Red Lion Hotels CORP
Form 10-K
February 27, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K
(Mark One)

ý	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
OR

o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-13957
RED LION HOTELS CORPORATION
(Exact name of registrant as specified in its charter)

Washington	91-1032187
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
201 W. North River Drive, Suite 100 Spokane Washington	99201
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (509) 459-6100
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange
Guarantee with Respect to 9.5% Trust Preferred Securities (Liquidation Amount of $25 per Trust Preferred Security) of Red Lion Hotels Corporation Capital Trust	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes o No ý

The aggregate market value of the registrant's common stock as of June 30, 2014 was $108.5 million, of which 70.88% or $76.9 million was held by non-affiliates as of that date. As of February 23, 2015, there were 19,915,343 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2015 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the end of the registrant's 2014 fiscal year, are incorporated by reference herein in Part III.

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PART I

This annual report on Form 10-K includes forward-looking statements. We have based these statements on our current expectations and projections about future events. When words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "seek," "should," "will" and similar expressions or their negatives are used in this annual report, these are forward-looking statements. Many possible events or factors, including those discussed in "Risk Factors" under Item 1A of this annual report, could affect our future financial results and performance, and could cause actual results or performance to differ materially from those expressed. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report.

In this report, "we," "us," "our," "our company," "the Company" and "RLHC" refer to Red Lion Hotels Corporation and, as the context requires, all of its subsidiaries, including Red Lion Hotels Holdings, Inc., Red Lion Hotels Franchising, Inc. and Red Lion Hotels Limited Partnership, all of which are wholly owned, and RL Venture LLC, in which it holds a 55% member interest. "Red Lion" refers to the Red Lion Brands described below. The terms "the network", "system-wide hotels" or "network of hotels" refer to our entire group of owned, leased and franchised hotels.

Item 1. Business

Introduction

We are a NYSE-listed hospitality and leisure company (ticker symbols RLH and RLH-pa) primarily engaged in the management, franchising and ownership of hotels under our proprietary brands, including Hotel RL, Red Lion Hotels, Red Lion Inns & Suites and Leo Hotel Collection (the “Red Lion Brands”). The Red Lion Brands represent upscale and midscale full and select service hotels.

Our company was incorporated in the state of Washington in April 1978, and until 1999 operated hotels under various brand names including Cavanaughs Hotels and WestCoast Hotels, Inc. All of our hotels currently operate under the Red Lion Brands.

Our brands offer a unique local spin on the expected travel experience in an environment that allows customers to feel welcome and at home. Our properties strive to highlight friendly service and reflect the local flair of their markets. Our focus is to anticipate guest needs and pleasantly surprise them with our distinctive Pacific Northwest-inspired customer service. Warm and authentic, our commitment to customer service includes a focus on delivering the guest locally inspired, friendly and personalized signature moments. This is intended to position each of our hotels as an advocate to our traveling guests, creating brand relevance and loyalty, differentiating us from our competition.

In October 2014, we launched a new brand, Hotel RL. This upscale lifestyle brand is a full-service, conversion brand targeted for the top 80 U.S. urban markets that is inspired by the spirit of the Pacific Northwest and designed for consumers with a millennial mindset. Our company recently announced the first addition to Hotel RL at the Inner Harbor of Baltimore, currently under renovation and expected to open in summer 2015. We also recently announced that three of our existing hotels located in Salt Lake City, Utah, and in Olympia and Spokane, Washington will convert to the Hotel RL brand; the conversions are expected to be completed throughout 2015.

In addition to our core brands, the Leo Hotel Collection is a soft branding option for properties to gain access to the Red Lion platform.

A summary of our properties as of December 31, 2014 is provided below:

	Total Available	Meeting Space

	Hotels	Rooms	(sq. ft.)
Red Lion company operated hotels	19	3,887	177,250
Red Lion franchised hotels	34	4,677	244,072
Leo Hotel Collection	2	3,256	241,000
Total	55	11,820	662,322

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Operations

We operate in three reportable segments:
The hotels segment derives revenue primarily from guest room rentals and food and beverage operations at our company operated hotels. As of December 31, 2014, we operated 19 hotels, 14 of which are wholly-owned and five of which are leased. During 2014 our hotel segment accounted for approximately 81.5% of total revenues.
The franchise segment is engaged primarily in licensing the Red Lion Brands to franchisees. This segment generates revenue from franchise fees that are typically based on a percent of room revenues and are charged to hotel owners in exchange for the use of our brands and access to our central services programs. These programs include our reservation system, guest loyalty program, national and regional sales, revenue management tools, quality inspections, advertising and brand standards. As of December 31, 2014, we had 36 franchised hotels with 34 under the Red Lion brand and two hotels under the Leo Hotel Collection brand. During 2014 our franchise segment accounted for approximately 6.6% of total revenues.
The entertainment segment derives revenues from promotion and presentation of entertainment productions under the trade name WestCoast Entertainment, and from ticketing services under the trade name TicketsWest. The ticketing service business offers ticketing inventory management systems, call center services, and outlet/electronic channel distribution for event locations. During 2014 our entertainment segment accounted for approximately 11.8% of total revenues.
Our remaining activities, none of which constitutes a reportable segment, have been aggregated into "other".
A summary of our reporting segment revenues from continuing operations is provided below (in thousands, except for percentages). For further information regarding our business segments, see Note 3 of Notes to Consolidated Financial Statements.

	Year ended December 31,								
	2014			2013			2012		
Hotel	$118,616	81.5	%	$120,391	87.6	%	$131,112	89.9	%
Franchise	9,618	6.6	%	7,136	5.2	%	5,177	3.5	%
Entertainment	17,115	11.8	%	9,439	6.9	%	9,165	6.3	%
Other	77	0.1	%	341	0.3	%	442	0.3	%
Total Revenue	$145,426	100.0	%	$137,307	100.0	%	$145,896	100.0	%

Revenue per available room ("RevPAR") for company operated hotels on a comparable basis from continuing operations increased 6.9% in 2014 from 2013 primarily due to both a 3.3% increase in average daily rate ("ADR") and a 220 basis point increase in occupancy. Systemwide RevPAR on a comparable basis from continuing operations increased 6.0% year-over-year primarily due to a 3.4% increase in ADR and a 150 basis point increase in occupancy. Average occupancy, ADR and RevPAR statistics for comparable hotels from continuing operations are provided below:

	2014				2013			
	Average Occupancy		ADR	RevPAR	Average Occupancy		ADR	RevPAR
Company operated hotels	66.6	%	$91.26	$60.80	64.4	%	$88.35	$56.87
Franchised hotels	51.4	%	$82.30	$42.33	50.9	%	$79.54	$40.52
Total systemwide [1]	59.6	%	$87.68	$52.26	58.1	%	$84.77	$49.29

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Change from prior comparative periods:

	2014 vs. 2013 Average Occupancy		ADR		RevPAR	
Company operated hotels	220	bps	3.3	%	6.9	%
Franchised hotels	50	bps	3.5	%	4.5	%
Total systemwide (1)	150	bps	3.4	%	6.0	%

(1) Includes all hotels owned, leased, under management contract and franchised, and excludes hotels classified as discontinued operations. This also excludes the two properties under the Leo Hotel Collection brand. The Missoula, Pendleton, Yakima, Kennewick, Kelso, Canyon Springs and Pocatello properties have been excluded from the owned and leased hotel statistics and included in the franchise statistics as we sold those previously owned properties during 2014 and 2013 and maintained franchise agreements on those properties.

Average occupancy, ADR and RevPAR, as defined below, are widely used in the hospitality industry and appear throughout this document as important measures in discussing our operating performance.

- Average occupancy represents total paid rooms occupied divided by total available rooms. We use average occupancy as a measure of the utilization of capacity in our system of hotels.
- RevPAR represents total room and related revenues divided by total available rooms. We use RevPAR as a measure of performance yield in our system of hotels.
- ADR represents total room revenues divided by the total number of paid rooms occupied by hotel guests. We use ADR as a measure of room pricing in our system of hotels.
- Total available rooms represents the number of rooms available multiplied by the number of days in the reported period. We use total available rooms as a measure of capacity in our system of hotels and do not adjust total available rooms for rooms temporarily out of service for remodel or other short-term periods.
- Comparable hotels are hotels owned, leased, under management contract or franchised by us and in operation throughout each of the full periods presented, excluding hotels classified as discontinued operations.

