment products directly or indirectly connected to the CRS) and "Electronic" (defined as automated applications connected to the CRS, including third party switches connecting CRS to outside distribution sources) channels used by Red Lion and the group booking activity of Red Lion. We may add or delete elements of our Reservation Service. You may be required in the future to purchase computer terminal equipment and software compatible for use with the Reservation Service. Although you must use the Reservation Service, you may also use other reservation services to refer reservations to (but not by and from) your Hotel.

Insurance

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

- commercial general liability (CGL) insurance for any claims or losses arising or resulting from the operations/premises of the property with combined single limits of $1,000,000 per occurrence for bodily injury and property damage liability and a general aggregate limit not less than $2,000,000. Limits may be met by a combination of CGL and umbrella or excess liability insurance policies on a follow form basis, with a combined limit not less than $5,000,000;
- property and contents insurance (or builder's risk insurance during any period of construction) on all building(s) and contents against loss or damage by fire, lightning and all other risks associated and covered by the "all risks" policy form, all in an amount not less than 90% of the replacement cost;
- boiler and machinery insurance against loss or damage from explosion of boilers or pressure vessels, to the extent applicable;
- business interruption insurance covering at least 12 months loss of profits and necessary continuing expenses for interruptions caused by a covered occurrence;
- workers' compensation insurance in statutory amounts for all your employees and employer's liability insurance in amounts not less than $500,000 per accident or disease;
- liquor liability (applicable only when or if you distribute, sell, serve, or furnish alcoholic beverages) for combined single limits of bodily injury and property damage liability of not less than $1,000,000 per occurrence;
- automobile liability insurance including owned, non-owned and hired vehicles for combined single limits of bodily injury and property damage of not less than $1,000,000 per occurrence; and
- garage-keeper's liability to the extent that 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 Franchise Agreement and on an annual basis.

Signature Moments and other Brand Requirements

For most of the Red Lion Brands, we have established a series of features that are designed to make the hotels noteworthy from a guest perspective; we call these (regardless of brand), "Signature Moments." Some are required (as indicated by √, below); some are strongly recommended (as indicated by **♥,** below). These are in addition to other System Standards that we may establish, including the key System Standards identified below. We will assist you in locating sources of any of the goods or services necessary to implement these Signature Moments, and may require you to procure any of these goods and services from a specific source (which has not been determined, except as noted above).

Entrance & Exterior
√ Outdoor dining area and bbq
√ Bicycles
♥ Outdoor exercise area
♥ Lighting the Landscape
♥ Bold, bright colors
♥ Paint outside the lines
♥ Pool ambience

Lobby
√ Welcome mat
√ Board games and ping pong tables
♥ Chalkboard wall

Guest Room
√ Barware and flatware
√ Amenities line
√ Terry program
√ Bed and bedding package
√ Signature Pillow
√ Kids Welcome Kit
♥ Accent wall

Food & Beverage
√ In-lobby coffee
√ 24-hour market
♥ Refilling station
♥ Vending machines

Other key System Standards include: Settle Inn-branded operating supplies and equipment; HelloWiFi standard; and uniform style. We may periodically change our System Standards or Signature Moments.

General

In the year ended December 31, 2017, RLHC received $208,561 from vendors based on purchases by all Network Hotels (including our franchisees, licensees, and owned and managed Network Hotels). Neither we nor any other affiliates received revenue from vendors based on franchisee purchases in fiscal year ended December 31, 2017. However, we and our affiliates may do so in the future.

During fiscal year ended December 31, 2017, RLHC and its affiliates and subsidiaries, on a consolidated basis, derived approximately $1,200,000 from purchases of products and services by franchisees, which represents approximately 0.7% of RLHC's consolidated total revenue of $171,926,000.

We currently estimate that the required purchases described above represent approximately 15% to 20% of the cost to establish a new System Hotel 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 Hotel in accordance with the System Standards and to remove any deficiencies in your Hotel'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 authorized vendors.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section In Franchise Agreement**	**Disclosure Document Item**
a. Site selection and acquisition/lease	6 a.(25) and (26); Attachments A-1 and A-2	Items 7 and 11
b. Pre-opening purchases/leases	6 a. (3), (6) and (8); Attachments A-1 and A-2	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	6 a. (25) and Attachments A-1 and A-2	Items 5, 6, 7, 8, and 11
d. Initial and ongoing training	3 a. and 6 a.(9)	Items 5, 6, and 11 and 15
e. Opening	13 and Attachments A-1 and A-2	Items 6, 7 and 11
f. Fees	7, 11 b.(3)(a) and (b), 11 b. (4), 12(b), 14 c. and 14 e.; Attachments A-1 and A-2 and Rider	Items 5, 6, 7, 11 and 17
g. Compliance with standards and policies/operating manual	1 d. and l. and 7; Attachments A-1 and A-2	Items 8, 11, 13, 14, 15 and 16

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section In Franchise Agreement**	**Disclosure Document Item**
h. Trademarks and proprietary information	1, 4, 5, 6 a. (23) and 14 d.	Items 13 and 14
i. Restrictions on products/services offered	6 a.	Items 8 and 16
j. Warranty and customer service requirements	6 a.	Items 6, 8 and 11
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	1 d. and l., 3 g. and 6 a.	Items 6, 8 and 11
m. Maintenance, appearance and remodeling requirements	6 a. (3), (6), (13) and (18) and 6 b.	Items 8 and 11
n. Insurance	6 a.(32); Attachments A-1 and A-2	Items 6 and 7
o. Advertising	3 d., 5 c., 6 a.(11) and (20)	Items 6 and 11
p. Indemnification	9, 11 b.(4), 17 i..; Guaranty	Item 6
q. Owner's participation/management/staffing	6 c.	Item 15
r. Records and reports	8; Guaranty	None
s. Inspections and audits	6 a.(18)	Items 6 and 8
t. Transfer	11	Item 17
u. Renewal	Not Applicable	Item 17
v. Post-termination obligations	14 c., d. and e.	Item 17
w. Non-competition covenants	6 a.(24)	Item 17
x. Dispute resolution	15	Item 17

ITEM 10. FINANCING

Brand Standard Equipment Loan

At our sole discretion and upon approval of your credit, we may finance a portion of certain initial or replacement personal property improvements at your Hotel, as required by your Property Improvement Plan and as such improvements comply with the System Standards ("Equipment Loan"). The Equipment Loan only applies to personal property improvements related to your Hotel that are required under the System Standards, including televisions, Wi-Fi networking equipment, beds and coffee programming equipment. We may change the types of equipment that may be financed through an Equipment Loan.

The Equipment Loan shall bear interest, at our sole discretion, at a rate of 0-5% in an amount up to but in no event exceeding $250,000. If we approve you for an Equipment Loan, you must sign our form of Hotel Improvement Financing and Security Agreement and our form

of Promissory Note ("Loan Documents"), attached to this disclosure document as Exhibit F. Personal guaranties are required in the form set forth in Exhibit F to be executed by the principal(s) in the ownership of the Hotel, with joint and several liability, as determined by us. The Equipment Loan principal amount shall be amortized over the term of the Note and the Note payment shall be in either 12 or 24 months after the note is signed.

Any default under the terms of either the Franchise Agreement or the Promissory Note shall be deemed a default of both the Franchise Agreement and the Promissory Note and we may pursue its remedies as available under the Franchise Agreement and Promissory Note. On default, the note will bear interest at the rate of 18% per year or the maximum rate permitted by applicable law, whichever is lower. You must also pay our costs of collection or costs of exercising its remedies, including internal or external attorneys' fees.

The Promissory Note may be accelerated upon default and provides for a waiver of presentment, demand for payment, protest, notices of protest, dishonor, nonpayment of the Promissory Note and all notices of every kind are waived by you. The Note contains no pre-payment penalty.

You shall grant us a continuing first priority security interest in the property acquired within the Loan Documents to secure the payment and performance in full of all of your obligations until such obligations are satisfied in full. You shall further authorize us to file financing statements with all appropriate jurisdictions in order to perfect or protect our interest or rights.

In the event you do not substantially follow the processes set forth in the Loan Documents, we shall have no duty or obligation to advance funds to you. All funds disbursed by us will be provided directly to the vendor if such Improvements are managed through the Red Lion affiliate purchasing department. In the event you are using your own vendors, payment shall be made directly to you upon receipt of approved (in its absolute and sole discretion) information we require provided that such Improvements comply with our System Standards.

You may not assign the Loan Documents at any time except with our express written consent.

We may discontinue the Brand Standard Equipment Loan program at any time.

It is not our practice or intent to sell, assign or discount to a third party all or part of the Loan Documents, nor do we receive any consideration for placing the Loan Documents with a lender.

Except for the Brand Standard Equipment Loan program, neither we nor our affiliates offer, directly or indirectly, financing arrangements to franchisees.

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

After you sign the Franchise Agreement, but before you open your Hotel, we will (at our discretion):

- Provide you with a copy of our Manual (currently, 71 pages), which contains System Standards and suggested specifications and procedures and may be provided in an electronic medium, including by download from our website. The Manual is confidential and remains our property, and you must return it to us upon the expiration or earlier termination of the Franchise Agreement for any reason. (Franchise Agreement, Paragraph 3.f.) The table of contents of the Manual is provided here as Exhibit H and includes page numbers.

- Assign a project manager to you. You or your representative must meet with us at a location selected by us, within 45 days following the date of your receipt of a request from us for consultation and coordination with the project manager that we assign to you. (Franchise Agreement, Attachments A-1 and A-2). We do not lease the premises to you.

- Approve the architect and engineer who is to prepare the plans and specifications for your Hotel and your contractor. Upon our request, you must submit the architect's and the engineer's resumes and those of your contractor and any additional information concerning their training, experience and financial responsibility as we may request before your plans are submitted. (Franchise Agreement, Attachments A-1 and A-2).

  Upon our request, you also must submit the above information about your general contractor and major subcontractors for our approval before construction work begins. We may condition our approval upon the bonding of your contractors. (Franchise Agreement, Attachments A-1 and A-2).

- Review the plans, layouts and specifications, drawings and designs for constructing and furnishing your Hotel, including guest suite areas, and grant or deny approval. You may not start construction until you receive our approval. Once you receive our approval, you may not make any material changes to the plans without our advance consent. (Franchise Agreement, Attachments A-1 and A-2).

- Inspect your location and the course of construction or work at your Hotel to determine whether you are proceeding in accordance with the approved plans, the Franchise Agreement, the System Standards and the PIP, if applicable. You must afford our representatives access to your site and supply us with any samples of construction materials, supplies, equipment, materials and reports that we may request. (Franchise Agreement, Attachments A-1 and A-2).

- Make available to you for use in your Hotel various purchase, lease, or other arrangements with respect to exterior signs, operating equipment, operating supplies and furnishings, which we may have and which we make available to other franchisees of the System. See Item 8 of this Disclosure Document. (Franchise Agreement, Paragraph 3.g.)

- Provide required and optional training programs. (Franchise Agreement, Paragraph 3.a.) See Items 6, 7 and 11 of this Disclosure Document.

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

Operational Phase Obligations

During the operation of your Hotel, we will:

- Consider permitting your Hotel to conditionally open and operate, even though you have not yet fully complied with the terms of the Franchise Agreement, so long as you have signed the Franchise Agreement and are meeting your performance obligations under the Franchise Agreement and if you agree to fulfill all remaining terms of the Franchise Agreement, including any Rider or attachment, on or before the completion date set forth on the Rider, or any extension we approve. (Franchise Agreement, Attachments A-1 and A-2)

- Provide required and optional training programs at various locations. (Franchise Agreement, Paragraph 3.a(1))

- Convene a Brand Conference (no less frequently than every 18 months) at which franchisees may gather to network and participate in educational seminars. (Franchise Agreement, Paragraph 3.a(2))

- Afford you access to the Reservation Service on the same basis as other System Hotels, so long as you are in full compliance with the material obligations set forth in the Franchise Agreement, including all System Standards. We may add or delete elements of our Reservation Service. (Franchise Agreement, Paragraph 3 b.)

- Directly or through one of the Entities, periodically produce and make available to the traveling public a directory of System and Network Hotels, including your Hotel, which directory may take the form of a printed directory, online directory or otherwise. Additionally, we will include your Hotel, or cause your Hotel to be included in national or regional group advertising of System and Network Hotels, and in international, national and regional market programs offered by us or the Entities, all subject to and in accordance with the general practice for System and Network Hotels. (Franchise Agreement, Paragraph 3.d.)

- ~~Afford you access to the Reservation Service on the same basis as other System Hotels, so long as you are in full compliance with the material obligations set forth in the Franchise Agreement, including all System Standards. We may add or delete elements of our Reservation Service. (Franchise Agreement, Paragraph 3 b.)~~

- Administer a quality assurance program for the System which may include conducting periodic inspections of the Hotel, guest satisfaction surveys and audits to ensure compliance with System Standards. (Franchise Agreement, Paragraph 3 e.)

- Provide you with the opportunity to participate in our Third-Party Distribution Program, as long as that program remains in effect. (Franchise Agreement, Paragraph 3.h)

- Provide you with the opportunity to participate in our Auto Save program (unless you have opted out of our Third-Party Distribution Program). (Franchise Agreement, Paragraph 3.h)

- We will indemnify you and your successors and assigns, and the members, officers, directors, employees, agents, predecessors, successors and assigns of each such entity against, and hold them harmless from all costs and expenses of defense, including reasonable attorneys' fees, of any claim of infringement or violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties based upon your use of the Settle Inn Marks and the System Standards. You are required to give us written notice of any action, suit, proceeding, claim, demand, inquiry or investigation which is subject to this indemnification within five days of your actual or constructive knowledge of it. (Franchise Agreement, Paragraph 10).

Computer Systems

You must purchase, maintain and upgrade computer hardware, software and network systems including security systems we designate as System-wide (or area-wide) programs based on our assessment of the long-term best interests of hotels using the System, considering the interest of the System as a whole (Franchise Agreement, Paragraph 6.a.(10)). There are no contractual limitations on the frequency or costs of your upgrades or update obligations with respect to computer hardware, software and networks systems we designate. The initial software implementation costs are estimated to range from $15,000 to $20,000.

You must use the most recent version of the central reservations software and property management software we specify, which we may change. The central reservation system collects and generates business information and data relating to System Hotels' inventory of rooms and specific guest information, including guests' names, addresses, payment information and other personal information. We will have independent access to this information and data and our access to this information and data is not contractually limited (Franchise Agreement, Paragraph 8.c.). You are required to pay all the costs associated with implementing the Property Management System. Additionally, you must ~~use the most recent version of the point-of-sale~~implement an authorized credit card interface ~~we specify in order to reduce risk associated with accepting credit cards for payment~~, with tokenization and point-to-point encryption activated. You also are required to use the guest wireless Internet platform and necessary interfaces we specify in order to integrate with our guest ~~loyalty~~recognition program. We may require additional interfaces in the future. We recommend you obtain an estimate of these costs which will be based on your existing equipment and size of hotel, prior to entering the System. You also must use our approved on hold telephony messaging system provided by our approved vendor. This includes certain equipment that will be provided for installation at your Hotel. The monthly fee for this service is set forth in Item 6.

You must pay for installation/development (and associated fees) of any necessary system(s), interface(s), maintenance of the interface(s), and communication vehicle fees with our central reservations. As indicated in Item 7, we estimate costs associated with our central reservations ranges between $90,000 and $240,000. Additionally, you will be required to pay for telecommunication access to the central reservation offices. This may require adding network hardware and software components (including but not limited to, routers, servers, security devices, switches, hubs and data circuits) approved by us to enable access to and ensure the security and efficiency of the central reservations system. The cost of such hardware generally ranges between $1,000 and $5,000. You may also be required to pay to a third party vendor a monthly telecommunication access fee, with monthly recurring data circuit fees generally between $250 and $1,000, depending on your location and the availability of such infrastructure. Additionally, you must provide a knowledgeable employee or agent at your sole cost and expense to act on your behalf to work with us to establish the connection to our

central reservation system and make any necessary configuration changes to your firewall, network or any other modifications necessary to establish the interface and connection to our central reservation system including fees and expenses for our assistance (see Item 6).

You may purchase the hardware from third party suppliers, or you may lease it through third party lessors. However, the equipment must meet at least the minimum specifications as described in the Manual and must be installed according to the System Standards. We may require you to use our authorized vendors. You must pay for our assistance to determine that the equipment conforms to our System Standards; configuration costs; installation costs; reasonable travel and other expenses of our employees who perform installation or training services; necessary communication vehicles (e.g., phone lines and network connections); and installation fees for connection to communication vehicles. Unless we otherwise agree, neither we nor our affiliates are entitled to or obligated to provide ongoing maintenance to any hardware, software or network system we require.

You must maintain brand specific e-mail addresses approved by us and accessible by the General Manager and other Hotel staff for regular communication and access.

Training

We offer mandatory and optional training courses to franchisees and employees of franchisees as part of the certification process. Employees designated to take training must complete the required training to our satisfaction. In the case of live training, there may be additional training fees involved along with all travel, lodging and other expenses franchisees and their employees incur to attend training. We ~~may~~ also may charge for training materials. We may waive any training, at our discretion, based on factors such as experience of the operator and nature of operation.

Most of our training will be conducted online through our training portal (https://www.knowledge.rlhco.com). Access to the online training portal is available to franchisees and employees of franchisees.

Pre-Opening or Conversion Training

Your key managers (at minimum, general manager, executive committee members and department managers) must attend our online management orientation session(s) before the opening or conversion of your Hotel. In new development, an owner who intends to act as general manager of the Hotel must attend this program within 60 days of beginning construction. The programs familiarize you with our corporate policies, System Standards, revenue management practices, sales and marketing strategies, ~~loyalty~~guest recognition program, and management values and philosophies. Perfect attendance is required to complete the training.

Revenue Manager Certification Training

If you choose to have a dedicated revenue manager rather than using our "revenue management for hire" services, your dedicated revenue manager must have at least two years of dedicated revenue management hotel experience and will be required to attend training and become certified in the use of the Red Lion Revenue Management ~~System~~Software. This training program includes the Certified Revenue Management Executive designation as provided by Hospitality Sales and Marketing Association International that will provide an

understanding of strategies and tactics to maximize revenue opportunities and will provide knowledge to use in making informed decisions to accept or reject business to meet your Hotel's goals. The certification training classes are provided online by a third party service provider, typically require approximately six hours to complete, and currently costs $500. You also will be required to pay $595 for the certification test.

Ongoing Training

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

We require participation in a brand conference for the general manager or owner or owner's representative and your director of sales or on-site sales leader. This conference is conducted by Red Lion and the estimated cost is $695 to $750 per participant regardless of attendance and points will be deducted from the property's quality assurance score if the property is not represented. You also pay the travel, wages, living expenses and miscellaneous expenses of those who attend. Conference program fees and expenses are not refundable.

The following table sets forth the training that will likely be made available through our own centralized training, through affiliate or third party training providers, or through training materials provided to you to conduct on site.

TRAINING PROGRAM

Subject/Program	Hours of Classroom Training	Hours of On the Job Training	Location
Brand Orientation (Note 1) • Pre-opening or Conversion orientation training to familiarize you with corporate policies, standards, revenue management practices, ~~loyalty~~guest recognition program and sales and marketing strategies, management values and philosophies.	2 hours	None	Online
Departmental Service Training (Note 2) • Continuous Improvement Process training for line level associates and managers including management skills, service skills, job skills, etc.	TBD	TBD	TBD
Sales Training (Note 3)	40 hours	TBD	TBD
Food Handler Certification • Preparing and serving food	4 hours	None	At your Hotel, by Hotel Management or its Supplier
Alcohol Awareness Training • Serving alcohol	4 hours	None	At your Hotel, by Hotel Management or its Supplier

Subject/Program	Hours of Classroom Training	Hours of On the Job Training	Location
Reservation Training (Note 4) • On-site or web based to enhance property level reservation training	1-2 hours	None	Online or at your Hotel, by Hotel Management

Note 1 - This training is mandatory for your General Manager and department managers depending upon the specific discipline being presented and must be completed 30 days before the opening or 60 days before the conversion of your Hotel. Replacement general managers must attend periodically scheduled training at other hotels or at our offices. Replacement department managers will be trained on-site by hotel management. Brand Orientation training is conducted by individual(s) with significant hospitality experience. Discipline specific training is conducted by various senior-level department heads.

Note 2 – A specific amount of this training is mandatory for the General Manager and department managers depending upon the specific discipline being presented. These training programs are currently being developed and the specific requirements are to be advised.

Note 3 – This initial training is mandatory for all Sales Managers. They must take the first class offered after they assume their position. Additional ongoing sales training is optional and will be provided at your request.

Note 4 – Training materials are provided by Red Lion and administered on-site by Hotel Management. This training is optional and the training materials are made available to you through a designated reservation training website for use by new employees to complete reservation training or by existing employees for refresher training.

All training is supervised by Heather Russell, Director of New Builds & Transitions. Ms. Russell has 21 years of training experience including 6 years of hospitality training experience with us.

If you hire a replacement for any of the categories of personnel referred to in this Item 11 who must attend a training program, then that person must successfully complete the appropriate training program.

Advertising Information

Periodically, we or our affiliates may pay for various expenses and programs that, in our view, benefit, in the short-term or the long-term, the Red Lion Brands or Network Hotels. We or our affiliates may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services or personnel with any other entity, including our affiliates. Any expenditures are intended for the benefit of the Red Lion Brands and the Network Hotels and we are not obligated to ensure that the System, System Hotels or your Hotel benefit from any expenditures.

You must advertise and promote your Hotel and related facilities and services on a local and regional basis in a dignified manner, in accordance with the provisions of the Franchise Agreement and the System Standards, using our identity and graphics standards for all System Hotels, at your cost and expense. You must submit to us samples of all advertising and promotional materials that we have not previously approved (including any materials in digital,

electronic or computerized form, or in any form of media that exists now or is developed in the future) before you produce or distribute them. You may not begin using the materials until we approve them. You must immediately discontinue your use of any advertising or promotional materials we reasonably believe is not in the best interest of your Hotel or System, even if we previously approved the materials. Any advertising or promotional materials, or sales or marketing concepts you develop for your Hotel that we approve may be used by other hotels in the System without any compensation to you. (Franchise Agreement, Paragraph 6a.(11)).

You are not obligated to participate in any local or regional advertising cooperative. We do not have a franchisee advisory council that advises us on advertising policies, though we reserve the right to establish this council in the future.

You may not engage, directly or indirectly, in any cross-marketing or cross-promotion of your Hotel with any other hotel, motel or related business without our prior written consent, except for the Network Hotels.

Websites, Social Media and Other Online Presence

You may not register, own, maintain or use any domain name, website, email address, social media account, user name, other online presence or presence on any electronic medium of any kind (collectively, the "Online Presence"), relating to Network Hotels or your Hotel or that includes the Network Marks, except as approved in advance by us. The only Online Presence that you may use relating to the Hotel are those assigned or otherwise approved in writing by us. You must obtain our prior written approval concerning any third-party website on which your Hotel will be listed, and any proposed links between the website and any Online Presence ("Linked Sites") and any proposed modifications to same. All Online Presence containing any of the Network Marks and any Linked Sites must advertise, promote, and reflect on your Hotel, the Red Lion Brands and Network Hotels in accordance with the Franchise Agreement and Brand Standards. 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 Red Lion Brands. Given the changing nature of this technology, we have the right to withhold our approval and to withdraw any prior approval to modify our requirements.

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

Your use of all Online Presence (including social media) shall be subject to our System Standards as we may implement during the Term of your Franchise Agreement. You must adhere to our social media and other Online Presence guidelines and procedures, which include but are not limited to: appropriate content, relevance, behavior related to communications, frequency and responsiveness to communications, etiquette, naming conventions and use of the Network Marks and posting messages or commentary on third party websites. We must approve your social media pages and they shall be linked to the System or Red Lion 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.

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

Upon the expiration or termination of the Franchise Agreement, you must irrevocably assign and transfer to us (or to our designee) all of your right, title and interest in any domain name listings and registrations and other Online Presence which contain any references to the Network Marks or any of the Red Lion Brands, and must notify the applicable domain name registrar(s) or other third party of the termination of your right to use any domain name or Online Presence associated with the Network Marks or any of the Red Lion Brands, and will authorize and instruct the cancellation or transfer of the Online Presence to us (or our designee), as directed by us. You also must delete all references to the Network Marks and any of the Red Lion Brands from any other Online Presence you own, maintain or operate beyond the expiration or termination of the Franchise Agreement. (Franchise Agreement, Paragraph 5.c.)

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

~~Online Presence~~

~~Your use of all Online Presence (including social media) shall be subject to our System Standards as we may implement during the Term of your Franchise Agreement. You must adhere to our social media and other Online Presence guidelines and procedures, which include but are not limited to: appropriate content, relevance, behavior related to communications, frequency and responsiveness to communications, etiquette, naming conventions and use of the Network Marks and posting messages or commentary on third party websites. We must approve your social media pages and they shall be linked to the System or Red Lion 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.~~

Guest Recognition Program

We require all franchisees to participate in our guest recognition program or programs, as we may periodically implement or modify them. Currently, our guest recognition program is known as "Hello Rewards," and permits participating guests to accumulate "tokens" (credits) towards complimentary stays in the future. Members of the Hello Rewards program also may receive promotional discounts on reservations; surprise amenities; and other methods of recognition, all of which are designed to be meaningful to the guest but affordable to the franchisee. This is not a points-based system and your basic cost of participating is included in your Monthly Royalty Fee. Additional costs may be incurred by you in connection with the redemption of complimentary stays; providing discounted room nights to Hello Rewards guests booking through designated channels; and amenities that may be provided to Hello Rewards guests.

We expect to modify the Hello Rewards program later this year to create greater incentives for more frequent return stays at Network Hotels. We do not anticipate that there will be any cost to you other than the amount payable to us of 10% on redemption stays. We may

redesign or modify the nature, deployment and costs of our guest recognition program upon 30 days' notice to you.

Time Frame for Opening the Hotel

We require that you begin construction of a new development hotel within 12 months from the date your application is approved. You must complete construction of a new development hotel, receive our authorization for opening and open your Hotel within 24 months from the date we approve your Application. The typical length of time between signing the franchise agreement and the opening of a new development Hotel is approximately one year, and the typical length of time between signing the franchise agreement and the opening of a conversion Hotel is the later of one week or the completion of brand orientation training. The lengths of these time periods may be affected by your ability to obtain a lease, financing or building permits, construction and unanticipated construction delays, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures, signs, etc.

In conversion or Change of Ownership situations, you must upgrade the property to meet our System Standards. We establish a deadline by which you must begin work for Change of Ownership situations on a project by project basis. Generally, the deadline is the date you close on the purchase of the Hotel. Generally, you must complete the requisite upgrades within the 90 days following the deadline. In conversion situations, we determine the commencement and completion deadlines according to the Product Improvement Plan. We determine the deadlines for beginning and completing work for room additions on a project by project basis.

ITEM 12. TERRITORY

We grant franchisees a non-exclusive license to operate System Hotels at a specified location. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. The Franchise Agreement does not limit our right, or the right of any of our present or future owners, subsidiaries, and affiliated entities (the "Entities"), to own, license or operate any other business of any nature ("Other Businesses"), including, but not limited to, a hotel, inn, conference center, resort, time share property, lodging facility or similar business, whether under the Network Marks, or as a competitive brand, or otherwise. We may engage in any Other Businesses, even if they directly compete with your Hotel, the System, or Network Hotels, whether we start those businesses, or purchase, merge with, acquire, are acquired by, or affiliate with, such business(es). We also may: (a) use or license to others all or part of the System Standards; (b) use the facilities, programs, services and personnel used in connection with the System in Other Businesses; and (c) use the System Standards and the Network Marks, in the Other Businesses. Under the terms of the Franchise Agreement, you are not acquiring any rights other than the non-exclusive right to use the System Standards in operating a System Hotel at the site licensed under the Franchise Agreement. Under the terms of the Franchise Agreement, you waive and release any claims, demands or damages arising from or related to any of these activities, which will not give rise to any liability on our part, including liability for claims for unfair competition, breach of contract, breach of the implied covenant of good faith and fair dealing, or divided loyalty.

There currently may be franchised or company-owned Network Hotels situated in or near your area. We and our affiliates or subsidiaries may establish new franchised, company-owned or company-managed Network Hotels in or near your area.

You may compete with any System or Network Hotels in and near your area. There is no mechanism for resolving any conflicts that may arise between franchised or company-owned Network Hotels and franchised System Hotels. Any resolution of conflicts regarding location, customers, support or services will be entirely within your and our business judgment.

We do not permit the relocation of licensed hotels. Your Franchise Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional franchises.

We have and continue to use all channels of distribution, including internet, telemarketing or other direct marketing sales to make sales within your local area / territory using any of the Network Marks or future marks we may acquire or create. We are not obligated to compensate you for sales made within your territory. 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 and training facilities for each Red Lion Brand. Franchisees of all Red Lion Brands may solicit or accept customer reservations within your market area. While we do not anticipate conflicts between franchisees of different brands, we will analyze any future conflict and take action (if any) that we deem appropriate.

ITEM 13. TRADEMARKS

The following service marks are owned by us. We have filed all required affidavits and renewals. We grant you a limited, nonexclusive right to use our System in the operation of your Hotel at a specified location. Following is a non-exclusive list of Settle Inn Marks which we have registered or for which we have started the process of applying for registration on the United States Patent and Trademark Office Principal Register:

SERVICE MARKS REGISTERED ON THE U.S. PATENT AND TRADEMARK OFFICE'S PRINCIPAL REGISTER		
SERVICE MARK	**REGISTRATION NO.**	**REGISTRATION DATE**
SETTLE INN	3070813	March 21, 2006
	~~3360817~~	~~Dec. 25, 2007~~
SETTLE INN & SUITES	3073657	March 28, 2006
	~~3360814~~	~~Dec 25, 2007~~

SERVICE MARKS REGISTERED ON THE U.S. PATENT AND TRADEMARK OFFICE'S PRINCIPAL REGISTER		
SERVICE MARK	**REGISTRATION NO.**	**REGISTRATION DATE**
	5154571	March 7, 2017
	5154570	March 7, 2017
HELLO REWARDS	4918924	March 15, 2016

We claim all applicable common law rights for all of the Settle Inn Marks listed above.

Use of the Settle Inn Marks: Your Duties

We will have the sole right and responsibility to handle disputes with third parties concerning use of the Settle Inn Marks or the System Standards. The protection of the Settle Inn Marks and their distinguishing characteristics is important to all of us. For this reason, you must immediately notify us of any infringement of or challenge to your use of any of the Settle Inn Marks. You may not communicate with any other person regarding any such infringement, challenges or claims and only we and our affiliates will have the right to handle disputes concerning the Settle Inn Marks or the System Standards. We and our affiliates will take the action we and they consider appropriate with respect to such challenges and claims. You must extend your full cooperation to us and our affiliates in these matters. Under the terms of the Franchise Agreement, you appoint us as your exclusive attorney-in-fact, to defend or settle all disputes of this type. You must sign any documents we believe are necessary to obtain protection for the Settle Inn Marks and the System Standards and assign to us any claims you may have related to these matters. Our decision as to the prosecution, defense and settlement of the dispute will be final. All recoveries made as a result of disputes with third parties regarding the System Standards or the Settle Inn Marks will be for our account.

We will defend any claims brought against you for your use of the Settle Inn Marks so long as you use the Settle Inn Marks in conformity with the grant given to you in the Franchise Agreement and in accordance with the System Standards.

Your Hotel will be known initially by the trade name set forth in the Rider (the "Trade Name"). We may change the Trade Name or any of the Settle Inn Marks at any time at our sole discretion. You may not change the Trade Name without our specific written consent.

You will not have the right to use any service marks, copyrights, trademarks, logos, designs, insignia, emblems, symbols, designs, slogans, distinguishing characteristics, trade names, domain names or other marks or characteristics owned by us or our affiliates that we do not specifically designate to be used as part of the System Standards.

You must operate under and prominently display the Settle Inn Marks in your Hotel. You may not adopt any other names in operating your Hotel that we do not approve. You also may not use any of the Settle Inn Marks or Network Marks, or the words "Settle Inn" or "Red Lion" or any similar word(s) or acronyms: (a) in your corporate, partnership, business or trade name except as we provide in the Franchise Agreement, the Manual or otherwise in writing, or (b) in any Online Presence, except as we provide in the Franchise Agreement, the Manual or otherwise in writing, or (c) in any business operated separate from your Hotel, including in the name or identity of any development or business adjacent to or associated with your Hotel. Any unauthorized use of the Settle Inn Marks will be an infringement of our and our affiliates' rights and a material breach of the Franchise Agreement.

You may not prepare any adaptation, translation, transliteration, or work derived from the System Standards, Settle Inn Marks, Proprietary Information (as defined in Item 14) or other proprietary rights without our consent. If we approve such adaptation, translation, transliteration or work derivation, you agree that the derivative work will be our property, and you assign all your right, title and interest in it to us.

Agreements, Proceedings, Litigation and Infringing Uses

There are no agreements currently in effect that significantly limit Red Lion's rights to use or license the use of these Settle Inn Marks in any material manner. Red Lion uses and sublicenses all intellectual property related to the Settle Inn Marks pursuant to a perpetual license from Red Lion Hotels Holdings, Inc. There are no effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or the trademark administrator of any state or any court in the United States involving our Settle Inn Marks. There is no pending material litigation or pending infringement, opposition or cancellation proceedings in the United States that could materially affect the use of our Settle Inn Marks.

We do not presently know of any infringing uses that could materially affect your use of our Settle Inn Marks.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Neither we nor any of our affiliates own any patents, pending patent applications or registered copyrights that are material to the franchise. Although we have not filed an application for copyright registration for the Manual or other written materials, we or our affiliates claim copyright protection for the Manual and for any other written materials we develop to assist you in the development and operation of the Hotel.

We grant you the right to use our Proprietary Information. Our "Proprietary Information" consists of the Manual and all other information or materials concerning the methods, techniques, plans, specifications, procedures, information, systems and knowledge of and experience in the development, operation, marketing and licensing of the System Standards. You must treat the Proprietary Information as confidential. You must adopt and implement all reasonable procedures we may periodically establish to prevent unauthorized use or disclosure of the Proprietary Information, including restrictions on disclosure to employees and the use of

non-disclosure and non-competition clauses in agreements with employees, agents and independent contractors who have access to the Proprietary Information. You must comply with our requirements concerning confidentiality of the Proprietary Information. You may not copy or distribute any part of the Proprietary Information, including the Manual, to anyone who is not affiliated with the System. You must promptly notify us, in writing, when you learn of any unauthorized use of our Proprietary Information. We will respond as we think appropriate.

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

The owners of the franchise are not required to participate in the actual operation of the Hotel. If you are an individual, we do not make a recommendation that you personally participate. If you do not personally manage your Hotel, you must employ an on-premises general manager that is sufficiently skilled and experienced to operate the Hotel or a third-party management company (in either case, a "Third-Party Manager"). We may require our approval of your Third-Party Manager and, in some cases, require a Third-Party Manager as a condition of acceptance into the System. Under all circumstances, as the franchisee, whether you are an individual, corporation, limited liability company, partnership or other entity, you are at all times responsible for the management of your Hotel's business.

We may require a Third-Party Manager to execute an individual undertaking, in a form approved by us, agreeing to protect our confidential information from unauthorized use, access or disclosure, and to use the confidential information only in the operation of the Hotel.

You may not enter into any lease, management agreement or other similar arrangement for the operation of your Hotel or any part of your Hotel with any person or entity without first obtaining our written consent, which consent will not be unreasonably withheld. We may decline to approve a Competitor (defined below), or any entity that is the exclusive manager for a Competitor through itself or an affiliate, to manage your Hotel.

A "Competitor" means an entity that, directly or through an affiliate, owns in whole or in part, or is the franchisor or other owner of a hotel brand or trade name (whether or not licensed) that, in our judgment, competes with the System, irrespective of the number of hotels comprising the competitive hotel brand.

Any Third-Party Manager must have the authority to perform all of your obligations under the Franchise Agreement, including all indemnity and insurance obligations. In the case of any conflict between the Franchise Agreement and the management agreement, the Franchise Agreement prevails.

We require the general manager to attend certain training (See Item 11) and to attend our Brand Conference (see Item 11). A general manager may only manage one Hotel unless we approve otherwise in advance.

We do not require you or your manager to sign an agreement not to compete with us after termination of the Franchise Agreement. However, you may not engage, directly or indirectly, in any cross-marketing or cross-promotion of your Hotel with any other hotel, motel or related business without our prior written consent, except for Network Hotels. You may not copy or disclose any Proprietary Information.

After a review of the financial information submitted with your application, Red Lion determines guaranty requirements. Each required guarantor, who may include, among other persons or entities, the spouse of a participant in the franchise, must sign a Guaranty, by which he or she assumes and agrees to discharge certain of the franchisee's obligations under the Franchise Agreement. A copy of the Guaranty is attached as Exhibit E to this disclosure document.

We do not normally require that your manager have an equity interest in your business. If, however, in our discretion it is in the best interests of the System that your manager has an equity interest in your business, we may condition your obtaining a license or continuing as a franchisee on your manager owning an equity interest in your business.

We may change, add or delete any or all of the standards described in this Item by making changes, additions or deletions to the System Standards regarding your obligations to participate in your Hotel's business. In the event, however, your Franchise Agreement is at any time inconsistent with the System Standards regarding your obligations to participate in your Hotel's business, the provisions of your Franchise Agreement shall govern.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We do not impose any restrictions as to the customers to whom you may sell goods or services. In general, you must comply with our requirements as to the types and levels of services, amenities and products that either must or may be used, promoted or offered at or in connection with the Hotel. You must comply with our requirements regarding Supplies, including our specifications for all Supplies and our policies regarding suppliers from whom you purchase Supplies. High standards are the essence of the System Standards we license to you.

You must operate your Hotel 24 hours a day every day, except as we may otherwise permit based on special circumstances. You must operate, furnish, maintain and equip your Hotel in a clean, safe and orderly manner and in accordance with the provisions of the Franchise Agreement and the System Standards, and in compliance with all applicable local, state, and federal laws, customs, regulations, rules, bylaws, and other ordinances, including maintaining and conducting your Hotel in accordance with sound business and financial practices. You must adopt, use and comply with the System Standards whether set forth in the Manual or otherwise in writing and keep your copy of the Manual current at all times. You ~~must~~ also must provide efficient, courteous and high-quality service to the public.

You may not make any change in the number of approved guest rooms or suites set forth in the Rider to your Franchise Agreement or any other significant change (including major changes in structure, design or décor) in the Hotel without our prior written approval. Minor redecoration and minor structural changes that comply with the System Standards will not be considered significant.