Throughout this document and unless otherwise stated, RevPAR, ADR and average occupancy statistics are calculated using statistics for comparable hotels. Some of the terms used in this report, such as "full service," "upscale" and "midscale" are consistent with those used by Smith Travel Research, an independent statistical research service that specializes in the lodging industry. Our hotels are typically classified by Smith Travel Research as midscale with food and beverage.

Company Strategy

Our strategy is to grow our brands and profitability by expanding our hotel network with additional franchised hotels, managing the operations of hotels partially owned by us through joint venture or sliver equity participation, and managing operations of hotels with which we contract to perform management services.

We believe franchising and management represents a profitable, non-capital intensive growth opportunity. Our strategy is to identify larger urban metropolitan statistical areas (MSAs) that are saturated by larger brands in order to become the conversion brand of choice for owners of established hotels looking for alternatives in those markets. By segmenting our brands with clear distinctions between each offering, we are uniquely positioned to provide an appealing alternative for a variety of owners. We believe our strong brand name recognition in the Western U.S. markets provides us with an opportunity to expand our hotel network within our existing footprint. The Midwest, South and East Coast markets also provide us with opportunity to expand our hotel network into markets across North America as our brands will be a unique and new value proposition for current and potential hotel owners in markets saturated by competitor brands. To assist in our ability to grow our hotel network in larger metropolitan cities, we may consider special incentives, management contracting services, sliver equity, joint venture opportunities with hotel owners and investors or adding additional brand options. In addition to conversion from other brands, independently branded hotel operations may also benefit from the RLHC central services programs. For all properties, we strive to provide hotel owners leading distribution technology and sales support as part of our brand support programs.

We believe that additional growth in our hotel network in larger metropolitan cities will come from hotel acquisitions where we contribute partial equity or participate in equity ownership opportunities in joint ventures with hotel owners and

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investors. Equity investment in hotels new to our system is an opportunity for us to redeploy capital generated from sales of hotels into improvement and expansion of our hotel network in major cities. Further growth opportunities may come from the expansion of our brand offerings. In October 2014, we launched a new upscale hotel brand, Hotel RL. This new hotel product is intended to be flexible enough to allow adaptive reuse projects, conversions and new builds while giving owners a more free-form approach to adapt the hotel to their unique markets and locations. The new flat fee structure is a true differentiator in this segment, which provides a predictable cost structure for our franchisees with the opportunity to leverage a greater proportion of their top-line growth to superior hotel performance. In December 2014, we announced the acquisition of an adaptive reuse property located at Baltimore's Inner Harbor in Maryland. Currently under renovation, the 130-room hotel is expected to open in summer 2015 as the company's first Hotel RL.

In January 2015, we announced that we had completed a comprehensive transaction to accelerate the execution of our national growth strategy. Key components included the transfer of 12 of our wholly owned hotels to RL Venture LLC, a newly created entity that was initially wholly owned by us, the sale to an unrelated third party of a 45 percent member interest in that entity, and the concurrent refinancing of all of our secured debt. Three of the hotels will be renovated and converted to the recently announced lifestyle, three-star Hotel RL brand. The remaining nine Red Lion Hotels and Red Lion Inn & Suites will also undergo comprehensive renovations. All 12 hotels will continue to be managed by RLHC's wholly owned subsidiary, Red Lion Hotels Management, Inc., under an initial five-year management contract, with three five-year extensions.

To further support the market repositioning of our Red Lion Brands and improve our financial performance, throughout 2014 and the beginning of 2015, we sold seven non-strategic hotel assets. Proceeds from the sales of these assets have provided additional capital for debt reduction and support of the growth initiatives for our hotel network.

We are also investing in sales and marketing talent and technology to improve our ability to manage the various channels which drive occupancy and average daily rate at our hotels, including transient, group and preferred corporate business. We have implemented a new guest management ecosystem, RevPak, which includes a number of industry revenue generation systems fully integrated to provide comprehensive information by integrating information on customer acquisition, customer management and customer retention. This suite of products will deliver dynamic and personalized communications and promotions tailored to individual guest travel needs and habits.

Our focus on improving e-commerce revenue generation includes ongoing updates and improvements to our RedLion.com website and improved and targeted digital marketing utilizing information generated through our RevPak reservation and distribution system.

Employees

As of December 31, 2014, we employed 1,622 people on a full-time or part-time basis, with 1,477 directly related to hotel operations. We also had 110 employees in other operating segments, primarily within our entertainment segment, and 35 employees in our corporate office. Our total number of employees fluctuates seasonally, and we employ many part-time employees.

At December 31, 2014, approximately 11.0% of our total workforce was covered by various collective bargaining agreements providing, generally, for basic pay rates, working hours, other conditions of employment and organized settlement of labor disputes. We believe our employee relations are satisfactory.

Available Information

Through our website (www.redlion.com), we make available our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, amendments to these filings and all other reports and documents that we file with the U.S. Securities and Exchange Commission ("SEC") pursuant to Section 13(a) of the Securities Exchange Act of 1934. The public may read and copy the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Our internet website also contains our Code of Business Conduct and Ethics, our Corporate Governance Guidelines; charters for our Audit, Compensation and Nominating and Corporate Governance Committees, Accounting and Audit Complaints and Concerns Procedures, our Statement of Policy with Respect to Related Party Transactions and information regarding shareholder communications with our board of directors.

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Item 1A. Risk Factors

We are subject to various risks, including those set forth below, that could have a negative effect on our financial condition and could cause results to differ materially from those expressed in forward-looking statements contained in this report or other RLHC communications.

Our operating results are subject to conditions affecting the lodging industry.

Our revenues and operating results may be impacted by and fluctuate due to a number of factors, including the following:

- Changes in demand for transient rooms and related lodging services, including reductions in business and federal, state and local government travel that may result due to budgetary constraints, increase in the use of video conferencing services, or general economic conditions;
- Extended periods of low occupancy demand, which may negatively impact our ability to increase rates;
- Changes in travel patterns, extreme weather conditions and cancellation of or changes in events scheduled to occur in our markets;
- The attractiveness of our hotels to consumers and competition from other hotels and lodging alternatives such as Airbnb;
- The significant investment in hotel maintenance and renovation needed due to the last six to seven years of reduced capital expenditure levels;
- The need to periodically repair and renovate the hotels in our hotel network, including the ongoing need to refresh hotels to meet current industry standards and guest expectations;
- Insufficient available capital to us or our franchise hotel owners to fund renovations and investments needed to maintain our competitive position;
- The quality and performance of the employees of the hotels in our network;
- Transportation and fuel costs, the financial condition of the airline industry and the resulting impacts on travel, including possible cancellation or reduction of scheduled flights into our markets and reductions in our business with airlines crews, which regularly stay at our hotels in many markets;
- Increases in operating costs due to inflation and other factors such as minimum wage requirements, overtime, healthcare, working conditions, work permit requirements and other labor-related costs, energy prices, insurance and property taxes, as well as increases in construction or associated renovation costs;
- Existing and potential new regulations relating to the preparation and sale of food and beverages, liquor service and health and safety of premises;
- Impact of war, actual or threatened terrorist attacks, heightened security measures and other national, regional or international political and geopolitical conditions;
- Travelers' fears of exposure to contagious diseases or foodborne illness;
- The impact of internet intermediaries and competitor pricing;
- New supply or oversupply of hotel rooms in markets in which we operate;
- Restrictive changes in zoning and similar land use laws and regulations, or in health, safety and environmental laws, rules and regulations;
- Recently enacted, pending and possible future requirements to make substantial modifications to our hotels to comply with the Americans with Disabilities Act of 1990 or other governmental or regulatory requirements;
- The financial condition of third-party property owners and franchisees, which may impact their ability to fund renovations and meet their financial obligations to us as required under management and franchise agreements;
- Changes in guest expectations with respect to amenities at network hotels that require additional capital to meet; and
- Improvements in technology that require capital investment by us or our franchise hotel owners in infrastructure to implement and maintain.

Any of these factors could adversely impact hotel room demand and pricing and thereby reduce occupancy, ADR and RevPAR; give rise to government imposed fines or private litigants winning damage awards against us; or otherwise adversely affect our results of operations and financial condition.

The lodging industry is highly competitive, which may impact our ability to compete successfully with other hospitality and leisure companies.

The lodging industry is comprised of numerous national, regional and local hotel companies and is highly competitive. Competition for occupancy is focused on three major categories of travelers: business travelers, convention and group business

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travelers and leisure travelers. All three categories are significant occupancy drivers for our hotel system and our marketing efforts are geared towards attracting their business.

Competition in the industry is primarily based on service quality, range of services, brand name recognition, convenience of location, room rates, guest amenities and quality of accommodations. We compete against national limited and full-service hotel brands and companies, as well as various regional and local hotels in the midscale and upscale full-service hotel segments of the industry. Many of our competitors have greater name recognition, a larger network of locations and greater marketing and financial resources than we do. Competitors may offer significantly lower rates, greater convenience, services or amenities or superior facilities, which could attract customers away from our hotels. New hotels are being built in a number of the markets where we operate, which could adversely affect our business. In order to remain competitive and to attract and retain customers, we and our franchise owners must be able to differentiate and enhance the quality, value and efficiency of our product and customer service, and we must make additional capital investment to modernize and update our hotels.

We also compete with other hotel brands and management companies for hotels to add to our network, including through franchise and management agreements. Our competitors include management companies as well as large hotel chains that own and operate their hotels and franchise their brands. As a result, the terms of prospective franchise and management agreements may not be as favorable as our current agreements. In addition, we may be required to make investments in or guarantee the obligations of third parties or guarantee minimum income to third parties in connection with future franchise or management agreements.

If we are unable to compete successfully in these areas, our market share and operating results could be diminished, resulting in a decrease in occupancy, ADR and RevPAR for our hotels. Changes in demographics and other changes in our markets may also adversely impact the convenience or desirability of our hotel locations, thereby reducing occupancy, ADR and RevPAR and otherwise adversely impacting our results of operations and financial condition.

The market price for our common stock may be volatile.

The stock market has experienced and may in the future experience extreme volatility, oftentimes unrelated to the operating performance of particular companies. Many factors could cause the market price of our common stock to rise or fall, including but not limited to:

- Changes in general economic conditions, such as the 2007-2009 recession, and subsequent fluctuations in stock market prices and volumes;
- Changes in financial estimates, expectations of future financial performance or recommendations by analysts;
- Changes in market valuations of companies in the hospitality industry;
- Actual or anticipated variations in our quarterly results of operations;
- Issuances of additional common stock or other securities;
- Announcements by our shareholders disclosing acquisitions or sales of our common stock or expressing their views with respect to actions they believe should be taken by our company; and
- Announcements by us or our competitors of, or speculation with respect to, acquisitions, investments or strategic alliances.

The results of some of our hotels are significantly impacted by group contract business and other large customers, and the loss of such customers for any reason could harm our operating results.

Group contract business and other large customers, or large events, can significantly impact the results of operations of the hotels in our network. These contracts and customers vary from hotel to hotel and change from time to time. Contracts with large customers such as airlines and railroads are typically for a limited period of time after which they may be eligible for competitive bidding. The impact and timing of group business and large events are not always predictable and are often episodic in nature. The operating results for the hotels in our network can fluctuate as a result of these factors, possibly in adverse ways, and these fluctuations can harm our overall operating results.

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Due to the geographic concentration of the hotels in our system, our results of operations and financial condition are subject to fluctuations in regional economic conditions.

Of the 55 hotels in our system at December 31, 2014, 35 are located in Oregon, Washington, Idaho and Montana. Accordingly, our results of operations and financial condition may be impacted by the economy of the Pacific Northwest, which is dependent in large part on a limited number of major industries, including agriculture, tourism, technology, timber and aerospace. These industries may be affected by:

- The rate of national and local unemployment;
- The relative strength of national and local economies; and
- Changes in governmental regulations.

In addition, companies in these industries may decide to relocate all or part of their businesses outside the Pacific Northwest. Any of these factors could materially affect the local economies in which these industries operate and where we have a presence. Other adverse events specifically affecting the Pacific Northwest, such as economic recessions or natural disasters, could cause a loss of revenues for our hotels in this region. Our concentration of assets within this region may put us at greater economic risk. In addition, we operate or market multiple hotels within several markets. A downturn in general economic or other relevant conditions in these specific markets or in any other market in which we operate could lead to a decline in demand in these markets and cause a loss of revenues from these hotels.

We may be unsuccessful in identifying and completing acquisitions of new franchised and managed hotels and expanding our brands, which could limit our ability to implement our growth strategy and result in significant expense.

We are continuing to pursue the expansion of our franchise operations in markets where we currently operate and in selected new markets. We are also pursuing expansion of our Red Lion Brands into targeted segments. Both owned and franchised hotels will be able to carry the Hotel RL, Red Lion Hotel or Red Lion Inns & Suites brand. We may consider adding additional brand options in the future.

As of December 31, 2014, we did not manage any hotels in our system that we did not own or lease. However, subsequent to December 31, 2014, we completed a joint venture transaction and a separate sale of our Bellevue property, both of which include management contracts. Additionally, in the past we have managed many hotels that were owned by third parties and operated under the Red Lion brand. Going forward we plan going forward to seek to increase the number of hotels that we manage for third parties in order to expand our hotel network. Management of non-owned hotels also allows us to take advantage of economies of scale with our infrastructure.

The growth of our franchise business and the management of non-owned hotels will both require considerable management time, as well as expenses for market development before any significant revenues and earnings are generated. There can be no assurance that we will be successful in achieving our objectives with respect to growing the number of franchised and managed hotels in our system or that we will be able to attract qualified franchisees or hotel owners wanting to delegate responsibility for hotel management.

The growth in the number of franchised and managed hotels is subject to numerous risks, many of which are beyond our control and that of the owners of our franchised or managed hotels. Among other risks, the following factors affect our ability to achieve growth in the number of franchised and managed hotels:

- Competition with other hotel companies, many of which have more franchised and managed hotels in their systems and more resources to assist owners of new franchised and managed hotels with capital expenditures needed to satisfy brand standards;

- Our ability to attract and retain qualified franchisees and hotel owners who want us to operate their hotels under one or more of our brands;
- The recognition in the market and the reputation of the Red Lion Brands;
- Access to financial resources necessary to open or rebrand hotels;
- The ability of the owners of franchised and managed hotels to open and operate additional hotels profitably. Factors affecting the opening of new hotels, or the conversion of existing hotels to Red Lion Brands, include among others:
- The availability of hotel management, staff and other personnel;
- The cost and availability of suitable hotel locations;
- The availability and cost of capital to allow hotel owners and developers to fund investments;

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- Cost effective and timely construction of hotels (which can be delayed due to, among other reasons, labor and materials availability, labor disputes, local zoning and licensing matters, and weather conditions); and
- Securing required governmental permits;
- Our ability to continue to maintain and enhance our central reservation system to support additional franchised and managed hotels in a timely, cost-effective manner; and
- The effectiveness and efficiency of our development organization.

Our failure to compete successfully for properties to franchise or manage, or to attract and maintain relationships with hotel owners and hotel investors, could adversely affect our ability to expand our system of hotels. An inability to implement our growth strategy could limit our ability to grow our revenue base and otherwise adversely affect our results of operations.

Joint venture and other acquisition arrangements may not prove successful and could result in operating difficulties and failure to realize anticipated benefits.

In January 2015, we transferred 12 of our owned hotels to a joint venture in which we now hold a 55% interest. We may in the future acquire interests in other properties through joint venture arrangements with other entities. In addition, we may enter into other non-property investment joint ventures through other divisions such as our entertainment division or for marketing or other services. Partnerships, joint ventures and other business structures involving our co-investment with third parties generally include some form of shared control over the operations of the business and create additional risks. Some of these acquisitions may be financed in whole or in part by loans under which we are jointly and severally liable for the entire loan amount along with the other joint venture partners. The terms of these joint venture arrangements may be more favorable to the other party or parties than to us. Although we will actively seek to minimize such risks before investing in partnerships, joint ventures or similar structures, investing in a property through such arrangements may subject that investment to risks not present with a wholly owned property, including, among others, the following:

- The other owner(s) of the investment might become bankrupt;
- The other owner(s) may have economic or business interests or goals that are inconsistent with ours;
- The other owner(s) may be unable to make required payments or meet guarantor obligations on loans under which we are jointly and severally liable;
- The other owner(s) may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, such as selling the property at a time when to do so would have adverse consequences to us;
- Actions by the other owner(s) might subject the property to liabilities in excess of those otherwise contemplated by us; and
- It may be difficult for us to sell our interest in the property at the time we deem a sale to be in our best interests.