We may periodically require you to modernize, rehabilitate or upgrade your Hotel's fixtures, equipment, furnishings, furniture, signs, computer hardware and software and related equipment, supplies and other items to meet the then current System Standards. These standards will benefit the System as a whole. You must make all these changes at your sole cost and expense. You must also maintain acceptable product quality ratings at your Hotel and maintain the Hotel in accordance with the System Standards. We may make limited exceptions from some of those standards based on local conditions or special circumstances but we are not required to do so.

There is no limit on our right to make changes to the System Standards. We make changes to the System Standards based on our assessment of the long-term best interests of hotels in the System, considering the interest of the System overall. You must comply with all changes we adopt. We may require that you purchase particular models or brands of merchandise for resale to be sold from the Hotel from us or from a source we designate.

You must participate in and use the Reservation Service. You must honor and give first priority on available rooms to all confirmed reservations referred to your Hotel through the Reservation Service. The Hotel must participate in all standard marketing programs and must use all reasonable means to promote the Reservation Service, including, but not limited to, not closing off the Red Lion 800 number until all rooms for the day or period in question are actually sold. The Reservation Service is the only reservation service or system you may use in regard to outgoing reservations referred by and from your Hotel to other Hotels or other reservation services we or the Entities designate.

You must refer guests and customers, wherever reasonably possible, only to Network Hotels and (if and as we direct) any other hotel systems owned or licensed by us or the Entities ("Other Hotel Systems"). You also must display all materials, including brochures and promotional material we provide to Network Hotels and Other Hotel Systems, and permit advertising and promotion only of Network Hotels and Other Hotel Systems on your Hotel premises.

You must participate in, and pay all charges related to, all guest recognition programs we or the Entities require, including but not limited to our current guest reward programs or any successor programs. Currently, you are required to participate in the Hello Rewards guest recognition program, which is described in detail in Item 11. You also must honor the terms of any discount or promotional programs (including any guest recognition program) that we or the Entities offer to the public on your behalf, any room rate quoted to any guest at the time the guest makes an advance reservation, and any award guest certificates issued to Hotel guests participating in these programs.

At our option, we may require you to offer amenities such as a restaurant and lounge, and may require you to offer such other amenities including recreational facilities (pool, whirlpool, exercise room, sauna, etc.), parking facilities, meeting and function space, gift shop and other concessions. The types and quality of the products and services that supplement the above amenities also must comply with our requirements.

You may not conduct or permit gaming or casino operations in the Hotel or on the Hotel premises without our express written prior permission which we may withhold or condition at our sole discretion.

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

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

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
a. Length of the franchise Term	¶13 and Rider	Term is 20 years commencing on the Opening Date.
b. Renewal or extension of the term	Not Applicable	Franchise Agreement is non-renewable.
c. Requirements for franchisee to renew or extend	Not Applicable	Franchise Agreement is non-renewable
d. Termination by franchisee	¶12 b., ¶14 b., c. and e	You may terminate without paying a Termination Fee in the event you experience a casualty loss or fire and you elect not to repair or rebuild the Hotel. If you terminate the Franchise Agreement without cause, you must pay us a Termination Fee (liquidated damages). You must pay us a Special Termination Fee if you cause two or more franchise agreements with us to be terminated within 12 months (between either you or your affiliates and us or your affiliates) -- and if we terminate those agreements following your breach or default, you will be deemed to have caused the termination. See Item 6 for these Termination Fees.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
e. Termination by Franchisor without cause	¶12 a., ¶12 b. and ¶14 e.	**Condemnation.** If your Hotel is condemned, you must give us notice at the earliest possible time. We may agree to transfer the Franchise Agreement to a nearby location you select within four months of your notice of condemnation. But if a new hotel does not become the Hotel under the Franchise Agreement in strict accordance with it (or if it is reasonably evident to us that this will be the case), we can terminate the Franchise Agreement immediately upon notice to you, in which case you must pay us a Termination Fee. See Item 6. **Casualty.** If your Hotel closes due to fire or other casualty, you must immediately notify us, repair or rebuild the Hotel according to the System Standards, commence reconstruction within six months after closing, and reopen the Hotel for continuous business operations as soon as practicable (but in any case within eighteen months after closing). If you or Red Lion choose not to reopen the Hotel, either party can terminate the Franchise Agreement upon notice to the other. You need not pay a termination fee unless you operate or own a controlling interest in another hotel on the site before the normal expiration of your Franchise Agreement, in which case you must pay us a Termination Fee. See Item 6.
f. Termination by Franchisor with cause	¶14.	We can terminate if you fail to satisfy any obligations under the Franchise Agreement or any attachment to it.
g. "Cause" defined-curable defaults	¶14a., Attachments A-1 and A-2	Except as described below (a) before the Hotel opens, you have 10 days to cure any event of default, and (b) after the Hotel opens, you have 30 days to cure any event of default. Events of default include failure to satisfy or comply with any of the requirements, conditions, or terms in the Franchise Agreement, the Manual, Attachments A-1 and A-2, any other attachment, any operational requirements or any other agreement between us (or an Entity) and you relating to the Hotel.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
h. "Cause" defined-non-curable defaults	¶14b.	After curing a material violation, you engage in same noncompliance within any consecutive 24 month period, whether or not you correct noncompliance after notice; or you engage in a pattern of non-compliance, regardless of materiality, whether or not you correct noncompliance after notice. You (or guarantor) file bankruptcy, become insolvent, are placed in receivership, etc. You (or guarantor) lose possession or the right to possess all or a significant part of the Hotel or Hotel site. You (or guarantor) fail to continue to identify the Hotel to the public as a System Hotel, or you abandon the operation of the Hotel by failing to operate the Hotel for 5 consecutive days, or any shorter period after which it is not unreasonable for us to conclude that you do not intend to continue to operate the Hotel, unless failure to operate is due to causes beyond your control, and you have taken reasonable steps to minimize the impact. You (or guarantor) contest in any court or proceeding our ownership of the System or any part of the System, or the validity of any service marks or trademarks associated with our business. Any action is taken toward dissolving or liquidating the franchisee or any guarantor, if a corporation or partnership, except for death of a partner. Any of the owners of an Equity Interest (as defined in the Franchise Agreement) in you is, or is discovered to have been, convicted of a felony or any other offense or conduct likely to adversely reflect upon or affect the Hotel, the System, us or the Entities in any way. You (or guarantor) conceal revenues, maintain false books and records of accounts, submit false reports or information to us or otherwise defraud us. You (or guarantor) become a Competitor (defined in Item 15) You transfer any interest in Agreement or in your Hotel other than in approved transaction (unless the transfer is of a type where approval is not required) You (or guarantor) do not purchase or maintain any required insurance, or do not reimburse us if we purchase insurance for you. Information involving you or your affiliates discloses facts which in our opinion might adversely affect any gaming licenses or permits held by us or our current stature with any gaming commission, board, or similar governmental or regulatory agency, or our reputation or business. We make a reasonable determination that your continued operation of the Hotel will result in an imminent danger to public health or safety. Any guarantor relating to the Agreement breaches its guaranty

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
i. Franchisee's obligations on termination/non-renewal	¶¶14 c. and d., Attachments A-1 and A-2	a. Immediately discontinue holding yourself out to public as a System Hotel, and take whatever action is necessary to assure that no use is made of any part of the System (including the Settle Inn Marks, all forms of advertising and other indicia of operation as a System Hotel), and discontinue use of all distinguishing indicia of System and our affiliates' hotels. b. Immediately cease using or operating any Online Presence related to the Hotel or the Network Marks, and take any action as may be required to disable such Online Presence, or transfer exclusive control and access of such Online Presence to us, as we determine at our sole discretion. c. Return the Manual and all other proprietary materials to us. d. Remove all distinctive System features of the Hotel, including the primary freestanding sign down to the structural steel e. Take all other actions required to preclude any possibility of confusion on the part of the public that the Hotel is still using all or any part of the System or is otherwise holding itself out to the public as a System Hotel. f. Pay us any required termination fees or liquidated damages – see Item 6 for termination fees and liquidated damages and circumstances when you must pay them.
j. Assignment of contract by Franchisor	¶11 a.	There are no restrictions on Red Lion's right to assign or transfer, except that the assignee must assume the obligations.
k. "Transfer" by franchisee-defined	¶11 b.	Any sale, lease, assignment, or transfer of any direct or indirect interest in the Hotel, the Franchise Agreement, or any direct or indirect Equity Interest (as defined in the Franchise Agreement) in you (except for commercial space in your Hotel customarily subject to lease, sublease or concession arrangements, which requires our prior written approval).
l. Franchisor's approval of transfer by franchisee	¶11 b.	You may not make any transfers without our prior written consent, except that you do not need our consent (i) to pledge or mortgage the Hotel assets or an Equity Interest to a third-party bank or other commercial lending institution that is not a Competitor if you do not pledge or mortgage your interest in the Franchise Agreement, or (ii) to transfer Equity Interests where there is no change of control and, in the case of equity Interests that are not publicly traded, all transfers from the date of your agreement total less than 20% of all Equity Interests.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
m. Conditions for Franchisor approval of transfer	¶11 b.	**Change of Ownership.** Any proposed transfer that requires our approval and that does not qualify as a Permitted Transfer (see below) will be considered a Change of Ownership. If there is a proposed Change of Ownership and proposed owner desires to continue to operate the Hotel in accordance with the System Standards, proposed owner must submit an application for a new franchise agreement and pay the then current application fee any other then applicable fees and charges for new franchises. The proposed owner may also be required to comply with a PIP in the event we determine there are renovation requirements for the Hotel. We may require certain conditions to obtain our consent, which include: curing any existing defaults; receipt of evidence from the transferee that insurance coverage meets the minimum amounts we require; all outstanding fees have been paid; compliance with the Franchise Agreement; an executed voluntary termination agreement, estoppel and general release; copies of transfer documents; evidence of adequate assurances of transferee; an executed franchise agreement with us and executed guaranty; and completed training by transferee and its management, if applicable. See Franchise Agreement for further details. **Permitted Transfers.** Include "Affiliate Transfers," "Family Transfers"; and "Brick and Mortar Transfers" (where you retain possession and control of the Hotel site and the management control of the Hotel operations after the sale or lease). See definitions in Franchise Agreement. You must submit Permitted Transfer Consent Request with all required information, non-refundable processing fee of $20,000 (plus additional processing fee of $2,500 if transfer requires securities registration) See Franchise Agreement for further details regarding the different types of Permitted Transfers. **Public Offering.** Our prior approval of documentation and payment of $2,500 processing fee and our other costs required. See Franchise Agreement for further details.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
p. Death or disability of franchisee	¶11b.(3)(a)(iii)	Upon death of a franchisee who is a natural person or of an Equity Owner, the Franchise Agreement or the Equity Interest (as applicable) may pass in accordance with the person's will, or, if the person dies in testate, in accordance with laws of intestacy governing the distribution of the person's estate, without our consent; so long as the transfer is to a Family Member (as defined in Franchise Agreement) or to a legal entity formed by Family Member(s), and within one year after the death, the Family Member(s) or entity meets all our normal requirements of an approved applicant.
q. Non-competition covenants during the term of the franchise	¶6a.(24)	No competition anywhere without our approval.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	¶17 c.	No oral modifications, but we can change the Manual and other materials.
t. Integration/merger clause	¶17 c.	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	¶15 e.	Litigation must be brought in federal court in Denver, Colorado, subject to applicable state law. If the federal court lacks jurisdiction, then such litigation must be brought in state court in Denver, Colorado, unless otherwise mutually agreed by the Parties. However, we may seek injunctive relief in any jurisdiction that has jurisdiction over you.
w. Choice of law	¶15 e.	Colorado law generally applies, except for issues under the U.S. Trademark Act and the Federal Arbitration Act (subject to applicable state law).

All state-specific exceptions to any of the above terms are as set forth in the state addendum to the Franchise Agreement as set forth herein at Exhibit L.

ITEM 18. PUBLIC FIGURES

Red Lion does not use any public figure to promote its franchises.

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: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) 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 ~~representations~~or the past financial performance of company-owned or franchised hotels. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing ~~outlet~~Hotel, however, we may provide you with the actual records of that ~~outlet~~property. If you receive any other financial performance information or projections of your future income, you should report it to ~~the franchisor's~~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. ~~You can report any complaints or concerns to us on a confidential or anonymous basis by telephone email, or regular mail.~~

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2015 TO 2017 [1]

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	5	5	0
	2016	5	3	-2
	2017	3	3	0
Company-Owned	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Total Outlets	**2015**	**5**	**5**	**0**
	2016	**5**	**3**	**-2**
	2017	**3**	**3**	**0**

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

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR THE YEARS 2015 TO 2017 [1]

State	Year	Number of Transfers
WI	2015	0
	2016	0
	2017	1
Total Outlets	**2015**	**0**
	2016	**0**
	2017	**1**

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

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2015 TO 2017 [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
IA	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
KS	2015	1	0	0	0	0	0	1
	2016	1	0	1	0	0	0	0
	2017	0	0	0	0	0	0	0
MI	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
MO	2015	1	0	0	0	0	0	1
	2016	1	0	1	0	0	0	0
	2017	0	0	0	0	0	0	0
WI	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Total	2015	**5**	**0**	**0**	**0**	**0**	**0**	**5**
	2016	**5**	**0**	**2**	**0**	**0**	**0**	**3**
	2017	**3**	**0**	**0**	**0**	**0**	**0**	**3**

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

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2015 TO 2017 [1]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
All States	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Total	**2015**	**0**	**0**	**0**	**0**	**0**	**0**
	2016	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**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, 2017 FOR 2018

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

The names of all franchisees and the address and telephone numbers of all of their outlets as of December 31, 2017 are listed in Exhibit A. The names, city, state, and telephone number of every franchisee who has had an outlet terminated, cancelled or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement between January 1, 2017 and December 31, 2017, or who has not communicated with Red Lion in the past 10 weeks are attached as Exhibit B. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

~~The data set forth above is from the date of our acquisition of the Settle Inn brand and license agreements.~~

Confidentiality Clauses

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Red Lion. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. No current or former franchisees have signed agreements within the last three fiscal years restricting their ability to speak with you about their experience with Red Lion.

Trademark-Specific Franchisee Organizations

We have established ~~a B~~b~~B~~rand ~~A~~a~~A~~dvisory ~~B~~b~~B~~oards for hotels licensed under certain of the Red Lion ~~Marks that is~~Brands comprised of representatives (owners and general managers) of ~~owned and~~ franchised hotels ~~in the Red Lion Hotel and Red Lion Inn & Suites system~~(and in

some cases franchised and owned hotels) located in the United States and Canada. The purpose of the ~~B~~brand ~~A~~advisory ~~B~~boards is to consider, discuss and advise Red Lion on, among other things, the implementation of actions, initiatives, programs and standards relating to hotels licensed under the respective Red Lion ~~Marks~~Brands. We may expand one of the existing ~~B~~brand ~~A~~advisory ~~B~~boards to include representatives from other Red Lion Brands, including the System, or we may create one or more separate advisory boards for participants in other Red Lion Brands, including the System. However, currently System Hotels do not participate in a brand advisory board.

However, there are currently no trademark-specific franchisee organizations affiliated with the System.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit C to this disclosure document are the audited consolidated financial statements of our parent, RLHC and its subsidiaries (which includes us). Such financial statements consist of the audited consolidated balance sheets of RLHC as of December 31, 2017 and December 31, 2016, 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, 2017.

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 Franchise Agreements entered into while Red Lion is an affiliate of RLHC. This guarantee does not extend to modifications to or renewals of the Franchise Agreements after Red Lion ceases to be an affiliate of RLHC. A copy of the RLHC guarantee is attached as Exhibit J to this disclosure document.

ITEM 22. CONTRACTS

The following contracts are exhibits to this disclosure document:

Exhibit D	Franchise Agreement
Exhibit E	Guaranty of Franchise Agreement
Exhibit F	Brand Standard Equipment Loan Documents
Exhibit G	Franchise Application
Exhibit K	Representations and Acknowledgment Statement
Exhibit L	State Addenda and Agreement Riders

ITEM 23. RECEIPTS

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

EXHIBIT A

LIST OF FRANCHISEES

LIST OF FRANCHISEES AS OF 12/31/2017

IOWA

WW Hartford, LLC
Settle Inn & Suites Harlan
519 West Landscape Place
Sioux Falls, SD 57108
712-755-2930

MICHIGAN

S8MQT, Inc.
Settle Inn Michigan
1275 US Highway 41 West
Marquette, MI 49855
906-228-8100

WISCONSIN

Pride Hotels, LLC
Settle Inn La Crosse
1830 Rose Street
La Crosse, WI 54603
608-718-0700

EXHIBIT B

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 12/31/2017

WISCONSIN

La Crosse Settle Inn, LLC
Settle Inn La Crosse
201 S. Main Street
Aberdeen, SD 57401
608-781-5100

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT C

FINANCIAL STATEMENTS

Red Lion Hotels Corporation

Consolidated Financial Statements

As of December 31, 2017 and 2016 and for the three years in the period ended December 31, 2017

Financial Statements

Independent Auditor's Report	**3**
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Consolidated Statements of Changes in Stockholders' Equity	6
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Tel: 509-747-8095
Fax: 509-747-0415
www.bdo.com

601 West Riverside Ave Suite 900
Spokane, WA 99201

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Red Lion Hotels Corporation (the "Company") as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO")* and our report dated April 2, 2018 expressed an adverse opinion thereon.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

BDO USA, LLP

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

Spokane, Washington
April 2, 2018

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

RED LION HOTELS CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents ($6,487 and $5,134 attributable to VIEs)	$ 32,429	$ 38,072
Restricted cash ($12,326 and $9,211 attributable to VIEs)	12,429	9,537
Accounts receivable, net ($3,200 and $2,811 attributable to VIEs)	13,143	9,196
Accounts receivable from related parties	1,520	1,865
Notes receivable, net	1,098	1,295
Inventories ($276 and $447 attributable to VIEs)	443	596
Prepaid expenses and other ($976 and $1,008 attributable to VIEs)	4,862	4,244
Assets held for sale ($34,359 and $0 attributable to VIEs)	34,359	5,585
Total current assets	100,283	70,390
Property and equipment, net ($137,479 and $179,609 attributable to VIEs)	167,938	210,485
Goodwill	9,404	9,404
Intangible assets, net	50,749	52,848
Other assets, net ($174 and $64 attributable to VIEs)	1,976	1,408
Total assets	$ 330,350	$ 344,535
LIABILITIES		
Current liabilities:		
Accounts payable ($1,810 and $3,886 attributable to VIEs)	$ 4,100	$ 8,479
Accrued payroll and related benefits ($1,453 and $175 attributable to VIEs)	7,457	4,590
Other accrued liabilities ($2,184 and $1,656 attributable to VIEs)	4,094	4,063
Long-term debt, due within one year ($62,914 and $1,469 attributable to VIEs)	62,914	1,469
Contingent consideration for acquisition due to related party, due within one year	9,289	6,768
Liabilities held for sale	—	12,020
Total current liabilities	87,854	37,389
Long-term debt, due after one year, net of debt issuance costs ($48,483 and $106,862 attributable to VIEs)	48,483	106,862
Contingent consideration for acquisition due to related party, due after one year	—	4,432
Deferred income and other long-term liabilities ($772 and $841 attributable to VIEs)	1,554	2,293
Deferred income taxes	2,219	5,716
Total liabilities	140,110	156,692
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
RLH Corporation stockholders' equity:		
Preferred stock - 5,000,000 shares authorized; $0.01 par value; no shares issued or outstanding	—	—
Common stock - 50,000,000 shares authorized; $0.01 par value; 23,651,212 and 23,434,480 shares issued and outstanding	237	234
Additional paid-in capital, common stock	178,028	171,089
Accumulated deficit	(15,406)	(15,987)
Total RLH Corporation stockholders' equity	162,859	155,336
Noncontrolling interest	27,381	32,507
Total stockholders' equity	190,240	187,843
Total liabilities and stockholders' equity	$ 330,350	$ 344,535

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, 2017, 2016, and 2015

	2017	2016	2015
	(In thousands, except per share data)		
Revenue:			
Company operated hotels	$ 119,186	$ 117,641	$ 116,187
Other revenues from managed properties	3,914	5,948	3,586
Franchised hotels	48,559	24,634	12,039
Other	267	128	51
Total revenues	171,926	148,351	131,863
Operating expenses:			
Company operated hotels	91,622	91,572	92,057
Other costs from managed properties	3,914	5,948	3,586
Franchised hotels	34,794	19,315	11,233
Other	(9)	42	35
Depreciation and amortization	18,824	16,095	13,060
Hotel facility and land lease	4,806	4,740	6,569
Gain on asset dispositions, net	(449)	(2,436)	(17,692)
General and administrative expenses	15,792	11,109	9,819
Acquisition and integration costs	1,529	2,112	779
Total operating expenses	170,823	148,497	119,446
Operating income (loss)	1,103	(146)	12,417
Other income (expense):			
Interest expense	(8,252)	(6,752)	(6,979)
Loss on early retirement of debt	—	—	(2,847)
Other income (loss), net	818	326	779
Total other income (expense)	(7,434)	(6,426)	(9,047)
Income (loss) from continuing operations before taxes	(6,331)	(6,572)	3,370
Income tax benefit	(4,662)	(478)	(193)
Net income (loss) from continuing operations	(1,669)	(6,094)	3,563
Discontinued operations:			
Income from discontinued business unit, net of income tax expense of $221, $790 and $278	425	1,254	453
Loss on sale of business unit, net of income tax expense of $1,127	(244)	—	—
Net income from discontinued operations	181	1,254	453
Net income (loss)	(1,488)	(4,840)	4,016
Net (income) loss attributable to noncontrolling interest	2,069	163	(1,297)
Net income (loss) and comprehensive income (loss) attributable to RLH Corporation	$ 581	$ (4,677)	$ 2,719
Earnings (loss) per share - basic			
Income (loss) from continuing operations attributable to RLH Corporation	$ 0.01	$ (0.29)	$ 0.12
Income from discontinued operations	0.01	0.06	0.02
Net income (loss) attributable to RLH Corporation	$ 0.02	$ (0.23)	$ 0.14
Earnings (loss) per share - diluted			
Income (loss) from continuing operations attributable to RLH Corporation	$ 0.01	$ (0.29)	$ 0.11
Income from discontinued operations	0.01	0.06	0.02
Net income (loss) attributable to RLH Corporation	$ 0.02	$ (0.23)	$ 0.13
Weighted average shares - basic	23,669	20,427	19,983
Weighted average shares - diluted	24,253	20,427	20,200

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, 2017, 2016, and 2015

	Red Lion Hotels Corporation Stockholders' Equity							
	Common Stock			Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	RLH Corporation Total Equity	Equity Attributable to Non-controlling Interest	Total Equity
	Shares	Amount	Additional Paid-In Capital					
	(In thousands, except share data)							
Balances, January 1, 2015	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	20,051,145	201	143,901	(11,310)	—	132,792	33,609	166,401
Net income (loss)	—	—	—	(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
Net income (loss)	—	—		581	—	581	(2,069)	(1,488)
Stock issued under employee stock purchase plan	33,925	1	209	—	—	210	—	210
Stock issued under option plan	23,151	1	202	—	—	203	—	203
Restricted stock awards released net of canceled shares	104,056	1	(362)	—	—	(361)	—	(361)
Issuance of stock based compensation awards	55,600	—	434	—	—	434	—	434
Stock based compensation expense	—	—	2,875	—	—	2,875	—	2,875
Shares allocated for Vantage acquisition purchase price	—	—	3,581	—	—	3,581	—	3,581
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,057)	(3,057)
Balances, December 31, 2017	23,651,212	$ 237	$ 178,028	$ (15,406)	$ —	$ 162,859	$ 27,381	$ 190,240

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, 2017, 2016, and 2015

	2017	2016	2015
		(In thousands)	
Operating activities:			
Net income (loss)	$ (1,488)	$ (4,840)	$ 4,016
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	18,888	16,281	13,315
Amortization of debt issuance costs	1,187	1,166	935
Gain on disposition of property, equipment and other assets, net	(449)	(2,437)	(17,692)
Loss on early retirement of debt	—	—	2,763
Loss on sale of entertainment business	244	—	—
Deferred income taxes	(3,497)	249	59
Equity in investments	—	(157)	55
Stock based compensation expense	3,309	2,640	1,932
Provision for doubtful accounts	528	433	654
Fair value adjustments to contingent consideration	1,670	339	—
Change in current assets and liabilities, net of business acquired:			
Accounts receivable	(4,130)	(3,183)	(1,901)
Notes receivable	(88)	(110)	(167)
Inventories	(35)	74	234
Prepaid expenses and other	(1,194)	(2,149)	556
Accounts payable	(2,543)	(1,006)	3,381
Other accrued liabilities	2,114	(1,738)	5,944
Net cash provided by operating activities	14,516	5,562	14,084
Investing activities:			
Capital expenditures	(9,779)	(33,511)	(16,542)
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)
Net payments related to the sale of entertainment business	(6,679)	—	—
Proceeds from disposition of property and equipment	28	5,898	38,681
Proceeds from redemption of trust common securities	—	—	909
Collection of notes receivable related to property sales	694	2,309	3,509
Advances on notes receivable	(409)	(943)	(652)
Purchases of short-term investments	—	—	(18,720)
Proceeds from sales of short-term investments	—	18,085	635
Other, net	—	77	28
Net cash used in investing activities	(16,145)	(30,688)	(30,080)
Financing activities:			
Borrowings on long-term debt	3,297	24,766	90,772
Repayment of long-term debt	(1,373)	(4,939)	(30,528)
Repayment of debentures to Red Lion Hotels Capital Trust	—	—	(30,825)
Debt issuance costs	(41)	(181)	(4,028)
Proceeds from sale of interests in joint ventures	—	3,193	23,461
Distributions to noncontrolling interest	(3,057)	(3,593)	(2,638)
Stock-based compensation awards cancelled to settle employee tax withholding	(361)	(353)	(347)
Proceeds from common stock offering, net	—	18,460	—
Stock option and stock purchase plan issuances, net	413	180	(20)
Net cash provided by (used in) financing activities	(1,122)	37,533	45,847
Change in cash, cash equivalents and restricted cash:			
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,751)	12,407	29,851
Cash, cash equivalents and restricted cash at beginning of year	47,609	35,202	5,351
Cash, cash equivalents and restricted cash at end of year	$ 44,858	$ 47,609	$ 35,202

RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
For the Years Ended December 31, 2017, 2016, and 2015

	2017	2016	2015
		(In thousands)	
Supplemental disclosure of cash flow information:			
Cash paid during years for:			
Income taxes	$ 189	$ 111	$ 30
Interest on debt	$ 7,016	$ 5,485	$ 5,604
Non-cash operating, investing and financing activities:			
Reclassification of long-term debt to current	$ 61,445	$ 1,469	$ —
Reclassification of current and noncurrent assets to assets held for sale	$ 34,359	$ —	$ —
Reclassification of long-term contingent consideration to current	$ 4,432	$ —	$ —
Reclassification of contingent consideration to equity	$ 3,581	$ —	$ —
Acquisition of property and equipment through capital lease	$ 542	$ 1,352	$ —
Property and equipment, purchases not yet paid	$ 402	$ 2,238	$ 2,930
Reclassification of current assets to noncurrent assets	$ 287	$ —	$ —
Reclassification of current and noncurrent liabilities to liabilities related to assets held for sale	$ —	$ 12,020	$ 11,171
Accrual of contingent consideration for Vantage acquisition	$ —	$ 10,861	$ —
Shares issued for Vantage acquisition	$ —	$ 5,755	$ —
Assumption of contingent consideration obligation from acquisition	$ —	$ 965	$ —
Reclassification of long-term notes receivable to short-term	$ —	$ 25	$ 261
Reclassification between accounts receivable and notes receivable	$ —	$ —	$ 51

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 ("RLH Corporation", "RLHC", "we", "our", "us", or "our company") is a NYSE-listed hospitality and leisure company (ticker symbol: RLH) doing business as RLH Corporation and primarily engaged in the franchising, management and ownership of hotels under the following proprietary brands:

Active Brands	Supported Brands	International Brands
• Hotel RL	• America's Best Inn & Suites	• Value Inn Worldwide
• Red Lion Hotels	• Jameson Inns	• Value Hotel Worldwide
• Red Lion Inn & Suites	• Lexington Hotels & Inns	
• GuestHouse	• 3 Palm Hotels	
• Settle Inn		
• Americas Best Value Inn		
• Canadas Best Value Inn		
• Signature and Signature Inn		
• Country Hearth Inns & Suites		

A summary of our properties as of December 31, 2017, including the approximate number of available rooms, is provided below:

	Company Operated		Franchised		Total Systemwide	
	Hotels	Total Available Rooms	Hotels	Total Available Rooms	Hotels	Total Available Rooms
Total	21	4,300	1,061	65,200	1,082	69,500

On October 3, 2017, we completed the sale of certain specified liabilities and substantially all of the assets of our entertainment segment, previously composed of WestCoast Entertainment and TicketsWest, including ticketing agreements and engagement agreements with various entertainment venues, teams and artists located throughout the Western United States. As such, the results of the entertainment segment are reported as discontinued operations, and the assets and liabilities are classified as held for sale for all periods presented in this annual report on Form 10-K. See Notes 17 and 18 for discussion of Discontinued Operations and Assets and Liabilities Held for Sale associated with the transaction.

On October 5, 2017, we announced that we would be marketing for sale 11 of our owned hotels while working to retain franchise agreements on these assets. In February 2018, five of the RL Venture properties were sold for $47.2 million. See Notes 18 and 20 for discussion of Assets Held for Sale and Subsequent Events.

We were incorporated in the state of Washington in April 1978. The Company's corporate headquarters are located in Denver, Colorado, with regional offices in Spokane, Washington, and Coral Springs, Florida.

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, 2017, there were 23,651,212 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, which may be 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.

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 RLH 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
- Sleeping Lion, 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

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, 2017 and 2016 cash of $12.4 million and $9.5 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, 2017, 2016 and 2015, 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 (in thousands):

	2017	2016	2015
Cash and cash equivalents	$ 32,429	$ 38,072	$ 23,898
Restricted cash	12,429	9,537	11,304
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$ 44,858	$ 47,609	$ 35,202

Allowance for Doubtful Accounts

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

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

	Years Ended December 31,		
	2017	**2016**	**2015**
Allowance for doubtful accounts, continuing operations			
Balance, beginning of year	$ 944	$ 657	$ 303
Additions to allowance	528	358	538
Write-offs, net of recoveries	(36)	(71)	(184)
Balance, end of year	$ 1,436	$ 944	$ 657

Accounts Receivable from Related Parties

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

Notes Receivable

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

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, prepaid taxes, deposits, advertising costs and prepaid costs related to our brand conferences.

Property and Equipment

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

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

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

Leasehold improvements are capitalized and depreciated over the term of the applicable lease, including renewable periods if reasonably assured, or over the useful lives, whichever is shorter.

Assets Held for Sale

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

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

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

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 the valuation of any contingent assets or liabilities is not practicable, such assets and liabilities are measured and recorded when it is probable that a gain or loss has occurred and the amount can be reasonably estimated. The residual balance of the purchase price, after fair value allocations to all identified assets and liabilities, represents goodwill. Acquisition-related costs are recognized as incurred. Restructuring costs associated with an acquisition are generally recognized in periods subsequent to the acquisition date, and changes in deferred tax asset valuation allowances and acquired income tax uncertainties, including penalties and interest, after the measurement period are recognized as a component of the provision for income taxes. Our acquisitions may include contingent consideration, which require us to recognize the fair value of the estimated liability at the time of the acquisition. Subsequent changes in the estimate of the amount to be paid under the contingent consideration arrangement are recognized in the Consolidated Statements of Comprehensive Income (Loss). Cash payments for contingent or deferred consideration up to the amount of liability recognized on the acquisition date are classified within cash flows from financing activities within the Consolidated Statements of Cash Flows and any excess is classified as cash flows from operating activities.

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 that 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, on October 1, 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. 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, RLH Corporation-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.

Other Assets

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

Fair Value Measurements

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

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

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 2017, 2016 and 2015, we recognized income of approximately $0.5 million each year for the amortization of the deferred gain. The remaining balances at December 31, 2017 and 2016, were $0.4 million and $0.9 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, 2017, a partial valuation allowance, and at December 31, 2016 a full 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 Accounting Standards Codification 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 13.

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 guest's visit to the restaurant or at the time the management services are provided. We recognize other revenue and costs from managed properties when we incur the related reimbursable costs. These costs primarily consist of payroll and related expenses at managed properties where we are the employer. As these costs have no added markup, the revenue and related expense have no impact on either our operating or net income.

- ***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 recognized in the period of the event performance. As the result of the sale of the entertainment business on October 3, 2017, all revenues earned have been classified as discontinued operations for all periods presented.

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 recognized as incurred. During the years ended December 31, 2017, 2016 and 2015, we incurred approximately $5.6 million, $5.3 million and $4.9 million, respectively, in advertising expense.

Discontinued Operations

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

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

Basic and Diluted Earnings (Loss) Per Share

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

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: Topic 606* (ASC 606), which is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 may be applied using either a full retrospective or a modified retrospective approach and was effective for us on January 1, 2018. We will use the modified retrospective transition method when we adopt ASU 2014-09 in the first quarter of 2018.

We believe that our recognition of room rental and food and beverage sales, base management fees, and ongoing franchise fees, will remain largely unchanged. We currently estimate that the primary effects of ASU 2014-09 and the related ASUs on the Company will be as follows: we expect to recognize franchise application and relicensing fees over the term of the franchise contract rather than at hotel opening or relicensing; we expect to present the amortization of contract acquisition costs we pay to owners, franchisees, and other customers as a reduction of revenue rather than including such costs in operating expense on our Consolidated Statement of Comprehensive Income (Loss); and we expect to capitalize more contract acquisition costs, as

some of those costs will now meet the capitalization criteria once we adopt ASU 2014-09. Upon adoption, our financial statements will include expanded disclosures related to contracts with customers. We acquired brands and membership license agreements with our Vantage and Guest House acquisitions. ASC 606 does not provide clear guidance as to whether obligations related to franchise rights acquired in prior acquisitions should be part of deferred liability related to ongoing performance obligation upon adoption of this standard. We are continuing our assessment of this issue and expect to resolve the matter by the time we file our consolidated financial statements for the period ended March 31, 2018.

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 corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. 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 $80.4 million of operating lease obligations as of December 31, 2017 (see Note 9) 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 Consolidated Balance Sheet. However, the Consolidated Statement of Comprehensive Income (Loss) recognition of lease expenses is not expected to materially 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 adopted ASU 2016-09 effective January 1, 2017 and provided the necessary disclosures beginning with our Form 10-Q for the period ended March 31, 2017. The adoption of ASU 2016-09 did not have a material impact on our financial condition or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*, which will change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The ASU will replace the current "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For trade and other receivables, held to maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. The ASU is effective in the first quarter of 2020. The Company is currently evaluating the effects of this ASU on its financial statements, and such effects have not yet been determined.

The FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* to address diversity in practice for eight specific topics: (1) debt prepayment or debt extinguishment costs; (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); (6) distributions received from equity method investees; (7) beneficial interests in securitization transactions; and (8) separately identifiable cash flows and application of the predominance principle. This guidance was effective for us beginning January 1, 2018. As this ASU is clarifying only presentation matters within the statement of cash flows, it is not expected to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business* (ASU 2017-01), which narrows the definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. ASU 2017-01 states that when substantially all of the fair value of the gross assets

acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. If this initial test is not met, a set cannot be considered a business unless it includes an input and a substantive process that together significantly contribute to the ability to create output. ASU 2017-01 is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. We will adopt this standard on January 1, 2018, and use this guidance to assess future acquisitions.

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.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.* The amendments clarify that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset. The amendments also define the term in substance nonfinancial asset. The amendments clarify that nonfinancial assets within the scope of Subtopic 610-20 may include nonfinancial assets transferred within a legal entity to a counterparty. For example, a parent may transfer control of nonfinancial assets by transferring ownership interests in a consolidated subsidiary. A contract that includes the transfer of ownership interests in one or more consolidated subsidiaries is within the scope of Subtopic 610-20 if substantially all of the fair value of the assets that are promised to the counterparty in a contract is concentrated in nonfinancial assets. The amendments clarify that an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of it. The guidance was effective for us as of January 1, 2018 in conjunction with our adoption of ASU 2014-09. Entities may use either a full or modified approach to adopt the ASU. We implemented this ASU on a modified retrospective basis and there was no material impact on our financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting.* The amendments provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following are met: (1) The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The guidance was effective on January 1, 2018 for us, and we are applying the amendments prospectively to an award modified on or after the adoption date.

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 two operating segments: company operated hotels and franchised hotels. The "other" segment consists of miscellaneous revenues and expenses, cash and cash equivalents, certain receivables, certain property and equipment and general and administrative expenses, which are not specifically associated with an operating segment. Management reviews and evaluates the operating segments exclusive of interest expense, income taxes and certain corporate expenses; therefore,

they have not been allocated to the operating segments. All balances have been presented after the elimination of inter-segment and intra-segment revenues and expenses.

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

Selected financial information is provided below (in thousands):

Year Ended December 31, 2017	Company Operated Hotels	Franchised Hotels	Other	Total
Revenue	$ 123,100	$ 48,559	$ 267	$ 171,926
Operating expenses:				
Segment operating expenses	95,536	34,794	(9)	130,321
Depreciation and amortization	15,020	2,434	1,370	18,824
Other operating expenses, acquisition costs and gains on asset dispositions	4,345	1,529	15,804	21,678
Operating income (loss)	$ 8,199	$ 9,802	$ (16,898)	$ 1,103
Capital expenditures	$ 4,718	$ 650	$ 3,103	$ 8,471
Identifiable assets as of December 31, 2017	$ 241,659	$ 70,035	$ 18,656	$ 330,350

Year Ended December 31, 2016	Company Operated Hotels	Franchised Hotels	Other	Total
Revenue	$ 123,589	$ 24,634	$ 128	$ 148,351
Segment operating expenses	97,520	19,315	42	116,877
Depreciation and amortization	14,176	890	1,029	16,095
Other operating expenses, acquisition costs and gains on asset dispositions	2,697	2,113	10,715	15,525
Operating income (loss)	$ 9,196	$ 2,316	$ (11,658)	$ (146)
Capital expenditures	$ 31,738	$ —	$ 2,972	$ 34,710
Identifiable assets as of December 31, 2016	$ 260,583	$ 66,601	$ 17,351	$ 344,535

Year Ended December 31, 2015	Company Operated Hotels	Franchised Hotels	Other	Total
Revenue	$ 119,773	$ 12,039	$ 51	$ 131,863
Segment operating expenses	95,643	11,233	35	106,911
Depreciation and amortization	11,675	604	781	13,060
Other operating expenses, acquisition costs and gains on asset dispositions	(9,296)	239	8,532	(525)
Operating income (loss)	$ 21,751	$ (37)	$ (9,297)	$ 12,417
Capital expenditures	$ 46,991	$ 20	$ 1,381	$ 48,392
Identifiable assets as of December 31, 2015	$ 255,876	$ 20,180	$ 11,162	$ 287,218

4. Variable Interest Entities

Our joint venture entities have been determined to be variable interest entities (VIEs), and RLH Corporation has been determined to be the primary beneficiary of each VIE. Therefore, we consolidate the assets, liabilities, and results of operations of (1) RL Venture, (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, and immediately 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). Subsequently we disposed of one hotel, Red Lion Hotel Coos Bay, leaving 11 properties owned by RL Venture. We maintain a 55% interest in RL Venture, and the 11 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 RLH Corporation'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 paydown the outstanding balance of the debt.