If any hotel acquisitions fail to perform in accordance with our expectations or if we are unable to effectively integrate new hotels into our operations, our results of operations and financial condition may suffer.

Based on our experience, newly acquired, developed or converted hotels typically begin with lower occupancy and room rates, thereby resulting in lower revenue. Any future expansion within our existing markets could adversely affect the financial performance of our hotels in those markets and, as a result, negatively impact our overall results of operations. Potential expansion into new markets may also present operating and marketing challenges that are different from those we currently encounter in our existing markets. Our inability to anticipate all of the changing demands that expanding operations will impose on our management and management information and reservation systems, or our failure to quickly adapt our systems and procedures to any new markets, could result in lost revenue and increased expenses and otherwise have an adverse effect on our results of operations and financial condition.

If our franchise or management contracts terminate or fail to renew, if new franchisees are unable to effectively integrate their hotels into our system, or if franchisees or owners are unprofitable or go out of business, our franchise or management fee revenue will decline.

As of December 31, 2014, there were 36 hotels in our system that were owned by others and operated under franchise agreements. Franchise agreements generally specify a fixed term and contain an early termination provision for the franchisee to terminate at specific intervals or for specific reasons with or without penalty by providing notice to us. There is no assurance that these agreements will be renewed, or that they will not be terminated prior to the end of their respective terms.

Subsequent to December 31, 2014, we entered into management contracts for each of the 12 hotels in our joint venture portfolio as well as our previously owned hotel in Bellevue, WA. These agreements generally specify a fixed term as well as management responsibilities defined by certain terms and conditions. Our failure to meet the obligations within these agreements

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could trigger early termination. Additionally, there is no assurance that these agreements will be renewed, or that they will not be terminated prior to the end of their respective terms for other reasons.

If owners of hotels that we manage or franchise cannot repay or refinance mortgage loans secured by their properties, our revenues and profits could decrease and our business could be harmed.

The owners of many of our managed and franchised properties have pledged their hotels as collateral for mortgage loans that they entered into when those properties were purchased or refinanced. If those owners cannot repay or refinance maturing indebtedness on favorable terms or at all, the lenders could declare a default, accelerate the related debt, and repossess the property. Such sales or repossessions could, in some cases, result in the termination of our management or franchise agreements and eliminate our anticipated income and cash flows, which could negatively affect our results of operations.

Failure of the joint venture owners to comply with debt covenants could adversely affect our financial results or condition.

In January 2015, we transferred 12 of our owned hotels to RL Venture LLC ("RL Venture"), a joint venture in which we hold a 55% equity interest. We continue to manage these hotels under a management agreement that has an initial five-year term with three five-year extensions. In connection with that transaction, the joint venture borrowed $53.8 million, which is secured by the 12 hotels. The credit agreement for this loan contains customary affirmative and negative covenants. There is no assurance that the joint venture will be able to comply with these covenants in the future. Any failure to do so could result in a demand for immediate repayment of the loan, which could result in one or more of these hotels being foreclosed upon and otherwise adversely affect our results of operation and financial condition, and limit our ability to obtain financing. For additional information, see Note 18 of Notes to Consolidated Financial Statements.

General economic conditions continue to negatively impact our results and liquidity.

Many businesses, including RLHC, have been adversely affected by the state of the economy. Discretionary travel has decreased because of economic pressures, and this in turn has hurt the hospitality industry and our company. Over the last several years, high unemployment, lower family income, low corporate earnings, lower business investments and lower consumer and government spending all have reduced the demand for hotel rooms and related lodging services and put pressure on industry room rates and occupancy. Although the economy appears to be gradually improving, we still expect the operations of hotels in our network and financial results in 2015 will continue to be negatively impacted by general economic conditions, and weak hospitality occupancy and rates. These factors could also negatively impact our ability to obtain future financing and our liquidity in general. While we believe we have adequate sources of liquidity to meet our anticipated requirements for working capital and debt service for the foreseeable future, if our cash flow or capital resources prove inadequate or we do not meet our financial debt covenants, we could potentially face liquidity problems that could have a material adverse effect on our results of operations and financial condition.

Risks associated with real estate ownership may adversely affect revenue or increase expenses.

We are subject to varying degrees of risk that generally arise from the ownership of real property. Revenue and cash flow from our hotels and other real estate may be adversely affected by, and costs may increase as a result of, changes beyond our control, including but not limited to:

- Changes in national, regional and local economic conditions;
- Changes in local real estate market conditions;

- Increases in interest rates and other changes in the availability, cost and terms of financing and capital leases;
- Increases in property and other taxes;
- The impact of present or future environmental legislation;
- Adverse changes in other governmental regulations, insurance and zoning laws; and
- Condemnation or taking of properties by governments or related entities.

These adverse conditions could potentially cause the terms of our borrowings to change unfavorably. Unfavorable changes in one or more of these conditions could also result in unanticipated expenses and higher operating costs, thereby reducing operating margins and otherwise adversely affecting our results of operations and financial condition.

Our expenses may remain constant or increase even if revenues decline.

The expenses of owning and operating a hotel are not necessarily reduced when circumstances such as market factors and competition cause a reduction in its revenues. Accordingly, a decrease in our revenues could result in a disproportionately higher

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decrease in our earnings because our expenses are unlikely to decrease proportionately. In addition, we have recently been investing in sales and marketing, technology, franchising and personnel resources in an effort to position our company for future growth. These investments may not produce the returns we anticipate or the returns may take longer to achieve than expected.

We reported net losses from continuing operations from 2008 through 2013 and, although we had a net profit in 2014, there is no assurance that we will remain profitable in the future.

During the years 2008 through 2013, we reported net losses from continuing operations. Not only did these losses have a direct adverse effect on our financial condition, they also increased our costs of borrowing. Although we had a net profit in 2014, the long prior history of net losses could impair our ability to raise capital needed for hotel maintenance and other corporate purposes. There is no assurance that we will be able to continue to achieve profitability in the future.

Our business requires capital for ongoing hotel maintenance, modernization and renovation, as well as for any acquisitions or development projects we may want to undertake. If needed capital is not available, our ability to successfully compete with hotels in our scale category may be adversely impacted.

We are committed to keeping our properties well-maintained and attractive to our customers in order to maintain our competitiveness within the industry and keep our hotels properly positioned in their markets. We are also focused on working with our franchise hotel owners so that they maintain their properties to the same standards. This requires ongoing access to capital for both us and our franchisees for replacement of outdated furnishings as well as for facility repair, modernization and renovation. To the extent we or our franchisees cannot fund these expenditures from cash generated from operations, funds must be borrowed or otherwise obtained. If these funds cannot be obtained, the expenditures have to be deferred to a later period.

Over the last six to seven years, our levels of capital expenditures for these purposes have been lower than normal due to the general economic conditions impacting our industry. As a result, in order to support the room rates that we have historically charged, we believe it will be necessary over the next few years to invest in renovations at higher levels than in recent years. If we are unable to make these investments, we may be required to reduce rates, or suffer lower occupancy, which could cause our hotels to be classified in a lower scale category and have a material adverse effect on the Red Lion Brand and our business in general. There are likely to be similar adverse effects if our franchisees are unable to make comparable investments in their properties.

Hotel maintenance, hotel acquisitions and new project development are subject to a number of risks, including:

- Availability of capital;
- Construction delays and cost overruns;
- Unavailability of rooms or meeting space for revenue generating activities during modernization and renovation projects;
- Numerous federal, state and local government regulations affecting the lodging industry, including building and zoning requirements and other required governmental permits and authorizations;
- Uncertainties as to market demand or a loss of market demand after capital improvements have begun; and
- Potential environmental problems.

Whether capital for new investments and maintenance of existing hotels will be available to us and our franchisees depends on a number of factors, including profitability, degree of leverage, the value of assets, borrowing restrictions that may be imposed by lenders and conditions in the capital markets. The condition of the capital markets and liquidity factors are outside our control, so there is no assurance that we or our franchisees will be able to obtain financing as needed.

If we raise capital through issuance of additional common stock, preferred stock or convertible debt, current shareholders may experience significant dilution. Moreover, there is no assurance that we could raise money through equity issuances.

If additional capital is obtained through financing, our leverage may increase. If our leverage increases, the resulting debt service could adversely affect our operating cash flow. Our continuing indebtedness could increase our vulnerability to general economic and lodging industry conditions, including increases in interest rates.

Any unanticipated delays or expenses incurred in connection with hotel maintenance and renovation, hotel acquisitions and new project development could impact expected revenues and availability of funds, negatively affect our reputation among hotel customers, owners and franchisees and otherwise adversely impact our results of operations and financial condition, including the carrying costs of our assets.

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We may incur indebtedness in connection with capital expenditures, other corporate purposes or growth of our system of hotels.

Neither our Articles of Incorporation nor our Bylaws limit the amount of indebtedness that we may incur. Subject to limitations in our debt instruments, we may incur additional debt in the future to finance hotel renovations, repairs and replacements, for general corporate purposes or for hotel acquisitions. If our leverage increases, the resulting debt service could adversely affect our operating cash flow. Our continuing indebtedness could increase our vulnerability to general economic and lodging industry conditions, including increases in interest rates, and could impair our ability to obtain additional financing in the future and to take advantage of significant business opportunities that may arise.

We rely on our central reservation system for occupancy at hotels in our network and any failures in the system could negatively affect our revenues and cash flows.

The hospitality industry requires the use of technology and systems for property management, procurement, reservations, operation of customer loyalty programs, distribution and other purposes. These technologies can be expected to change guests' expectations, and there is the risk that advanced new technologies will be introduced requiring further investment capital. We maintain a hotel reservation system that allows us to manage our hotel network's rooms inventory through various distribution channels, including our websites, and execute rate management strategies. As part of our marketing strategy, we encourage guests to book on our website, which guarantees the lowest rate available compared to third-party travel websites.

The development and maintenance of our central reservation system and other technologies may require significant capital. There can be no assurances that, as various systems and technologies become outdated or new technology is required, we will be able to replace or introduce them as quickly as our competition or within budgeted costs and time frames. Further, there can be no assurance that we will achieve the benefits that may have been anticipated from any new technology or system. If our systems fail to operate properly or achieve the anticipated benefits, or if we fail to keep up with technological or competitive advances, our revenues and cash flows could suffer.

Our central reservation system includes a third-party operated call center that enables guests to make reservations on a 24/7 basis. Poor performance by the third party provider, disputes with the third party provider, increased costs of the call center or our inability to renew or extend our agreement with the third party on favorable terms could adversely impact the hotel operations and our expenses as well as those of our franchised and managed hotels.

The increasing use of third-party travel websites by consumers may adversely affect our profitability.

Some of our hotel rooms may be booked through third-party travel websites operated by companies like Priceline, Travelocity or Expedia. As internet bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from us. Moreover, some of these internet travel intermediaries are attempting to offer hotel rooms as a commodity, by increasing the importance of price and general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. We believe that these internet intermediaries hope that consumers will eventually develop brand loyalties to their reservation systems. Although most of the business for our hotels is expected to be derived from traditional channels, if the amount of sales made through internet intermediaries increases significantly, our profitability may be adversely affected.

Failure to maintain the security of internal or customer data could adversely affect us.

Our operations require us to collect and retain large volumes of internal and customer data, including credit card numbers and other personally identifiable information of our customers, which are entered into, processed by, summarized by and reported by our various information systems and those of our service providers. We also maintain personally identifiable information about our employees. Our franchise hotel owners also maintain similar personally identifiable information, on systems that we do not control. The security of this data may potentially be breached due to a number of risks, including cyber-attack, system failure, computer virus, or unauthorized or fraudulent use by customers, company employees, franchisees or employees of third party vendors. A theft, loss or fraudulent use of customer, employee or company data by us or our franchise hotel owners could adversely impact our reputation and could result in significant remedial and other costs, fines and litigation.

If we fail to comply with privacy regulations, we could be subject to fines or other restrictions on our business.

We collect and maintain information relating to our guests for various business purposes, including credit card information and information on guest preferences that we use to enhance customer service and for marketing and promotional purposes. The collection and use of personal data are governed by privacy laws and regulations enacted in the U.S., as well as by various

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contracts under which we operate. Privacy regulation is an evolving area in which different jurisdictions may have inconsistent compliance requirements. Compliance with applicable privacy regulations may increase our operating costs and/or adversely impact our ability to service our guests and market our products, properties and services. In addition, noncompliance with applicable privacy regulations, either by us or in some circumstances by third parties engaged by us or our franchise hotel owners, could result in fines or restrictions on our use or transfer of data.

Any failure to protect our trademarks could have a negative impact on the value of our brand names.

The success of our business depends in part upon our continued ability to use our trademarks, increase brand awareness and further develop our brands. We have registered with the U.S. Patent and Trademark Office various formulations of certain trademarks, including the following: Red Lion, Hotel RL, Leo Hotel Collection, WestCoast, Cavanaughs, Stay Comfortable, TicketsWest and Cascadia Soapery. We have also registered various formulations of the Red Lion trademark in Canada, Mexico, Australia, the European Union and a number of countries in Asia. We cannot be assured that the measures we have taken to protect our trademarks will be adequate to prevent imitation of our trademarks by others. The unauthorized reproduction of our trademarks could diminish the value of our brands and their market acceptance, competitive advantages or goodwill, which could adversely affect our business.

We are exposed to impairment risk of goodwill, intangibles and other long-lived assets.

Financial and credit market volatility directly impacts fair value measurement through our company's estimated weighted average cost of capital used to determine discount rate, and through our common stock price that is used to determine market capitalization. During times of volatility, significant judgment must be applied to determine whether credit or stock price changes are a short-term swing or a longer-term trend.

At the end of 2014 and 2013, our recorded goodwill amount was $8.5 million at the end of each year, and other intangible assets totaled $7.0 million at the end of each year. Market conditions in the future could adversely impact the fair value of one or more of our hotel, franchise and entertainment reporting units, which could result in future impairments of their goodwill, intangibles and other long-lived assets.

The assessment for possible impairment requires us to make judgments, including:

- Estimated future cash flows from the respective properties or business units, which are dependent upon internal forecasts;
- Estimation of the long-term rate of growth for our business;
- The useful life over which our cash flows will occur;
- The determination of real estate and prevailing market values;
- Asset appraisals; and
- Current estimated net sales proceeds from pending offers or net sales proceeds from previous, comparable transactions, if available and appropriate.

In accordance with the guidance for the impairment of long-lived assets, if the expected undiscounted future cash flows are less than net book value, the excess of net book value over estimated fair value of the assets is charged to current earnings. As discussed further in Note 4 of Notes to Consolidated Financial Statements, during the year ended December 31, 2013, assets, including assets that were held for sale were written down to their estimated fair value, resulting in pre-tax impairment charges of $7.8 million. During the year ended December 31, 2012, assets that were held for sale were written down to their estimated fair value, resulting in pre-tax impairment charges of $9.4 million. There were no impairment charges in 2014. Changes in our estimates and assumptions as they relate to valuation of goodwill, intangibles and other long-lived assets could affect, potentially materially, our financial condition or results of operations in the future.

Our new programs and new brands may not be successful.

We cannot assure you that our recently announced programs and brands, such as RevPak and Hotel RL, or any other new programs or brands we may launch in the future will be accepted by hotel owners, potential franchisees, or the traveling public or other customers. We also cannot be certain that we will recover the costs we incurred in developing or acquiring the brands or any new programs or brands, or that the brands or any new programs will be successful.

Certain of our shareholders, including our largest shareholder which currently owns more than 28% of our stock, and recently separately invested in our joint venture partner entity, have in the past encouraged us to sell our company. These or other shareholders may seek to impact our corporate policy and strategy, and their interests may differ from those of

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other shareholders. In addition, given the amount of stock held by our largest shareholder, we would likely need its approval in order to undertake any sale or other disposition of all or substantially all of our assets. If any of our larger shareholders or any group of shareholders decided to sell their shares, this would likely result in a significant decline in the trading price of our common stock.