Cash distributions may be made periodically based on calculated distributable income. For the year ended December 31, 2017, RL Venture made cash distributions of $6.8 million, of which we received $3.7 million. For the year ended December 31, 2016, RL Venture made cash distributions of $8.0 million, of which we received $4.4 million.

On October 5, 2017, we announced that we would be marketing for sale the 11 RL Venture owned hotels while working to retain franchise agreements on these assets. In February 2018, five of the RL Venture properties were sold for $47.2 million. See Notes 18 and 20 for discussion of Assets Held for Sale and Subsequent Events.

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 RLH Corporation'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, RLH Corporation 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, RLH Corporation will receive the $1.5 million plus a preferred return of 11%, compounded annually, prior to any liquidation proceeds being returned to the members.

In May 2017, RLH Corporation provided $2.8 million to RLS Balt Venture to fund 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, RLH Corporation will receive the $2.8 million plus a preferred return of 9%, compounded annually, prior to any liquidation proceeds being returned to the members.

Cash distributions may be made periodically based on calculated distributable income. There were no cash distributions made during the year ended December 31, 2017 or 2016.

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 may be made periodically based on calculated distributable income. There were no cash distributions made during the year ended December 31, 2017 or 2016.

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.

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 RLH Corporation's additional paid in capital. Following the April 1, 2016 transaction, we now own 55% of RLS DC Venture, and Shelbourne Falcon IV owns 45%. 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.

In May 2017, RLH Corporation provided $950,000 to RLS DC Venture to fund restricted cash required by the loan agreement. This funding was not treated as a loan or as a capital contribution. Rather, it is preferred capital of RLS DC Venture and will be repaid only when the DC hotel property is sold, when RLS DC Venture is liquidated, or the restricted cash is released per the loan agreement. Upon such an event, RLH Corporation will receive the $950,000 plus a preferred return of 9%, compounded annually, prior to any liquidation proceeds being returned to the members.

Cash distributions may be made periodically based on calculated distributable income. There were no cash distributions made during the year ended December 31, 2017 or 2016.

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, 2015, (in thousands):

	Year ended December 31
	2015
Revenues	$ 147,929
Net income attributable to Red Lion Hotels Corporation	3,220

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,	
	2017	2016
Buildings and equipment [(1)]	$ 216,618	$ 248,132
Furniture and fixtures	29,132	37,743
Landscaping and land improvements	5,104	7,928
	250,854	293,803
Less accumulated depreciation	(118,888)	(130,876)
	131,966	162,927
Land	31,710	43,193
Construction in progress	4,262	4,365
Property and equipment, net	$ 167,938	$ 210,485

(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.

On October 5, 2017, we announced that we would be marketing for sale 11 of our owned hotels while working to retain franchise agreements on these assets. See Notes 18 and 20 for discussion of Assets Held for Sale and Subsequent Events.

6. Goodwill and Intangible Assets

Goodwill represents the excess of the estimated fair value of the net assets acquired as a result of business combinations over the net tangible and identifiable intangible assets acquired. Goodwill was recorded 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 right to trade names 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 $5.5 million of the final purchase price to the brand names.

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. We also allocated $4.1 million of the purchase price to goodwill. During the fourth quarter of 2017 it was determined that one of the indefinite-lived brand names would have a finite life, and the brand name was reclassified to finite-lived. As of December 31, 2017, we have allocated $26.7 million to indefinite-lived brand names, and $3.3 million to finite-lived brand names, with a weighted average remaining useful life of 6.8 years.

In the table below, the customer contracts represent the franchise license agreements acquired with the GuestHouse and Vantage acquisitions. For GuestHouse, we allocated $3.3 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, 2017, 2016 or 2015.

In connection with the sale of the entertainment business, $3.2 million of goodwill and $6,000 of intangible assets were classified as held for sale at December 31, 2016. See Note 18 for discussion of Assets and Liabilities Held for Sale associated with the transaction.

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

	Years Ended December 31,	
	2017	2016
Goodwill	$ 9,404	$ 9,404
Intangible assets		
Brand name - indefinite lived	$ 39,160	$ 39,704
Brand name - finite lived, net	2,814	2,664
Customer contracts, net	8,647	10,352
Trademarks	128	128
Total intangible assets	$ 50,749	$ 52,848

Goodwill and other intangible assets attributable to each of our business segments at December 31, 2017 and 2016 were as follows (in thousands):

	Years Ended December 31,			
	2017		2016	
	Goodwill	Intangible Assets	Goodwill	Intangible Assets
Company operated hotels	$ —	$ 4,660	$ —	$ 4,660
Franchised hotels	9,404	46,089	9,404	48,188
Total	$ 9,404	$ 50,749	$ 9,404	$ 52,848

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

	Years Ended December 31,	
	2017	2016
Customer contracts	$ 11,673	$ 11,673
Brand name - finite lived	3,295	2,751
Accumulated amortization	(3,507)	(1,408)
Net carrying amount	$ 11,461	$ 13,016

As of December 31, 2017, estimated future amortization expenses related to customer contracts and finite-lived brand names is as follows (in thousands):

Years Ending December 31,	Amount
2018	$ 1,958
2019	1,730
2020	1,527
2021	1,326
2022	1,163
Thereafter	3,757
Total	$ 11,461

7. Long-Term Debt

The current and noncurrent portions of long-term debt as of December 31, 2017 and 2016 are as follows (in thousands):

	Years Ended December 31,			
	2017		2016	
	Current	Noncurrent	Current	Noncurrent
RL Venture	$ 40,602	$ 32,625	$ 1,375	$ 69,841
RL Baltimore	13,300	—	—	13,300
RLH Atlanta	9,360	—	40	9,360
RLH DC	332	16,303	54	16,628
Total debt	63,594	48,928	1,469	109,129
Unamortized debt issuance costs	(680)	(445)	—	(2,267)
Long-term debt net of debt issuance costs	$ 62,914	$ 48,483	$ 1,469	$ 106,862

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, which is secured by the hotels owned by RL Venture. Subsequently we disposed of one hotel, leaving 11 properties owned by RL Venture. The original principal amount of the loan was $53.8 million with an additional $26.2 million to be drawn over a two-year period to cover improvements related to the original12 hotels owned by the subsidiaries. We drew $3.3 million during the year ended December 31, 2017. 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, 2017, there were unamortized debt issuance fees of $0.7 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%. Monthly principal payments began in January 2017 in an amount that would repay the outstanding principal balance over a 25-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 RLH Corporation, but several investors in RL Venture, including us, are guarantors regarding completion of certain improvements to the hotels, environmental covenants in the loan agreement, or losses incurred by the lender in the event of a voluntary bankruptcy filing involving RL Venture, any of its subsidiaries or the guarantors. RLH Corporation 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 all financial covenants at December 31, 2017.

On October 5, 2017, we announced that we would be marketing for sale the 11 RL Venture owned hotels while working to retain franchise agreements on these assets. As a result we classified $40.6 million of debt to current. In February 2018, five of the RL Venture properties were sold for $47.2 million. Immediately following the sales of the five hotels, our consolidated subsidiary RL Venture, LLC repaid $38.2 million in principal balance outstanding under its loan agreement with Pacific Western Bank, as required by the terms of the agreement. See Note 20 for further discussion of the sales and associated debt repayment.

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, 2017, there were unamortized debt issuance fees of $0.1 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%. 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 monetary 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. RLH Corporation has guaranteed these recourse obligations of RL Baltimore and agreed to customary reporting and operating covenants. We were in compliance with all financial covenants at December 31, 2017.

RLH Atlanta

In September 2015, RLH Atlanta obtained a mortgage loan from PFP Holding Company IV LLC, an affiliate of Prime Finance, secured by a hotel adjacent to the Atlanta International Airport, which opened in April 2016 as the Red Lion Hotel Atlanta International Airport. The initial principal amount of the loan was $6.0 million, and the lender has agreed to advance an additional $3.4 million to cover expenses related to improvements to the hotel, which we drew during the first quarter of 2016. At December 31, 2016, the funds on the loan were fully disbursed. At December 31, 2017, 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 began 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 a monetary judgment against RLH Atlanta if the lender suffers losses under certain circumstances listed in the loan agreement, including but not limited to fraud, criminal activity, waste, misappropriation of revenues, and breach of environmental representations. RLH Corporation has guaranteed these recourse obligations of RLH Atlanta and agreed to customary reporting and operating covenants. We were in compliance with all financial covenants at December 31, 2017.

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, the funds on the loan were fully disbursed. At December 31, 2017, there were unamortized debt issuance costs of $0.2 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%. Monthly principal payments began in November 2017 in an amount that will repay the outstanding principal balance over a 25-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. RLH Corporation has guaranteed these recourse obligations of RLH DC and agreed to customary reporting and operating covenants. We were in compliance with all financial covenants at December 31, 2017.

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 Statement of Comprehensive Income (Loss) related to termination fees and write-off of the previously recognized 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, 2017, for the next five years, are summarized by the year as follows (in thousands):

Years Ending December 31,	Amount
2018	$ 63,594
2019	48,928
2020	—
2021	—
Thereafter	—
Total	$ 112,522

8. Derivative Financial Instruments

We enter into derivative transactions to hedge our exposure to interest rate fluctuations, and not for trading purposes. We manage our floating rate debt using interest rate caps in order to reduce our exposure to the impact of changing interest rates and future cash outflows for interest. We estimate the fair value of our interest rate caps via calculations that use as their basis readily available observable market parameters. This option-pricing technique utilizes a one-month LIBOR forward yield curve, obtained from an independent external service, which is a Level 2 input. Changes in fair value of these instruments are recognized in interest expense on the Consolidated Statements of Comprehensive Income (Loss). At December 31, 2017 and December 31, 2016, the valuation of the interest rate caps resulted in the recognition of assets with minimal values both individually and in the aggregate, which are included within *Other assets, net* on the Consolidated Balance Sheets.

Subsidiary	Institution	Original Notional Amount	LIBOR Reference Rate Cap	Expiration
		(In millions)		
RL Venture	Commonwealth Bank of Australia	$ 80.0	4%	January 2018
RL Baltimore	Commonwealth Bank of Australia	$ 13.3	3%	May 2018
RLH Atlanta	SMBC Capital Markets, Inc.	$ 9.4	3%	September 2018
RLH DC	Commonwealth Bank of Australia	$ 17.5	3%	November 2018

The RL Venture interest rate cap expired in January 2018. We were in compliance with all requirements as of December 31, 2017. See Notes 18 and 20 for discussion of Assets Held for Sale and Subsequent Events.

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. Operating and Capital Lease Commitments

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

Total future minimum payments due under all current term operating and capital leases at December 31, 2017, are as indicated below (in thousands):

Years Ending December 31,	Total Lease Obligation	Operating Lease Obligation	Capital Lease Obligation
2018	$ 5,907	$ 5,315	$ 592
2019	4,864	4,573	291
2020	4,561	4,294	267
2021	2,930	2,752	178
2022	1,835	1,754	81
Thereafter	61,699	61,699	—
Total	$ 81,796	$ 80,387	$ 1,409

Total rent expense from continuing operations, under leases for the years ended December 31, 2017, 2016 and 2015 was $6.3 million, $5.7 million, and $7.4 million, respectively, which represents the total of amounts shown within Hotel facility and land lease expense, as well as amounts included within Operating expenses for Franchised hotel, General and administrative expenses, and within Discontinued operations on our Consolidated Statements of Comprehensive Income (Loss).

On October 5, 2017, we announced that we would be marketing for sale 11 of our owned hotels while working to retain franchise agreements on these assets. There are $2.7 million of operating leases and $1.2 million of capital leases in the table related to the 11 owned hotels that are being marketed for sale. See Notes 18 and 20 for discussion of Assets Held for Sale and Subsequent Events.

10. 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.

11. Stock Based Compensation

Stock Incentive Plans

The 2006 Stock Incentive Plan (2006 Plan) authorizes the grant or issuance of various option and other awards including restricted stock units and other stock-based compensation. The 2006 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 (2015 Plan) authorizes the grant or issuance of various option and other awards including restricted stock units and other stock-based compensation. The 2015 Plan was approved by our shareholders in 2015 and provided for awards of 1.4 million shares, subject to adjustments for stock splits, stock dividends and similar events. In May 2017, our shareholders approved an amendment to the 2015 Plan to authorize and additional 1.5 million shares, for a total authorized of 2.9 million shares. As of December 31, 2017, there were 1,379,117 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, 2017, 2016 and 2015 stock-based compensation expense is as follows:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Stock options	$ 69	$ 51	$ —
Restricted stock units	2,582	2,135	1,476
Performance stock units	180	—	—
Unrestricted stock awards	434	419	437
Employee Stock Purchase Plan	44	35	19
Total stock-based compensation	$ 3,309	$ 2,640	$ 1,932

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 2017 or 2015.

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, 2017, is as follows:

	Number of Shares	Weighted Average Exercise
Balance, January 1, 2017	132,868	$ 8.91
Options granted	—	—
Options exercised	(23,151)	$ 8.74
Options forfeited	(18,890)	$ 12.27
Balance, December 31, 2017	90,827	$ 8.26
Exercisable, December 31, 2017	29,980	$ 8.37

Additional information regarding stock options outstanding and exercisable as of December 31, 2017, is presented below.

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Expiration Date	Weighted Average Exercise Price	Aggregate Intrinsic Value[(1)]	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value[(1)]
$8.20	81,130	8.24	2026	$ 8.20	$ 134	20,283	$ 8.20	$ 33
$8.74	9,697	0.22	2018	$ 8.74	11	9,697	$ 8.74	11
	90,827	7.38	2018-2026	$ 8.26	$ 145	29,980	$ 8.37	$ 44

(1) The aggregate intrinsic value, in thousands, is before applicable income taxes and represents the amount option recipients would have received if all options had been exercised on the last trading day of 2017, based upon our closing stock price of $9.85.

Restricted Stock Units, Shares Issued as Compensation

During 2017, 2016 and 2015, we granted 483,020, 297,989 and 998,883 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, 2017, 2016 and 2015 there were 1,246,966, 1,036,680 and 1,224,920 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, 2017, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2017	1,036,680	$ 7.27
Granted	483,020	$ 7.05
Vested	(153,549)	$ 6.96
Forfeited	(119,185)	$ 7.13
Balance, December 31, 2017	1,246,966	$ 7.23

We issued 153,549 shares of common stock to employees in 2017 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 2017, 2016 and 2015 was approximately $1.1 million, $1.1 million and $1.0 million, respectively.

During 2017, 2016 and 2015, we recognized approximately $2.6 million, $2.1 million and $1.5 million, respectively, in compensation expense related to these grants, and expect to recognize an additional $5.3 million in compensation expense over the remaining weighted average vesting periods of approximately 28 months.

Performance Stock Units, Shares Issued as Compensation

In May 2017, we granted performance stock units (PSUs) to certain of our executives under the 2015 Plan. These PSUs include both performance vesting conditions and a service vesting condition. The performance vesting conditions are based on (1) an annual earnings goal tied to Adjusted EBITDA, with a 70% weighting, and (2) a goal tied to the number of signed franchise license agreements in the year, with a 30% weighting. Each performance condition has a minimum, a target and a maximum share amount based on the level of attainment of the performance condition. Compensation expense, net of estimated forfeitures, is calculated based on the estimated full year attainment of the performance conditions during the performance period and recognized on a straight-line basis over the performance and service periods. Based on these assumptions, PSU compensation expense recognized in 2017 was $0.2 million. The remaining compensation expense related to PSUs of approximately $0.7 million will be recognized over the next 27 months. The PSUs vest upon achievement of the performance and service conditions, provided participants are employed by RLH Corporation at the end of the service periods. For the PSUs granted in May 2017, the service period ends in March 2020.

A summary of performance stock unit activity for the year ended December 31, 2017, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2017	—	—
Granted	274,882	$ 6.45
Vested	—	—
Forfeited	(17,906)	$ 6.45
Balance, December 31, 2017	256,976	$ 6.45

Unrestricted Stock Awards

Unrestricted stock awards are granted to members of our Board of Directors as part of their compensation. Awards are fully vested and expense is recognized when granted. The fair value of unrestricted stock awards is the market close price of our common stock on the date of the grant.

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

	2017	2016	2015
Shares of unrestricted stock granted	55,600	54,864	60,499
Weighted average grant date fair value per share	$ 7.81	$ 7.67	$ 7.18

Employee Stock Purchase Plan

In 2008, we adopted a new employee stock purchase plan (ESPP) upon expiration of our previous plan. Under the ESPP as approved in 2008, 300,000 shares of common stock were authorized for purchase by eligible employees. In May 2017, our shareholders authorized an additional 300,000 shares for a total of 600,000 shares authorized under the ESPP plan. As of December 31, 2017, 344,847 shares were available for grant. Eligible employees may purchase shares of our common stock at a 15% discount through payroll deductions. No employee may purchase more than $25,000 worth of shares, or more than 10,000 total shares, in any calendar year. As allowed under the ESPP, a participant may elect to withdraw from the plan, effective for the purchase period in progress at the time of the election with all accumulated payroll deductions returned to the participant at the time of withdrawal. During 2017, 2016 and 2015, there were 33,925, 29,795 and 22,037 shares, respectively, issued, and approximately $44,000, $35,000 and $19,000 was recognized in compensation expense related to the discount associated with the plan in each year, respectively.

	2017	2016	2015
Shares of stock sold to employees	33,925	29,795	22,037
Weighted average fair value per ESPP award	$ 6.16	$ 5.97	$ 5.03

Warrants

In January 2015, in connection with Shelbourne Falcon's purchase of equity interests in RL Venture, we issued Shelbourne warrants to purchase 442,533 shares of common stock. The warrants have a five-year term from the date of issuance and a per share exercise price of $6.78. The warrants have been classified as equity due to required share settlement upon exercise. Accordingly, the estimated fair value of the warrants was recognized in additional paid in capital upon issuance, and we do not recognize subsequent changes in fair value in our financial statements. As of December 31, 2017 all warrants were still outstanding.

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, 2017, 2016 and 2015 (in thousands, except per share amounts):

	Year ended December 31,		
	2017	2016	2015
Numerator - basic and diluted:			
Net income (loss) from continuing operations	$ (1,669)	$ (6,094)	$ 3,563
Net (income) loss attributable to noncontrolling interest	2,069	163	(1,297)
Net income (loss) from continuing operations attributable to RLH Corporation	400	(5,931)	2,266
Net income from discontinued operations	181	1,254	453
Net income (loss) attributable to RLH Corporation	$ 581	$ (4,677)	$ 2,719
Denominator:			
Weighted average shares - basic	23,669	20,427	19,983
Weighted average shares - diluted [(1)]	24,253	20,427	20,200
Earnings (loss) per share - basic			
Net income (loss) from continuing operations attributable to RLH Corporation	$ 0.01	$ (0.29)	$ 0.12
Net income from discontinued operations	$ 0.01	$ 0.06	$ 0.02
Net income (loss) attributable to RLH Corporation	$ 0.02	$ (0.23)	$ 0.14
Earnings (loss) per share - diluted			
Net income (loss) from continuing operations attributable to RLH Corporation	$ 0.01	$ (0.29)	$ 0.11
Net income from discontinued operations	$ 0.01	$ 0.06	$ 0.02
Net income (loss) attributable to RLH Corporation	$ 0.02	$ (0.23)	$ 0.13

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

The following table presents options to purchase common shares, restricted stock units outstanding, performance stock units outstanding, warrants to purchase common shares and contingently issuable shares included in the earnings per share calculation, as well as the amount excluded from the dilutive earnings per share calculation if they were considered antidilutive, for the years ended December 31, 2017, 2016 and 2015.

	Years Ended December 31,		
	2017	2016	2015
Stock Options[1]			
Dilutive awards outstanding	11,767	—	—
Antidilutive awards outstanding	79,060	132,868	71,676
Total awards outstanding	90,827	132,868	71,676
Restricted Stock Units[2]			
Dilutive awards outstanding	524,016	—	179,529
Antidilutive awards outstanding	722,950	1,036,680	1,045,391
Total awards outstanding	1,246,966	1,036,680	1,224,920
Performance Stock Units[3]			
Dilutive awards outstanding	—	—	—
Antidilutive awards outstanding	160,610	—	—
Total awards outstanding	160,610	—	—
Warrants[4]			
Dilutive awards outstanding	48,594	—	38,187
Antidilutive awards outstanding	393,939	442,533	404,346
Total awards outstanding	442,533	442,533	442,533
Shares for Vantage Contingent Consideration[5]			
Dilutive awards outstanding	—	—	—
Antidilutive awards outstanding	483,000	690,000	—
Total awards outstanding	483,000	690,000	—
Total dilutive awards outstanding	584,377	—	217,716

[1] For the year ended December 31, 2017, there were 11,767 stock options considered dilutive. The remaining 79,060 stock options as of December 31, 2017, as well as all of the stock options for the years ended December 31, 2016 and 2015 were anti-dilutive as a result of the RLH Corporation weighted average share price during the reporting periods, in addition to the net loss in 2016.

[2] For the years ended December 31, 2017 and 2015 there were 524,016 and 179,529 restricted stock units considered dilutive. For the year ended December 31, 2016 all restricted stock units were anti-dilutive due to the net loss attributable to RLH Corporation in the reporting period. If we had reported net income for the year ended December 31, 2016 then 512,263 restricted stock units would have been dilutive.

[3] All performance stock units are considered anti-dilutive and are not included in the weighted average diluted shares outstanding until the performance targets have been met. Performance targets relate to total company annual earnings and the number of new franchise agreements signed in 2017.

[4] For the years ended December 31, 2017 and 2015 there were 48,594 and 38,187 warrants considered dilutive. For the year ended December 31, 2016 all warrants were anti-dilutive due to the net loss attributable to RLH Corporation in the reporting period. If we had reported net income for the year ended December 31, 2016 then 49,510 warrants, would have been dilutive.

[5] As part of the Vantage acquisition, up to an additional 690,000 shares could be issued with the one-year and two-year contingent consideration earn outs (see Note 16). These shares are not included in basic shares outstanding until the period the contingency is resolved, which was September 30, 2017 for the 414,000 shares related the year-one contingent consideration earn out. We settled the first portion of

contingent consideration due in January 2018 in the amount of (i) $4.0 million cash and (ii) 414,000 shares of the Company's common stock. We may be required to pay additional consideration following September 2018 for the second and final portion of the Vantage contingent consideration in an aggregate amount of up to (i) $3.0 million in cash and (ii) 276,000 shares of the Company's common stock. For purposes of calculating earnings per share, the income or expense recognized during the period that is related to the changes in the fair value of the share component of the contingent consideration is added back to net income/loss in order to determine if the shares are dilutive. For the years ended December 31, 2017 and 2016, all contingent consideration equity shares were anti-dilutive.

13. Income Taxes

Major components of the income tax expense from continuing and discontinued operations for the years ended December 31, 2017, 2016 and 2015, are as follows (in thousands):

	Years Ended December 31,		
	2017	2016	2015
Current:			
Federal (benefit) expense	$ —	$ —	$ —
State (benefit) expense	119	63	26
Foreign (benefit) expense	58	—	—
Deferred (benefit) expense	(3,491)	249	59
Income tax (benefit) expense	$ (3,314)	$ 312	$ 85
Less: tax expense of discontinued operations	1,348	790	278
Income tax (benefit) expense from continuing operations	$ (4,662)	$ (478)	$ (193)

The differences from continuing operations 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,					
	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
(Benefit) expense provision at federal statutory rate	$ (2,152)	34.0%	$ (2,235)	34.0%	$ 1,145	34.0%
State/foreign tax (benefit) expense	147	-2.3%	70	-1.1%	3	0.1%
Effect of tax credits	(26)	0.4%	10	-0.2%	(152)	-4.5%
Non-controlling interest	703	-11.1%	163	-2.5%	(441)	-13.1%
Impact of change in tax law and rates	393	-6.3%	—	—%	—	—%
Other	109	-1.7%	(468)	7.1%	102	3.0%
Valuation allowance	(3,836)	60.6%	1,982	-30.2%	(850)	-25.2%
Income tax (benefit) expense from continuing operations	$ (4,662)	73.6%	$ (478)	7.1%	$ (193)	-5.7%

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

RLHC recognized the income tax effects of the 2017 Tax Act in its 2017 financial statements in accordance with Staff Accounting Bulletin No. 118 (SAB 118).

SAB 118 summarizes a three-step process to be applied to each reporting period to account for and qualitatively disclose income tax effects attributable to the enactment of the 2017 Tax Act: (1) the effects of the change in tax law for which

accounting is complete; (2) provisional amounts (including subsequent adjustments to those amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with the law prior to the enactment of the 2017 Tax Act.

RLHC does not have any historic deferred foreign income or one-time tax as a result of the 2017 Tax Act.

RLHC measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to reverse. Accordingly, RLH Corporation's deferred tax assets and liabilities were remeasured to reflect a reasonable estimate of the impact of the tax law and the reduction in the U.S. corporate income tax rate from 34.0% to 21.0%. The provisional tax benefit may be impacted by changes in estimates used (i.e. joint venture and other activities) upon the filing of the 2017 corporate return.

Significant components of the net deferred tax assets and liabilities from continuing operations at December 31, 2017 and 2016, are as follows (in thousands):

	December 31,			
	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	$ —	$ 726	$ —	$ 1,770
Brand name	—	4,647	—	6,130
Other intangible assets	—	—	—	254
RL Venture	—	1,672	—	2,608
RL Baltimore	—	66	—	110
RLH DC	151	—	170	—
RL Atlanta	—	168	—	34
Gain on sale leaseback	456	—	307	—
Tax credit carryforwards	4,548	—	4,620	—
Federal and state net operating losses	2,869	—	7,097	—
Other	4,902	—	4,698	—
Valuation allowance	(7,866)	—	(11,702)	—
Total	$ 5,060	$ 7,279	$ 5,190	$ 10,906

At December 31, 2017 and 2016, we had federal gross operating loss carryforwards from continuing operations of approximately $9.1 million and $18.2 million, respectively; state gross operating loss carryforwards from continuing operations of approximately $15.4 million and $18.6 million, respectively; and federal and state tax credit carryforwards from continuing operations of approximately $4.5 million and $4.6 million, respectively. The federal net operating loss carryforwards will expire beginning in 2032, and the state net operating loss carryforwards will expire beginning in 2018; 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. Due to changes in the tax laws associated with the enactment of the 2017 Tax Act, RLH Corporation has determined that a full valuation allowance is no longer required. Therefore as of December 31, 2017, the total valuation allowance of $7.9 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 forecasted taxable income and our projections for growth. Should we determine we will be able to realize additional deferred tax assets, the tax benefits relating to any reversal of the valuation allowance will be accounted for as a reduction of income tax expense.

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

	Valuation Allowance[1]
Balances, January 1, 2015	$ 4,916
Increase during period	2,960
Balances, December 31, 2015	7,876
Increase during period	3,826
Balances, December 31, 2016	11,702
Decrease during period	(3,836)
Balances, December 31, 2017	$ 7,866

(1) The change in the valuation allowance shown in this table does not correspond to the annual valuation allowance amounts shown in the rate reconciliation table for the years 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, 2017 and 2016, 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. Additionally, the year 2012 is subject to examination, to the extent that net operating loss and income tax credit carryforwards from that year were utilized in 2014 and later years.

14. Fair Value

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

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

	December 31,			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Notes receivable	$ 1,098	$ 1,098	$ 1,295	$ 1,295
Financial liabilities:				
Total debt	$ 112,522	$ 112,117	$ 110,598	$ 107,858
Total capital lease obligations	1,409	1,409	1,147	1,147

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

RL Venture 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. RL Venture paid $78,000 and $122,000 for the construction management fee during the year ended December 31, 2016 and 2015, respectively. The commitment was fully satisfied at the end of 2016.

In May 2015, we entered into a management agreement with the owner (the LLC entity) of Red Lion Hotel Woodlake Conference Center Sacramento. A member of our board of directors is a 50% owner of the entity that serves as the manager member of the LLC entity. During the year ended December 31, 2016, we recognized management fee and brand marketing fee revenue from the LLC entity of $107,000. On December 12, 2016 the LLC permanently closed the Red Lion Hotel Woodlake.

Effective March 2016, our wholly owned subsidiary, RL Management entered into a one-year contract to manage the Hudson Valley Resort and Spa, a hotel located in Kerhonkson, New York. Following the initial one-year term, we continue to manage the property on a month-to-month basis. The hotel is owned by HNA Hudson Valley Resort & Training Center LLC, an affiliate of HNA RLH Investments LLC, 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 greater. During the year ended December 31, 2017 and 2016, we recognized management fee revenue from HNA Hudson Valley Resort & Training Center LLC of $110,000 and $87,000, respectively.

The total amounts receivable from related parties, primarily related to hotel management agreements, were $1.5 million and $1.9 million at December 31, 2017 and 2016, and are classified within *Accounts receivable from related parties* on our Consolidated Balance Sheets.

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

We have been informed that each of Messrs. Bloss and Moyle holds 50% of the outstanding common shares of TESI. Pursuant to the Purchase Agreement's post-closing contingent consideration provisions, upon the achievement of certain performance measures as of the first anniversary of the closing date, additional consideration was to be paid to TESI in an aggregate amount of (i) $4.0 million in cash and (ii) 414,000 shares of the Company's common stock (the First Earn-out Payment). TESI is also entitled to earn additional consideration if certain performance measures have been met as of the second anniversary of the closing date in an aggregate amount of up to (i) $3.0 million in cash and (ii) 276,000 shares of the Company's common stock (the Second Earn-out Payment). The minimum cash payout at each of the first anniversary and the second anniversary is $1.0 million. As a result, the approximate dollar value of each of their interests in the $4.0 million of cash consideration paid to or for the account of TESI in 2018 with respect to the First Earn-out is $2 million. Each of them also has an interest in the Second Earn-out Payment. If paid, the approximate dollar value of each of their interests in the Second Earn-out Payment would be

$1.5 million of cash consideration and $1.4 million in stock (based upon the $9.85 closing sale price for the Company's common stock as of December 29, 2017). All of the amounts disclosed in this paragraph assume that the dollar values of the interests of Messrs. Bloss and Moyle are equal to their percentage ownership of the common shares of TESI times the consideration being paid. There may be liabilities of TESI or other factors that could result in the actual monetary benefit derived by each of Messrs. Bloss and Moyle from the consideration payable to TESI being more or less than the amounts disclosed.

In January 2018, we settled the first portion (Year 1) of contingent consideration in the amount of $7.6 million, including (i) $4.0 million in cash and (ii) 414,000 shares of the Company's common stock, valued at $3.6 million based on the closing price of $8.65 per share on September 30, 2017. We may be required to pay additional consideration following September 2018 for the second and final portion of the Vantage contingent consideration in an aggregate amount of up to (i) $3.0 million in cash and (ii) 276,000 shares of the Company's common stock. As of December 31, 2017, the estimated fair value of the remaining contingent consideration (Year 2) is $5.3 million.

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

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

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, America's Best Inns & Suites, Jameson Inns, Country Hearth Inns & Suites, Vantage Hotels, Value Inn Worldwide, Value Hotel Worldwide, 3 Palms Hotels and Resorts and Signature Inn.

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

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

The acquisition was funded at closing with $22.6 million of cash on hand, of which $10.3 million was paid to Vantage and $12.3 million was paid to TESI and 690,000 shares of RLH Corporation stock paid to TESI, which was valued at $5.8 million, based on the closing price of RLH Corporation stock of $8.34 on the close date. The total purchase price was $40.2 million, which included the estimated fair value of $0.9 million for the assumption of an obligation related to a previous business acquisition of Vantage and the fair value of $10.9 million of primarily contingent consideration, the total of which will be paid to TESI at the first and second anniversaries of the close date, based on the attainment of certain performance criteria. A minimum of $2 million of the additional consideration is not contingent and is required to 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 closing 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 and integration costs in the Consolidated Statements of Comprehensive Income (Loss). At each reporting period, we are required to assess the fair value of the liability and record any changes in fair value in our Consolidated Statements of Comprehensive Income (Loss). For the fourth quarter of 2016, we recognized $340,000 in expense associated with our updated assessment. In 2017, we recognized $1.4 million in expense associated with our updated assessment, including $0.9 million of expense related to the change in fair value of the share component of the contingent consideration (classified within *Acquisition and integration costs* on our Consolidated Statements of Comprehensive Income (Loss)), as the result of the $1.50 per share increase in our stock price as well as a change in probability from December 31, 2016 to December 31, 2017.

Following the closing of the acquisition Roger J. Bloss and Bernard T. Moyle were appointed to executive management positions at RLH Corporation, and Messrs. Bloss and Moyle also have ownership interests in TESI. Therefore, the contingent consideration obligations are classified as related party liabilities within our Consolidated Balance Sheets.

In January 2018, we settled the first portion (Year 1) of contingent consideration in the amount of $7.6 million, including (i) $4.0 million in cash and (ii) 414,000 shares of the Company's common stock, valued at $3.6 million based on the closing price of $8.65 per share on September 30, 2017. This amount was reclassified from Contingent consideration from acquisition due to related party, due within one year on the consolidated balance sheet to equity on the consolidated balance sheet on the date that the contingency related to the shares was resolved which was September 30, 2017. We may be required to pay additional consideration following September 2018 for the second and final portion of the Vantage contingent consideration in an aggregate amount of up to (i) $3.0 million in cash and (ii) 276,000 shares of the Company’s common stock. As of December 31, 2017, the estimated fair value of the remaining contingent consideration (Year 2) is $5.3 million. At December 31, 2016, the full contingent consideration was valued at $11.2 million.

The acquisition of Vantage was treated as a business combination under U.S. GAAP. The following reflects our allocation of the final purchase price as of September 30, 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	

At the date of acquisition, we recognized finite-lived intangible assets for four 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 RLH Corporation brands. Subsequent to the acquisition, in 2017, we determined that one additional brand name would have a finite-life and $0.5 million was moved from indefinite-lived brand names to finite-lived brand names.

At the time of acquisition 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.

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):

	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 RLH Corporation 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 and integration related expenses of $1.5 million, $2.1 million and $0.8 million during the years ended December 31, 2017, 2016 and 2015, respectively and they are included within *Acquisition and integration costs* on our Consolidated Statements of Comprehensive Income (Loss).

17. Discontinued Operations

On October 3, 2017, we completed the sale of certain specified liabilities and substantially all of the assets of our entertainment segment, previously composed of WestCoast Entertainment and TicketsWest, including ticketing agreements and engagement agreements with various entertainment venues, teams and artists located throughout the Western United States. The transaction represented a strategic shift that had a major impact on our financial statements. This was considered to be a strategic shift as we chose to exit the business segment entirely and focus on our growing franchise segment. In accordance with this strategic shift, the results of the entertainment business are reported as discontinued operations, and the assets and liabilities are classified as held for sale for all periods presented in this annual report on Form 10-K. We recognized a loss on sale of $0.2 million, net of tax of $1.1 million, in the fourth quarter of 2017, based on cash proceeds of $6.0 million, less estimated transaction costs of $0.7 million, and $4.4 million of net assets.

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

	Years Ended December 31,		
	2017	2016	2015
Entertainment revenue	$ 9,125	$ 15,719	$ 11,057
Operating expenses:			
Entertainment	8,412	13,635	10,118
Other	—	—	—
Depreciation and amortization	64	186	255
Gain on asset dispositions, net	3	(1)	—
Total operating expenses	8,479	13,820	10,373
Operating income (loss)	646	1,899	684
Interest expense	—	(12)	—
Total other income (expense)	—	157	47
Income tax benefit	221	790	278
Income from discontinued operations	$ 425	$ 1,254	$ 453

The following table represents the cash flow items associated with discontinued operations of the entertainment segment for the years ended December 31, 2017, 2016 and 2015 (in thousands).

	Years Ended December 31,		
	2017	2016	2015
Depreciation and amortization	$ 64	$ 186	$ 255
Capital expenditures	$ 101	$ 104	$ 20

See Note 18 for discussion of Assets and Liabilities Held for Sale associated with the sale of our entertainment business.

18. Assets and Related Liabilities Held for Sale

RL Venture Hotels

On October 5, 2017, we announced that we would be marketing for sale 11 of our owned hotels while working to retain franchise agreements on these assets. This is consistent with our previously stated business strategy to focus on moving towards operations as primarily a franchise company. The properties are all within the RL Venture LLC joint venture.

Based on RLH Corporation and RL Venture LLC joint venture approval of non-binding letters of intent (LOIs) or approval to negotiate LOIs under proposed terms, we classified the following six properties as held for sale at December 31, 2017 :

1. Red Lion Inn & Suites Bend, Oregon
2. Red Lion Hotel Richland Hanford House, Washington
3. Red Lion Hotel Redding, California
4. Red Lion Hotel Eureka, California
5. Red Lion Hotel Boise Downtowner, Idaho
6. Red Lion Templin’s Hotel on the River, Post Falls, Idaho

The following table presents the assets of the Hotel business segment included in the Consolidated Balance Sheet as Assets held for sale at December 31, 2017 (in thousands):

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

The results of operations of the six properties in Assets Held for Sale at December 31, 2017, are not considered to be discontinued operations as the prospective sales are not considered a strategic shift due to the significance of the remaining hotel operations. The following table presents the financial results of these assets (in thousands):

	Years Ended December 31,		
	2017	2016	2015
Pre-tax income (loss)	$ (253)	$ 431	$ 246
Net (income) loss attributable to noncontrolling interest	114	(194)	(213)
Net income (loss) attributable to RLHC	$ (139)	$ 237	$ 33

After year end, based on the status of contractual sale arrangements, the hotel located in Pasco, Washington, became classified as held for sale. The Pasco hotel sale closed in February 2018. See Note 20 for discussion of the sales and associated debt repayments subsequent to December 31, 2017.

Entertainment

On October 3, 2017, we completed the sale of certain specified liabilities and substantially all of the assets of our entertainment segment, previously composed of WestCoast Entertainment and TicketsWest. As such, the results of the entertainment business are reported as discontinued operations, and the assets and liabilities are classified as held for sale for all periods presented in this annual report on Form 10-K. We recognized a loss on sale of $0.2 million net of tax of $1.1 million in the fourth quarter of 2017, based on cash proceeds of $6.0 million, less estimated transaction costs of $0.7 million, and $4.4 million of net assets.

The following table presents the assets and liabilities of the entertainment segment included in the Consolidated Balance Sheet as Assets held for sale and Liabilities held for sale at December 31, 2016 (in thousands):

	December 31, 2016
Accounts receivable, net	$ 1,656
Inventories	51
Prepaid expenses and other	247
Property and equipment, net	247
Goodwill	3,162
Intangible assets, net	6
Other assets, net	216
Assets held for sale	$ 5,585

	December 31, 2016
Accounts payable	$ 203
Accrued payroll and related benefits	210
Accrued entertainment liabilities	11,334
Other accrued liabilities	—
Deferred income and other long-term liabilities	273
Liabilities held for sale	$ 12,020

See Note 17 for discussion of Discontinued Operations associated with the entertainment transaction.

19. Parent Company Financial Statements

RED LION HOTELS CORPORATION
CONDENSED BALANCE SHEETS
(Parent Company Only)
December 31, 2017 and 2016

	2017	2016
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,942	$ 32,936
Restricted cash	103	326
Accounts receivable, net	25,233	16,017
Accounts receivable from related parties	1,520	1,865
Notes receivable, net	1,098	1,295
Inventories	167	148
Prepaid expenses and other	3,887	3,238
Assets held for sale	—	5,585
Total current assets	57,950	61,410
Investment in subsidiaries	40,129	42,875
Property and equipment, net	30,627	30,876
Goodwill	9,404	9,404
Intangible assets, net	50,749	52,848
Other assets, net	1,801	1,345
Total assets	$ 190,660	$ 198,758
LIABILITIES		
Current liabilities:		
Accounts payable	$ 7,597	$ 6,212
Accrued payroll and related benefits	6,005	4,415
Liabilities held for sale	—	12,020
Other accrued liabilities	1,909	2,407
Contingent consideration for acquisition due to related party, due within one year	9,289	6,768
Total current liabilities	24,800	31,822
Contingent consideration for acquisition due to related party, due after one year	—	4,432
Deferred income and other long term liabilities	782	1,452
Deferred income taxes	2,219	5,716
Total liabilities	27,801	43,422
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
RLH Corporation stockholders' equity		
Preferred stock	—	—
Common stock	237	234
Additional paid-in capital, common stock	178,028	171,089
Accumulated deficit	(15,406)	(15,987)
Total stockholders' equity	162,859	155,336
Total liabilities and stockholders' equity	$ 190,660	$ 198,758

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

RED LION HOTELS CORPORATION
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Parent Company Only)
For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		(In thousands)	
Revenue:			
Company operated hotels	$ 37,737	$ 37,751	$ 44,778
Other revenues from managed properties	33,596	36,546	28,847
Franchised hotels	48,559	24,634	12,039
Other	267	128	51
Total revenues	120,159	99,059	85,715
Operating expenses:			
Company operated hotels	26,322	27,345	34,965
Other costs from managed properties	33,596	36,546	28,847
Franchised hotels	34,794	19,315	11,233
Other	(9)	42	35
Depreciation and amortization	6,679	4,790	4,832
Hotel facility and land lease	3,770	3,704	6,335
Gain on asset dispositions, net	(455)	(856)	(17,838)
General and administrative expenses	15,792	11,109	9,819
Acquisition and integration costs	1,529	2,112	—
Total operating expenses	122,018	104,107	78,228
Operating income (loss)	(1,859)	(5,048)	7,487
Other income (expense):			
Interest expense	(5)	(100)	(2,882)
Loss on early retirement of debt	—	—	(2,847)
Equity in income of subsidiaries	(3,150)	(1,367)	(496)
Other income (loss), net	752	106	811
Total other income (expense)	(2,403)	(1,361)	(5,414)
Income (loss) from continuing operations before taxes	(4,262)	(6,409)	2,073
Income tax expense (benefit)	(4,662)	(478)	(193)
Net income (loss) from continuing operations	400	(5,931)	2,266
Discontinued operations:			
Income (loss) from discontinued business units, net of income tax expense	425	1,254	453
Gain (loss) on sale of business unit, net of income tax expense	(244)	—	—
Net income (loss) from discontinued operations	181	1,254	453
Net income (loss) and comprehensive income (loss)	$ 581	$ (4,677)	$ 2,719

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, 2017, 2016, and 2015

	2017	2016	2015
		(In thousands)	
Operating activities:			
Net income (loss)	$ 581	$ (4,677)	$ 2,719
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,735	4,968	5,087
Amortization of debt issuance costs	—	—	8
(Gain) loss on disposition of property, equipment and other assets, net	(455)	(857)	(17,841)
Loss on early retirement of debt	—	—	2,763
Loss on sale of entertainment business	244	—	—
Deferred income taxes	(3,497)	288	59
Equity in investments	2,760	1,356	551
Stock based compensation expense	3,309	2,640	1,932
Provision for doubtful accounts	496	429	618
Fair value adjustments to contingent consideration	1,670	339	—
Change in current assets and liabilities, net of business acquired:			
Accounts receivable	(12,167)	(9,500)	(3,028)
Notes receivable	(88)	(110)	(167)
Inventories	(51)	24	304
Prepaid expenses and other	(1,050)	(2,224)	744
Accounts payable	1,817	3,751	(820)
Other accrued liabilities	898	151	2,761
Net cash provided by (used in) operating activities	1,202	(3,422)	(4,310)
Investing activities:			
Capital expenditures	(4,870)	(3,512)	(3,921)
Acquisition of Vantage Hospitality	—	(22,603)	—
Purchase of GuestHouse International assets	—	—	(8,856)
Purchases of interests in investments in joint venture entities	(950)	—	(18,049)
Sales of interests in investments to joint venture partners	—	—	80,734
Distributions from investments in joint ventures	3,736	4,393	3,224
Proceeds from disposition of property and equipment	(6,672)	400	38,679
Proceeds from redemption of trust common securities	—	—	909
Collection of notes receivable related to property sales	694	2,309	3,509
Advances on notes receivable	(409)	(943)	(652)
Purchases of short-term investments	—	—	(18,720)
Proceeds from sales of short-term investments	—	18,085	635
Other, net	—	77	28
Net cash provided by (used in) investing activities	(8,471)	(1,794)	77,520
Financing activities:			
Repayment of long-term debt	—	—	(30,528)
Repayment of debentures to Red Lion Hotels Capital Trust	—	—	(30,825)
Debt issuance costs	—	—	—
Proceeds from sale of interests in joint ventures	—	3,218	—
Stock-based compensation awards cancelled to settle employee tax withholding	(346)	(353)	(347)
Proceeds from common stock offering, net	(15)	18,460	—
Other, net	413	155	137
Net cash provided by (used in) financing activities	52	21,480	(61,563)
Change in cash, cash equivalents and restricted cash:			
Net increase (decrease) in cash, cash equivalents and restricted cash	(7,217)	16,264	11,647
Cash, cash equivalents and restricted cash at beginning of year	33,262	16,998	5,351
Cash, cash equivalents and restricted cash at end of year	$ 26,045	$ 33,262	$ 16,998

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
- Sleeping Lion, Inc.

Joint venture entities:

- RL Venture LLC
- RLS Atla Venture LLC
- RLS Balt Venture LLC
- RLS DC Venture LLC

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

Restricted Cash

In our Condensed Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015, we include restricted cash with cash and cash equivalents when reconciling the beginning and ending balances for each period. The balances included in the Condensed Statements of Cash Flows for the years ended December 31 are as follows (in thousands):

	2017	2016	2015
Cash and cash equivalents	$ 25,942	$ 32,936	$ 16,672
Restricted cash	103	326	326
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$ 26,045	$ 33,262	$ 16,998

B. Commitments and Contingencies

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

Total future minimum payments due under all current term operating and capital leases at December 31, 2017, are as indicated below (in thousands):

Year Ending December 31,	Total Lease Obligation	Operating Lease Obligation	Capital Lease Obligation
2018	$ 4,309	$ 4,280	$ 29
2019	3,551	3,537	14
2020	3,274	3,259	15
2021	1,723	1,711	12
2022	716	712	4
Thereafter	3,374	3,374	—
Total	$ 16,947	$ 16,873	$ 74

20. Subsequent Events

On February 21, 2018, RL Redding, LLC and RL Eureka, LLC completed the sales of Red Lion Hotel in Redding, California and Red Lion Hotel in Eureka, California. The sale price for the two hotels was $17.3 million, which was paid in cash at closing. At closing, each purchaser entered into a franchise agreement with Red Lion Hotels Franchising, Inc., a wholly owned subsidiary of Red Lion Hotels Corporation (RL Franchising), and will continue to operate the hotels under the Red Lion brand. The franchise agreements provide for a 20-year term and the payment of monthly royalty and program fees set at a percentage of the hotel's gross room revenue. Either party may terminate the franchise agreement without penalty on the 5th or 10th anniversary of the hotel's opening date, by providing at least 180 days' notice of termination. Termination of the franchise agreements by RL Franchising upon default of the franchisee, or termination of the agreement by the franchisee without cause, will require the franchisee to pay a termination fee.

On February 28, 2018, RL Pasco, LLC completed the sale of the Red Lion Hotel in Pasco, Washington. The sale price for the hotel was $13.1 million, which was paid in cash at closing. At closing, the purchaser entered into a franchise agreement with RL Franchising, and will continue to operate the Pasco hotel under the Red Lion brand. The franchise agreement provides for a 20-year term and the payment of monthly royalty and program fees set at a percentage of the hotel's gross room revenue. Either party may terminate the franchise agreement without penalty on the 10th anniversary of the hotel's opening date, by providing at least 180 days' notice of termination. Termination of the franchise agreements by RL Franchising upon default of the franchisee, or termination of the agreement by the franchisee without cause, will require the franchisee to pay a termination fee.

Also on February 28, 2018, RL Boise, LLC completed the sale of the Red Lion Hotel in Boise, Idaho and the Red Lion Hotel in Richland, Washington. The sale price for the two hotels was$16.8 million, which was paid in cash at closing. At closing, each purchaser entered into a franchise agreement with RL Franchising and will continue to operate the hotels under the Red Lion brand. The franchise agreements each provide for a 20-year term and the payment of monthly royalty and program fees set at a percentage of the hotel's gross room revenue. Either party may terminate the franchise agreement without penalty on the 5th or 10th anniversary of the hotel's opening date, by providing at least 180 days' notice of termination. Termination of the franchise agreements by RL Franchising upon default of the franchisee, or termination of the agreement by the franchisee without cause, will require the franchisee to pay a termination fee.

The estimated gain from the sale of the five hotels is $14.2 million. Immediately following the sales of the five hotels, our consolidated subsidiary RL Venture, LLC repaid $38.2 million in principal balance outstanding under its loan agreement with Pacific Western Bank, as required by the terms of the agreement.

EXHIBIT D

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

[INSERT HOTEL NAME]

FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is between Red Lion Hotels Franchising, Inc. ("we," "us," "our" or "Franchisor"), and the "franchisee" entity ("you," "your" or "Franchisee"), the name and address of which is set forth on the Rider, effective as of the date set forth below our signature on the Rider attached hereto as Attachment B (the "Rider").

INTRODUCTION

You have expressed an interest in operating the property identified on the Rider under the Settle Inn Marks (as defined herein). You have confirmed to us that you (i) independently investigated the risks of operating a hotel under the Settle Inn Marks, including current and potential market conditions, and competitive factors and risks, and have made an independent evaluation of all such matters, and (ii) reviewed our franchise disclosure document ("**FDD**"). After doing so, you have expressed a desire to enter into a Franchise Agreement with us to obtain a license to use the Settle Inn Marks in the operation of a hotel at the address set forth on the Rider.

NOW, THEREFORE, in consideration of the premises and the undertakings and commitments of each party to the other party as set forth in this Agreement, the parties agree as follows:

1. Definitions.

The following capitalized terms have the meanings set forth after each term:

a) "**Hotel**" means the property you will operate under this Agreement. The "Hotel" includes all structures, facilities, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas located on the site we have approved for your business, or located on any land we approve in the future for additions, signs, parking or other facilities.

b) "**Including**" means "including, by way of example, but without limitation."

c) "**License Term**" means the period from the Opening Date of this Agreement through the expiration of the License Term, as indicated in the Rider.

d) "**Manual**" means one or more documents or guides commonly referred to as the brand standards manual together with its supporting documentation; provided that the Manual will not include the Red Lion Field Guide. The Manual may include the System Standards (as defined below) and information on suggested procedures and your other obligations under this Agreement. Employee wages, hours and working conditions are your sole responsibility. We may change the Manual periodically. We will notify you at least 30 days before any change becomes effective. You will be responsible for the costs of complying with the Manual including any changes.

e) "**Network**" means the hotels we own, operate and license under the Settle Inn Marks, and any other Network Mark. All such hotels, regardless of the brand, are collectively referred to as the Network.

f) "**Network Hotels**" means hotels we license to operate under the Network Marks.

g) "**Network Marks**" means (1) the Settle Inn Marks, (2) the Red Lion®, Red Lion Hotel® and Red Lion Inn & Suites® service marks and trade names, (3) the Hotel RL® and RL℠ service marks and trade names, (4) the GuestHouse℠ service mark and trade name, (5) the ~~Lexington® service mark and trade name, (6) the Jameson Inn® service mark and trade name, (7) the~~ Americas Best Value Inn® service mark and trade name, (6) the Signature℠ service mark and trade name, (7) the Signature Inn℠ service mark and trade name, (8) the Country Hearth Inn®, Country Hearth Suites® and Country Hearth Inn & Suites® service marks and trade names, (9) the Knights Inn® service mark and trade name, (10) the Canadas Best Value Inn℠ service mark and trade name, (~~10~~11) the ~~Signature℠~~Lexington® service mark and trade name, (~~11~~12) the ~~Signature~~Jameson Inn℠® service mark and trade name, (~~12~~13) the 3 Palms Hotels & Resorts® service mark and trade name, (~~13~~14) the America's Best Inn®, America's Best Inns®, America's Best Suites®, America's Best Inn & Suites®~~,~~ and America's Best Inns & Suites® service marks and trade names,

and (~~14~~15) any other service marks, trademarks, trade names and logos for any additional brands we create or acquire from time to time.

h) "**Opening Date**" means the date that you begin to rent any portion of the rentable rooms in the Hotel under this Agreement.

i) "**Settle Inn Marks**" means collectively the service marks and trade names Settle Inn® and Settle Inn & Suites® together with all related logos, trade dress, and any other additional or substituted trademarks, trade names, service marks or logos (whether registered or not) currently owned, licensed or used by us or that we later adopt, purchase or develop.

j) "**System**" means the elements we designate from time to time to identify hotels operating under the Settle Inn Marks that provide to the consuming public a similar, distinctive, high quality hotel service. The "System" includes: the Settle Inn Marks; access to a reservation service; advertising, publicity and other marketing programs and materials; training programs and materials; standards, specifications and policies for construction, furnishing, operation, appearance and service of the Hotel; programs for our inspecting the Hotel and consulting with you; and other elements we refer to in this Agreement, the Manual, or in other communications to you. We may add elements to the System or modify, alter or delete elements of the System at our sole discretion.

k) "**System Hotels**" means hotels we license to operate under the System and to use the Settle Inn Marks.

l) "**System Standards**" means the mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for constructing, equipping, furnishing, supplying, operating, maintaining and marketing System Hotels, including the Hotel. System Standards may be included in the Manual or otherwise distributed by us in writing.

2. Grant of License.

We hereby grant to you and you hereby accept a non-exclusive, limited, revocable license (the "**License**") to use (without the right to sublicense) the Settle Inn Marks and the System at and in connection with the operation of the Hotel, in accordance with the terms of this Agreement. You acknowledge and agree that the License does not extend to any bar, restaurant or other facility located on the premises of the Hotel, unless separately approved by us in writing.

This Agreement does not limit our right, or the right of any of our present or future owners, subsidiaries, and affiliated entities (the "**Entities**"), to own, license or operate any other business of any nature ("**Other Businesses**"), including a hotel, inn, conference center, resort, time share property, lodging facility or similar business, whether under the Settle Inn Marks, any of the other Network Marks or as a competitive brand, or otherwise. We reserve the right, and you specifically acknowledge and agree that we are permitted, to engage in any Other Businesses, even if they compete with the Hotel, the System or the Network, whether we start those businesses, or purchase, merge with, acquire, are acquired by, or affiliated with, such business(es). Our rights under the preceding sentence include, for example, our right to own, operate, or license a hotel under any brand, including any of the Network Marks, in the immediate vicinity of the Hotel. We also may: (a) use or license to others all or part of the System; (b) use the facilities, programs, services or personnel used in connection with the System in Other Businesses; and (c) use the System, the Settle Inn Marks and the Network Marks in the Other Businesses. You acknowledge and agree that you are not acquiring any rights other than the non-exclusive right to use the System to operate a Hotel under the Settle Inn Marks at the site licensed under this Agreement and in accordance with the terms of this Agreement. You waive and release any claims, demands or damages arising from or related to any of the foregoing activities, and you acknowledge and agree that such activities will not give rise to any liability on our part, including but not limited to liability for claims for unfair competition, breach of contract, breach of the implied covenant of good faith and fair dealing, or divided loyalty.

The Hotel will be known initially by the trade name set forth in the Rider (the "**Trade Name**"). We may change the Trade Name or any of the Settle Inn Marks at any time at our sole discretion. You may not change the Trade Name without our specific written consent. You acknowledge and agree that you are not acquiring the right to use any service marks, copyrights, trademarks, logos, designs, insignia, emblems, symbols, designs, slogans, distinguishing characteristics, trade names, domain names or other

marks or characteristics owned by us or the Entities that we do not specifically designate to be used in the System.

3. Our Responsibilities.

a. **Training and Brand Conference.**

(1) During the License Term, we will specify required and optional training programs and provide these programs at various locations. We may charge you for (i) required training services and materials and (ii) optional training services and materials we provide to you. You also are responsible for all travel, lodging and other expenses you or your employees incur in attending these programs.

(2) We will convene a brand conference ("**Brand Conference**") no less frequently than every 18 months, at which System franchisees will gather to network and participate in educational seminars. You (or one of your owners or general managers) and all your sales and catering associates must attend.

b. **Reservation Services**. During the License Term, we will, directly or indirectly, furnish you with the Reservation Service (as defined in Section 6.a.(16) below). This service will be furnished to you on the same basis as is furnished to other System Hotels, subject to the provisions of Section 14.a.(3) below. If you have paid all of your Brand Conference fees in accordance with this Agreement, one of your representatives may attend the Brand Conference for no additional registration fee. You must pay our then current Brand Conference fee for each additional attendee. You will be solely responsible for your attendees' expenses of travel, lodging, certain meals, and other out-of-pocket costs.

c. **Consultation**. From time to time at our sole discretion, we may make available to you consultation and advice in areas such as operations, facilities, and marketing. We have the right to establish fees in advance for our consultation and advice on a project-by-project basis. If we make these services available, they will not be mandatory.

d. **Arrangements for Marketing**. Periodically, we or the Entities may produce and make available to the traveling public a directory of System Hotels or Network Hotels, including the Hotel, which directory may take the form of a printed directory, online directory, or otherwise. Additionally, we or the Entities may include the Hotel, or cause the Hotel to be included in (i) national or regional group advertising of some or all System Hotels, and (ii) international, national and regional market programs offered by us subject to and in accordance with our general practice for System Hotels.

We or the Entities may pay for various expenses and programs that, in our view, benefit, in the short-term or the long-term, the Network or Network Hotels. We or the Entities may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and personnel with any other entity, including our affiliates. Any such expenditures are intended for the benefit of the Network and the Network Hotels; however, you acknowledge that we are not obligated to ensure the System, System Hotels or your Hotel benefit from any such expenditures.

Red Lion has established a Brand Advisory Board for Network Hotels that is comprised of representatives (owners and general managers) of owned and franchised Network Hotels. The purpose of the Brand Advisory Board is to consider, discuss and advise Red Lion on, among other things, the implementation of actions, initiatives, programs and standards relating to Network Hotels.

You must advertise and promote your Hotel and related facilities and services on a local and regional basis in a first-class, dignified manner, using our identity and graphics standards for all System Hotels, at your cost and expense. You must submit to us samples of all advertising and promotional materials that we have not previously approved (including any materials in digital, electronic or computerized form, or in any form of media that exists now or is developed in the future) before you produce or distribute them. You may not begin using the materials until we approve them. You must immediately discontinue your use of any advertising or promotional materials we reasonably believe is not in the best interest of your Hotel or System, even if we previously approved the materials. Any advertising or promotional materials, or sales or marketing concepts you develop for your Hotel that we approve may be used by other System Hotels without any compensation to you. You are not obligated to participate in any local or regional advertising cooperative.

You may not engage, directly or indirectly, in any cross-marketing or cross-promotion of your Hotel with any other hotel, motel or related business without our prior written consent, except for the Network Hotels.

e. **Inspections/Compliance Assistance.** We may administer a quality assurance program for the System which may include conducting periodic inspections of the Hotel and guest satisfaction surveys and audits to ensure your compliance with System Standards. We have the right to inspect the Hotel and its operations at any time, with or without prior notice to you, and to determine if the Hotel is in compliance with the System Standards and rules of operation set forth in this Agreement. If the Hotel fails to comply with such System Standards and rules of operation, we may, at our option and at your cost, require you to submit to us for our review and approval within 30 days of our notice to you a written action plan to correct the deficiencies. You must then take all steps necessary to correct any deficiencies within the times we approve. In the event you do not submit a written plan to correct the deficiencies, or submit a written plan which we do not approve, we may at our option and at your expense prepare an action plan for you. Our approval of an action plan does not waive any rights we may have under this Agreement, including our right to terminate immediately under Section 14.b., nor does it relieve you of any obligations under this Agreement. You acknowledge that your obligation to comply with the System Standards is unconditional, and you therefore agree that you will not assert, as a defense to your obligation to comply with the System Standards, that any other System Hotel has failed to comply with the System Standards. We retain the right to enforce, at our sole discretion, the System Standards as we deem necessary or appropriate in furtherance of our interests in the System and Network or the interests of the System Hotels or Network Hotels. You acknowledge and agree that, in exercising our discretion with respect to any other System Hotel, we may, for example, consider (but are not required to consider) the particular circumstances of the System Hotel, its configuration (including whether it is considered a "resort", an "inn" or a "hotel"), its market, and the importance of the market to the System or the Network.

f. **Manual**. We will loan the Manual to you, and any revisions and updates we may make to the Manual. You will not disclose this Agreement or the Manual to anyone except your authorized employees (or the employees of your management company, if authorized by us in writing). You acknowledge that any unauthorized use or disclosure of the Manual 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. You are responsible to us for any breach of this provision by you or your management company or your or your management company's employees or agents.

g. **Equipment and Supplies**. We will make available to you for use in the Hotel various purchase, lease, or other arrangements with respect to exterior signs, operating equipment, operating supplies, and furnishings, which we or the Entities may have and which we make available to other System Hotels. We may derive a service fee, commission, volume discount allowance or other consideration paid by the vendor, lessor or service provider in connection with making such purchase, lease or other arrangements available to you

h. **Third-Party Distribution Program; Auto Save**.

(1) We have entered into agreements with many leading intermediaries for various distribution channels, pursuant to which such distribution channels and OTAs (as defined in Section 6.a(16)) will offer your hotel room inventory through their websites including, in some cases, rooms at Hello Rewards member rates (the "**Third-Party Distribution Program**"). You may participate in our Third-Party Distribution Program, provided, that, if you choose to participate you must participate in all of our third-party distribution relationships and under the terms and conditions we negotiated, including price terms. You will be responsible for the payment of all reservation fees, including third-party booking fees, GDS fees, and fees associated with the CRO (call center) and CRS, in connection with stays booked at your Hotel through their websites.

(2) In connection with the Third-Party Distribution Program, we have established an internal centralized payment solution through which we may pay commissions you owe to certain OTAs and other intermediaries on your behalf. You will authorize payment to us by ACH for any reimbursement owed to us and will have an opportunity to reconcile your commissions through our owner's portal (at such time as it becomes available). We also may collect revenue from OTAs and other intermediaries, which we will remit to you. We may modify or cease providing the internal centralized payment solution at any time. You may opt out of the centralized payment solution by opting out of the Third-Party Distribution Program.

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

4. Proprietary Rights.

You acknowledge, and will not contest, either directly or indirectly, prior to or during the License Term or after termination or expiration of this Agreement: (i) our (or any Entities') ownership of, rights to and interest in the System, Settle Inn Marks and any of their element(s) or component(s), including present and future distinguishing characteristics; (ii) our sole right to grant licenses to use all or any element(s) or component(s) of the System; (iii) that we (or the Entities) are the owner of (or the licensee of, with the right to sub-license) all right, title and interest in and to the Settle Inn Marks used in any form and in any design, alone or in any combination, together with the goodwill they symbolize; and (iv) the validity or ownership of the Settle Inn Marks. You acknowledge that the Settle Inn Marks have acquired a secondary meaning which indicates that the Hotel and System are operated by or with our approval in connection with the Network. All improvements and additions to, or associated with, the System, Settle Inn Marks, and all goodwill arising from your use of the System and the Settle Inn Marks, will inure to our benefit and become our property (or the Entities), even if you develop them. You may not prepare any adaptation, translation, transliteration, or work derived from the System, Settle Inn Marks, or other proprietary rights without our consent. If we approve such adaptation, translation, transliteration, or work, you agree that the derivative work will be our property, and you assign all of your right, title, and interest in it to us. At our request, you will promptly assign to us any rights or registrations to the Settle Inn Marks that you may obtain. You acknowledge that you are not entitled to receive any payment or other value from us or any of the Entities for any goodwill associated with your use of the System or the Settle Inn Marks, or any element(s) or component(s) of the System.

5. Proprietary Marks.

a. **Use of Trade Name**. You will operate under, and prominently display at the Hotel in accordance with the System Standards, the Settle Inn Marks. You will not adopt any other names in operating the Hotel that we do not approve. You also will not use any of the other System or Network Marks, trade names or service marks, or any similar word(s) or acronyms, in (i) your corporate, partnership, business or trade name except as we provide in this Agreement or the Manual, or (ii) any domain name, website, email address, social media account, user name, other online presence or presence on any electronic medium of any kind ("**Online Presence**"), except as we provide in this Agreement, in the Manual or otherwise in writing from time to time, or (iii) any business operated separate from the Hotel, including the name or identity of developments adjacent to or associated with the Hotel. You agree that any unauthorized use of any of the Network Marks will be an infringement of our rights and a material breach of this Agreement.

b. **Trademark Disputes**. We and you each agree that the protection of the Network Marks and their distinguishing characteristics that stand for the System and Network is important to all of us. Accordingly, you will immediately notify us of any infringement or dilution of or challenge to your use of the Settle Inn Marks and will not, absent a court order or our prior written consent, communicate with any other person regarding any such infringement, dilution, challenge or claim. We will take the action we deem appropriate with respect to such challenges and claims and have the sole right to handle disputes concerning use of all or any part of the Settle Inn Marks or the System. You will extend to us at your expense your full cooperation in these matters. You appoint us as your exclusive attorney-in-fact, to prosecute, defend and settle all disputes of this type at our sole discretion. You will sign any documents we believe are necessary to prosecute, defend or settle any dispute or obtain protection for the Settle Inn Marks and the System and assign to us any claims you may have related to these matters. Our decision as to the prosecution, defense or settlement of the dispute will be final. All recoveries made as a result of disputes regarding use of all or part of the System or the Settle Inn Marks will be for our account.

c. **Online Presences**. You may not register, own, maintain or use any Online Presences relating to the Network, System or the Hotel or that includes the Network Marks. The only Online Presence that you may use relating to the Hotel 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 website in which the Hotel will be listed, and any proposed links between such website and any other Online Presence ("**Linked Sites**") and any proposed modifications to same. All Online Presences containing any of the Network Marks and any Linked Sites must advertise, promote, and reflect on the Hotel and the System in a 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 Network Marks. Therefore, any use of the Settle Inn Marks on the Internet, or any computer network/electronic distribution, must conform to our requirements and the System Standards, including the identity and graphics standards for all System and System Hotels. 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 Settle Inn Marks and 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 Network Marks. You may not participate in any Online Presence that markets goods and services under the 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 Online Presences 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 Online Presence any other information we require in the manner we deem necessary to protect our Network Marks.

We will own the rights to each Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive administrative rights in such Online Presence. 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 and other Online Presence which contain any reference to our Network Marks, System, Network or Settle Inn Marks, and will notify the applicable domain name registrar(s) or other third party of the termination of your right to use any domain name or Online Presence associated with the Network Marks or the Settle Inn Marks, and will authorize and instruct the cancellation or transfer of the Online Presence to us (or our designee), as directed by us. You also will delete all references to our Network Marks, System, Network or Settle Inn Marks from any other Online Presence you own, maintain or operate beyond the expiration or termination of this Agreement.

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

Your use of all Online Presences shall be subject to the System Standards. You must adhere to our social media and other Online Presence guidelines and procedures, which include but are not limited to: appropriate content, relevance, behavior related to communications, frequency and responsiveness to communications, etiquette, naming conventions, use of the Settle Inn Marks and posting messages or commentary on third-party websites. We must approve your social media pages and they shall be linked to our System 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, as they may change from time to time.

d. **Covenant**. You agree, as a direct covenant with us and our Entities, that you will comply with all of the provisions of this Agreement related to the manner, terms and conditions of the use of the Settle Inn Marks, and the termination of any right on your part to use the Settle Inn Marks. You agree that any non-compliance by you with this covenant, the terms of this Agreement, or any unauthorized or improper use of the System or the Settle Inn Marks will cause irreparable damage to us and to the Entities. You therefore agree that if you engage in this non-compliance, or unauthorized or improper use

of the System or the Settle Inn Marks during or after the License Term, we and the Entities will be entitled to both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies that we and the Entities may have at law. You consent to the entry of such temporary and permanent injunctions. You will be responsible for payment of all costs and expenses, including, reasonable attorneys' fees, which we and the Entities may incur in connection with your non-compliance with this covenant.

6. Your Responsibilities.

a. **Operational and Other Requirements**. During the License Term, you agree to:

(1) promptly pay to us and the Entities, or reimburse us or them, for all Monthly Royalty Fees (as defined in Section 7.b below) and all other fees (as set forth in Section 7 below) for goods and services purchased by you or your agents;

(2) operate the Hotel 24 hours a day every day, except as we may otherwise permit based on special circumstances;

(3) operate, furnish, maintain and equip the Hotel in a clean, safe and orderly manner in accordance with the provisions of this Agreement and the System Standards, and in compliance with all applicable local, state, and federal laws, customs, regulations, rules, bylaws, and other ordinances, including without limitation, privacy laws and disability rights laws and including maintaining and conducting your business in accordance with sound business and financial practices;

(4) provide efficient, courteous and high quality service to the public;

(5) adopt, use and comply with the System Standards, whether set forth in the Manual or otherwise in writing and keep your copy of the Manual current at all times;

(6) comply with System Standards regarding the purchase of products and services, including furniture, fixtures, equipment, food, operating supplies, consumable inventories, merchandise for resale to be used at, or sold from, the Hotel, in-room entertainment, computer networking, and any and all other items used in the operation of the Hotel (collectively, the "**Supplies**"), including our specifications for all Supplies. We may from time to time require you to purchase a particular brand of product ("**Required Brand**"), however, you may purchase this Required Brand from any authorized source of distribution;

(7) comply with System Standards as to the types and levels of services, amenities and products that either must or may be used, promoted or offered at or in connection with the Hotel;

(8) install, display, and maintain signage displaying or containing the Settle Inn Marks and other distinguishing characteristics in accordance with plans, specifications and System Standards we establish for System Hotels;

(9) comply with System requirements for the training of persons involved in the operation of the Hotel, including completion by the general manager and other key personnel of the Hotel of a training program for operation of the Hotel under the System at a site we designate, except that if, in our sole opinion, it is not necessary or desirable for the general manager or any other key personnel of the Hotel to complete that training program, then we may waive this requirement in whole or in part. You will pay us for all fees and charges, if any, we require for your personnel to attend these training program(s) on the same basis as we charge other System Hotels. You will also be responsible for the wages, room, board and travel expenses of your personnel;

(10) purchase and maintain property management, revenue management, in-room entertainment, telecommunications and other computer and technology systems we designate as System-wide or Network-wide programs based on our assessment of the long-term best interests of hotels using the System and Network and the interest of the System or Network as a whole. We will use our reasonable efforts to give you six months' notice of such programs prior to implementation. You will not maintain more than one property management or revenue management system in connection with the operation of the Hotel unless directed or first approved by us in writing;

(11) process all reservations and report all revenue through the property management and revenue management system;

(12) advertise and promote the Hotel and related facilities and services on a local and regional basis in a dignified manner, in accordance with the provisions of this Agreement and the System Standards, using our identity and graphics standards for all System Hotels, at your cost and expense. You agree to establish any Online Presence we periodically require, and may establish any other Online Presence we periodically authorize. You agree to adhere to the approved standards established by us for all advertising and promotional materials (including any materials in digital, electronic or computerized form, or in any form of media that exists now or is developed in the future) that you produce or distribute. You will not begin using the materials that do not meet our established standards without first receiving our written approval. You also agree to immediately discontinue your use of any advertising or promotional materials or Online Presence we reasonably believe is not in the best interest of the Hotel or System or Network, even if we previously approved the materials or use of such Online Presence;

(13) participate in, and pay all charges in connection with (i) all required System guest complaint resolution programs, which programs may include chargebacks to the Hotel for guest refunds or credits, and (ii) all required System quality assurance programs and mystery shopper and guest programs; and maintain minimum performance standards and scores for such quality assurance programs that we may establish from time to time in the Manual;

(14) comply with System Standards as to maintenance, appearance and condition of the Hotel, and adopt in your business all changes or additions to the System as we may periodically designate;

(15) honor all nationally recognized credit cards and credit vouchers issued for general credit purposes which are generally honored at other System Hotels, and enter into all necessary credit card and voucher agreements with the issuers of such cards or vouchers;

(16) participate in and exclusively use, on the terms set forth in this Agreement and in the Manual, those reservation services which we require (the "**Reservation Service**"), including any additions, enhancements, supplements or variants which we or the Entities develop or adopt; and honor and give first priority on available rooms to all confirmed reservations referred to the Hotel through the Reservation Service. Currently, the Reservation Service includes all Voice (defined as all phone-based reservations other than those answered at the Hotel location), **CRS** (defined as the Central Reservation System technical and human resources used by us and our Entities in the reservation fulfillment process), **GDS** (defined as the Global Distribution Systems connected to CRS, examples of which are Galileo, Amadeus, and Worldspan and their successors and affiliates), **OTAs** (defined as Online Travel Agencies connected to the CRS, examples of which are third party intermediaries (such as Priceline, Booking.com, Hotwire, and Expedia) providing travel products for sale electronically to travel agents, corporations, meeting planners, and consumers), "Corporate and Hotel-Specific Websites" (defined as the web and mobile direct booking engines of the brand), **Internet** (defined as the World Wide Web connections to the CRS), **extranet** (defined as online fulfillment products directly or indirectly connected to the CRS) and **Electronic** (defined as automated applications connected to the CRS, including third party switches connecting the CRS to outside distribution sources) channels used by us and our Entities and the group booking activity of us and our Entities. We reserve the right to add or delete elements of our Reservation Service from time to time. You also acknowledge that it may become necessary for us to remotely access your hardware and software to make minor modifications to its configuration in order for your hardware and software to receive the Reservation Services we deliver to your Hotel. You therefore agree that we may access your hardware and software from time to time, as may be necessary, for such purposes of delivering the Reservation Service and you shall take such steps as are reasonably necessary to allow us access to such hardware and software for this purpose. The Hotel must participate in all standard marketing programs and must use all reasonable means to promote the Reservation Service, including not closing off the Red Lion 800 number until all rooms for the day or period in question are actually sold. You agree that the only reservation service or system you may use in regard to the Hotel will be the Reservation Service or other reservation services we or the Entities designate.