As of January 21, 2015, Columbia Pacific Opportunity Fund, L.P. ("Columbia Pacific") held approximately 28% of our outstanding shares of common stock. In addition, in January 2015, Columbia Pacific Real Estate Fund II, L.P., an affiliate of Columbia Pacific, invested in the entity that we partnered with to complete our joint venture transaction. In June of 2008, Columbia Pacific filed a Schedule 13D with the SEC disclosing that it had communicated to us that it believed we would be better able to maximize shareholder value through a liquidation or sale. It has subsequently filed numerous amendments to the Schedule 13D disclosing additional communications with our company. An amendment filed by Columbia Pacific on February 28, 2012 included a copy of a letter to our board of directors encouraging us to sell our company in its entirety or in parts. A number of other significant shareholders have also expressed to us similar sentiments.

In March 2012, we retained BofA Merrill Lynch to advise us in connection with our exploration of strategic alternatives, including, among others, a potential sale of the company or a strategic combination with a third party. Our board of directors formed a Strategic Alternatives Committee to oversee the process. Over the ensuing months, our advisors contacted more than 75 potentially interested strategic industry and financial partners, including those that had expressed interest directly to us or were referred to us by shareholders. We received a limited number of non-binding indications of interest, but did not ultimately receive any offers. After taking into account the recommendation of the Strategic Alternatives Committee, our board of directors suspended the formal strategic alternatives process in September 2012.

Columbia Pacific or one or more other shareholders may take actions designed to impact our corporate policy and strategy, and their interests may differ from those of other shareholders. Such actions could include, among other things, attempting to obtain control of our board of directors or initiating or substantially assisting an unsolicited takeover attempt.

Under our Articles of Incorporation and the laws of the state where we are incorporated, we can undertake a merger or sale of all or substantially all of our assets only if the transaction is approved by holders of at least two-thirds of our outstanding shares of common stock. This in turn means that any person or group of persons holding at least one-third of our outstanding shares of common stock would be able to block any such transaction if they chose to do so. Because Columbia Pacific already holds so close to one-third of our shares, we believe that as a practical matter it will be able, either acting alone or with other shareholders, to prevent any such transaction believed not to be in its or their best interests.

This state of affairs adds a level of uncertainty to our business and operations, including in employee hiring and retention, in franchise acquisitions, and in generally developing corporate policy and strategy. In addition, because our common stock is relatively thinly traded, if Columbia Pacific or any other significant shareholders decided to sell their holdings of our common stock, this would likely result in a significant decline in its trading price. Our stock price may also fluctuate materially based on announcements by our shareholders disclosing acquisitions or sales of our common stock or expressing their views with respect to actions they believe should be taken by our company.

Failure to integrate or retain senior executives or other key employees could adversely affect our business.

In 2014 we hired new chief executive, chief financial and chief marketing officers. We may in the future hire additional officers and key employees. To be properly integrated into our company, new executives and employees must spend a significant amount of time learning our business model and management system, in addition to performing their regular duties. As a result, the integration of new personnel may result in some disruption to our ongoing operations. If we fail to successfully complete this integration, our business and financial results may suffer.

We place substantial reliance on the lodging industry experience and the institutional knowledge of members of our senior management team. We compete for qualified personnel against companies with greater financial resources than ours, and the loss of the services of one or more of these individuals could hinder our ability to effectively manage our business. Finding suitable replacements for senior management and other key employees could be difficult, and there can be no assurance we will continue to be successful in retaining or attracting qualified personnel in the future. We generally do not carry key person insurance on members of our senior management team. Any loss of a senior team member could have a material adverse impact on our financial condition or results of operations.

Failure to comply with the Sarbanes-Oxley Act could impact our business.

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There can be no assurance that the periodic evaluation of our internal controls required by the Sarbanes-Oxley Act will not result in the identification of significant deficiencies or material weaknesses in our internal controls or that our auditors will be able to attest to the effectiveness of our internal control over financial reporting. Failure to comply may have consequences on our business including, but not limited to, increased risks of financial statement misstatements, SEC sanctions and negative capital market reactions.

Our business is seasonal in nature, and we are likely to experience fluctuations in our results of operations and financial condition.

Our business is seasonal in nature, with the period from May through October generally accounting for the greatest portion of our annual revenues. Therefore, our results for any quarter may not be indicative of the results that may be achieved for the full fiscal year. The seasonal nature of our business increases our vulnerability to risks during this period, including labor force shortages, cash flow problems, economic downturns and poor weather conditions. The adverse impact to our revenues would likely be greater as a result of our seasonal business.

The performance of our entertainment division is particularly subject to fluctuations in economic conditions.

Our entertainment division, which comprised 11.8% of our revenues from continuing operations in 2014, engages in event ticketing and the presentation of various entertainment productions. Our entertainment division is vulnerable to risks associated with general regional and economic conditions, significant competition and changing consumer trends, among others. The overall economy in the markets we serve has impacted the ticketing division through lower demand for concerts, events and sporting activities. Also, we face the risk that entertainment productions will not tour the regions in which we operate or that the productions will not choose us as a presenter or promoter.

We may have disputes with the owners of the hotels that we manage or franchise.

The nature of our responsibilities under our franchise agreements or any hotel management agreements we may enter into in the future may, in some instances, be subject to interpretation and may give rise to disagreements. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential franchisees, hotel owners and joint venture partners. However, we may not always be able to do so. Failure to resolve such disagreements may result in franchisees leaving our system of hotels, or in litigation, arbitration or other legal actions.

Government regulation could impact our franchise business.

The Federal Trade Commission (the "FTC"), various states and certain foreign jurisdictions, where we market franchises, regulate the sale of franchises. The FTC requires franchisors to make extensive disclosure to prospective franchisees but does not require registration. A number of states in which our franchisees operate require registration or disclosure in connection with franchise offers and sales. In addition, several states in which our franchisees operate have "franchise relationship laws" or "business opportunity laws" that limit the ability of the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. While our business has not been materially affected by such regulation, there can be no assurance that this will continue or that future regulation or legislation will not have such an effect.

The illiquidity of real estate investments and the lack of alternative uses of hotel properties could significantly limit our ability to respond to adverse changes in the performance of our hotels and harm our financial condition.

Real estate investments are relatively illiquid, and therefore we and RL Venture have a limited ability to promptly sell one or more hotels in response to changing economic, financial or investment conditions is limited. The real estate market, including the market for hotels, is affected by general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. In addition, it may be difficult or impossible to convert hotels to alternative uses if they become unprofitable due to competition, age of improvements, decreased demand or other factors. The conversion of a hotel to an alternative use would also generally require substantial capital expenditures. This inability to respond promptly to changes in the performance of our hotels could adversely affect our financial condition and results of operations as well as our ability to service debt, including our debentures. In addition, sales of appreciated real property could generate material adverse tax consequences, which may make it disadvantageous for us to sell certain of our hotels.

We are subject to various obligations and restrictions under the leases governing our leased properties. In addition, we may not be able to renew these leases on favorable terms or at all.

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Five of our hotels and our corporate offices are subject to leases. In addition to the requirement to pay rent, the leases for these properties generally impose various maintenance and other obligations on us and may also require us to obtain the consent of the landlord before taking certain actions such as modifications to the properties. These lease provisions may limit our flexibility with the leased properties, delay modifications or other actions we may wish to take, or result in disputes with the landlords. In addition, the terms of the leases for three of our leased properties will expire in the period from 2018 to 2024. The lease on our corporate office space expires in 2017. There is no assurance that the landlords will be willing to extend these leases and, even if they are willing to extend, it is possible that the lease costs will increase, which would adversely impact the hotel operations and our expenses.

Our hotels may be faced with labor disputes that could harm the operation of our hotels.

We rely heavily on our employees to provide high-quality personal service at our hotels. At certain of our owned and leased hotels, employees are covered by collective bargaining agreements, and attempts could be made in the future to unionize our employees at other locations. Any labor dispute or stoppage at an owned hotel or a franchised hotel could harm our ability to provide high-quality personal services, which could reduce occupancy and room revenue, tarnish our reputation and harm our results of operations.

Our properties are subject to risks relating to natural disasters, terrorist activity and war, and any such event could materially adversely affect our operating results without adequate insurance coverage or preparedness.