(17) 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 but not limited to 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 or other inadvertent

disclosure of Personal Information. No assistance, guidance, standards or requirements that we provide you constitute a representation or warranty of any kind, (express, implied or collateral) that your Hotel is compliant with federal, state, or local privacy and data laws, codes, regulations, or acceptable industry standards. You also hereby represent and warrant that you have or will, within 30 days following the Effective Date of this Agreement, implement Payment Application Data Security Standard ("**PADSS**") certified technology and will make commercially reasonable efforts to comply with Payment Card Industry Data Security 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;

(18) comply with all governmental requirements, including the filing and maintenance of any required trade name or fictitious name registrations, pay all taxes, and maintain all governmental licenses, registrations, authorizations and permits necessary to operate the Hotel in accordance with the System and System Standards. It is your responsibility to make such inquiries and obtain such advice as needed by you in order to ascertain and comply with such laws. No assistance, guidance, standards or requirements that we provide you constitute a representation or warranty of any kind (express, implied, or collateral) that your Hotel is compliant with federal, state, or local laws, rules, bylaws, regulations, or ordinances;

(19) permit inspection of the Hotel by our representatives at any time to ensure compliance with System Standards, cooperate fully with our representatives during these inspections and take all steps necessary to correct any deficiencies detected within the time periods we specify. You will also provide free lodging to our personnel at the Hotel while they are making their inspections on a space-available basis, and will also be responsible for the cost of their travel and meals;

(20) provide to us statistics on Hotel operations in the form we specify and using definitions we specify within three business days following the end of the preceding month;

(21) not engage, directly or indirectly, in any cross-marketing or cross-promotion of the Hotel with any other hotel, lodging or related business, except for System Hotels, without our prior written consent;

(22) participate in, and pay all fees of, any System travel agent commission payment program(s) as modified from time to time, and promptly pay in accordance with the System Standards or specific program terms, all travel agent commissions and all reservation fees including but not limited to third party reservation fees in accordance with the terms of these programs;

(23) refer guests and customers, wherever reasonably possible, only to System Hotels and Network Hotels and (if and as we direct) any other hotel systems owned or licensed by us or the Entities ("**Other Hotel Systems**") (except that this will not prohibit us from requiring you to participate in programs designed to refer prospective customers to other hotels, whether in the System or otherwise); display all material, including brochures and promotional material we provide for System Hotels and Network Hotels and Other Hotel Systems; and allow advertising and promotion only of System Hotels and Network Hotels and Other Hotel Systems on the Hotel premises;

(24) treat as confidential all terms of this Agreement (including the amounts and methods of calculating all payments to Franchisor), the Manual and all other information or materials concerning the methods, techniques, plans, specifications, procedures, information, systems and knowledge of and experience in the development, operation, design, marketing and licensing of the System or Network (the "**Proprietary Information**"). You acknowledge and agree that you: (i) do not acquire any interest in the Proprietary Information other than the right to utilize the same in the development and operation of the Hotel under the terms of this Agreement, (ii) will not use the Proprietary Information in any business or for any purpose other than in the development and operation of the Hotel under the System, (iii) will maintain the absolute confidentiality of the Proprietary Information during and after the License Term, (iv) will not make unauthorized copies of any portion of the Proprietary Information, (v) will adopt and implement all reasonable procedures we may periodically establish to prevent unauthorized use or disclosure of the Proprietary Information, including restrictions on disclosure to employees and the use of non-disclosure

and non-competition clauses in agreements with employees, agents and independent contractors who have access to the Proprietary Information, and (vi) will return to us all Proprietary Information in your possession or control following the expiration or termination of the Agreement, including all adaptations, translations, transliterations, or works derived from the System, Settle Inn Marks, or other proprietary rights. If we approve such adaptation, translation, transliteration, or work, you agree that the derivative work will be our property, and you assign all of your right, title, and interest in it to us. These restrictions will not apply to any information that does not relate or refer in any way or part to the System, Manual, Settle Inn Marks or the Network and that you can demonstrate came lawfully to your attention before our disclosure or which, at the time of or after our disclosure, becomes a part of the public domain through lawful publication or communication by others. You acknowledge that the use or duplication of the Proprietary Information in any other business venture would constitute an unfair method of competition and a breach of trust and confidence;

(25) not own, either directly or through any member of an affiliated group (as defined by the Internal Revenue Code), in whole or in part, or be the licensor of, a Competitor without our prior written consent. These restrictions do not restrict you from (i) owning a minority interest in a Competitor if you do not provide services to the Competitor (including as a consultant or employee), do not hold any officer, director, or similar position with the Competitor, and have no control or influence in the business decisions of the Competitor, (ii) being a franchisee or licensee of a Competitor; or (iii) managing a property for a Competitor. A **"Competitor"** is defined as any entity that, directly or through an affiliate, owns in whole or in part, or is the franchisor or other owner of a hotel brand or trade name (whether or not licensed) that, in our judgment, competes with the System or Network Hotels, irrespective of the number of hotels comprising the competitive hotel brand;

(26) own fee simple title (or long-term ground leasehold interest, provided that such interest has been granted to you by an unrelated third party ground lessor in a bona fide arms' length transaction for a term equal to, or longer than, the License Term) to the real property and improvements of the Hotel, or, at our request, cause the fee simple owner or other third party acceptable to us, to provide its guaranty covering all of your obligations under this Agreement in form and substance acceptable to us;

(27) maintain possession and control of the Hotel and Hotel site, and promptly deliver to us a copy of any notice of default you receive from any mortgagee, trustee under any deed of trust, or ground lessor for the Hotel, and upon our request, provide any additional information we may request related to any alleged default or any subsequent action or proceeding in connection with any alleged default;

(28) refrain from directly or indirectly conducting, or permitting by lease, concession arrangement or otherwise, gaming or casino operations in the Hotel or on its premises without our express written permission, which we may withhold at our sole discretion, and then only to the extent and subject to the terms set forth in such permission;

(29) obtain and maintain in full force and effect from and after the confirmed Opening Date of the Hotel as set forth in the Rider (conditional or otherwise) all licenses required for the sale of alcoholic beverages at the Hotel (unless no alcoholic beverages are offered at or from the premises of the Hotel);

(30) promptly provide to us all information we reasonably request with respect to you and your affiliates, including your respective officers, directors, shareholders, partners or members, and the Hotel, including information about title to the property on which the Hotel is constructed and any other property used by the Hotel. The information requested also may include, but is not necessarily limited to, financial condition, personal and family background, prior and pending litigation, indictments, criminal proceedings and the like in which any of the aforementioned may have been involved;

(31) participate in, and pay, all charges related to(i) System or Network all marketing programs and (ii) all guest frequency programs we require, including any payments then owing under the then existing rules of such programs upon termination of such programs. You also agree to honor the terms of any discount or promotional programs (including any frequent guest program) that we or our Entities offer to the public on your behalf, any room rate quoted to any guest at the time the guest makes an advance reservation, and any award guest certificates issued to Hotel guests participating in these programs;

(32) operate the Hotel consistent with sound marketing and industry practice and not engage in any conduct that is detrimental to the Hotel, System, Network, us or our Entities;

(33) maintain in force, at your expense, ~~comprehensive public liability,~~commercial general liability, ~~personal injury liability, motor vehicle liability, property, product liability, workmen's compensation, employment practices liability~~property and contents (or builder's risk during any period of construction), boiler and machinery, business interruption, ~~commercial~~workers' compensation, liquor liability ~~umbrella~~, automobile liability, garage-keeper's liability, and other types of insurance we require. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Hotel's operation or activities of your personnel in the course of their employment (within and outside your Hotel and the Hotel's premises). All of these policies must contain the minimum coverage we prescribe from time to time. We also recommend that you maintain employment practice liability insurance. We may periodically increase the amounts of coverage required under these insurance policies and require different or additional insurance coverages (including reasonable excess liability insurance) at any time. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate). If you fail or neglect to obtain or maintain the insurance or policy limits required by this Agreement, we have the option, but not the obligation, to obtain and maintain such insurance for you without notice, and you will, immediately upon our demand, pay us the premiums and cost we incur in obtaining this insurance. Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Hotel's operations. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your sole responsibility to obtain insurance coverage for your Hotel that you deem appropriate, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances. Your obligation to maintain insurance coverage will not be limited in any respect by reason of insurance maintained by us or any other party. These insurance policies must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns; and

(34) promptly upon receipt, provide us a copy of any and all notices you receive from any person, entity or governmental authority claiming that you (or your owners, guarantors, affiliates, or employees) have violated any law, regulation, permit, license, agreement or committed any other breach, default or violation in connection with the operation of the Hotel, including any default notices from any supplier, any violation notices from a health or safety regulatory board, and any customer complaints alleging violations of law.

b. **Hotel Quality Assurance.** We may from time to time require you to modernize, rehabilitate or upgrade the Hotel's fixtures, equipment, furnishings, furniture, signs, computer hardware and software and related equipment, supplies and other items to meet the then current System Standards. You will make all these changes at your sole cost and expense. Nothing in this section will relieve you from the obligation to maintain acceptable product quality ratings at the Hotel and maintain the Hotel in accordance with the System Standards at all times during the Agreement. We may make limited exceptions to some of those System Standards based on local conditions or special circumstances but we are not required to do so. You may not make any change in the number of approved guest rooms (the **"Guest Rooms"**) set forth in the Rider or any other significant change (including major changes in structure, design or décor) in the Hotel without complying with the then current System Standards or, if such change does not comply with our then current System Standards, receiving our prior written approval. Notwithstanding the foregoing, and subject to and conditioned on your satisfaction of your obligation to comply with the System Standards as they may change from time to time, we will not require any comprehensive renovation of the Hotel in connection with a property improvement plan ("PIP") within six years following the Opening Date or within six years following the completion of the then-most recent PIP.

c. **Staff and Management.** You are at all times solely responsible for the management of the Hotel's business. You may fulfill this responsibility only by providing (i) qualified and experienced management, which may be a third party management company, and (ii) a general manager, (collectively, the **"Management"**), in each case approved by us in writing, which approval may not be unreasonably withheld. However, you represent and agree that you have not, and will not, enter into any lease, management agreement or other similar arrangement for the operation of the Hotel or any part of the Hotel with any person or entity without our prior written consent, which in the future we will not

unreasonably withhold. To be approved by us as the operator of the Hotel, you or any proposed Management must be qualified to manage the Hotel. We may refuse to approve you or any proposed Management which, in our reasonable business judgment, is inexperienced or unqualified in managerial skills or operating capacity or capability, or is unable to adhere fully to the obligations and requirements of this Agreement. You understand that we reserve the right to not approve a Competitor, or any entity that (through itself or an affiliate) is the exclusive manager for a Competitor, to manage the Hotel. If any Management becomes a Competitor or otherwise becomes unsuitable in our reasonable discretion to manage the Hotel at any time during the License Term, you will have 90 days to retain qualified substitute Management acceptable to us. Any Management must have the authority to perform all of your obligations under this Agreement, including all indemnity and insurance obligations. In the case of any conflict between this Agreement and any agreement with Management, this Agreement prevails.

d. **President's Circle.** The President's Circle Program (the "**Program**") is intended to recognize and motivate sales and catering associates to exceed individual, quarter and annual booking goals. You must participate in the Program, which participation will include but is not limited to completion of quarterly audits of goal performance of the Hotel; submission of quarterly booking results to the National Sales Office Sales Administrator; attendance by the Hotel's Director of Sales at our annual Brand conference (at your expense); and, in the event that your Director of Sales is selected as a Program winner, participation by your Director of Sales in our annual Program winner's incentive trip (at your expense, which shall include a payment to us of up to $2,500 for lodging and food, plus additional out-of-pocket expenses to you for travel and entertainment).

7. Fees.

a. **Application Fee**. In connection with your application for this Agreement, you paid us an application fee of $20,000 ("**Application Fee**"). The Application Fee was fully earned and non-refundable when we approved your application for this Agreement whether or not you open the Hotel.

b. **Monthly Royalty Fees.** Beginning on the Opening Date, you will pay to us for each month (or part of a month, including the final month you operate under this Agreement) a monthly royalty fee in the amount of $50 per Guest Room for the preceding calendar month ("**Monthly Royalty Fee**"). Upon 30 days' prior written notice to you, we may increase the Monthly Royalty Fee up to a maximum of 3% per calendar year.

c. **Other Fees**. Beginning on the Opening Date, you will pay to us for each month (or part of a month, including the final month you operate under this Agreement) certain other fees resulting from the programs in which you are or will be required to participate as further described and at the fees set forth in the Manual, which may change from time to time. Currently these programs and fees may include but are not limited to the following: reservation fees; brand recognition program; revenue management ~~system~~software, including any designated revenue manager; customer relationship management; digital field marketing; online reputation and social media management; technology fee; Smith Travel Research reports; guest complaint and quality assurance programs; group lead distribution; sales force automation; marketing materials; hotel specific website; training programs and materials; general managers meeting; Brand Conference; and quality inspections. We may add or remove programs and charges for various components of the System and other services as described in the Manual and upon 30 days' notice to you. If you request that we provide your lender with a comfort letter or similar instrument, you must pay us a fee of $2,500 for each such letter or instrument.

d. **Determination and Payment of Fees**. The Monthly Royalty Fee will be paid to us at the place we designate on or before the 15th day of each month and will be accompanied by our standard schedule setting forth in reasonable detail the hotel statistics we require as set forth in Section 8. At Franchisor's request, Franchisee shall instruct its bank to make all payments due under this Agreement directly to Franchisor from Franchisee's account, by electronic funds transfer or such other automatic payment mechanism which Franchisor may designate ("**EFT Authorization**"). Promptly upon Franchisor's request, Franchisee shall execute and deliver to Franchisor such pre-authorized check forms and other instruments or drafts required by Franchisor's bank to enable Franchisor to draw all sums payable under the terms of this Agreement. Franchisor's current form of EFT Authorization is provided in the Manual. Franchisee shall also maintain such bank account(s) for such payments and shall maintain an account balance that at least covers Franchisee's Monthly Royalty Fees and any other fee described in this Section 7. Franchisee shall not alter or close any such account except with Franchisor's prior

written approval. Your obligation to pay amounts due us or any of the Entities will not be suspended as a result of any interruption to your business, regardless of the cause.

e. **Room Addition Fee**. If you add or construct additional Guest Rooms at the Hotel at any time after you sign this Agreement, you will pay us a nonrefundable fee equal to the per Guest Room Application Fee charged to System Hotels multiplied by the number of additional Guest Rooms ("**Room Addition Fee**"). You must pay the Room Addition Fee to us when you submit an application to add any Guest Rooms to the Hotel, and you must submit that application to us before you enter into any agreement to add any Guest Rooms to the Hotel. As a condition to our granting approval of such application, we may require you to modernize, rehabilitate or upgrade the Hotel, subject to Section 6.b. of this Agreement.

f. **Additional Fees**. You will timely pay all amounts due us or any of the Entities on any invoices or for goods or services purchased by or provided to you or paid by us or any of the Entities on your behalf, including initial marketing materials, pre-opening sales and operations training.

g. **Taxes**. If any gross receipts, sales, use, excise or any similar tax that is based upon gross income or revenues is imposed upon us or the Entities for the receipt of any payments you are required to make to us or the Entities under this Agreement, then you must also pay us or the Entities, as applicable, an amount equal to such tax. If any gross receipts, sales, use, excise or any similar tax that is based upon gross income or revenues is imposed upon the payment made pursuant to this Section 7, the amount due under this Section 7g will be an amount such that the net amount retained by us, after payment of such tax, equals the tax imposed on all payments made under this Agreement.

h. **Application of Fees**. We may apply any amounts received under this Section 7 to any amounts due under this Agreement. If any amount is not paid when due, such non-payment will constitute a material breach of this Agreement and, in addition, such unpaid amount will accrue a service charge, beginning on the first day of the month following the due date, of 1 ½% per month or the maximum amount permitted by applicable law, whichever is less. Should we 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. You acknowledge and agree that if you fail to pay any amounts when due, we may report your delinquent payment to credit bureaus.

8. Records.

a. **Reports**. At our request, you will prepare and deliver to us daily, monthly, quarterly and annual operating statements, profit and loss statements, balance sheets, and other reports (the "**Reports**") we require, prepared in the form, and by the methods and within the time frames, we require under the System Standards. The reports will contain all information we require, including daily rate and room occupancy, and will be certified as accurate in the manner we require. You will also provide us any additional related information and Reports we may periodically request and permit us to inspect your books and records at all reasonable times. At least monthly you will prepare a statement that will include all information concerning the revenue generated at the Hotel, room occupancy rates, reservation data and other information we require (the "**Data**"). By the third business day of each month, you will submit to us a statement setting forth the Data for the previous month and reflecting the computation of the amounts then due under Section 7, in the form and detail we reasonably request.

b. **Maintenance of Records**. You will, in a manner and form satisfactory to us and using accounting and reporting standards we reasonably require, prepare on a current basis (and preserve for no less than the greater of four years or our record retention requirements), complete and accurate records concerning revenue generated at the Hotel and all financial, operating, marketing and other aspects of the Hotel, and maintain an accounting system that fully and accurately reflects all financial aspects of the Hotel and its business. These records will include books of account, tax returns, governmental reports, register tapes, daily reports, and complete quarterly and annual financial statements (including profit and loss statements, balance sheets and cash flow statements).

c. **Ownership of Information**. All of the information we obtain from you or about the Hotel or its guests under this Agreement, or under any agreement ancillary to this Agreement (including any agreements relating to the computerized reservation, revenue management, property management, and

other system(s) we provide or require or may provide or require in the future), or otherwise related to the Hotel (the "**Information**"), and all revenues we derive from such information will be our property. However, you may at any time during or after the License Term use to the extent lawful and at your sole risk and responsibility any information that you acquire from third parties in operating the Hotel, such as customer data. We may independently access and retrieve the Information from your computer system as often as we deem appropriate. The Information (except for Information you provide to us or the Entities with respect to you and your affiliates, including your respective officers, directors, shareholders, partners or members) will become our Proprietary Information which we may use for any reason as we deem necessary or appropriate, at our discretion, including making a financial performance representation in our FDD. You acknowledge and agree that we may provide the Hotel name, address, principal contact phone number, and number of Guest Rooms, to authorized vendors or other suppliers. You may designate certain information related to you and your affiliates, including your respective officers, directors, shareholders, partners or members as confidential. If so, we will be bound by the same standards of confidentiality as to such information as apply to you with regard to our Proprietary Information. Notwithstanding the previous sentence, if we or our accountants or any of the Entities' or their accountants are required by law to disclose any such confidential information you designate pursuant to any applicable law or regulation, or in accordance with generally accepted accounting principles, you hereby consent to any such disclosure.

9. Indemnity by Franchisee.

You agree, during and after the License Term, to indemnify us and the Entities, and our and their successors and assigns, and the owners, partners, shareholders, members, officers, directors, employees, agents, predecessors, successors and assigns of each such entity (the "**Indemnified Parties**") against, and hold them harmless from, all losses, costs, liabilities, damages, claims, and expenses, including reasonable attorneys' fees, arising out of or resulting from (i) any claimed occurrence at the Hotel or arising from, as a result of, or in connection with the development, construction or operation of the Hotel (including the design, construction, financing, furnishing, equipment, acquisition of Supplies or operation of the Hotel in any way); (ii) any bodily injury, personal injury, death or property damage allegedly or actually suffered by any guest, customer, visitor or employee of the Hotel; (iii) your alleged or actual infringement or violation of any patent, mark or copyright or other proprietary or intellectual property right owned or controlled by third parties; (iv) your alleged or actual violation or breach of any contract, federal, state or local law, regulation, rule, bylaw, ordinance, ruling, standard or directive applicable to the Hotel, or of any industry standard; (v) any other business conducted by you or a third party in, on or about the Hotel or its grounds; (vi) our access of your hardware or software for the purposes of delivering the Reservation Service pursuant to Section 6.a.(16) of this Agreement; (vii) any claim by any employee, independent contractor, agent, vendor, supplier or third party relating to or arising out of your employment, contractor or other business relationship with them; or (viii) any other of your acts, omissions or obligations or those of anyone associated or affiliated with you or the Hotel or in any way arising out of or related to this Agreement. However, you do not have to indemnify us to the extent damages otherwise covered under this Section are adjudged by a court of competent jurisdiction to have been the result of the gross negligence or willful misconduct of any of the Indemnified Parties so long as the claims are not asserted on the basis of (i) theories of vicarious liability, including agency, apparent agency or employment or (ii) our failure to compel you to comply with the provisions of this Agreement. You will give us notice of any action, suit, proceeding, claim, demand, inquiry or investigation involving an Indemnified Party within five days of your actual or constructive knowledge of it. At our election, you will defend us and the Indemnified Parties against the same, or we may elect to assume (but under no circumstance will we be obligated to undertake) the defense or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation at your expense and risk. We may obtain separate counsel of our choice if we believe your and our interests may conflict. Our undertaking of defense or settlement will in no way diminish your obligation to indemnify the Indemnified Parties and to hold them harmless. In either case, you will also reimburse the Indemnified Parties upon demand for all expenses, including reasonable attorneys' fees and court costs, the Indemnified Parties incur to protect themselves, or to remedy your defaults. Under no circumstances will the Indemnified Parties be required to seek recovery from third parties or otherwise mitigate their losses to maintain a claim against you, and their failure to do so will in no way reduce the amounts recoverable from you by the Indemnified Parties. Further, you will indemnify the Indemnified Parties for any claim for damages by reason of failure of any contractor, subcontractor, supplier or vendor doing business with you relating to the Hotel to maintain adequate insurance as required under the System Standards.

10. Indemnity by Franchisor.

We will indemnify you and your successors and assigns, and the members, officers, directors, employees, agents, predecessors, successors and assigns of each such entity against, and hold them harmless from all costs and expenses of defense, including reasonable attorneys' fees, of any claim of infringement or violation of any patent, mark or copyright or other proprietary right owned or controlled by third parties based upon your use of the Settle Inn Marks and the System. You will give us notice of any action, suit, proceeding, claim, demand, inquiry or investigation which is subject to this indemnification within five days of your actual or constructive knowledge of it.

11. Transfer.

a. **Our Transfer of this Agreement**. We have the right to transfer or assign this Agreement or any of our rights, obligations, or assets under this Agreement to any person or legal entity so long as the transferee assumes all of our obligations to you under this Agreement. You acknowledge and agree that this Agreement is a license for only the Settle Inn Marks, and the programs that are unique to the Settle Inn Marks and System. Therefore, if we transfer or assign this Agreement, your right to use any programs, rights or services related to or provided by the Entities or their designees, including the Reservation Service, any guest frequency program not unique to the Settle Inn Marks, and any Network Marks, may terminate.

b. **Your Transfer**. We recognize that at some time, you may want to sell or transfer all or part of your interest in this Agreement, or in the Hotel. At the same time, you understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and are not intended to benefit any other entity, including any successor to any direct or indirect interest in the Hotel, without our prior written consent, and that we are entering into this Agreement in reliance on your business skill, financial capacity, and personal character (if you are an individual), and that of your partners, members or shareholders (if you are a partnership, company, corporation or other legal entity). As a result, you agree that if you desire to sell, transfer or lease your interest in this Agreement, or in the Hotel, or in you or in any entity that has an interest in you (if you are an entity), this Agreement or the Hotel, you will abide by the terms of this Section 11.b.

For purposes of this Section 11.b., the term **"control"** in all its forms, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, or of the power to veto major policy decisions of an entity, whether through the ownership of voting securities, by contract, or otherwise. References in this Agreement to **"Equity Interests"** mean any direct or indirect beneficial interest in the Franchisee (an **"Indirect"** Interest is an interest in an entity other than the Franchisee that either itself, or through others, has an interest in the Franchisee). References in this Agreement to **"Equity Owners"** mean the owners of a direct or indirect Equity Interest in the Franchisee or in the Hotel. **"Publicly Traded Equity Interest"** means any Equity Interest that is traded on any securities exchange or is quoted in any publication or electronic reporting service maintained by the National Association of Securities Dealers, Inc., or any of its successors. In computing changes of Equity Interests, limited partners will not be distinguished from general partners except as provided below. General partners, managing members and other controlling interests in Franchisee will be considered Equity Owners for purposes of this Section, regardless whether they have any actual ownership interest in the Franchisee. Non-voting equity interests may not qualify as an Equity Interest, at our discretion. Our judgment will be final if there is any question as to the definition of Equity Interest or as to the computation of relative Equity Interests. You represent that as of the date of this Agreement the Equity Interests are directly and (if applicable) indirectly owned as shown on the Rider.

(1) **Transfers That Do Not Require Our Consent or Notification.**

(a) **Privately Held Equity Interests.** Equity Interests that are not publicly traded may be transferred by you and the Equity Owners without notice to us and without our consent, if after the transaction: (i) less than 20% of all Equity Interests will have changed hands since the date of this Agreement, and (ii) there has not been a change of control of the Franchisee, of your interests in this Agreement, or of the Hotel since the date of this Agreement.

(b) **Publicly Held Equity Interests.** Publicly Traded Equity Interests may be transferred without notice to us and without our consent if the transfer does not effectuate a change of control of the Franchisee, of your interests in this Agreement, or of the Hotel.

(2) **Commercial Leases.** You may lease or sublease commercial space in the Hotel that is customarily subject to lease, or enter into concession arrangements in the ordinary course of business at the Hotel, only with notice to us and with our prior written consent.

(3) **Other Transfers.** No other direct or indirect interest in the Hotel or in this Agreement, and no direct or indirect Equity Interest in the Franchisee, may be sold, leased, assigned, or transferred in any way (individually or collectively, a "**Transfer**"), except as specifically provided in this Section 11.b.(3). If you want to transfer any Equity Interest in the Franchisee, or your interest in this Agreement or in the Hotel, other than in a transaction that meets the requirements of Section 11.b.(1), you must first notify us and you must first obtain our prior written consent.

(a) **Permitted Transfers.** We will permit certain transfers as outlined in Sections 11.b(3).(a)(i)-(iv) below (the "**Permitted Transfers**"). We will consent to a Permitted Transfer, so long as you (i) give us 60 days advance written notice of any proposed Permitted Transfer (the "**Permitted Transfer Consent Request**"), and (ii) submit to us a nonrefundable processing fee of $20,000 with the Permitted Transfer Consent Request to cover our costs to review the Transfer (except that in the case of a Transfer of Equity Interests which requires registration under any federal or state securities law, you must pay us an additional processing fee of $2,500 as provided for in Section 11.b.(4) below), and meet the requirements for the particular Permitted Transfer as described below.

(i) **Affiliate Transfer**. With our consent, you or any of your Equity Owners as of the date of this Agreement may sell, lease, transfer or otherwise convey any Equity Interest in the Franchisee, this Agreement, or the Hotel to an Affiliate (each an "**Affiliate Transfer**"); provided that such event does not, in our opinion, result in a change in the ultimate party controlling the Franchisee, your interests in this Agreement, or the Hotel and the conditions described herein are met. "Affiliate" means, with respect to any entity, any natural person or firm, corporation, partnership, association, trust or other entity which, directly or indirectly, controls, is controlled by, or is under common control with, you or any Equity Owners as of the date of this Agreement. A natural person or entity which has an entity as an Affiliate will also be deemed to be an Affiliate of that entity. We will not withhold our consent to an Affiliate Transfer if (i) you are not then in material default under this Agreement; (ii) the Affiliate Transfer is not, directly or indirectly, to a Competitor; and (iii) you otherwise satisfy the conditions as set forth in Sections 11.b.(3)(b)(i)-(vii), (ix)-(xi) below.

(ii) **Family Transfers.** If you or an Equity Owner are a natural person, and desire to sell, lease, transfer or otherwise convey any Equity Interest in the Franchisee, this Agreement, or the Hotel, (i) to a member or members of your or any such Equity Owner's immediate family (i.e. spouse, children, parents, siblings) (**"Family Members"**) or (ii) a trust or trusts for the benefit of Equity Owner or the Equity Owner's Family Member(s) (each, a "**Family Transfer**"); in either case, without causing a change in the ultimate controlling party of the Franchisee, this Agreement, or the Hotel, we will not withhold our consent to a Family Transfer if you otherwise satisfy the conditions set forth in Sections 11.b.(3)(b)(i)-(vii), (ix)-(xi) below that we may require you to satisfy.

(iii) **Transfer Upon Death.** Upon the death of a Franchisee or Equity Owner, this Agreement or the Equity Interest (if applicable) may pass in accordance with such person's will or, if such person dies intestate, in accordance with laws of intestacy governing the distribution of such person's estate, without our consent; provided that (i) the Transfer is to a Family Member or to a legal entity formed by such Family Member(s), and (ii) within one year after the death, such Family Member(s) or entity meets all of our then current requirements for an approved applicant.

(iv) **Brick and Mortar Transfers.** You may sell, lease or transfer the Hotel, the Hotel site, or any portion thereof if, in our reasonable judgment, after the sale, you retain possession and control of the Hotel site and the management control of the Hotel operations and continue to comply with the requirements of Section 6.a.(25), provided you give us at least 60 days' prior notice of the proposed transfer, and any Transfer Information (as defined in Section 11.b.(3)(vi) below) that we request. If, in our reasonable judgment, the Transfer will result in your loss of possession or control of the Hotel or Hotel site or management of the Hotel, the sale will then be considered a change of ownership and you must comply with the provisions of Section 11.b.(3)(b).

(b) **Change of Ownership.** Any proposed Transfer that does not otherwise qualify as a Permitted Transfer as defined in Section 11.b.(3)(a) above will be considered a change of ownership ("**Change of Ownership**"). If there is a proposed Change of Ownership and the proposed owner desires to

continue to operate the Hotel as a System Hotel, the proposed owner must submit to us a complete application for a new franchise agreement (the "**Change of Ownership Application**") accompanied by payment of our then current Application Fee. The proposed owner also may be required to comply with a PIP in the event we determine there are renovation requirements for the Hotel.

We will process the Change of Ownership Application in accordance with our then current procedures, including review of criteria and requirements regarding upgrading of the Hotel, credit, background investigation, operations abilities and capabilities, prior business dealings, market feasibility, guaranties, and other factors we consider relevant. We will have 60 days from our receipt of the completed and signed application to consent or withhold our consent to the proposed owner as Franchisee.

We may, at our option, make our consent subject to satisfaction of certain conditions, including:

(i) The cure of any existing defaults or events that would become defaults with the giving of notice and passage of time, including, the payment in full at the closing of the Transfer (the "**Closing**") of all unpaid obligations owed to us and any Entities by you, and the renovation by you or the proposed owner of all or part of the Hotel;

(ii) Receipt of evidence from the transferee that insurance coverage, as required by this Agreement, is in full force and effect on the date of Closing;

(iii) Payment of the amount of any fees and charges we estimate will accrue to us or any Entity through the date of Closing;

(iv) That you at all times remain in compliance with the terms of this Agreement pending the Closing;

(v) Your signing of a voluntary termination agreement, and an estoppel and a general release, in a form satisfactory to us, of any and all claims, demands and causes of action that you and your partners, proprietors, directors, officers, shareholders, members, successors and assigns (as the case may be) may or might have against us or any of the Entities, and our and their respective officers, directors, shareholders, agents, attorneys, contractors and employees in their corporate and individual capacities including claims arising under federal, state and local laws, rules and ordinances;

(vi) That you submit to us all information related to the Transfer that we may reasonably require, including copies of any proposed agreement(s), the proposed ownership structure of the proposed transferee if ownership of this Agreement or of the Hotel is being transferred and all entities involved, the names and addresses of the proposed owners of the Equity Interests and of the site at which the Hotel is operated, financial statements and business information for all participants in the proposed sale or lease, and documentation evidencing the completion of the Transfer (collectively, the "**Transfer Information**");

(vii) Evidence of adequate assurances (as determined by us at our sole discretion) of the proposed owner's assumption of and ability to perform all, or its pro rata share, of your or any Equity Owners' obligations under this Agreement;

(viii) Execution by the new owner of a new franchise agreement ("**New Agreement**") with us. The New Agreement will (i) be on our then current form for the grant of new franchises, (ii) contain our then current franchise terms, and (iii) contain upgrading and other requirements, if any, that we impose;

(ix) Execution of the form of guaranty we proscribe by the same guarantors, if any, of this Agreement (unless the proposed owner is an unrelated third party) or substitute guarantors we approve;

(x) Successful completion by the proposed owner and its management team of any training and orientation programs we require to appropriately protect the Settle Inn Marks, Network Marks, and System; and

(xi) Your Hotel is being operated in all respects in compliance with the System Standards.

We have the right to withhold our consent to any proposed Transfer if any of these conditions are not met to our satisfaction, or if the proposed owner is a Competitor. If we approve the Change of Ownership Application and enter into a New Agreement with the new owner, we will not assess you any liquidated damages for early termination of this Agreement as long as the New Agreement is signed by the new owner no later than the Closing of the Change of Ownership transaction. If we do not approve the Change of Ownership Application, or if you or the new owner do not comply with all these conditions and the Transfer still occurs, then you will be in material default of this Agreement and we will be entitled to all of our remedies, including the right to terminate this Agreement, and the right to payment of all amounts set forth in Section 14.c.

(4) **Public Offering**. If you "offer to sell" or sell any securities in the Franchisee or in the Hotel, you shall do so in accordance with the terms and conditions set forth in this Section. All materials required by federal, state or other applicable law for the offer or sale of those securities must be submitted to us for review at least 20 days before the date you distribute those materials, or file them with any governmental agency, including any materials to be used in any offering exempt from registration under federal or state securities laws. You must submit a non-refundable $2,500 processing fee to us with the offering documents, and agree to pay any additional costs we may incur in reviewing your documents, including reasonable attorneys' fees. You also may not use any of the Network Marks or otherwise imply our or any of the Entities' participation or endorsement of any securities offering. We will have the right to approve any description of this Agreement or of your relationship with us, or any use of the Network Marks, contained in any prospectus or other communications or materials you use in the sale or offer of any securities. You may not imply our or any of the Entities' participation in or endorsement of any such securities. To the extent we give you any comments to your documents which are related in any way to this Agreement or the System or Network, you must modify the documents to address those comments, satisfactory to us, before filing or distributing the documents. Our review of these documents will not in any way be considered our agreement with any statements contained in those documents, including any projections, or our acknowledgment or agreement that the documents comply with any applicable laws.

You may not sell any securities unless you do so in compliance with all applicable federal and state securities laws, and unless you clearly disclose to all purchasers and offerees that (i) neither we, nor any Entity, nor any of our or their respective owners, members, officers, directors, agents or employees, will in any way be deemed an issuer or underwriter of said securities, and that (ii) we, the Entities, and our respective owners, members, officers, directors, agents and employees have not assumed and will not have any liability or responsibility for any financial statements, prospectuses or other financial information contained in any "prospectus" or similar written or oral communication. You agree to indemnify, defend and hold the Indemnified Parties free and harmless of and from any and all liabilities, costs, damages, claims or expenses arising out of or related to the sale or offer of any of your securities to the same extent as provided in Section 9 of this Agreement. As used in this Section the terms "prospectus," "issuer," "underwriter," "securities," "offer," "sell," and "sale" have the meanings defined in the Securities Act of 1933, as amended.

(5) **Transfers Not in Accordance With This Agreement**. Any purported Transfer, by operation of law or otherwise, not in accordance with the provisions of this Agreement, will be null and void and will constitute a material breach of this Agreement, which will allow us to terminate this Agreement without giving you any opportunity to cure. In addition, we will have all other rights and remedies, including the right to specific performance or mandatory or prohibitory injunctive relief, to redress any attempt on your part to transfer this Agreement other than in accordance with the provisions of this Agreement.

(6) **Pledge to Lending Institution**. Notwithstanding any other provision of this Agreement, you do not need to notify us to obtain our approval if you want to pledge or mortgage the assets of the Hotel or any Equity Interest to a third-party bank or other commercial lending institution that is not a Competitor. However, you do need to notify us and obtain our consent if you want to pledge or mortgage your interest in this Agreement. As a condition to our giving our consent to a pledge or mortgage of this Agreement we will require the lender to sign a lender comfort letter that describes our requirements on foreclosure. If the lender desires to continue to operate a System Hotel, the lender will be required to conform to the lender comfort letter approved by us at our reasonable discretion or, if no lender comfort letter was signed, then it must meet the terms and conditions of this Agreement for a Transfer involving a Change of Ownership.

12. Condemnation and Casualty.

a. **Condemnation**. You will, at the earliest possible time, give us notice of any proposed taking of any portion of the Hotel by eminent domain. If we agree that the Hotel or a substantial part of the Hotel is to be taken, we may, at our sole discretion and within a reasonable time of the taking (within four months) transfer this Agreement to a nearby location you select. If we approve a new location, and if within one year of the closing of the Hotel you open a new hotel (or are diligently proceeding toward opening a new hotel and ultimately do so) at the new location in accordance with our specifications and in accordance with our timing requirements, then the new hotel will be deemed to be the Hotel licensed under this Agreement. If a condemnation takes place and a new hotel does not, for whatever reason, become the Hotel under this Agreement in strict accordance with this Section (or if it is reasonably evident to us that this will be the case), then we may terminate this Agreement immediately upon notice to you, and we will require you to pay a Termination Fee under Section 14.c.

b. **Casualty**. If the Hotel is damaged by fire or other casualty, you will immediately notify us. If the damage or repair requires closing the Hotel, you may choose to repair or rebuild the Hotel according to the System Standards, provided you (i) immediately notify us (ii) begin reconstruction within six months after closing, and (iii) re-open the Hotel for continuous business operations as soon as practicable (but in any event within 18 months after the closing of the Hotel), giving us ample advance notice of the date of reopening. The License Term shall be extended the number of days the property is not open for business operations as specifically set forth in the notice described in the following sentence which grants the Hotel the right to re-open as a System Hotel on a specific re-opening date. Until we determine that the Hotel can be re-opened as a System Hotel, the Hotel will not promote itself as a System Hotel, or otherwise identify itself with any of the Settle Inn Marks without our prior written consent. You and we each have the right to terminate this Agreement if you elect not to repair or rebuild the Hotel as set forth above in this Section, provided the terminating party gives the other party 60 days' prior written notice, in which case we will not require you to pay a Termination Fee under Section 14.c; provided however, if subsequent to such termination notice and prior to the natural expiration of the License Term, you, or any of your Affiliates, have a controlling interest in or operate a hotel at this Hotel site and such hotel is not operated under a license or franchise from one of the Entities, then you must pay us the Termination Fee.

c. **No Extensions of License Term**. Except as provided in Section 12.b. above, nothing in this Section 12 will extend the License Term.

13. Term of License. Unless terminated earlier, this Agreement will expire without notice on the date which is the 20th anniversary of the Opening Date. The Hotel will be considered open for business ("**Open**" or "**Opening**") on the date ("**Opening Date**") we authorize you to make available the facilities, Guest Rooms or services of the Hotel to the general public under the Settle Inn Marks. You acknowledge and agree that this Agreement is non-renewable and that this Agreement confers upon you absolutely no rights of renewal whatsoever following the termination or expiration of the Agreement. You also acknowledge and agree that should we exercise our discretion to offer you a new agreement on renewal, the terms of the agreement offered on renewal may be substantially different than the terms of this Agreement.

14. Termination.

a. **Termination or Suspension by Us on Advance Notice**. Except in the case of an immediate termination as provided in Section 14.b below, we have the right to terminate this Agreement if you fail to cure an Event of Default within 30 days after we furnish notice of default to you based on the Event of Default, or, if there is a non-monetary Event of Default that is incapable of cure within 30 days, if you fail to diligently pursue cure of such default and fail to cure the default within the additional time periods we set forth in the notice of default.

(1) An "**Event of Default**" will occur if you fail to satisfy or comply with any of the obligations, requirements, conditions, or terms set forth in (i) this Agreement, the System Standards (including the minimum performance scores required by the Manual) or any attachment to this Agreement; or (ii) any other agreement you have with us, or an Entity, relating to the Hotel, including, any computer system agreement, or any agreement to manage the Hotel. An "Event of Default" will also occur if you make any misrepresentations to us, whether in entering into this Agreement, or in the performance of your obligations to us.

(2) Our notice of termination will not relieve you of your obligations under this Agreement or any of its attachments.

(3) Upon notice of an Event of Default, we also may at any time, at our sole discretion, suspend our obligations under this Agreement (including Reservation Services as more fully described below) and may remove the listing of the Hotel from any directories we publish, and from any advertising we publish, or to remove or suspend you from the Reservation System immediately without notice to you. We will have the right to divert reservations previously made for the Hotel to other System Hotels after giving you notice of an Event of Default. If you fully cure the default within the time provided in our notice, including any amounts accruing to us under this Agreement after the date of our notice, and further including payment of our then applicable administrative fee for resumption of services, we will restore you to the Reservation System, and add you to all future directories we publish and to all advertising we subsequently disseminate (except advertising that was ordered before your reinstatement), but we will not be required to redirect to you any reservations previously made for the Hotel and diverted to other System Hotels during the period of suspension or removal, and you will be entitled to no compensation in connection with our election to suspend or remove the Hotel from our directories, advertising or the Reservation System. You agree that our exercise of these rights will not result in actual or constructive termination of this Agreement, and that the rights granted to us in this Section 14.a.(3) are in addition to, and apart from, any other rights we may have in this Agreement, including our right to terminate this Agreement. If we exercise any of these rights, the exercise will not be a waiver of any breach by you of any term, covenant or condition of this Agreement.

b. **Immediate Termination by Us**. We have the right to terminate this Agreement immediately upon notice to you (or terminate it at the earliest time permitted by applicable law) if one or more of the following breaches to this Agreement or any of its attachments occur:

(1) After curing any material violation of this Agreement or the System Standards, you engage in the same noncompliance within any consecutive 24 month period, whether or not the noncompliance is corrected after notice; or after we have notified you of your noncompliance with any of the requirements imposed by this Agreement or the System Standards, regardless of materiality, you engage in a pattern of noncompliance with any of those requirements, whether or not the noncompliance is corrected after notice, which pattern of non-compliance in and of itself will be deemed material;

(2) You or any guarantor of your obligations under this Agreement:

(a) Generally fails to pay your or its debts as they become due; admits in writing your or its insolvency or inability to pay its debts or obligations as they become due; your or its liabilities exceed its assets; or makes a general assignment for the benefit of your or its creditors;

(b) Commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of you or it or your or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for you or it or for all or any substantial part of your or its property;

(c) Take any corporate or other action to authorize any of the actions set forth above in Section 14.b(2)(a) or 14.b(2)(b);

(d) Suffer initiation of any case, proceeding or other action against you or it seeking to have an order for relief entered against you or it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of you or it or your or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for you or it or for all or any substantial part of your or its property, and such case, proceeding or other action (i) results in the entry of an order for relief against you or it which is not fully stayed within seven business days after the entry of the order or (ii) remains undismissed for 45 days;

(e) Allow an attachment to remain on all or a substantial part of the Hotel or of your or its assets for 30 days;

(f) Fail within 60 days of the entry of a final judgment against you or it in any amount exceeding $100,000 to discharge, vacate or reverse the judgment, or to stay execution of it, or if appealed, to discharge the judgment within 30 days after a final adverse decision in the appeal;

(g) Lose possession or the right to possession of all or a significant part of the Hotel or Hotel site, whether through foreclosure, loss of lease, or for other reasons apart from those described in Section 12;

(h) Fail to continue to identify the Hotel to the public as a System Hotel, or abandons the operation of the Hotel by failing to operate the Hotel for five consecutive days, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Hotel, unless the failure to operate is due to fire, flood, earthquake or similar causes beyond your control, provided that you have taken reasonable steps to minimize the impact of such events;

(i) Contest in any court or proceeding our ownership of the System or any part of the System, or the validity of any of the Network Marks;

(j) Take any action toward dissolving or liquidating yourself or itself, if you or it are a corporation, limited liability company or partnership, except for death of a partner;

(k) Any of the owners of a controlling Equity Interest is discovered to have been convicted of a felony (or any other offense or conduct if we reasonably determine it is likely to adversely reflect upon or affect the Hotel, the System, us or any Entity);

(l) Conceal revenue, maintains false books and records of accounts, submit false reports or information to us or otherwise attempt to defraud us;

(m) Become a Competitor (as defined in Section 6.a.(25));

(n) Transfer any interest in this Agreement or in the Hotel other than in the transaction that we have approved (unless the transfer is of a type described in Section 11 where our approval or consent is not required); or

(o) Do not purchase or maintain insurance required by this Agreement, or do not reimburse us for our purchase of insurance on its behalf.

(3) Information involving you or your affiliates, whether provided by you under Section 6.a.(30) or obtained through our own investigation, discloses facts concerning you or your affiliates, including your respective officers, directors, shareholders, partners or members, or the Hotel, or title to the property on which the Hotel is constructed or any other property used by the Hotel, which, in our reasonable opinion is likely to adversely reflect upon, any gaming licenses or permits held by us or the Entities or the then current stature of any of us or the Entities with any gaming commission, board, or similar governmental or regulatory agency, or our reputation or business or the reputation or business of any of the Entities;

(4) We make a reasonable determination that continued operation of the Hotel by you will result in an imminent danger to public health or safety; or

(5) Any guarantor of your obligations under this Agreement breaches his or her guaranty, if any, or any guaranty fails to be a continuing obligation fully enforceable against the person(s) signing the guaranty, or if there is any inadequacy of the guaranty or guarantor, and the guarantor fails to provide adequate assurances to us as we may reasonably request.

c. **Liquidated Damages upon Termination.** If we terminate the Agreement under Section 14.a. or 14.b. above or you terminate this Agreement without cause, you acknowledge that your default will cause substantial damage to us, the actual amount of which will be difficult to determine. Therefore, you agree that if we terminate this Agreement under Section 14.a. or 14.b. as a result of your default or breach of this Agreement, or if you unilaterally terminate this Agreement without cause (which is not authorized and which would be a material breach of this Agreement), then upon termination you must pay us a lump-sum payment equal to the sum of the following:

(1) All amounts owed to us for periods prior to the date of termination; and

(2) As liquidated damages, a "**Termination Fee**" determined by multiplying the number of guest rooms in the Hotel (as set forth in the Rider) by $1,000.

The Termination Fee is intended to compensate us only for the value lost in Monthly Royalty Fees as a result of your failure to operate the Hotel for the License Term, and you acknowledge that the Termination Fee is a reasonable estimate of those damages. You further agree that you remain liable for all other

obligations and claims under the Agreement, including obligations following termination under Sections 5.c., 5.d., 8.c and 14.d. and Section 9 and liabilities arising out of your breach or default.

d. **De-identification of Hotel Upon Termination.** Upon expiration or termination of this Agreement for any reason, you will immediately stop holding yourself out to the public as a System Hotel, and will take whatever action is necessary to assure that no use is made of any part of the System (including the Settle Inn Marks or any individual feature of any of the System or Network) all forms of advertising and other indicia of operation as a System Hotel), and will discontinue use of all distinguishing indicia of System Hotels, including such indicia on exterior and interior signs, stationery, operating equipment and supplies, Internet sites, brochures and other promotional material at or in connection with the Hotel, System, Network or otherwise. You will immediately cease using or operating any Online Presence related to the Hotel or the Network Marks, and take any action as may be required to disable such Online Presence, or transfer exclusive control and access of such Online Presence to us, as we determine at our sole discretion. You will return to us the Manual and all other proprietary materials, remove all distinctive System and Network features of the Hotel, including the primary freestanding sign (if applicable) down to the structural steel, and take all other actions ("**De-identification Actions**") required to preclude any possibility of confusion on the part of the public that the Hotel is still using all or any part of the System or is otherwise holding itself out to the public as a System Hotel, including ceasing participation in any System programs and payment of any amounts owing in connection with participation in such System programs as required under the then existing rules of any such System program. If within 30 days after the termination or expiration of this Agreement, you fail to comply with this Section, we or our agents, at your expense, may enter the premises of the Hotel to perform the De-identification Actions without being deemed guilty of or liable for trespass or any other tort, and make or cause to be made such changes at your expense. You will pay all such expenses that we incur upon demand. If you fail to take all De-identification Actions, we and or the Entities will be entitled to recover all losses, costs, expenses and damages caused by that failure. We and the Entities will also be entitled to relief by injunction, and any other right or remedy at law or in equity to enforce our rights under this Agreement.

e. **Special Termination**. You recognize the additional harm by way of confusion for national accounts, greater difficulty in re-entering the market, and damage to goodwill of the Network Marks that we will suffer if (i) you cause two or more franchise agreements between yourself (or your affiliates) and us to be terminated prior to the expiration date within 12 months of each other (and if we terminate those agreements following your breach or default, you will be deemed to have caused the termination) or (ii) this Agreement terminates or is terminated by us following an unapproved Transfer to a Competitor (each of these will be referred to as a "**Special Termination**"). In the case of a Special Termination, the amount due to us upon termination will be an amount equal to the amounts set forth in clauses (i) and (ii) of Section 14.c., plus an additional amount equal to two times the Termination Fee payable under Section 14.c.

15. Dispute Resolution.

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

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

c. **Waiver of Exemplary and Punitive Damages**. Except for your obligations to indemnify us for third party claims under Section 9, and except for punitive, exemplary or multiple damages available to either party under United States federal law, we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary or multiple damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

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

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

16. Relationship of Parties.

a. **No Agency Relationship**. You are an independent contractor. Neither of us is the legal representative or agent of the other, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose. You expressly acknowledge that we have a business relationship based entirely on, and defined by, the express provisions of this Agreement and that no partnership, joint venture, joint employer, agency, fiduciary or employment relationship is intended or created by reason of this Agreement. Neither we nor any Entity will have any responsibility to any person for any debts, liabilities, damages, claims or expenses related to the establishment, construction or operation of the Hotel or arising out of or related to your policies, procedures, practices or alleged practices in the operation of the Hotel or any other business conducted at the Hotel. You are solely responsible for all employment decisions with regard to employees, agents and independent contractors that you may hire to assist in the operation of the Hotel. You assume all liability for such employees, agents and independent contractors. 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, discipline and supervision. You agree to comply with all applicable local, state and federal laws governing your employees and will at all times hold us free, clear and harmless from all actions, claims and expenses arising out of said laws, bylaws, ordinances, rules and regulations that are or may be promulgated in connection therewith. You assume full responsibility for the payment of all payroll taxes, use, sales, income or other form of taxes, fees, licenses, excises, or payments required by any city, county, federal or state legislation which is now or may during the License Term be enacted as to all persons employed by you.

b. **Notices to Public Concerning Your Independent Status**. You will take all steps reasonably necessary to minimize the chance of a claim being made against us for anything that occurs

at the Hotel, or for the acts or omissions of you or anyone associated or affiliated with you or the Hotel, including steps mandated by us under the System Standards or otherwise. You will not incur any obligation or indebtedness on our behalf. All contracts for the Hotel's operations and services at the Hotel will be in your name or in the name of your management company. You will not enter into or sign any contracts in our name or using the name of the Settle Inn Marks or any of the Network Marks or any acronyms or variations on same. You will disclose in all dealings with suppliers and third parties that you are an independent entity and that we have no liability for your debts.

17. Miscellaneous.

a. **Severability and Interpretation**. The remedies provided in this Agreement are cumulative. These remedies are not exclusive of any other remedies to which you or we may be entitled in case of any breach or threatened breach of the terms and provisions hereof. If any provision of this Agreement is held to be unenforceable, void or voidable, that provision will be ineffective to the extent of the prohibition without in any way invalidating or affecting the remaining provisions of this Agreement, and all remaining provisions will continue in effect. If any provision of this Agreement is held unenforceable due to its scope, but may be made enforceable by limiting its scope, the provision will be considered amended to the minimum extent necessary to make it enforceable. This Agreement will be interpreted without interpreting any provision in favor of or against either of us by reason of the drafting of the provision, or either of our positions relative to the other. Any covenant, term or provision of this Agreement that provides for continuing obligations after the expiration or termination of this Agreement will survive any expiration or termination. To the extent that any provision of this Agreement is void or is inconsistent with any applicable state statute, such as any applicable statute that provides for termination notice periods that are longer than those required by this Agreement, such applicable statute will supersede such provision of this Agreement.

b. **Exclusive Benefit**. This Agreement is exclusively for our and your benefit, and none of the obligations of either of us in this Agreement will run to, or be enforceable by, any other party (except for covenants in favor of the Entities, which covenants will run to and be enforceable by the Entities or their successors and assigns), or give rise to liability to a third party, except as otherwise specifically set forth in this Agreement.

c. **Entire Agreement**. You and we acknowledge that we want all terms of this business relationship defined in this written agreement, and that neither of us wants to enter into a business relationship with the other in which any terms or obligations are subject to any oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth in this Agreement. Therefore, you and we agree that this Agreement and its attachments will be construed together and will supersede and cancel any prior or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or by any other term) between us, except for any representations we have made in the FDD. We each agree that we placed, and will place, no reliance on any such discussions or writings, except that you are entitled to rely on representations we made in the FDD. You agree that no claims, representations or warranties of earnings, sales, profits, success or failure of the Hotel have been made to you except for those contained in Item 19 of the FDD. This Agreement and its attachments is the entire agreement between us and contains all of the terms, conditions, rights and obligations between us with respect to the Hotel and any other aspect of the relationship between us. No change, modification, amendment or waiver of any of the provisions of this Agreement will be effective and binding upon us unless it is in writing, specifically identified as an amendment to this Agreement and signed by one of our authorized officers. If any provision of this Agreement is inconsistent with the Manual, the provisions of this Agreement will prevail. No failure by us or by any Entity to exercise any power given us under this Agreement or to insist on strict compliance by you with any of your obligations, and no custom or practice at variance with the terms of this Agreement, will be considered a waiver of our or any Entity's right to demand exact compliance with the terms of this Agreement.

d. **Consent; Business Judgment**. Wherever our consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, we have the right to withhold our approval at our discretion taking into consideration our assessment of the long-term interests of the System overall. You and we recognize, and any arbitrator or judge is affirmatively advised that if those decisions are supported by our business judgment, neither an arbitrator nor a judge nor any other person reviewing those decisions will substitute his or her judgment for our judgment. When the terms of this

Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable. Our approvals and consents will not be effective unless given in writing. In no event may you make any claim for money damages based on any claim that we have unreasonably withheld or delayed any consent or approval to a proposed act by you under the terms of this Agreement. You also may not claim damages by way of set-off, counterclaim or defense for our withholding of consent. Your sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement by specific performance or by declaratory judgment. Our approvals are related only to our exercise of our approval rights under this Agreement and do not imply, for example, that you have complied with applicable law or your obligations to any third party.

e. **Notices**. All notices required or permitted under this Agreement must be in writing, must be personally delivered or mailed by registered or certified mail, return receipt requested, or by a nationally recognized overnight delivery or courier service, to us at Red Lion Hotels Franchising, Inc., 201 W. North River Drive, Suite 100, Spokane, Washington, 99201, Attention: General Counsel, and to you at the address provided in the Rider. Any notice by registered or certified mail or by overnight delivery or courier service is deemed given and received at the date and time of sending.

f. **General Release**. You and your heirs, administrators, executors, owners, officers, directors, agents and representatives and their respective successors and assigns release, remise, acquit and forever discharge us and the Entities and our and their respective owners, shareholders, partners, officers, directors, employees, agents, representatives and each of our and their respective successors and assigns from any and all actions, claims, causes of action, suits, rights, debts, liabilities, accounts, agreements, covenants, contracts, promises, warranties, judgments, executions, demands, damages, costs and expenses, whether known or unknown at this time, of any kind or nature, absolute or contingent, at law or in equity, on account of any matter, cause or thing whatsoever that has happened, developed or occurred before you sign and deliver this Agreement to us. This release will survive the termination of this Agreement.

g. **Estoppel Certificate**. Whenever we reasonably request it, you will deliver to us an estoppel certificate in the form we require as to the matters described in this Agreement.

h. **Descriptive Headings**. The descriptive headings in this Agreement are for convenience only and will not control or affect the meaning or construction of any provision in this Agreement.

i. **Representations and Warranties**. You warrant, represent and agree that all statements made by you in the Application you submitted to us in anticipation of this Agreement and all other documents and information you submitted to us are true, correct and complete as of the date of this Agreement and that you will continue to update them so that they are always true, correct and complete. You further represent and warrant to us that you have the full legal power and authority to enter into this Agreement and that by entering into this Agreement you will not be breaching any agreement to which you are a party. You hereby indemnify and hold us harmless from any breach of these representations and warranties. These warranties and representations will survive the termination of this Agreement.

j. **Time**. Time is of the essence in this Agreement.

k. **Counterparts**. This Agreement may be signed in counterparts, each of which will be considered an original.

l. **Performance Requirements/Responsibilities**. [Attachment A-1/Attachment A-2], setting forth certain of your performance conditions and requirements, is incorporated by reference and made a part of this Agreement.

m. **Informational Copies**. You acknowledge that we may provide, but are not required to provide, a copy of any information we provide to you concerning the Hotel (such as quality assurance reports and default notices) to the owner or lessor of the Hotel.

n. **Privacy**. You expressly permit us to disclose in our FDD (whether required by law or made available on a voluntary basis) personal information related to you, including your and your owner's names, any address, telephone numbers and facsimile numbers, and sales, revenues, expenses, costs, results of operations and similar information regarding your business, and any information regarding the non-renewal, expiration, or termination of this Agreement.

[THIS AGREEMENT CONTINUES WITH EITHER: (I) ATTACHMENT A-1 OR ATTACHMENT A-2; AND (II) ATTACHMENT B, WHICH ARE A PART OF THIS AGREEMENT.]

ATTACHMENT A-1

PERFORMANCE CONDITIONS - CONVERSION

A. Consultation. You or your representative(s) will meet with us to consult and coordinate with the project manager we assign to you. The meeting will take place within 45 days after we notify you, and the meeting will be held at a location we select.

B. Work and Purchase Requirement. If applicable, the PIP, is included in this Agreement and incorporated herein by reference. You will perform the renovation and construction work and purchase the items described in the PIP (the "**Renovation Work**") on or before the completion date specified on the Rider. The Renovation Work will include your purchase or lease, and installation of all fixtures, equipment, furnishings, furniture, signs, computer terminals and related equipment, supplies and other items which would be required of a new System Hotel under the System Standards and other equipment, furnishings and supplies as we may require for you to operate the Hotel. You will be responsible for obtaining all necessary licenses, permits and zoning variances required for the Hotel.

C. Approval of Architect/Engineer/Contractors. Before you submit Plans and Designs (as defined in Section D below) to us, you will furnish us with resumes and other information we request pertaining to the architect you desire to retain to prepare your Plans and the interior designer you desire to retain to prepare your Designs. The Plans and Designs will not be approved until we have approved the architect and designer who are to prepare the Plans and Designs. Before Renovation Work, you will also submit to us resumes and other information we request pertaining to the general contractor and any major subcontractors for the Renovation Work. Renovation Work will not begin until we have approved the contractors, which approval may be conditioned on bonding of the contractors.

D. Approval of Plans and Designs. On or before the date specified on the Rider for submission of the Plans, you must submit to us your plans, layouts, specifications, and drawings for the Hotel (collectively, the "**Plans**"). We may supply you with representative prototype Guest Room and public area plans and schematic building plans as a guide for preparation of the Plans. Renovation Work will not begin unless and until we have approved the Plans. You must also submit to us your plans, layouts, specifications and designs for the proposed furnishings, fixtures, equipment and décor of the Hotel (collectively, the "**Designs**") when we instruct you to do so. Once we approve the Plans and Designs, no change may be made to the Plans and Designs without our advance consent. In approving the Plans and Designs, we do not warrant the depth of our analysis or assume any responsibility for the efficacy of the Plans and Designs, or the resulting Renovation Work. You will cause the Renovation Work to be completed in accordance with this Agreement, the approved Plans and Designs, the System Standards and the PIP. You will be solely responsible for obtaining all necessary licenses, permits and zoning variances that may be required for the Renovation Work. You should not rely upon our approval for any purpose whatsoever except compliance with our then prevailing System Standards.

You are solely responsible for making certain that the Hotel and the Renovation Work comply in all respects with all Legal Requirements. For purposes of this Agreement, "Legal Requirements" means all public laws, bylaws, statutes, ordinances, orders, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments and governmental authorities, which, now or hereafter, may apply to the construction, completion, equipping and opening of the Hotel and the operation of the Hotel, including environmental, zoning, building, and life safety. We will have the right to, and you will arrange for us to participate in all progress meetings during the Renovation Work, to have access to all contract and construction documents relating to the Hotel and the Renovation Work, and to have access to the Hotel during reasonable business hours to inspect the Hotel, its construction, completion, furnishing and equipping. However, we are not obligated to participate in progress meetings, or inspect the Hotel, and our participation and inspection is not to be considered as a representation of the adequacy of the construction, the structural integrity, or the sufficiency of mechanical and electrical systems for the Hotel or the Renovation Work. Before we approve your Plans, your architect or other certified professional

must certify to us that the Plans comply with, or do not require compliance with, the Americans with Disabilities Act and its architectural guidelines as well as the applicable state and local codes for accessible facilities. Upon completion of the Renovation Work and as a condition to opening of the Hotel, if we so require, your architect, general contractor or other certified professional must provide us with a certificate stating that the as-built premises comply with, or do not require compliance with, the Americans with Disabilities Act and its architectural guidelines and all state and local codes for accessible facilities.

E. Commencement; Completion. You will begin the Renovation Work on or before the date specified on the Rider and will continue the Renovation Work uninterrupted (except to the extent continuation is prevented by events beyond Franchisee's control, such as acts of God, third party strikes, war, or general governmental restrictions ("**Force Majeure**")) until it is completed. For purposes of this Section, Force Majeure does not include your own financial inability, inability to obtain financing, inability to obtain permits or any other events unique to you or the Hotel. Notwithstanding any Force Majeure, or any other matter, the Renovation Work must be completed and the Hotel must be furnished, equipped, and comply with this Agreement no later than the date specified in the Rider (the "**Construction Work Completion Date**"). If you fail to complete the Construction Work in accordance with this Agreement on or before the Construction Work Completion Date and this failure to meet the Construction Work Completion Date is due solely to Force Majeure, the Pre-Opening Termination Fee (as defined in Section S below) will not be assessed. We will have the sole right to determine whether the Renovation Work has been completed in accordance with this Agreement, the approved Plans and Designs, the System Standards and the PIP.

F. Inspection. During the course of Renovation Work, you and your architect, designer, contractors, and subcontractors will cooperate fully with us for the purpose of permitting us to inspect the Hotel and the Renovation Work in order to determine whether Renovation Work is being done in accordance with this Agreement, the approved Plans and Designs, the System Standards, and the PIP. In addition, you and your contractors, architect and designer will (i) supply us with samples of construction materials, supplies, equipment, materials and reports as we may request and (ii) give our representatives access to the Hotel site and Renovation Work in order to permit us to carry out our inspections.

G. Progress Reports. You will submit to us each month (or more frequently if we so request) a report showing progress made toward completing the Renovation Work required in this Agreement.

H. Acquisition of Equipment, Furnishings, and Supplies. You will purchase or lease and install all fixtures, equipment, furnishings, furniture, signs, computer terminals and related equipment, supplies and other items we require in order to assure that the Renovation Work is completed under this Agreement.

I. Cost of Renovation and Equipping. You will bear the entire cost of the Renovation Work, including the cost of the Plans and Designs, professional fees, licenses, permits, equipment, furniture, furnishings and supplies.

J. Insurance During Conversion. In addition to the insurance coverage required under this Agreement, during the course of Renovation Work, you will maintain or will cause the general contractor to maintain builder's risk coverage for the replacement value of the Hotel, which policies must name us and the Entities as additional insureds. This coverage must be evidenced by an original certificate of insurance, submitted to us at least 30 days before you begin Renovation Work and thereafter any time before a change is made in the coverage. Prior to the Opening Date, you will submit to us a certificate of insurance evidencing the other types of insurance we require under Section 6.a.(33) of this Agreement.

K. Limitation of Liability. We will have no liability or obligation with respect to design and construction of the Hotel. We have furnished to you that portion of the Manual which contains the technical standards and specifications to assist you in completing the Renovation Work. You

acknowledge you have studied these standards and specifications and satisfied yourself that the Hotel can be designed, furnished and equipped in accordance with these standards and specifications and that you and your design and construction consultants and contractors have the necessary resources and skills to do so. The Manual does not encompass the architectural, structural, mechanical or electrical safety, adequacy, integrity or efficiency of the design or compliance with applicable Legal Requirements. We do not undertake to approve the Hotel as complying with governmental requirements or as being safe for guests or other third parties and we have no responsibilities in these areas. You must indemnify us with regard to compliance with these matters to the extent provided in Section 9 of this Agreement. The Manual may not be used by you or by any design or construction professional for any hotel project other than the Hotel.

L. Trademarks. During the Renovation Work, you will have the right, so long as this Agreement is in effect: (i) to place a sign on the Hotel site, advising the general public that a System Hotel is under construction, and you agree, at your sole expense, on or before the date specified in the Rider, to erect, install and maintain in complete working order at the site of the Hotel a large construction sign using the Settle Inn Marks and other distinguishing characteristics in accordance with our plans and specifications for System Hotels; (ii) to advertise and promote the development and opening of the Hotel in the media; (iii) to purchase, from vendor(s) approved by us, operating supplies and equipment bearing the Settle Inn Marks required for the operation of the Hotel; and (iv) to purchase, from vendor(s) approved by us, and install the permanent signage required for the operation of the Hotel. Once we authorize the Hotel to open (conditionally or otherwise) as a System Hotel, you may use the Settle Inn Marks and the System in the operation of the Hotel consistent with the terms and conditions of this Agreement. Prior to the Opening Date, you will stop using all other names, symbols, trademarks, service marks or trade logos other than those used and associated with the System.

M. Staffing. Before the Opening Date, you will, at your cost, hire a staff to operate the Hotel, and train that staff to protect the Settle Inn Marks and System.

N. Opening. You will not open the Hotel unless and until you receive our written authorization to do so. We will only authorize the Hotel to open when we, at our sole discretion, are satisfied that: (i) you have complied with all the terms and conditions set forth in this Agreement; (ii) your staff has received adequate training and instruction; and (iii) all fees and charges you owe to us or the Entities have been paid. Opening the Hotel before we authorize you to open will constitute unauthorized use of Settle Inn Marks and a material breach of this Agreement. Recognizing the difficulty of ascertaining damages for such a breach, you agree to pay to us, as liquidated damages, solely for the damage to Settle Inn Marks, and not as a penalty, $5,000 per day to compensate us for the damage to Settle Inn Marks. You also agree to reimburse us for our costs, including attorneys' fees, incurred in enforcing our rights. These damages do not limit any other remedies we may have, at law or in equity.

O. Compliance/Investigation. You will give us at least 15 days advance notice that, in your opinion, you have complied with all the terms and conditions of this Agreement and the Hotel is ready to open (conditionally or otherwise). We will use reasonable efforts within 15 days after we receive your notice to inspect the Hotel and to conduct other investigations as we deem necessary to determine whether to authorize the opening (conditional or otherwise) of the Hotel, but we will not be liable for delays or loss occasioned by our inability to complete our investigation and to make this determination within the 15 day period. If you fail to pass our initial opening inspection, we may, at our sole discretion, charge you reasonable fees associated with any additional inspections.

P. Conditional Opening. Notwithstanding Section N above, we may, at our sole discretion, conditionally authorize you to open and operate the Hotel as a System Hotel ("**Conditional Opening**") even though you have not fully complied with the terms of this Agreement, if you are meeting your performance obligations under this Agreement and if you agree to fulfill all remaining terms of this Agreement, including any attachment, on or before the completion date

set forth on the Rider, or any extension we approve. Our determination as to whether to authorize a Conditional Opening will be final and binding.

Q. Performance of Agreement. You agree to satisfy all of the terms and conditions of this Agreement, and to equip, supply, staff and otherwise make the Hotel ready to open under the System Standards. As a result of your efforts to comply with the terms and conditions of this Agreement, you will incur significant expense and expend substantial time and effort. You acknowledge and agree that we will have no liability or obligation to you for any losses, obligations, liabilities or expenses you incur if we do not authorize the Hotel to open or if we terminate this Agreement because you have not complied with the terms and conditions of this Agreement.

R. Termination Prior to Opening. Your failure to satisfy the terms of this Agreement, including your failure to begin or complete the Renovation Work in accordance with the Plans, the System Standards and our requirements (including the milestone and completion dates) will constitute a material breach of your obligations under this Agreement and will be considered an Event of Default. If an Event of Default occurs before the Opening Date, we may terminate this Agreement if that Event of Default continues for ten days (or longer, if required by law) after notice to you.

S. Pre-Opening Termination Fee. If you breach this Agreement and we terminate this Agreement, before the Opening Date, the parties agree that it would be difficult if not impossible to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your operation of the Hotel through the License Term. The parties agree that a reasonable estimate of those damages is, and you agree to pay us as compensation for the damages, an amount equal to $1,200 for each Guest Room (the "**Pre-Opening Termination Fee**").

T. Termination after Opening of the Hotel. Termination of this Agreement after the opening of the Hotel (conditionally or otherwise) will be governed by Section 14 of this Agreement.

(Remainder of page left intentionally blank.)

ATTACHMENT A-2

PERFORMANCE CONDITIONS - NEW DEVELOPMENT

A. **Consultation.** You or your representative(s) will meet with us to consult and coordinate with the project manager we assign to you. The meeting will take place within 45 days after we notify you, and the meeting will be held at a location we select.

B. **Approval of Architect/Designer/Contractors.** Before you submit Plans and Designs (as defined in Section C below) to us, you will furnish us with resumes and other information we request pertaining to the architect you desire to retain to prepare your Plans and the interior designer you desire to retain to prepare your Designs. The Plans and Designs will not be approved until we have approved the architect and designer who are to prepare the Plans and Designs. Before Construction Work (as defined in Section E below), you will also submit to us resumes and other information we request pertaining to the general contractor and any major subcontractors for the Construction Work. Construction Work will not begin until we have approved the contractors, which approval may be conditioned on bonding of the contractors.

C. **Approval of Plans.** On or before the date specified on the Rider for submission of the Plans, you must submit to us your plans, layouts, specifications, and drawings for the Hotel (collectively, the "**Plans**"). Construction Work will not begin unless and until we have approved the Plans. You must also submit to us your plans, layouts specifications and designs for the proposed furnishings, fixtures, equipment and décor of the Hotel (collectively, the "**Designs**") when we instruct you to do so. Once we approve the Plans and Designs, no change may be made to the Plans without our advance consent. In approving the Plans and Designs, we do not warrant the depth of our analysis or assume any responsibility for the efficacy of the Plans and Designs, or the resulting Construction Work. You should not rely upon our approval for any purpose whatsoever except compliance with our then prevailing System Standards.

You are responsible for making certain that the Hotel complies in all respects with all Legal Requirements. For purposes of this Agreement, "**Legal Requirements**" means all public laws, bylaws, statutes, ordinances, orders, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments and governmental authorities, which, now or hereafter, may apply to the construction, completion, equipping and opening of the Hotel and the operation of the Hotel, including environmental, zoning, building, and life safety. We will have the right to, and you will arrange for us to participate in all progress meetings during the development and construction of the Hotel, to have access to all contract and construction documents relating to the Hotel, and to have access to the Hotel during reasonable business hours to inspect the Hotel, its construction, completion, furnishing and equipping. However, we are not obligated to participate in progress meetings, or inspect the Hotel, and our participation and inspection is not to be considered as a representation of the adequacy of the construction, the structural integrity, or the sufficiency of mechanical and electrical systems for the Hotel. Before we approve your Plans, your architect or other certified professional must certify to us that the Plans comply with the Americans with Disabilities Act and its architectural guidelines as well as all applicable state and local codes for accessible facilities. Upon completion of the construction of the Hotel and as a condition to opening of the Hotel, if we so require, your architect, general contractor or other certified professional must provide us with a certificate stating that the as-built premises comply with the Americans with Disabilities Act and its architectural guidelines and all applicable state and local codes for accessible facilities.

D. **Site Control.** Before you begin Construction Work, you must submit to us a copy of the deed or lease to the Hotel site evidencing your legal access to the Hotel site for the full License Term.

E. **The Construction Work.** You agree to take all action necessary to perform the development and construction of the Hotel, renovation, furnishing, equipping, acquisition of supplies and the implementation of the Plans ("**Construction Work**") all in accordance with this Agreement, the approved Plans and Designs, and the System Standards, within the time frames we specify. You will be solely responsible for obtaining all necessary licenses, permits and zoning variances required for the Construction Work. Before you begin the Construction Work, you will submit to us copies of applicable permits, licenses and zoning variances.

F. **Commencement; Completion.** Construction Work will begin on or before the construction commencement date specified on the Rider (the "**CCD**"). Your failure to begin construction by the CCD will be an Event of Default, unless we extend the CCD. If you want to request an extension of the CCD, you must submit a written request and a $10,000 extension fee before the CCD. If we approve the extension, we will set a new CCD and the extension fee will become non-refundable. If we deny the extension, we will refund the extension fee. Beginning Construction Work will mean the excavation and pouring of footings. Once begun, the Construction Work will continue uninterrupted (except to the extent continuation is prevented by events beyond Franchisee's control, such as acts of God, third party strikes, war, or general governmental restrictions ("**Force Majeure**")) until it is completed. For purposes of this Section, Force Majeure does not include your own financial inability, inability to obtain financing, inability to obtain permits or any other events unique to you or the Hotel.

Upon our request, you will promptly provide us with evidence that construction has commenced. Notwithstanding any Force Majeure, or any other matter, Construction Work must be completed and the Hotel must be furnished, equipped, and otherwise made ready to open in accordance with this Agreement no later than the date specified on the Rider (the "**Construction Work Completion Date**"). If you fail to complete the Construction Work in accordance with this Agreement on or before the Construction Work Completion Date and this failure to meet the Construction Work Completion Date is due solely to Force Majeure, the Pre-Opening Termination Fee (as defined in Section T below) will not be assessed. We will have the sole right to determine whether the Construction Work has begun and has been completed in accordance with this Agreement, the approved Plans, and Designs, and the System Standards.

G. **Inspection.** During the course of Construction Work, you and your architect, engineer, contractors, and subcontractors will cooperate fully with us for the purpose of permitting us to inspect the Hotel site and the Construction Work in order to determine whether Construction Work is proceeding in accordance with this Agreement, the approved Plans and Designs, and the System Standards. In addition, you and your contractors, architect and designer will (i) supply us with samples of construction materials, test borings, corings, supplies, equipment, materials and reports as we may request and (ii) give our representatives access to the Hotel site and Construction Work in order to permit us to carry out our inspections.

H. **Progress Reports.** You will submit to us each month (or more frequently if we so request) a report showing progress made toward completion of the Construction Work required in this Agreement.

I. **Acquisition of Equipment, Furnishings, and Supplies.** You will purchase or lease and install all fixtures, equipment, furnishings, furniture, signs, computer terminals and related equipment, supplies and other items we require in order to prepare the Hotel for opening as a System Hotel under this Agreement. After opening, you will replace all these items, at your cost, in accordance with schedules we set in order to assure that the Hotel will meet the System Standards for operation we set for the System Hotels.

J. **Costs of Construction and Equipping.** You will bear the entire cost of the Construction Work, including the cost of the Plans and Designs, professional fees, licenses, permits, equipment, furniture, furnishings and supplies.

K. **Insurance During Construction.** In addition to the insurance coverage required under this Agreement, during the course of Construction Work, you will maintain or will cause the general contractor to maintain Builder's Risk coverage for the replacement value of the Hotel, which policies must name us and the Entities as additional insureds. This coverage must be evidenced by an original certificate of insurance, submitted to us at least 30 days before you begin Construction Work and thereafter any time before a change is made in the coverage. Prior to the Opening Date, you will submit to us a certificate of insurance evidencing the other types of insurance we require under Section 6.a.(33) of this Agreement.

L. **Limitation of Liability.** We will have no liability or obligation with respect to design and construction of the Hotel. We have furnished to you that portion of the Manual which contains the technical standards and specifications to assist you in completing the Construction Work. You acknowledge you have studied these standards and specifications and satisfied yourself that the Hotel can be designed, furnished and equipped in accordance with these standards and specifications and that you and your design and construction consultants and contractors have the necessary resources and skills to do so. The Manual does not encompass the architectural, structural, mechanical or electrical safety, adequacy, integrity or efficiency of the design or compliance with applicable Legal Requirements. We do not undertake to approve the Hotel as complying with governmental requirements or as being safe for guests or other third parties and we have no responsibilities in these areas. You must indemnify us with regard to compliance with these matters to the extent provided in Section 9 of this Agreement. The Manual may not be used by you or by any design or construction professional for any hotel or lodging project other than the Hotel.

M. **Trademarks.** During the planning and Construction Work phases of the Hotel, you will have the right, so long as this Agreement is in effect: (i) to place a sign on the Hotel site, advising the general public that a System Hotel is under construction, in accordance with our plans and specifications for System Hotels; (ii) to advertise and promote the development and opening of the Hotel in the media; (iii) to purchase, from vendor(s) approved by us, operating supplies and equipment bearing the Settle Inn Marks required for the operation of the Hotel; and (iv) to purchase, from vendor(s) approved by us, and install the permanent signage required for the operation of the Hotel. You agree, at your sole expense, upon, or promptly after, you begin construction, to install and maintain a construction sign on the Hotel site using the Settle Inn Marks and other distinguishing characteristics, which meets the System Standards. Once we authorize the Hotel to open (conditionally or otherwise), you may use the Settle Inn Marks and the System in the operation of the Hotel consistent with the terms and conditions of this Agreement.

N. **Staffing.** Before the Opening Date, you will, at your cost, hire a staff to operate the Hotel, and train that staff to protect the Settle Inn Marks and System.

O. **Opening.** You will not open the Hotel unless and until you receive our written authorization to do so. We will only authorize the Hotel to open when we, at our sole discretion, are satisfied that: (i) you have complied with all the terms and conditions set forth in this Agreement; (ii) your staff has received adequate training and instruction; and (iii) all fees and charges you owe to us or the Entities have been paid. Opening the Hotel before we authorize you to open will constitute unauthorized use of Settle Inn Marks and a material breach of this Agreement. Recognizing the difficulty of ascertaining damages for such a breach, you agree to pay to us, as liquidated damages, solely for the damage to Settle Inn Marks and not as a penalty, $5,000 per day to compensate us for the damage to Settle Inn Marks. You also agree to reimburse us for our costs, including attorneys' fees, incurred in enforcing our rights. These liquidated damages for damages to Settle Inn Marks do not limit any other remedies we may have, at law or in equity.