Our financial and operating performance may be adversely affected by acts of God, such as natural disasters, particularly in locations where our properties are located. Our properties are generally covered by comprehensive liability, public area liability, fire, boiler and machinery, extended coverage and rental loss insurance. However, certain types of catastrophic losses, such as those from earthquake, volcanic activity, flood, terrorism and environmental hazards, may exceed or not be covered by the insurance. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. Similarly, threatened or actual terrorist activity, war, epidemics, travel-related accidents, geopolitical uncertainty, international conflict and similar events that impact domestic and international travel have caused in the past, and may cause in the future, our results to differ materially from anticipated results. In addition, depending on the severity, a major incident or crisis may prevent operational continuity at hotels in our network and consequently impact the value of our brand or the reputation of our business.

Disruption or malfunction in our information systems could adversely affect our business.

Our information technology systems are vulnerable to damage or interruption from:

- Earthquakes, fires, floods and other natural disasters;
- Power losses, computer system failures, internet and telecommunications or data network failures, operator negligence, improper operation by or supervision of employees, physical and electronic losses of data and similar events; and
- Computer viruses, penetration by individuals seeking to disrupt operations or misappropriate information, and other breaches of security.

We rely on our systems to perform functions critical to our ability to operate, including our central reservation system. Accordingly, an extended interruption in the systems' function could significantly curtail, directly and indirectly, our ability to conduct our business and generate revenue.

We are subject to environmental regulations.

Our results of operations may be affected by the cost of complying with existing and future environmental laws, ordinances and regulations. Under federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in the property. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances. In addition, the presence of contamination from hazardous or toxic substances, or the failure to remediate a contaminated property properly, may prevent the owner from selling a property or using it as collateral for a loan. Environmental laws may also restrict the use or transfer of a property as well as the operation of businesses at the property, and they may also impose remedial or compliance costs. The costs of defending against claims of liability or remediating contaminated property and the cost of complying with environmental laws could have an adverse effect on our results of operations and financial condition.

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When we acquire a hotel, a Phase I environmental site assessment ("ESA") is usually conducted by a qualified independent environmental engineer. A Phase I ESA involves an on-site inspection and research of historical usages of a property, databases of underground storage tanks and other matters to determine whether an environmental issue with respect to the property needs to be addressed. If the results of a Phase I ESA reveal potential issues warranting further investigation, a Phase II ESA, which may include soil testing, ground water monitoring or borings to locate underground storage tanks, will be recommended. It is possible that Phase I and Phase II ESAs will not reveal all environmental liabilities or compliance concerns or that there will be material environmental liabilities or compliance concerns that we do not discover. Phase I ESAs have been performed on all properties owned and leased by us.

In March 2009, odors in the basement of our hotel property in Salt Lake City led to the detection of a release of petroleum from an adjacent gas station owned by Sinclair Marketing. Petroleum and petroleum constituents were identified in soil and groundwater on both properties. Under the oversight of the Utah Department of Environmental Quality ("DEQ"), Sinclair took steps to remediate the properties by excavating contaminated soils and by pumping and treating contaminated groundwater. Sinclair reimbursed us for our costs, including attorneys' fees, related to its remediation efforts. On February 9, 2012, the DEQ sent Sinclair a "No Further Action" ("NFA") letter stating that, although petroleum-contaminated soil and groundwater remained from the release, it was not considered a threat to human health and the environment, and therefore, no further remedial action was required. However, the letter also noted that, if future changes to these characteristics created a threat to human health or the environment, additional corrective action might be required. If future remediation is ever required and Sinclair does not perform it, we as the owner of the property could be held responsible.

In connection with our debt refinancings in 2011 and 2013 and the pledging of hotel properties as collateral for our credit facility, Phase I ESAs were performed on the pledged properties. Based on the results, Phase II ESAs were performed on four of our hotel properties located in Richland, Pasco, Port Angeles and Yakima, Washington. In addition, water sample tests were performed at our Redding, California hotel property. Based on the results of these assessments and tests, it was necessary to take further actions with respect to our properties in Pasco and Port Angeles, Washington.

The Phase II ESA performed at the Pasco property included a number of subsurface soil samples taken in areas identified in the Phase I ESA as having a potential for environment contamination due to prior activities on the site. In one of these samples - taken near a former gasoline station area - gasoline and diesel-range petroleum hydrocarbons were detected at concentrations greater than applicable cleanup levels. Based on the results of this testing, further assessment was conducted.

In August of 2013, a focused Phase II ESA was completed at the Pasco property. The results of soil sampling of additional borings did not identify any additional areas of contaminated soil. However, results of this assessment did indicate weathered petroleum hydrocarbon contaminants in soil at concentrations greater than applicable cleanup levels near the former gasoline station area. Based on the tests performed, the contamination appears to be confined to that area, limited to the soil, and therefore unlikely to affect groundwater quality.

We have reported the subsurface information for the Pasco property to the Washington State Department of Ecology ("DOE") under its Voluntary Clean-up Program ("VCP"). The contamination does not appear to be an immediate threat to human health or the environment, and the groundwater does not appear to be threatened. In addition, the soil is capped with asphalt, which limits the exposure to humans or biota from petroleum vapors and reduces the risk of direct contact with contaminated soil. Therefore, we have requested a NFA designation from the DOE. Further, subsequent evaluation of the test results revealed a "false positive" indicating there was no indication of weathered petroleum hydrocarbon contaminants in soil. Based on this finding, we expect to receive a final NFA designation for the DOE in 2015.

A Phase II ESA conducted at the Port Angeles hotel property revealed that fill material from an unknown source was placed at the property prior to construction of the existing buildings. Diesel and lube oil-range petroleum hydrocarbons and benzene were detected in one sample collected.

If the fill material was from a contaminated site, it could be a potential source of subsurface contamination, so additional testing was conducted at the Port Angeles site in August 2013. These tests identified weathered petroleum hydrocarbons, benzene, and benzo(a)pyrene contaminants at concentrations greater than applicable cleanup levels near a former auto repair area that were likely related to impacted fill material identified in the area. The contamination exceeds clean-up standards but does not appear to be a threat to human health or the environment. Groundwater appears to be contaminated, but groundwater in this area is likely influenced by tides and is not currently utilized as drinking water. The contaminated soil is capped with asphalt or structures, so that exposure to petroleum vapors or direct contact with contaminated soil is limited.

We have reported the contamination identified at the Port Angeles property to the DOE under the VCP. We have requested a NFA designation from the DOE. We plan to continue to monitor the affected area and ensure that the asphalt cap is maintained.

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On January 21, 2015 the DOE denied our request for a NFA designation, until further analysis is performed. Depending on the results of further analysis we may have some requirement to perform clean-up of the affected area.

Other than as disclosed above, we have not been notified by any governmental authority and we have no other knowledge of any material noncompliance, material liability or material claim relating to hazardous or toxic substances or other environmental substances in connection with any of our properties. Nevertheless, there is no assurance that these properties do not have any environmental concerns associated with them. In addition, there is no assurance that we will not discover problems we are unaware of that currently exist, that future laws, ordinances or regulations will not impose any material environmental liability, or that the current environmental condition of our existing and future properties will not be affected by the condition of neighboring properties, such as the presence of leaking underground storage tanks, or by third parties unrelated to us.

We face risks relating to litigation.

At any given time, we are subject to claims and actions incidental to the operation of our business. The outcome of these proceedings cannot be predicted. If a plaintiff were successful in a claim against us, we could be faced with the payment of a material sum of money and we may not be insured for such a loss. If this were to occur, it could have an adverse effect on our financial condition.

In addition, our financial condition may be adversely impacted by legal or governmental proceedings brought by or on behalf of our employees or customers. In recent years, a number of hospitality companies have been subject to lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace and employment matters, discrimination, accessibility and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Similar lawsuits in the future may be instituted against us and we may incur material damages and expenses which could have an adverse effect on our results of operations and financial condition.

In addition, in recent years there has been increasing activity by patent holding companies (so-called patent "trolls") that do not use technology but whose sole business is to enforce patents for monetary gain against companies in a wide variety of businesses and industries. These efforts typically involve proposing licenses in exchange for a substantial sum of money and may also include the threat or actual initiation of litigation for that purpose. Any such litigation can be quite costly to defend, even if infringement is unsubstantiated or speculative. We have been threatened with one such claim and two claims have actually been filed against us. Each claim is related to separate technology, but we believe that each such technology is non-proprietary. Both claims have been resolved. If we are ultimately found to have violated a patent, our operations could be negatively impacted and/or we might be subject to substantial financial penalties, licensing fees and attorneys' fees. It is not possible to predict the potential impact on our business and operations of any future claims of this type that may be asserted against us.