P. **Compliance/Investigation.** You will give us at least 15 days advance notice that, in your opinion, you have complied with all the terms and conditions of this Agreement and the Hotel is ready to open (conditionally or otherwise). We will use reasonable efforts within 15 days after we receive your notice to inspect the Hotel and to conduct other investigations as we deem necessary to

determine whether to authorize the opening (conditional or otherwise) of the Hotel, but we will not be liable for delays or loss occasioned by our inability to complete our investigation and to make this determination within the 15 day period. If you fail to pass our initial opening inspection, we may, at our sole discretion, charge you reasonable fees associated with any additional inspections.

Q. **Conditional Opening.** Notwithstanding Section O above, we may, at our sole discretion, conditionally authorize you to open and operate the Hotel as a System Hotel ("**Conditional Opening**") even though you have not fully complied with the terms of this Agreement, if you are meeting your performance obligations under this Agreement and if you agree to fulfill all remaining terms of this Agreement, including any attachment, on or before the completion date set forth on the Rider, or any extension we approve. Our determination as to whether to authorize a Conditional Opening will be final and binding.

R. **Performance of Agreement.** You agree to satisfy all of the terms and conditions of this Agreement, and to equip, supply, staff and otherwise make the Hotel ready to open under the System Standards. As a result of your efforts to comply with the terms and conditions of this Agreement, you will incur significant expense and expend substantial time and effort. You acknowledge and agree that we will have no liability or obligation to you for any losses, obligations, liabilities or expenses you incur if we do not authorize the Hotel to open or if we terminate this Agreement because you have not complied with the terms and conditions of this Agreement.

S. **Termination Prior to Opening.** Your failure to satisfy the terms of this Agreement, including your failure to begin or complete the Construction Work in accordance with the Plans, the System Standards and our requirements (including the milestone and completion dates) will constitute a material breach of your obligations under this Agreement and will be considered an Event of Default. If an Event of Default occurs before the Opening Date, we may terminate this Agreement if that Event of Default continues for ten days (or longer, if required by law) after notice to you.

T. **Pre-Opening Termination Fee.** If you breach this Agreement and we terminate this Agreement before the Opening Date, the parties agree that it would be difficult if not impossible to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your operation of the Hotel through the License Term. The parties agree that a reasonable estimate of those damages is, and you agree to pay us as compensation for the damages, an amount equal to $3,600 for each Guest Room (the "**Pre-Opening Termination Fee**").

U. **Termination after Opening of the Hotel.** Termination of this Agreement after the opening of the Hotel (conditionally or otherwise) will be governed by Section 14 of this Agreement.

(Remainder of page left intentionally blank.)

ATTACHMENT B

RIDER TO FRANCHISE AGREEMENT

Effective Date:	The date signed by Franchisor below
Opening Date:	As defined in Section 1.i of the Agreement: anticipated to be _____ but in no event later than _____
Franchisor Name:	Red Lion Hotels Franchising, Inc.
Type of Hotel:	Settle Inn
Initial Approved Hotel Name (Trade Name):	_____

Franchisee Name and Address (Principal Correspondent):

Address of Hotel:

Initial Number of Approved Guest Rooms:

Plans Submission Dates: As provided in the PIP, attached as Exhibit _____

Construction Commencement Date: Construction shall commence on or after the Effective Date and Renovation Work (as defined in [Attachment A-1/Attachment A-2]) shall be completed according to the completion deadlines set forth herein and in the PIP. Franchisee agrees, as a condition of the Agreement, to undertake a complete interior and exterior renovation of the Hotel, and will work with Franchisor's brand manager and other personnel to ensure that the Plans and Designs and Renovation Work for the Hotel meet Franchisor's System Standards; includes our Signature Moments (a list of which are set forth below, with required Signature Moments indicated by "√" and recommended Signature Moments indicated by "♥"); are approved in advance by Franchisor; and are completed to Franchisor's satisfaction prior to the Opening Date. The Renovation Work will include but not be limited to those items identified in the PIP (with the understanding that the failure to include any Signature Moments or System Standards in the PIP shall not preclude Franchisor's ability to require them as part of the Renovation Work or otherwise require them prior to the Opening Date).

Signature Moments and System Standards (√ indicates required; ♥ indicates recommended):

Entrance & Exterior
√ Outdoor dining area and bbq
√ Bicycles
♥ Outdoor exercise area
♥ Lighting the Landscape
♥ Bold, bright colors
♥ Paint outside the lines
♥ Pool ambience

Lobby
√ Welcome mat
√ Board games and ping pong tables
♥ Chalkboard wall

Guest Room
√ Barware and flatware
√ Amenities line
√ Terry program
√ Bed and bedding package
√ Signature Pillow
√ Kids Welcome Kit
♥ Accent wall

Food & Beverage
√ In-lobby coffee
√ 24-hour market
♥ Refilling station
♥ Vending machines

Expiration of License Term: **At midnight on the 20th year anniversary of the Opening Date.**

Additional Requirements/Special Provisions:

1. Franchisee previously paid an Application Fee to Franchisor in the amount of $_____, pursuant to the terms set forth in Section 7.a. of the Agreement.

2. In no event shall the Opening Date be earlier than completion of the applicable PIP items nor later than _____. If, for any reason you have not opened the Hotel as a System Hotel or completed the applicable portions of the PIP by _____, and we have not consented to a delay, a breach of this Agreement shall exist. Notwithstanding the foregoing, you may request an extension of the Opening Date of up to 90 days by providing written notice to us with payment of a $5,000 extension fee ("**Extension Fee**"). We may grant your extension at our sole discretion but if we deny the extension we will refund the Extension Fee to you and terminate this Agreement in accordance with the terms and conditions set forth in the Agreement. Notwithstanding anything to the contrary in the Agreement, in the event you fail to complete all the Renovation Work described in the PIP within the times provided for therein, any such failure shall be an Event of Default and Franchisor shall have all remedies available to it under the Agreement.

3. Franchisor's offer and acceptance of this Agreement is conditioned upon execution and delivery by each of your owners (if you are a legal entity) and their spouses, including _____ of an unconditional and unlimited Guaranty of Franchise Agreement of even date herewith on a form acceptable to us. Such guarantors shall be jointly and severally liable for the obligations under this Agreement.

Your Ownership Structure:

Name (Shareholder, Partner, Member, and Manager)	**Nature of Ownership Interest**	**% Interest**

IN WITNESS WHEREOF, the parties have executed this Agreement, which has an effective date as of the date set forth below Franchisor's signature (the "**Effective Date**").

FRANCHISEE:	**FRANCHISOR:**
,	**RED LION HOTELS FRANCHISING, INC.,**
a(n)	**a Washington corporation**
By: _____	By: _____
Printed Name: _____	Printed Name: _____
Title: _____	Title: _____
Date: _____	*Date: _____
	*(Effective Date of this Agreement)

~~EXHIBIT~~EXHIBIT E

GUARANTY AND ASSUMPTION OF ~~FRANCHISE AGREEMENT~~OBLIGATIONS

Guaranty ~~of Franchise Agreement~~and Assumption of Obligations

~~[Hotel Name]~~

THIS DOCUMENT AFFECTS AND WAIVES IMPORTANT RIGHTS OF THE PERSONS AND ENTITIES SIGNING IT.

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS IS GIVEN as of _____, 20___, by _____ _____ (the "**Guarantor**").

1. In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date (the "**Agreement**") by Red Lion Hotels Franchising, Inc. (the "**Franchisor**"), and _____ ("**Franchisee**"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and as provided in the Agreement, that 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.

2. Guarantor hereby waives the rights or benefits otherwise provided to sureties or guarantors under any state or federal law. For the avoidance of doubt, each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (d) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability. This Guaranty is absolute and unconditional. Each of the undersigned consents and agrees that: (a) his/her direct and immediate liability under this guaranty shall be joint and several; (b) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (d) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to 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.

3. 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.

~~THIS GUARANTYNCHISE AGREEMENT (the "Guaranty") is made by _____, (the "Guarantor"), as of the _____ day of _____, _____, in connection with that certain Franchise Agreement dated as of _____, _____, [as amended and assigned] (the "Franchise Agreement"), by and between Red Lion Hotels Franchising, Inc.. ("Franchisor") and _____ ("Franchisee") covering that certain [name of hotel] [to be] located at _____, _____, _____ (the "Hotel").~~

WHEREAS, Guarantor is the owner of the [Hotel] [real property where the Hotel will be built (the "Property")]and [is the sole owner, sole controlling owner, or one of the controlling owners of Franchisee]; and

WHEREAS, Franchisor would not have entered into the Franchise Agreement absent Guarantor's commitment to deliver this Guaranty; and

WHEREAS, Guarantoracknowledges that it will receive considerable benefits as a result of Franchisee holding the license pursuant to the Franchise Agreement.

NOW, THEREFORE, for good and valuable consideration, includingbut not limited to the execution of the Franchise Agreement by Franchisor, the undersigned hereby unconditionally and irrevocably guarantees the following: (i) the full and prompt payment of all sums owed under the Franchise Agreement at the times and according to the terms expressed therein, including, but not limited to, all fees and charges, interest, default interest, and other costs and fees (including, without limitation, attorneys' fees in connection with enforcement of the Franchise Agreement); and (ii) the performance of all other obligations of Franchisee arising under the Franchise Agreement (Items (i) and (ii) are hereinafter collectively referred to as the "Obligations").

4. By signing this Guaranty, Guarantoralso 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, Franchisee and any other guarantors of Franchisee;

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

1. **Guarantyof Payment and Performance.** Guarantor's liability under this Guaranty is a guarantee of payment and performance of the Franchise Agreement and not of collectability. Guarantor's liability hereunder will continue until all Obligations under the Franchise Agreement have been satisfied in full and will not be limited or affected in any way by transfer of the Hotelor any disability of Franchisee. Guarantor further agrees that should Franchisee cease to exist or become unable to perform its obligations under the Franchise Agreement, Guarantor will be deemed Franchisee under the Franchise Agreement and will perform all obligations of Franchisee existing or accruing thereunder.

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of 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 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) 2. **Waivers of Certain Rights and Defenses**. This Guarantyis absolute and unconditional. Guarantorhereby waives the rights or benefits otherwise provided to sureties or guarantors under any state or federal law, except as provided in this Agreement. This waiver is expressly intended to waive any and all benefits and defenses under California Civil Code ("CC") Sections 2819, 2845, 2849, and 2850 and any benefits or defenses available under the laws of any other state that may be deemed to be applicable to this Guaranty, including, without limitation, the right to require Franchisor to (i) obtain Guarantor's consent to any modification of the Franchise Agreement or any other agreement between Franchisor and

any party other than Guarantor, (ii) proceed against any collateral that may be given for any of the Obligations, or (iii) pursue any other right or remedy for Guarantor's benefit, and agrees that Franchisor may proceed against Guarantor for the Obligationsand Franchisee jointly and severally, or Franchisor may, at its option, proceed against gGuaranteedor herein, without takinghaving commenced any action, or having obtained any judgment against Franchisee or any other guarantor or pledgor. Guarantor agrees that Franchisor may unqualifiedly exercise, in its sole discretion, any or all rights and remedies available to it against Franchisee or any other guarantor or pledgor without impairing Franchisor's' rights and remedies in enforcing the Guaranty, under which Guarantor's liabilities will remain independent and unconditional. Guarantor acknowledges that Franchisor's exercise of certain of such rights or remedies may affect, or eliminate Guarantor's right of subrogation or recovery against Franchisee and that Guarantor may incur a partially or totally nonreimbursable liability under this Guaranty.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;

(e) Franchisor and Franchisee may modify the Agreement without Guarantor's consent; and

(f) 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.

5. 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 Guaranty and the relationship created by this Guaranty are governed by, and must be construed and enforced in accordance with, the internal laws of the State of Colorado, without regard to its conflict-of-laws principles. Any claims, controversies, disputes or actions must be brought in federal court in Denver, Colorado; provided, that, if the federal court lacks jurisdiction, then such claims, controversies, disputes or actions must be brought in state court in Denver, Colorado, unless otherwise mutually agreed by the parties. Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection he/she might have to either the jurisdiction of or venue in such courts. However, with respect to any action for injunctive relief, the parties may bring such action in any court of competent jurisdiction.

6. 3. **Additional Waivers**. NoGuarantor acknowledges and agrees that no failure or delay on Franchisor's part in exercising any power or privilege hereunder will impair any such power, right, or privilege or be construed as a waiver of or acquiescence therein.

7. 4. Guarantyor **Made With Full K**acknowledges that Guarantor has had the opportunity to review the matters discussed and contemplated by the Franchise Agreement, including the remedies Franchisor may pursue against Franchisee in the event of a default under the Franchise Agreement and Franchisee's financial condition and ability to perform under the Franchise Agreement. Guarantor further agrees to keep Franchisor fully informed on all aspects of Franchisee's financial condition and the performance of Franchisee's obligations to Franchisor, and acknowledges and agrees that Franchisor has no duty to disclose to Guarantor any information pertaining to Franchisee or to notify Guarantor of Franchisee's default under the Franchise Agreement.

5. **GuarantyContinues if Payments Are Avoided or Recovered from Franchisor.** If all or any portion of the Obligations guaranteed hereunder are paid or performed, Guarantor's obligations hereunder will continue and remain in full force and effect if

all or any part of such payment or performance is avoided or recovered directly or indirectly from Franchisor as a preference, fraudulent transfer or otherwise, irrespective of any notice of revocation given by Guarantor prior to such avoidance or recovery.

8. 6. **Financial Information**. Upon Franchisor's request, Guarantor willagrees to promptly deliver to Franchisor complete and current financial statements and tax returns and such other financial information about Guarantor as Franchisor may reasonably request.

9. 7. **Changes, Waivers, Revocations, and Amendments in Writing**. No terms or provisions of this Guaranty may be changed, waived, revoked, or amended without Franchisor's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions will remain effective. This Guaranty embodies the entire agreement among the parties hereto with respect to the matters set forth herein and supersedes all prior agreements among the parties with respect to the matters set forth herein. No course of prior dealing among the parties, no usage of trade, and no parole or extrinsic evidence of any nature will be used to supplement, modify, or vary any of the terms hereof. There are no conditions to the full effectiveness of this Guaranty.

10. GUARANTOR HEREBY WAIVES HIS/HER RIGHT TO A TRIAL BY JURY WITH RESPECT TO THE ENFORCEMENT OF THIS GUARANTY. THIS WAIVER WILL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION, INCLUDING BUT NOT LIMITED TO CLAIMS RELATING TO THE ENFORCEMENT OR INTERPRETATION OF THIS GUARANTY, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES ARISING UNDER THIS GUARANTY.

11. Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if 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.

12. Miscellaneous.

8. **Other Guaranties**. This Guarantyis in addition to the guarantees of any other guarantors and any and all of Guarantor's other guarantees of Franchisee's liabilities to Franchisor. This Guaranty will in no way limit or lessen any other liability, howsoever arising, Guarantor may have for the payment of any other obligation of Franchisee to Franchisor.

9. **Representations and Warranties**. The following representations and warranties will be continuing representations and warranties so long as any Obligation will remain unpaid or unperformed:

(a) Guarantorhas the requisite power to execute, deliver, and perform the terms and provisions of the Guarantyand has taken all necessary [corporate/partnership/company] actions to authorize the execution, delivery and performance by it of the Guaranty. This Guaranty is a valid, binding, and legally enforceable obligation of Guarantor in accordance with its terms.

(b) The execution and delivery of this Guarantyare not, and the performance of this Guaranty will not be, in contravention of, or in conflict with, any agreement, indenture, or undertaking to which Guarantoris a party or by which it or any of its property is or may be bound or affected.

(c) Guarantorowns all rights, title, and interest in and to the [Hotel] [Property].

(d) Guarantor[owns all or a controlling interest in] [is an affiliate of] Franchisee.

10. **Additional Provisions**.

(a) (a) If there is more than one Guarantor named herein, any reference to Guarantor will mean any one and all of them and the singular will include the plural. All obligations of each such Guarantor to Franchisor of whatever nature are hereby jointly and severally guaranteed by each Guarantor.

(b) (b) Each Guarantor hereby jointly and severally holds harmless, and agrees to defend, protect, and indemnify Franchisor from any actions, causes of action, liabilities, damages, losses, and fees (including attorneys' fees) and all other claims of every nature which may arise as a result of any dispute between or among any of Guarantor and any other persons or entities.

(c) (c) Franchisor may assign this Guaranty and the Agreement without in any way affecting Guarantor's liability. Franchisor will endeavor to give Guarantor notice of such assignment, but the failure to do so will not affect Guarantor's liability. This Guaranty will inure to the benefit of Franchisor and its successors and assigns and will bind Guarantor and Guarantor's heirs, executors, administrators, successors, and assigns.

(d) (d) Any notices, requests and demands to be made hereunder will be in writing and will be effective on the earlier of (i) the day it is sent by facsimile with a confirmation of receipt; or (ii) the day it ispersonally delivered or delivered by express delivery service; or (iii) the third business day after it is sent by first class or certified mail, to the appropriate party at. Notices to Franchisor must be sent to 201 W. North River Drive, Suite 100, Spokane, Washington 99201, Attn: General Counsel, or such other address of which Guarantor has been notified. Notices to Guarantor will be sent to the address, or to the fax number, set forth designated below for each Guarantor, or such other address or fax number of which the notifying partyFranchisor has been notified:.

If to Franchisor: Attn: General Counsel
201 W. North River Drive
Spokane, Washington 99201

If to Guarantor:

_____
_____
_____
_____
_____

(e) (e) If Guarantor is a partnership, limited liability company, or other unincorporated association, its liability will not be affected by changes in the name of the entity or in its membership.

(f) This Guarantyis executed in accordance with, and pursuant to, the terms of the Franchise Agreement and any default hereunder will be a default under the Franchise Agreement.

11. **Governing Law, Venue and Jurisdiction**. Guarantor agrees to be personally bound by the governing law, venue and jurisdiction obligations under Section 15.a of the Franchise Agreement.

12. **WAIVER OF JURY TRIAL**. GUARANTOR HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY WITH RESPECT TO THE ENFORCEMENT OF THIS GUARANTYS WAIVER WILL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH

ACTION, INCLUDING BUT NOT LIMITED TO CLAIMS RELATING TO THE ENFORCEMENT OR INTERPRETATION OF THIS GUARANTY, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND A CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES ARISING UNDER THIS GUARANTY.

13. **Spousal Consent**. Guarantor represents and warrants that, if no signature appears below for Guarantor's spouse, 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. By signing below, the undersigned spouse of Guarantor, 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. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, without limitation, to bind the spouse's own separate property).

THE UNDERSIGNED GUARANTOR ACKNOWLEDGES THAT ITHE/SHE WAS AFFORDED THE OPPORTUNITY TO READ THIS DOCUMENT CAREFULLY AND TO REVIEW IT WITH AN ATTORNEY OF ITSHIS/HER CHOICE BEFORE SIGNING IT. GUARANTOR ACKNOWLEDGES HAVING READ AND UNDERSTOOD THE MEANING AND EFFECT OF THIS DOCUMENT BEFORE SIGNING IT.

[The(r*Remainder of* this *page* is *intentionally* left *blank*.1))

IN WITNESS WHEREOF, ~~the parties have~~Guarantors has executed this ~~Agreement which has an~~Guaranty effective ~~date~~ as of the date first written above.

GUARANTOR(~~:~~S)

PERCENTAGE OWNERSHIP IN FRANCHIS~~OR~~EE~~:~~

~~RED LION HOTELS FRANCHSING, INC.~~
~~a Washington corporation~~

By: _____

Print Name: _____

Address: _____

_____

Email: _____

By: _____

Print~~ed~~ Name: _____

Address: _____

_____

Email: _____

~~By:~~ _____

By: _____

Print Name: _____

~~Title~~Address: _____

_____

Email: _____

~~Printed Name:~~ _____

~~Date:~~ _____

~~Title:~~ _____

~~{xeGuarantor}~~

~~Da~~ ~~te:~~ _____

~~SPOUSE OF GUARANTOR:~~

By: _____

~~Printed~~

_____

Print Name: _____

Address: _____

_____

Email: _____

Title: _____

Date: _____

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.

~~GUARANTOR (if legal entity):{xeGuarantor}~~

_____,

~~a~~ _____
~~By:~~ _____

~~Printed Name:~~

~~Title:~~ _____

~~Date:~~ _____

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

EXHIBIT F

BRAND STANDARD EQUIPMENT LOAN DOCUMENTS

HOTEL IMPROVEMENT FINANCING AND SECURITY AGREEMENT

THIS HOTEL IMPROVEMENT FINANCING AND SECURITY AGREEMENT ("Agreement"), dated _____, is entered into by and between Red Lion Hotels Franchising, Inc. a Washington corporation ("Franchisor"), and _____ ("Franchisee"). Franchisor and Franchisee are party to that certain Franchise Agreement (the "Franchise Agreement") for certain premises (the "Premises") located at the commonly known address of _____ (the "Hotel").

RECITALS

WHEREAS, the Franchise Agreement contemplates that Franchisee shall make certain personal property improvements from time to time in order to maintain Franchisor's brand standards at the Hotel;

WHEREAS, Franchisor is currently making available a loan program to certain credit-worthy Franchisees that will finance the acquisition and installation, as applicable, of the following personal property improvements: televisions, beds, Wi-Fi networks, _____.

WHEREAS, Franchisee desires to finance through Franchisor's program the implementation at the Hotel of those certain improvements set forth on Exhibit A (the "Improvements") in accordance with Franchisor's applicable brand standards; and

WHEREAS, contemporaneously with the execution of this Agreement, Franchisee, as maker, and Franchisor, as holder, have entered into that certain promissory note (the "Note") whereby Franchisor will loan up to $_____ (the "Funds") to finance implementation of the Improvements.

NOW, THEREFORE, this Agreement sets forth the agreement of Franchisor and Franchisee with respect to the application of the Funds for implementation of the Improvements. Franchisee's obligations under this Agreement and the Note shall be hereinafter referred to as the "Obligations."

1. Improvements.

(a) Franchisor shall apply the Funds for the Improvements in accordance with this Agreement. Franchisee hereby acknowledges and agrees if Franchisee does not substantially follow the processes set forth in this Agreement, Franchisor shall have no duty or obligation to advance Funds to Franchisee.

(b) The Funds shall be used solely for the Improvements.

(c) Franchisee shall bear and pay the cost of any additional expense in excess of the Funds to acquire or install as applicable the Improvements in accordance with the terms and conditions of the Franchise.

(d) The distribution of the Funds shall be made in accordance with Section 2 below.

(e) If Franchisor reasonably believes that the Improvements are not being implemented in accordance with this Agreement, Franchisor may withhold the disbursement of Funds until Franchisor is satisfied in its sole and absolute discretion with the implementation of the Improvements.

2. Disbursement of the Funds.

(a) The Funds shall be disbursed by Franchisor (each of which disbursements shall be made pursuant to Franchisor's disbursement process) for costs related to the completed acquisition and/or installation, as applicable, of the Improvements, so long as the Improvements are implemented in accordance with Franchisor's applicable brand standards as determined in Franchisor's sole and absolute discretion.

(b) If Franchisee is implementing the Improvements utilizing Franchisor's preferred vendors through Franchisor's affiliate's purchasing department, Franchisor shall directly pay such vendors the Funds in accordance with the same processes Franchisor's affiliates use for the implementation of their own personal property improvements with such vendors. In the event the Funds are not sufficient to cover the cost of the Improvements, Franchisee shall promptly pay to such vendors the balance owing to the vendors for the Improvements.

(c) If Franchisee is implementing the Improvements utilizing its own vendors, Franchisor shall only make disbursements of the Funds at such time as Franchisor has received written evidence satisfactory to Franchisor in its sole and absolute discretion that the Improvements have been acquired or have been installed, as applicable, in accordance with Franchisor's applicable brand standards. In such case, Franchisee's request for payment shall be deemed Franchisee's acceptance and approval of the Implementation of the Improvements as set forth in Franchisee's payment request. Once Franchisor has received and approved in its sole and absolute discretion all information Franchisor requires, Franchisor shall deliver a check for the Funds to Franchisee within thirty (30) days unless Franchisor, in its sole and absolute discretion, determines that any Improvements do not comply with the applicable brand standards. In the event of such determination, Franchisor will notify Franchisee and Franchisee agrees to cause such implementation of Improvements to be corrected and to cause the Improvements to comply with the applicable brand standards.

3. Delay.

Any and all Improvements shall be managed and completed by Franchisee and, unless Franchisor is in breach of this Agreement, Franchisor shall have no liability for any delay in completion of the Improvements.

4. Creation of a Security Interest.

(a) Grant of Security Interest. Franchisee hereby grants Franchisor, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges and assigns to Franchisor as collateral, the Improvements, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Franchisee warrants and represents that the security interest granted herein shall be a first priority security interest in the Improvements and the security interest in the Improvements shall continue until all the Obligations are fulfilled or Franchisor otherwise agrees in writing to

terminate this Agreement. If Franchisee shall at any time, acquire a commercial tort claim, Franchisee shall promptly notify Franchisor in a writing signed by Franchisee of the brief details thereof and grant to Franchisor in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to Franchisor.

(b) Authorization to File Financing Statements. Franchisee hereby authorizes Franchisor to file financing statements, without notice to Franchisee, with all appropriate jurisdictions in order to perfect or protect Franchisor's interest or rights hereunder, including a notice that any disposition of the Improvements, by either the Franchisee or any other person or entity, shall be deemed to violate the rights of Franchisor. Any such financing statements may indicate the Improvements in such detail as Franchisor may determine in Franchisor's sole and absolute discretion.

5. General Provisions.

(a) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or forty-eight (48) hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth in the Franchise.

(b) Interpretation. The parties agree that they have actively participated in the drafting of this Agreement. Accordingly, no presumption shall apply against any party as the drafter of any provision.

(c) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(d) Entire Agreement; Nonassignability; Parties in Interest. This Agreement, the Franchise, the Note, and any other documents and instruments and other agreements specifically referred to herein (i) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof; and (ii) shall not be assigned by operation of law or otherwise except as otherwise specifically provided.

(e) Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith, in order to maintain the economic position enjoyed by each party as close as possible to that under the provision rendered unenforceable. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(f) Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Colorado, without giving effect to

principles of conflicts of law. In the event there is a breach of this Agreement, the prevailing party will be entitled to reasonable attorneys' fees and costs incurred to enforce this Agreement.

(g) Amendments and Waivers. Any term of this Agreement may be amended or waived only with the written consent of the parties or their respective successors and assigns. Any amendment or waiver effected in accordance with this Section 5(g) shall be binding upon the parties and their respective successors and assigns.

IN WITNESS WHEREOF, Franchisor and Franchisee have executed this Agreement as of the respective dates set forth below.

FRANCHISOR:

Dated: _____

Red Lion Hotels Franchising, Inc. a Washington corporation

By:_____
Its:_____

FRANCHISEE:

Dated: _____

_____

By:_____
Its:_____

EXHIBIT A

Please see attached.

PROMISSORY NOTE

$_____ Denver, Colorado
_____ ___, 201__

WHEREAS, _____ ("Borrower") and Red Lion Hotels Franchising, Inc. ("Red Lion") are parties to that certain Franchise Agreement ("Franchise Agreement") dated _____ ____, 201__. Any capitalized term not defined herein shall have the meaning set forth in the Franchise Agreement.

WHEREAS, in addition to the requirements under the Franchise Agreement, including Borrower's compliance with the requirements set forth in the Manual, the parties have entered into a Hotel Improvement Financing and Security Agreement dated _____ ____, 201__ (the "Loan Agreement"); and

WHEREAS, Borrower has agreed to be liable under this Promissory Note for all amounts owed to Red Lion under the Loan Agreement;

NOW, THEREFORE, FOR VALUE RECEIVED, Borrower hereby promises to pay to the order of Red Lion at such place as Red Lion may from time to time designate, the principal amount of $_____, with no interest accruing on the unpaid principal amount.

1. PAYMENTS. Borrower shall pay Red Lion equal monthly payments in the amount of $_____ for [choose one] 12 or 24 months on or before the ____ day of each month. All amounts owed by Borrower to Red Lion under this Promissory Note must be paid no later than _____ ___, 201__.

2. PREPAYMENT. At Borrower's option, this Promissory Note may be prepaid in whole or in part, without penalty. Any partial prepayment shall not extend, postpone or change the due dates of the installment payments required by Paragraph 1 above or change the amounts thereof.

3. REMEDIES; DEFAULT INTEREST. In the event Borrower does not make any payment required hereunder on or before the date it is due, or if Borrower defaults under the Franchise Agreement or any other agreement between Borrower and Red Lion referenced herein, this shall result in Borrower's automatic default under this Promissory Note. In the event of any default under the terms of this Promissory Note, the Loan Agreement or the Franchise Agreement, all amounts payable under the Note shall bear interest from the date such default occurred at the rate of eighteen percent (18%) or the maximum per annum rate permissible under applicable law, whichever is lower (the "Default Rate"). Such default interest shall be payable on demand. Red Lion's failure to exercise any right or remedy shall not be a waiver of the right to exercise the same. The foregoing remedy shall be in addition to all other rights and remedies available to Red Lion under the Promissory Note or at law or in equity.

4. COLLECTION EXPENSES. Borrower shall reimburse Red Lion on demand for all attorney fees (whether of external or internal legal counsel), legal fees and other costs and expenses incurred in collecting or enforcing this Promissory Note and/or protecting or enforcing Red Lion's rights under this Promissory Note. Such fees, costs and expenses shall include those incurred with or without suit and in any appeal, any petition for review, any arbitration or mediation, any action contesting or seeking to restrain, enjoin, stay or postpone the exercise of

any remedy of Red Lion, any post-judgment collection proceedings, any probate proceedings, any state or federal bankruptcy or insolvency proceedings, and in connection with all negotiations, documentation, and other actions relating to any workout, compromise, settlement or satisfaction of any of the indebtedness evidenced by this Note. All such costs, expenses and fees shall bear interest from the date of disbursement at the Default Rate.
Presentment, demand, protest, notices of protest, dishonor and nonpayment of this Promissory Note and all notices of every kind are hereby waived by the undersigned. To the extent permitted by applicable law, the defense of the statute of limitations is hereby waived by Borrower.

Any failure by Red Lion to exercise any right hereunder shall not be construed as a waiver of the right to exercise the same or any other right at any time. No amendment to or modification of this Promissory Note shall be binding upon Red Lion unless in writing and signed by Red Lion. Any provision hereof found to be illegal, invalid or unenforceable for any reason whatsoever shall not affect the validity, legality or enforceability of the remainder hereof.

The term "Red Lion" shall include any subsequent holder of or participant in this Promissory Note. Red Lion may assign the Promissory Note in whole or in part. Red Lion may make available to any proposed assignee or participant all credit and financial data with respect to Borrower as may be in the possession of Red Lion. Borrower agrees to provide any additional information that any proposed assignee or participant may reasonably request.

This Promissory Note is being delivered in, is intended to be performed in, shall be construed and interpreted in accordance with, and be governed by the internal laws of, the State of Colorado, without regard to principles of conflict of laws. Any legal action necessary to enforce the terms of this Promissory Note may be brought by Red Lion in the State of Colorado and Borrower hereby submits to the jurisdiction of any federal or state court in the State of Colorado. Any default under the terms of this Promissory Note shall be deemed a default of the Franchise Agreement and Red Lion may pursue its remedies as available under the Franchise Agreement.

BORROWER:

_____

By: _____

Name: _____

Title: _____

Date: _____

Guaranty ~~of Loan Agreement~~and Assumption of Obligations

THIS DOCUMENT AFFECTS AND WAIVES IMPORTANT RIGHTS OF THE PERSONS AND ENTITIES SIGNING IT.

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

_____ (the "**Guarantor**").

1. In consideration of, and as an inducement to, the execution of that certain Hotel Improvement Financing and Security Agreement dated _____ (the "**Agreement**") by Red Lion Hotels Franchising, Inc. (the "**Red Lion**"), and _____ ("**Borrower**"), each of the undersigned hereby personally and unconditionally (a) guarantees to Red Lion, and its successors and assigns, for the term of the Agreement and as provided in the Agreement, that Borrower 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.

2. Guarantor hereby waives the rights or benefits otherwise provided to sureties or guarantors under any state or federal law. For the avoidance of doubt, each of the undersigned waives: (a) acceptance and notice of acceptance by Red Lion of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (d) any right he/she may have to require that an action be brought against Borrower or any other person as a condition of liability. This Guaranty is absolute and unconditional. Each of the undersigned consents and agrees that: (a) his/her direct and immediate liability under this guaranty shall be joint and several; (b) he/she shall render any payment or performance required under the Agreement upon demand if Borrower fails or refuses punctually to do so; (c) liability shall not be contingent or conditioned upon pursuit by Red Lion of any remedies against Borrower or any other person; and (d) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Red Lion may grant to Borrower 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.

3. 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.

~~THIS GUARANTYN AGREEMENT (the "Guaranty") is made by _____ and spouse, if applicable; (hereafter collectively referred to as "Guarantor"), as of the _____ day of _____, 201__ in connection with that certain Hotel Improvement Financing and Security Agreement dated _____ ___, 201__ (the "Loan Agreement"), by and between Red Lion Hotels Franchising, Inc. ("Red Lion") and _____ ("Borrower") and that certain Promissory Note of even date herewith pursuant to which Borrower is the maker and Red Lion is the holder ("Promissory Note").~~

WHEREAS, Guarantor is a principal in the ownership of the Hotel located at _____ (the "Property"), which is the subject of the Franchise Agreement dated _____ ___, _____ ("Franchise Agreement") by and between Borrower and Red Lion;

WHEREAS, Red Lion would not have entered into the Loan Agreement absent Guarantor's commitment to deliver this Guaranty; and

WHEREAS, Guarantoracknowledges that it will receive considerable benefits as a result of Borrower receiving the no interest loan in the amount of $_____ pursuant to the LoanAgreement and the Promissory Note.

NOW, THEREFORE, for good and valuable consideration, includingbut not limited to the execution of the Loan Agreement by Red Lion, the undersigned hereby unconditionally and irrevocably guarantees the following: (i) the full and prompt payment of all sums owed under the Promissory Note and Loan Agreement at the times and according to the terms expressed therein, including, but not limited to, all fees and charges, default interest, and other costs and fees (including, without limitation, attorneys' fees in connection with enforcement of the Loan Agreement and the Promissory Note), and (ii) the performance of all other obligations of Borrower arising under the Promissory Note and Loan Agreement and the Franchise Agreement (Items (i) and (ii) are hereinafter collectively referred to as the "**Obligations")**.

4. By signing this Guaranty, Guarantoralso 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, Borrower and any other guarantors of Borrower;

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Borrower fails or refuses punctually to do so;

1. **Guarantyof Payment and Performance.** Guarantor's liability under this Guaranty is a guaranty of payment and performance of the Promissory Note and LoanAgreement and not of collectability. Guarantor's liability hereunder will continue until all Obligations under the Promissory Note and Loan Agreement have been satisfied in full and will not be limited or affected in any way by transfer of the Hotelor any disability of Borrower. Guarantor further agrees that should Borrower cease to exist or become unable to perform its obligations under the Promissory Note and Loan Agreement, Guarantor will be deemed Borrower under the Loan Agreement and will perform all obligations of Borrower existing or accruing thereunder.

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Borrower or any assignee or successor of Borrower or by any abandonment of the Agreement by a trustee of Borrower. 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 Borrower 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) 2. **Waivers of Certain Rights and Defenses**. This Guarantyis absolute and unconditional. Guarantorhereby waives the rights or benefits otherwise provided to sureties or guarantors under any state or federal law, except as provided in this Agreement. This waiver is expressly intended to waive any and all benefits and defenses under California Civil Code ("CC**")** S**e**ctions 2819, 2845, 2849, and 2850 and any benefits or defenses available

~~under the laws of any other state that may be deemed to be applicable to this Guaranty, including, without limitation, the right to require Red Lion to (i) obtain Guarantor's consent to any modification of the Promissory Note, the LoanAgreement or any other agreement between Red Lion and any party other than Guarantor, (ii) proceed against any collateral that may be given for any of the Obligations, or (iii) pursue any other right or remedy for Guarantor's benefit, and agrees that Red Lion may proceed against Guarantor for the Obligations guaranteed herein without taking any action against Borrower or any other guarantor or pledgor. Guarantor agrees that Red Lion may unqualifiedly exercise, in its sole discretion, any or all rights and remedies available to it against Borrower or any other guarantor or pledgor without impairing Red Lion's rights and remedies in enforcing the Guaranty, under which Guarantor's liabilities will remain independent and unconditional. Guarantor acknowledges that Red Lion's exercise of certain of such rights or remedies may affect, or eliminate Guarantor's right of subrogation or recovery against Borrower and that Guarantor may incur a partially or totally nonreimbursable liability under this Guaranty.~~Red Lion may proceed against Guarantor and Borrower jointly and severally, or Red Lion may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Borrower. 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;

(e) Red Lion and Borrower may modify the Agreement without Guarantor's consent; and

(f) 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.

5. 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 Guaranty and the relationship created by this Guaranty are governed by, and must be construed and enforced in accordance with, the internal laws of the State of Colorado, without regard to its conflict-of-laws principles. Any claims, controversies, disputes or actions must be brought in federal court in Denver, Colorado; provided, that, if the federal court lacks jurisdiction, then such claims, controversies, disputes or actions must be brought in state court in Denver, Colorado, unless otherwise mutually agreed by the parties. Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection he/she might have to either the jurisdiction of or venue in such courts. However, with respect to any action for injunctive relief, the parties may bring such action in any court of competent jurisdiction.

6. ~~3.~~ **~~Additional Waivers~~**. ~~No~~Guarantor acknowledges and agrees that no failure or delay on Red Lion's part in exercising any power or privilege hereunder will impair any such power, right, or privilege or be construed as a waiver of or ~~an~~ acquiescence therein.

7. ~~4.~~ Guarant~~y~~or **~~Made With Full K~~**acknowledge~~s~~ ~~.~~that Guarantor has had the opportunity to review the matters discussed and contemplated by the ~~Loan~~Agreement, including the remedies Red Lion may pursue against Borrower in the event of a default under the ~~Promissory Note or the Loan~~ Agreement and Borrower's financial condition and ability to perform under the ~~Franchise~~ Agreement. Guarantor further agrees to keep Red Lion fully informed on all aspects of Borrower's financial condition and the performance of Borrower's obligations to Red Lion, and acknowledges and agrees that Red Lion has no duty to disclose to

Guarantor any information pertaining to Borrower~~ or to notify Guarantor of Borrower's default under the Loan Agreement~~.

~~5.~~ **~~GuarantyContinues if Payments Are Avoided or Recovered from Red Lion.~~** ~~If all or any portion of the Obligations guaranteed hereunder are paid or performed, Guarantor's obligations hereunder will continue and remain in full force and effect if all or any part of such payment or performance is avoided or recovered directly or indirectly from Red Lion as a preference, fraudulent transfer or otherwise, irrespective of any notice of revocation given by Guarantor prior to such avoidance or recovery.~~

8. ~~6.~~ **Financial Information.** Upon Red Lion's~~'~~ request, Guarantor ~~will~~agrees to promptly deliver to Red Lion complete and current financial statements and tax returns and such other financial information about Guarantor as Red Lion may reasonably request.

9. ~~7.~~ **~~Changes, Waivers, Revocations, and Amendments in Writing~~**. No terms or provisions of this Guaranty may be changed, waived, revoked, or amended without Red Lion's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions will remain effective. This Guaranty embodies the entire agreement among the parties hereto with respect to the matters set forth herein and supersedes all prior agreements among the parties with respect to the matters set forth herein. No course of prior dealing among the parties, no usage of trade, and no parole or extrinsic evidence of any nature will be used to supplement, modify, or vary any of the terms hereof. There are no conditions to the full effectiveness of this Guaranty.

10. GUARANTOR HEREBY WAIVES HIS/HER RIGHT TO A TRIAL BY JURY WITH RESPECT TO THE ENFORCEMENT OF THIS GUARANTY. THIS WAIVER WILL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION, INCLUDING BUT NOT LIMITED TO CLAIMS RELATING TO THE ENFORCEMENT OR INTERPRETATION OF THIS GUARANTY, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES ARISING UNDER THIS GUARANTY.

11. Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Borrower (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.

12. Miscellaneous.

~~8.~~ **~~Other Guaranties~~**~~. This Guarantyis in addition to the guaranties of any other guarantors and any and all of Guarantor's other guaranties of Borrower's liabilities to Red Lion. This Guaranty will in no way limit or lessen any other liability, howsoever arising, Guarantor may have for the payment of any other obligation of Borrower to Red Lion.~~

~~9.~~ **~~Representations and Warranties~~**~~. The following representations and warranties will be continuing representations and warranties so long as any Obligation will remain unpaid or unperformed:~~

~~(a) Guarantorhas the requisite power to execute, deliver, and perform the terms and provisions of the Guarantyand has taken all necessary [corporate/partnership/company] actions to authorize the execution, delivery and performance~~

by it of the Guaranty. This Guaranty is a valid, binding, and legally enforceable obligation of Guarantor in accordance with its terms.

(b) The execution and delivery of this Guarantyare not, and the performance of this Guaranty will not be, in contravention of, or in conflict with, any agreement, indenture, or undertaking to which Guarantoris a party or by which it or any of its property is or may be bound or affected.

(c) Guarantorowns all rights, title, and interest in and to the Property.

10. **Additional Provisions**.

(a) (a) If there is more than one Guarantor named herein, any reference to Guarantor will mean any one and all of them and the singular will include the plural. All obligations of each such Guarantor to Red Lion of whatever nature are hereby jointly and severally guaranteed by each Guarantor.

(b) (b) Each Guarantor hereby jointly and severally holds harmless, and agrees to defend, protect, and indemnify Red Lion from any actions, causes of action, liabilities, damages, losses, and fees (including attorneys' fees) and all other claims of every nature which may arise as a result of any dispute between or among any of Guarantor and any other persons or entities.

(c) (c) Red Lion may assign this Guaranty and the Agreement without in any way affecting Guarantor's liability. Red Lion will endeavor to give Guarantor notice of such assignment, but the failure to do so will not affect Guarantor's liability. This Guaranty will inure to the benefit of Red Lion and its successors and assigns and will bind Guarantor and Guarantor's heirs, executors, administrators, successors, and assigns.

(d) (d) Any notices, requests and demands to be made hereunder will be in writing and will be effective on the earlier of (i) the day it is sent by facsimile with a confirmation of receipt; or (ii) the day it ispersonally delivered or delivered by express delivery service; or (iii) the third business day after it is sent by first class or certified mail, to the appropriate party at. Notices to Red Lion must be sent to 201 W. North River Drive, Suite 100, Spokane, Washington 99201, Attn: General Counsel, or such other address of which Guarantor has been notified. Notices to Guarantor will be sent to the address, or to the fax number, set forth designated below for each Guarantor, or such other address or fax number of which the notifying partyRed Lion has been notified:.

If to Red Lion: **Attn: General Counsel**
Red Lion Hotels Franchising, Inc.
201 W. North River Drive
Spokane, Washington 99201

If to Guarantor:

Contact: _____

Address: _____
_____
_____
_____

(e) (e) If Guarantor is a partnership, limited liability company, or other unincorporated association, its liability will not be affected by changes in the name of the entity or in its membership.

(f) This Guarantyis executed in accordance with, and pursuant to, the terms of the FranchiseAgreement and any default hereunder will be a default under the Loan Agreement.

11. **Governing Law/Jurisdiction.** This Guaranty will be enforced and interpreted according to the laws of the State of Colorado irrespective of its conflicts of laws rules. Guarantoragrees to submit to the jurisdiction of the federal and state courts in Denver, Colorado with respect to the enforcement of this Guaranty.

12. **Venue.** Any litigation arising out of this Guaranty, any breach of this Guaranty, or any dispute between Red Lion and Guarantor, shall be submitted to and resolved exclusively by a court of competent jurisdiction located in Denver, Colorado. Guarantor waives, and agrees never to assert, move or otherwise claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (includingany claim under the judicial doctrine of forum non conveniens).

13. **WAIVER OF JURY TRIAL.** GUARANTOR HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY WITH RESPECT TO THE ENFORCEMENT OF THIS GUARANTYS WAIVER WILL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION, INCLUDING BUT NOT LIMITED TO CLAIMS RELATING TO THE ENFORCEMENT OR INTERPRETATION OF THIS GUARANTY, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND A CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES ARISING UNDER THIS GUARANTY.

14. **Spousal Consent**. Guarantor represents and warrants that, if no signature appears below for Guarantor's spouse, 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. By signing below, the undersigned spouse of Guarantor, 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. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely to acknowledge and consent to the execution of the Guaranty by his or her spouse and to bind the assets of the marital estate as described therein and for no other purpose (including, without limitation, to bind the spouse's own separate property).

THE UNDERSIGNED GUARANTOR ACKNOWLEDGES THAT ITHE/SHE WAS AFFORDED THE OPPORTUNITY TO READ THIS DOCUMENT CAREFULLY AND TO REVIEW IT WITH AN ATTORNEY OF ITSHIS/HER CHOICE BEFORE SIGNING IT. GUARANTOR ACKNOWLEDGES HAVING READ AND UNDERSTOOD THE MEANING AND EFFECT OF THIS DOCUMENT BEFORE SIGNING IT.

[The(r*Remainder of this page is intentionally left blank.*)]

IN WITNESS WHEREOF, ~~the parties have~~Guarantors has executed this ~~Agreement which has an~~Guaranty effective ~~date~~ as of the date first written above.

~~GUARANTOR:{xe "Guarantor}~~ **~~FRANCHISO~~R:**

GUARANTOR(S)

PERCENTAGE OWNERSHIP IN BORROWER

~~RED LION HOTELS FRANCHSING, INC. a Washington corporation~~

By: _____

Print Name: _____

Address: _____

Email: _____

By: _____

Print~~ed~~ Name: _____

Address: _____

Email: _____

~~By:~~ _____

By: _____

Print Name: _____

~~Title~~Address: _____

Email: _____

~~Printed Name:~~ _____

~~Date:~~ ~~Title:~~

~~{xeGuarantor}~~ ~~Da~~ ~~te:~~

~~SPOUSE OF GUARANTOR:~~

By: _____ _____

~~Printed~~ _____

Print Name: _____

Address: _____

Email: _____

~~Title:~~ _____

~~Date:~~ _____

GUARANTOR (if legal entity):{xeGuarantor}

_____,

a _____
By: _____

Printed Name:

Title:

Date:

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

EXHIBIT G

APPLICATION

APPLICATION FOR A SETTLE INN FRANCHISE

Conversion | New Construction | Ownership Change

RED LION
HOTELS
CORPORATION

APPLICATION INSTRUCTIONS AND CHECKLIST

INSTRUCTIONS: Please answer all of the questions and provide all supporting documentation. If an item does not apply, please write "N/A" in the blank. Attach additional sheets if necessary to complete any questions. Sign the application and submit it, along with the following applicable items (A through K), to the Franchise Development Department at Red Lion Hotels Franchising, Inc. ("Red Lion").

In order to process your Application, all questions must be answered completely and accurately and all applicable items listed below must be enclosed.

CHECKLIST: Please check the appropriate box confirming the item has been attached.

- ☐ A. Fully executed Application.

- ☐ B. Check (or wire transfer) for the Application Fee dated no earlier than the day after the **14th full calendar day** following the date the Applicant receives the Franchise Disclosure Document. Example: If you receive the FDD on January 1st, then the earliest you may submit the Application Fee will be fifteen days after that date on January 16th. Please make the check payable to Red Lion Hotels Franchising, Inc.

- ☐ C. Proof of Ownership of Hotel: Recorded Deed or if in process of purchasing hotel, please provide a copy of the Purchase & Sale Agreement and any amendments.

- ☐ D. Existing building plans including site plan, main floor plan, typical floor plan, exterior elevations and enlarged guestroom plans.

- ☐ E. Hotel financial statements for the current year to date and two previous full years.

- ☐ F. Most recent Quality Assurance Evaluation for the Hotel.

- ☐ G. Release from existing Franchise (if applicable).

- ☐ H. Organizational Documents (including all amendments) for Applicant and direct and indirect controlling interests, as follows:
    1. Corporation: Articles of Incorporation.
    2. Limited Liability Company: Articles of Organization, Operating Agreement, Member Control Agreement.
    3. Limited Partnership: Certificate of Limited Partnership and Partnership Agreement.
    4. General Partnership: Partnership Agreement.
    5. Trust: Trust Agreement.

- ☐ I. Financial Statements:
    1. Current financial statements including balance sheet of the entity applicant.
    2. Personal financial statement for each principal having a 20% or greater interest in the Applicant and the managing member (even if less than 20% interest).
    3. In the case of a partnership, please provide a personal financial statement for all partners regardless of ownership interest.

- ☐ J. If financing with a Loan, attach copies of all Loans or Loan Commitments.

- ☐ K. Resume of General Manager and / or information on the property management company (if applicable).

If this application is for new construction, please provide the following additional information:

- ☐ Copy of your construction plans and drawings.
- ☐ Copy of the market or feasibility study.
- ☐ Quality Assurance evaluations for all lodging properties that you or your affiliates currently own or manage.
- ☐ Copy of the Lender commitment for hotel financing.
- ☐ Copy of your project budget.
- ☐ Copy of jurisdictional permits / applications.

I. HOTEL INFORMATION:

The Franchise License Agreement shall be entered with the fee simple title owner of the Hotel

Current Hotel Name: _____

Street Address: _____

City: _____ State: _____ Zip Code: _____

Year Hotel was Built: _____ Year of Last Remodel / Renovation: _____

If under franchise agreement, can you exit: ☐ Yes ☐ No

If No: (explain) _____

_____

_____

Expected date to open as a Settle Inn: _____ Total # of Parking Spaces: _____

Total # of Guestrooms _____ # of Standard Rooms _____ # of Suites _____

# of Stories _____ # of Meeting Rooms _____ Seating Capacity for Each _____

Please check as applicable:

Pool: ☐ Indoor ☐ Outdoor ☐ None Exercise Room: ☐ Yes ☐ No Elevator: ☐ Yes ☐ No

Restaurant in Hotel: ☐ Yes ☐ No Corridor Type: ☐ Exterior ☐ Interior ☐ Both

Other: (explain) _____

_____

Hotel Ownership: (Check One)

- ☐ Owned by Applicant.
- ☐ Under Purchase Agreement by Applicant.
- ☐ Other: (explain) _____

Operational Data (Current YTD and two previous years)	Current Year - YTD	Previous Year _____	Previous Year _____
ADR			
Occupancy %			
RevPar			

Attachments Needed:

- ☐ Existing building plans including site plan, main floor plan, typical floor plan, exterior elevations and enlarged guestroom plans.
- ☐ Hotel financial statements for the current year and previous 2 years.
- ☐ Most recent Quality Assurance Evaluation for the Hotel.
- ☐ Release from existing Franchise (if applicable).

II. APPLICANT: The Applicant is the entity/individual who will enter the Franchise Agreement. Your entity name may not contain the words "Settle Inn" or any variation, including initials.

Full Legal Name of Franchise Applicant: _____

- ☐ Individual / Sole Proprietor
- ☐ Limited Liability Company / Partnership
- ☐ Corporation
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ To Be Formed
- ☐ Other: (please specify) _____

Street Address: _____

City: _____ State: _____ Zip Code: _____

State of Formation: _____ Date of Formation: (mm/dd/yyyy) _____

FEIN Number: _____ Parent Company: (if any) _____

Attachments Needed:

- ☐ Organizational documents (including all amendments) for Applicant.

III. APPLICANT'S REPRESENTATIVE: The Applicant's Representative is the individual who is authorized to be the Primary Contact for this Application and for the Franchise, if granted

Full Name: _____

Company Name: _____

Street Address: _____

City: _____ State: _____ Zip Code: _____

Phone Number: _____ Fax Number: _____

Email Address: _____

IV. APPLICANT'S HOTEL MANAGEMENT: List the name of the management company or the individual who is currently or will be responsible for overseeing the day-to-day operations of the Hotel

Individual's Name: _____

Management Company Name: _____

Street Address: _____

City: _____ State: _____ Zip Code: _____

Phone Number: _____ Fax Number: _____

Email Address: _____

Name of General Manager: _____

V. APPLICANT OWNERSHIP STRUCTURE: Provide a complete breakdown of the owners of the Applicant who will enter into the Franchise Agreement and who holds or will hold fee title to Hotel (the "Principals"). If these Principals are other legal entities, you must include a breakdown of their underlying ownership down to the individual level. You must also provide the name and description/percentage of ownership interest of all individuals who own and/or control these entities. Copy this form as needed to provide multiple structures. See example.

[Example]

Entity/Individual	Title	Ownership %
Jim Smith	Owner	100%
Jack Frost LLC	N/A	N/A
Jack Frost	Managing Member	50%
Greg Frost	Member	50%
ABC Corporation	N/A	N/A
1. Andy Anderson	President & Shareholder	50%
2. Brad Anderson	Shareholder	40%
3. Claire Anderson	Shareholder	10%

Form

Entity/Individual	Title	Ownership %

Attachments Needed:

- ☐ Organizational documents (including all amendments) for each entity listed above.
- ☐ Personal Financial Statement for each Principal listed above with a 20% or greater ownership percentage, and for any General Partner in a Partnership regardless of ownership percentage.
- ☐ A completed Individual Participation Information form for each Principal listed above with a 20% or greater ownership percentage, and for any General Partner in a Partnership regardless of ownership percentage.

VI. FRANCHISING & HOTEL EXPERIENCE: Does Applicant or any of the Principals listed on previous page:

Own or manage other Hotels? ☐ Yes ☐ No If Yes, please complete this section.

Applicant / Principal	Hotel Name	City / State	Ownership %
[Example] Jim Smith	Sheraton Hotel	Chicago, IL	100%

VII. BACKGROUND INFORMATION: Has Applicant or any of the Principals ever:

a. Been the subject of a voluntary or involuntary bankruptcy filing or made an assignment for the benefit of creditors? ☐ Yes ☐ No

b. Had a receiver appointed over them? ☐ Yes ☐ No

c. Had a civil judgment against them? ☐ Yes ☐ No

d. Had a criminal conviction? ☐ Yes ☐ No

If Yes has been indicated for any of the questions above, you must identify the person, nature of the matter, court case number and outcome below. Please attach additional pages, as necessary.

Applicant / Principal	Date	Nature of Matter Court Case #	Outcome

VIII. PROPERTY IMPROVEMENT PLAN FINANCING: Please indicate how you plan to finance the Property Improvement Plan ("PIP") to the Hotel

☐ Loan. If financing with a loan, please attach a copy of the loan commitment letter.

☐ Owner Equity.

IX. REPRESENTATIONS, WARRANTIES, AUTHORIZATIONS AND SIGNATURE

This Application for a Franchise License Agreement is furnished to the franchise licensing subsidiary of Red Lion Hotels Corporation ("RLH") for the brand selected above and its successors and assigns (each, "Licensor") in order to induce Licensor to process an application for a license to operate a hotel under the brand selected above at the Location designated above. The Applicant understands that Licensor is relying on the information provided in the application and all documents submitted by the Applicant and co-owners in connection with or in support thereof, ("**Application**"). Applicant agrees to supply such additional information, statements or data as may be requested by Licensor. The Applicant represents, understands and acknowledges that:

1. All information contained in the Application is true and correct as of the date set forth below and that the information contained in this Application is complete and not misleading due to an omission of any material information. The Applicant will inform Licensor promptly of any material change in any of the information furnished in the Application. The Applicant has the authority to submit the Application and to enter into the other documents contemplated thereby, including, without limitation, a franchise license agreement ("**License**"). Neither the submission of the Application nor the execution of such other documents (including the License) will conflict with the terms of any agreement(s) to which Applicant is a party or by which the Applicant is bound. The Applicant has not been induced by Licensor to terminate or breach any agreement with respect to the Location.

2. Information concerning the system for the brand selected above ("**System**"), including, without limitation, the Franchise Disclosure Document (if required under applicable law), has been made available to the Applicant. The Applicant is familiar with the System and its requirements and is applying for the form of License contained in the Franchise Disclosure Document.

3. Licensor does not enter into oral agreements or understandings with respect to Licenses or matters pertaining to the granting of a License, and as of the date set forth below there are no oral agreements or understandings whatsoever between the Applicant and Licensor with respect to any proposed License.

4. This Application is not binding upon either you or Red Lion. No franchise relationship is created by submission of this Application. Red Lion reserves the right to approve or deny this Application at any time up until a Franchise Agreement is signed by Red Lion. Any expenses you incur in purchasing a hotel and/or in renovating or operating your hotel are at your sole risk. This Application is for a particular hotel. If your hotel changes, you must submit a new Application, along with a new Application Fee.

5. Payment of the Application Fee is enclosed with the Application. If the Application is not approved, or if Applicant withdraws the Application before it is approved, the Application Fee is nonrefundable and will be used for time and expenses incurred by Licensor in processing the Application. If the Application is approved, Applicant must provide any additional information requested, meet any additional requirements and sign the License within the time period Licensor specifies or Licensor may terminate the proposed hotel project.

6. Applicant authorizes credit bureaus, financial institutions, companies and individuals to disclose to Licensor, any and all information for the use of Licensor and its affiliates for the purpose of conducting any necessary credit and/or background investigations. Licensor will comply with any applicable laws in conducting such credit and/or background investigations. The Applicant (jointly and severally if applicable) agrees to indemnify and defend Licensor, Red Lion Hotels Franchising, Inc., and its parent, subsidiaries and affiliates, and the officers, directors, employees, agents, representatives, successors and assigns of each (collectively, the "**Red Lion Indemnitees**") and to hold them harmless from all losses in connection with the Application and the Location, including breach of any representations, undertakings or warranties contained herein and all claims, demands, suits, causes of action, liabilities, losses or otherwise, incurred (including legal and accounting fees and expenses), and including claims as a result of Licensor processing the Application and/or approving a License. Each Red Lion Indemnitee will have the right independently to take any action it may deem necessary in its sole discretion to protect and defend itself against any threatened action subject to Applicant's indemnification, without regard to the expense, forum or other parties that may be involved. Each Red Lion Indemnitee will have sole and exclusive control over the defense of any such action (including the right to be represented by counsel of its choosing) and over the settlement, compromise or other disposition thereof. Licensor may rely on any information, statement or notice from the Applicant pertaining to the Location or License without having to investigate or ascertain the accuracy of any fact or allegation in the notice.

7. This Application may be executed in counterparts, each of which shall be deemed an original, which together shall constitute one and the same instrument. This Application must be signed by the authorized signer(s) for the Applicant and the undersigned represents and warrants that he/she has the authority to sign this Application. Please make as many copies as needed.

8. This Application shall be governed by and construed in accordance with the substantive laws of the State of Colorado, without regard to its choice of law principles.

For Individual Applicant

Signature: _____

Print Name: _____

Date: _____

For Business Entity Applicant

Entity Name: _____

Authorized Signature: _____

Printed Name: _____

Title: _____

Date: _____

Authorized Signature: _____

Printed Name: _____

Title: _____

Date: _____

INDIVIDUAL PARTICIPANT INFORMATION FORM

INSTRUCTIONS: Applicant shall be required to provide the personal and business information requested below, and such additional information, which Licensor may require, for each of the following individuals, as applicable. Please duplicate this form as necessary:

1. Each individual with a 20% or greater direct or indirect ownership interest in Applicant, and
2. Each individual with a controlling interest in Applicant, i.e. general partner(s), managing member(s), etc., regardless of ownership interest.

Personal information provided by Applicant to Red Lion pursuant to this request will be considered confidential.

First Name: _____ Middle Name: _____

Last Name: _____

Spouse First Name: _____ Middle Name: _____

Last Name: _____

Other Names Used & Date Changed: (Including Maiden Name) _____

_____

Business Street Address: _____

City: _____ State: _____ Zip Code: _____

Country: _____ Phone Number: _____ Fax Number: _____

Home Street Address: _____

City: _____ State: _____ Zip Code: _____

Country: _____ Phone Number: _____ Fax Number: _____

Email Address: _____ Date of Birth: (mm/dd/yyyy) _____

Social Security Number: _____ Driver's License Number: _____ State: _____

Social Security / Social Insurance / Country Identification Number: _____

_____

Have you ever been convicted of a Felony or Misdemeanor crime? ☐ Yes ☐ No

If Yes, please explain: (attach additional pages as necessary) _____

_____

_____

What state, what country, what year? _____

Resident addresses for the past 7 years:

Street Address	City, State, Zip Code	From (mm/yyyy)	To (mm/yyyy)

I certify that to the best of my knowledge the statements contained in this Individual Participant Information form are true and complete and nothing has been withheld affecting my reputation and credit standing. I expressly authorize any credit reporting agency, any law enforcement agency (federal/state/local) and any person, association, firm, company, financial institution, court system, personnel agency or credit bureau to furnish and release to Red Lion and/or its representatives, parents, subsidiaries, affiliates, successors and assigns and each of such entities' officers, directors, agents and employees (collectively, "Red Lion"), any information that is requested including, but not limited to, information concerning my education, employment history, financial transactions, credit payment history, civil record, criminal conviction record, legal proceedings or judgments or any other record or report, and Red Lion to request, obtain and use such information for the purpose of conducting any necessary credit and/or background investigations. You further authorize ongoing procurement of the types of reports mentioned herein at any time during the term of the Franchise Agreement with Red Lion. A photocopy of this document may be substituted for the original. The items of information requested in this Application are required to process your background investigation. They are intended solely for that purpose and will not be used in a discriminatory manner for the making of business decisions.

I hereby release, indemnify, defend and hold harmless Licensor, Red Lion and its respective parent, subsidiaries and affiliates, and the officers, directors, employees, agents, representatives, successors and assigns of each (collectively, the "**Red Lion Indemnitees**") and any and all other persons or entities, including without limitation those providing information, from any and all liability for losses, claims, injuries, liabilities, and damages of whatever kind or nature, whether known or unknown, including without limitation those based upon defamation, invasion of privacy, and rights of publicity and personality, against any or all of them which may at any time arise or accrue to me or my heirs, successors, parents, subsidiaries, assigns, officers, directors, employees, agents or other persons or entities claiming by or through me, on account of the provision of such information or reliance on such information or on other information gathered pursuant thereto and hereto. Any general release required as a condition of obtaining a refund of the application and/or other initial fees shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. I hereby authorize this Individual Participant Information Form, indemnity and release to be shown and delivered to such persons, with a copy of this Individual Participant Information Form, indemnity and release to be as valid as the original.

This document shall be governed by and construed in accordance with the substantive laws of the State of Colorado, without regard to its choice of law principles.

Signature: _____

Print Name: _____

Date: _____

Spouse's Signature: _____

Print Name: _____

Date: _____

EXHIBIT H

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EXHIBIT I

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

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

CALIFORNIA

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

Los Angeles

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

Sacramento

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

San Diego

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

San Francisco

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

HAWAII

(state administrator)

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

(agent for service of process)

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

ILLINOIS

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

INDIANA

(state administrator)

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

(agent for service of process)

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

MARYLAND

(state administrator)

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

(agent for service of process)

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

MICHIGAN

(state administrator)

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

(agent for service of process)

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

MINNESOTA

(state administrator)

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

(agent for service of process)

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

NEW YORK

(state administrator)

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

(agent for service of process)

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

NORTH DAKOTA

(state administrator)

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

(agent for service of process)

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

OREGON

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

RHODE ISLAND

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

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-~~48233~~3563

VIRGINIA

(state administrator)

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

(agent for service of process)

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

WASHINGTON

(state administrator)

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

(agent for service of process)

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

WISCONSIN

(state administrator)

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

(agent for service of process)

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

EXHIBIT J

GUARANTEE OF PERFORMANCE

GUARANTEE OF PERFORMANCE

For value received, **RED LION HOTELS CORPORATION**, a Washington corporation located at **1550 MARKET STREET, SUITE 350, DENVER, COLORADO 80202** (the "Guarantor"), absolutely and unconditionally guarantees the performance by **RED LION HOTELS FRANCHISING, INC.**, located at **1550 MARKET STREET, SUITE 350, DENVER, COLORADO 80202** (the "Franchisor"), of all of the obligations of Franchisor in accordance with the terms and conditions of the franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2018 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees as amended, modified or extended from time to time. This guarantee continues in full force and effect until all obligations of the Franchisor under its franchise registrations, and Franchise Agreements are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive notice of Franchisor's default. This guarantee is binding on the Guarantor and its successors and assignees.

The Guarantor signs this guarantee at Spokane, Washington on the 6th day of April, 2018.

GUARANTOR:

RED LION HOTELS CORPORATION

By: _____

Name: Thomas L. McKeirnan

Title: Director, EVP, General Comsel and Secretary

EXHIBIT K

REPRESENTATIONS AND ACKNOWLEDGMENT 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 Settle Inn® franchise to operate as a Settle Inn®-branded lodging facility is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor's Franchise Disclosure Document and Exhibits (collectively, the "FDD") in deciding to purchase the franchise.

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

I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor. INITIAL:

I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise. INITIAL:

Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD. INITIAL:

My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise. INITIAL:

I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase. INITIAL:

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED. 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 Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

If the lodging facility that you will operate under Settle Inn® 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 L

STATE ADDENDA AND AGREEMENT RIDERS

ADDITIONAL DISCLOSURES FOR THE FRANCHISE DISCLOSURE DOCUMENT OF RED LION HOTELS FRANCHISING, INC.

The following are additional disclosures for the Franchise Disclosure Document of RED LION HOTELS FRANCHISING, INC. required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITE, www.redlion.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

4. The following is added to the State Cover Page:

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. 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.

6. The following sentence is added at the end of the "Remarks" section for the line item entitled, "Service Charges for Overdue Payments" within the Item 6 Table:

The highest interest rate allowed in California is 10% annually.

7. The following paragraphs are added to the end of Item 17:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement requires application of the laws of the State of Colorado. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code, Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires you to sign a general release of claims on renewal or transfer of the 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 general release required as a condition of obtaining a refund of the application and/or other initial fees shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the "Summary" section of Item 17(h), entitled "**Cause" defined – non-curable defaults**:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following is added to the end of the "Summary" section of 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.

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 items of the Franchise Disclosure Document entitled "Termination Fee (Liquidated Damages)", "Special Termination Fee" and "Pre-Opening Termination Fee" will not be enforced to the extent prohibited by applicable law.

2. **Trademark Indemnification**. The following paragraph is added to the end of Item 13:

Provided you have complied with all provisions of the Franchise Agreement applicable to the Settle Inn Marks, we will protect your rights to use the Settle Inn Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Settle Inn Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

3. **Renewal, Termination, Transfer and Dispute Resolution**. The following is added to the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release as a condition of renewal and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NORTH DAKOTA

1. **Termination Fee**. The Item 6 line items of the Franchise Disclosure Document entitled "Termination Fee (Liquidated Damages)", "Special Termination Fee" and "Pre-Opening Termination Fee" will not be enforced to the extent prohibited by applicable law.

2. The following is added to the end of Note 8 in Item 6:

Sections of the Franchise Disclosure Document requiring you to pay all costs and expenses incurred by us in enforcing the agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

3. The following is added to the end of the "Summary" section 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.

4. The "Summary" section of Item 17(v), entitled **Choice of forum**, is deleted and replaced with the following:

To the extent required by North Dakota Franchise Investment Law, you may bring an action in North Dakota. Otherwise, litigation must be brought in federal court in Denver, Colorado. If the federal court lacks jurisdiction, then such litigation must be brought in state court in Denver, Colorado, unless otherwise mutually agreed by the Parties. However, we may seek injunctive relief in any jurisdiction that has jurisdiction over you.

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 Colorado will apply.

RHODE ISLAND

1. The following language is added to the end of the "Summary" sections of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

VIRGINIA

1. The following language is added to the end of the "Summary" section of Item 17(e), entitled **Termination by franchisor without cause**:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The following language is added to the end of "Note 3" of Item 7:

The invoice for this fee will not be issued to you until the calendar month after the opening of your Hotel.

2. The following language is added to the end of Item 17:

The State of Washington has a statute, RCW 19.100.180, which may supersede this Franchise Disclosure Document or the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede this Franchise Disclosure Document or the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the "Act"), Chapter 19.100 RCW, shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE RED LION HOTELS FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and _____, whose principal business address is _____ _____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated __ _____, 20___ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Hotel that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **GOVERNING LAW, VENUE AND JURISDICTION**. The first sentence of Section 15.a of the Franchise Agreement is deleted and replaced with the following:

> Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) or the United States Arbitration Act (9 U.S.C. §§ 1 et seq.), this Agreement and any related agreement, all transactions contemplated by this Agreement and any related agreement, and the relationship created by this Agreement, as well as our offer, sale, or negotiation of a franchise under the System or the relationship of the parties arising from the franchise or from entering this Agreement, will be governed by the laws of the State of Illinois.

3. **WAIVER OF EXEMPLARY AND PUNITIVE DAMAGES and JURY WAIVER**. The following language is added to the end of Sections 15.c and 15.d of the Franchise Agreement:

> However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois Regulations at Section 200.609.

4. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following language is added to the end of Section 15.e of the Franchise Agreement:

> However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following language is added as a new Section 15.f of the Franchise Agreement:

> f. **ILLINOIS FRANCHISE DISCLOSURE ACT**. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

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.
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation, with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and _____, whose principal business address is _____ _____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the Hotel that you will operate under the Franchise Agreement will be located in Maryland.

2. **REPRESENTATIONS AND WARRANTIES**. The following is added to the end of Section 17.i of the Franchise Agreement:

> The acknowledgments or representations of the franchisee made in the 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 11.b(3) and 17.f of the 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 14.b(2)(b) and Subsection 14.b(2)(d) of the Franchise Agreement:

> ; however, we and you acknowledge that certain aspects of this provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **GOVERNING LAW, VENUE AND JURISDICTION**. The following is added to the end of Section 15.a of the Franchise Agreement:

> Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law. Notwithstanding the foregoing, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following language is added to the end of Section 15.e of the Franchise Agreement:

> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

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.
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation, with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and _____, whose principal business address is _____ _____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ____ _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Hotel that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **RELEASES.** The following is added to the end of Sections 11.b(3) and 17.f of the 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. **TERMINATION**. The following is added to the end of Sections 13 and 14 of the Franchise Agreement, Sections Q., R. and T. of Attachment A-1, and Sections R., S. and U. of Attachment A-2:

> However, with respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

4. **TRADEMARK DISPUTES**. The following is added to the end of Section 5.b of the Franchise Agreement:

> Provided you have complied with all provisions of this Agreement applicable to the Settle Inn Marks, we will protect your rights to use the Settle Inn Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Settle Inn Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

5. **LIQUIDATED DAMAGES**. The following is added to the end of Section 14.c of the Franchise Agreement, Sections N. and S. of Attachment A-1 and Section O. and T. of Attachment A-2:

> 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, VENUE AND JURISDICTION**. The following is added to the end of Section 15.a of the Franchise Agreement:

> Notwithstanding the foregoing, Minn. Stat. Sec 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in this Agreement shall abrogate or reduce any of your rights

under Minnesota Statues Chapter 80C or your right to any procedure, forum or remedies that the law of the jurisdiction provide.

7. **WAIVER OF EXEMPLARY AND PUNITIVE DAMAGES and JURY WAIVER**. If and then only to the extent required by the Minnesota law, Sections 15.c and 15.d of the Franchise Agreement are deleted.

8. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following is added to the end of Section 15.e of the Franchise Agreement:

Minnesota law provides that no action may be commenced under Minn. Stat Sect. 80C.17 more than 3 years after the cause of action accrues.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

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.
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation, with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and _____, whose principal business address is _____ _____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ____ _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Hotel that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES**. The following is added to the end of Sections 11.b(3) and 17.f of the 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. **LIQUIDATED DAMAGES**. The following is added to the end of Section 14.c of the Franchise Agreement, Sections N. and S. of Attachment A-1 and Section O. and T. of Attachment A-2:

> We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

4. **GOVERNING LAW, VENUE AND JURISDICTION**. Section 15.a of the Franchise Agreement is deleted and replaced with the following:

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

for injunctive relief, the parties may bring such action in any court of competent jurisdiction.

5. **WAIVER OF EXEMPLARY AND PUNITIVE DAMAGES and JURY WAIVER**. To the extent required by the North Dakota Franchise Investment Law, Sections 15.c and 15.d of the Franchise Agreement are deleted.

6. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following is added to the end of Section 15.e of the Franchise Agreement:

The statutes of limitations under North Dakota law apply with respect to claims arising under the North Dakota Franchise Investment Law.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

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.
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation, with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and _____, whose principal business address is _____ _____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ____ _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Hotel that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **GOVERNING LAW, VENUE AND JURISDICTION**. The following language is added to Section 15.e of the Franchise Agreement:

> SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROVIDES THAT "A PROVISION IN A FRANCHISE AGREEMENT RESTRICTING JURISDICTION OR VENUE TO A FORUM OUTSIDE THIS STATE OR REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE IS VOID WITH RESPECT TO A CLAIM OTHERWISE ENFORCEABLE UNDER THIS ACT."

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

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.
FRANCHISE AGREEMENT
FOR USE IN VIRGINIA

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation, with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and _____, whose principal business address is _____ _____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ____ _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because the Hotel that Franchisee will operate under the Franchise Agreement will be established or maintained in Virginia.

2. **TERMINATION BY EITHER PARTY**. The following is added to the end of Section 14.a(1) of the Franchise Agreement:

> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

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.
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation, with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and _____, whose principal business address is _____ _____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ____ _____, 20____ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) Franchisee is domiciled in the State of Washington; and/or (b) the Hotel that Franchisee will operate under the Franchise Agreement will be located in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **WASHINGTON LAW**. The following paragraphs are added to the end of the Franchise Agreement:

> In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, this Agreement shall be modified as follows:
>
> The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.
>
> In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
>
> A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
>
> Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

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]

EXHIBIT M

RECEIPT

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.

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 I.

The franchisor is Red Lion Hotels Franchising, Inc., 1550 Market Street, #350, Denver, Colorado 80202, (509) 459-6100. The franchise seller for this offering is:

❑ _____
Red Lion Hotels Franchising, Inc.
1550 Market Street, #350
Denver, Colorado 80202
(509) 459-6100

❑ _____
Red Lion Hotels Franchising, Inc.
1550 Market Street, #350
Denver, Colorado 80202
(509) 459-6100

❑ _____
Red Lion Hotels Franchising, Inc.
1550 Market Street, #350
Denver, Colorado 80202
(509) 459-6100

Issuance Date: April 6, 2018, as amended July 2, 2018

See Exhibit I for Red Lion Hotels Franchising, Inc.'s registered agents authorized to receive service of process.
I have received a disclosure document dated April 6, 2018, as amended July 2, 2018, that included the following Exhibits:

Exhibit A -	List of Current Franchisee Outlets	Exhibit H -	Table of Contents of Manual
Exhibit B -	List of Franchisee Outlets Terminated, Not Renewed or Who Otherwise Left the System	Exhibit I -	List of State Administrators/Agents for Service of Process
Exhibit C -	Financial Statements	Exhibit J -	Guarantee of Performance
Exhibit D -	Franchise Agreement	Exhibit K -	Representations and Acknowledgment Statement
Exhibit E -	Guaranty of Franchise Agreement	Exhibit L -	State Addenda and Agreement Riders
Exhibit F -	Brand Standard Equipment Loan Documents	Exhibit M	Receipts
Exhibit G -	Franchise Application		

_____	_____	_____
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., Red Lion Hotels Franchising, Inc., 1550 Market Street, #350, Denver, Colorado 80202, fax: 509-325-7324.

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.

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 I.

The franchisor is Red Lion Hotels Franchising, Inc., 1550 Market Street, #350, Denver, Colorado 80202, (509) 459-6100. The franchise seller for this offering is:

❑ _____
Red Lion Hotels Franchising, Inc.
1550 Market Street, #350
Denver, Colorado 80202
(509) 459-6100

❑ _____
Red Lion Hotels Franchising, Inc.
1550 Market Street, #350
Denver, Colorado 80202
(509) 459-6100

❑ _____
Red Lion Hotels Franchising, Inc.
1550 Market Street, #350
Denver, Colorado 80202
(509) 459-6100

Issuance Date: April 6, 2018, as amended July 2, 2018

See Exhibit I for Red Lion Hotels Franchising, Inc.'s registered agents authorized to receive service of process.
I have received a disclosure document dated April 6, 2018, as amended July 2, 2018, that included the following Exhibits:

Exhibit A -	List of Current Franchisee Outlets	Exhibit H -	Table of Contents of Manual
Exhibit B -	List of Franchisee Outlets Terminated, Not Renewed or Who Otherwise Left the System	Exhibit I -	List of State Administrators/Agents for Service of Process
Exhibit C -	Financial Statements	Exhibit J -	Guarantee of Performance
Exhibit D -	Franchise Agreement	Exhibit K -	Representations and Acknowledgment Statement
Exhibit E -	Guaranty of Franchise Agreement	Exhibit L -	State Addenda and Agreement Riders
Exhibit F -	Brand Standard Equipment Loan Documents	Exhibit M	Receipts
Exhibit G -	Franchise Application		

_____	_____	_____
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.