Washington law and our governing corporate documents contain provisions that could deter takeover attempts.

Our company is incorporated in the state of Washington and subject to Washington state law. Some provisions of Washington state law could interfere with or restrict takeover bids or other change-in-control events affecting us. For example, one statutory provision prohibits us, except under specified circumstances, from engaging in any significant business transaction, such as a merger, with any shareholder who owns 10% or more of our common stock (which shareholder, under the statute, would be considered an "acquiring person") for a period of five years following the time that such shareholder becomes an acquiring person.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Under the Red Lion Brands as of December 31, 2014, we owned 14 hotels, leased five, and had franchise arrangements with 36 hotels owned and operated by third parties. To support our owned, leased and franchised hotels, we provide all the services typical in our industry: marketing, sales, advertising, frequency program, revenue management, procurement, quality assurance, education and training, design and construction management. We maintain a central reservation call center with links to various travel agent global distribution systems and electronic distribution channels on the internet, including our branded website. The table below reflects our hotel properties and locations, total available rooms per hotel, as well as meeting space availability, as of December 31, 2014.

Property	Location	Total Available Rooms	Meeting Space (sq. ft.)
Company operated properties			
Red Lion Hotel Eureka(1)	Eureka, California	175	4,890
Red Lion Hotel Redding(1)	Redding, California	192	6,800
Red Lion Hotel Boise Downtowner(1)	Boise, Idaho	182	8,600
Red Lion Templin’s Hotel on the River(1)	Post Falls, Idaho	163	11,000
Red Lion Hotel Bend (1)	Bend, Oregon	75	2,000
Red Lion Hotel Coos Bay(1)	Coos Bay, Oregon	144	5,000
Red Lion Hotel Salt Lake Downtown(1)	Salt Lake City, Utah	393	12,000
Red Lion Hotel Olympia(1)	Olympia, Washington	192	16,500
Red Lion Hotel Pasco(1)	Pasco, Washington	279	17,240
Red Lion Hotel Port Angeles(1)	Port Angeles, Washington	186	3,010
Red Lion Hotel Richland Hanford House(1)	Richland, Washington	149	9,247
Red Lion Bellevue(2)	Bellevue, Washington	181	5,700
Red Lion Hotel at the Park(1)	Spokane, Washington	400	30,000
Red Lion Hotel Wenatchee(2)	Wenatchee, Washington	149	7,678
Red Lion Anaheim	Anaheim, California	308	5,000
Red Lion Hotel Kalispell	Kalispell, Montana	170	10,500
Red Lion River Inn	Spokane, Washington	245	2,800
Red Lion Hotel Seattle Airport	Seattle, Washington	144	4,500
Red Lion Hotel Vancouver (at the Quay)	Vancouver, Washington	160	14,785
Company operated properties (19 properties)		3,887	177,250

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Property	Location	Total Available Rooms	Meeting Space (sq. ft.)
Franchised properties			
Red Lion Inn & Suites Victoria	Victoria, BC Canada	85	450
Red Lion Inn & Suites Phoenix/Tempe - ASU	Tempe, Arizona	118	1,300
Red Lion Inn & Suites Tucson	Tucson, Arizona	155	1,600
Red Lion Inn & Suites Cathedral City	Cathedral City, California	97	750
Red Lion Hotel Oakland International Airport	Oakland, California	189	4,400
Red Lion Hotel Woodlake Conference Center Sacramento	Sacramento, California	306	60,000
Red Lion Hotel Ontario Airport	Ontario, California	107	687
Red Lion Inn & Suites Perris	Perris, California	105	—
Red Lion Inn & Suites Denver Airport	Denver, Colorado	87	—
Red Lion Inn & Suites Fort Collins	Fort Collins, Colorado	63	—
Red Lion Hotel Lewiston	Lewiston, Idaho	183	12,259
Red Lion Hotel Pocatello(3)	Pocatello, Idaho	150	13,000
Red Lion Hotel Canyon Springs	Twin Falls, Idaho	112	5,085
Red Lion Inn & Suites Detroit	Detroit, Michigan	77	—
Red Lion Colonial Hotel	Helena, Montana	149	15,500
Red Lion Inn Missoula	Missoula, Montana	76	640
Red Lion Hotel Farmington	Farmington, New Mexico	192	10,000
Red Lion Hotel Gallup	Gallup, New Mexico	126	9,000
Red Lion Hotel Grants	Grants, New Mexico	126	9,000
Red Lion Hotel & Casino Elko	Elko, Nevada	222	3,000
Red Lion Inn & Suites McMinnville	McMinnville, Oregon	67	1,312
Red Lion Hotel Portland Airport	Portland, Oregon	136	3,000
Red Lion Hotel Salem	Salem, Oregon	148	10,000
Red Lion Hotel on the River — Jantzen Beach	Portland, Oregon	318	35,000
Red Lion Hotel Pendleton	Pendleton, Oregon	170	9,769
Red Lion Hotel Tacoma	Tacoma, Washington	119	750
Red Lion Hotel Renton	Renton, Washington	224	7,000
Red Lion Inn & Suites Federal Way	Federal Way, Washington	90	300
Red Lion Hotel & Conference Center Kelso/Longview(3)	Kelso, Washington	161	8,670
Red Lion Hotel Columbia Center(3)	Kennewick, Washington	162	9,700
Red Lion Inn & Suites Kennewick	Kennewick, Washington	61	300
Red Lion Inn & Suites Kent	Kent, Washington	60	600
Red Lion Inn & Suites Walla Walla	Walla Walla, Washington	80	—
Red Lion Hotel Yakima Center(3)	Yakima, Washington	156	11,000
Las Vegas Hotel and Casino - LVH(4)	Las Vegas, Nevada	2,956	220,000
The Riverside Hotel - Boise(4)	Boise, Idaho	300	21,000
Franchised properties (36 properties)		7,933	485,072
Total — All properties (55 properties)		11,820	662,322

(1) In January 2015 we transferred these hotels to RL Venture LLC and then sold an unrelated third party a 45 percent member interest in that entity.
(2) At December 31, 2014 these hotels were listed for sale and classified as assets held for sale. We sold both hotels in early 2015 and entered into a franchise or management agreement with each purchaser.

(3) These properties were previously owned by our company, but we sold them in 2014 and entered into a franchise agreement with each purchaser.

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(4) These properties are part of the Leo Hotel Collection.

Company Operated Properties

Company operated properties are those properties which we operate and manage through ownership, lease, or management contract. We currently recognize revenues and expenses on these properties where appropriate.

Franchised Hotels

Under our franchise agreements, we receive royalties for the use of the Red Lion Brands. We also make available certain services to those hotels including reservation systems, advertising and national sales, our guest loyalty program, revenue management tools, quality inspections and brand standards, as well as administer central services programs for the benefit of all the hotels in our network.

Discontinued Operations

Discontinued operations includes the following: a commercial mall in Kalispell, Montana that was sold in first quarter 2013; a catering contract in Yakima, Washington that was terminated in first quarter 2013; a hotel in Medford, Oregon that was sold in third quarter 2013; and a hotel in Eugene, Oregon that ceased operations in first quarter 2014.

The discontinued operations presentation, as required under generally accepted accounting principles ("GAAP"), separately reports the revenue and expenses including any related asset impairment charges, net of income taxes as "Income (loss) from discontinued operations" on the company's consolidated statements of comprehensive income (loss) for all periods presented.

For additional information, see Note 6 of Notes to Consolidated Financial Statements.

Item 3. Legal Proceedings

At any given time, we are subject to claims and actions incidental to the operation of our business. While the outcome of these proceedings cannot be predicted, it is the opinion of management that none of such proceedings, individually or in the aggregate, will have a material adverse effect on our business, financial condition, cash flows or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "RLH". The following table sets forth for the periods indicated the high and low sale prices for our common stock on the NYSE:

	High	Low
2014		
Fourth Quarter (ended December 31, 2014)	$6.38	$5.26
Third Quarter (ended September 30, 2014)	$5.89	$5.27

Second Quarter (ended June 30, 2014)	$6.07	$5.46
First Quarter (ended March 31, 2014)	$6.18	$5.50
2013		
Fourth Quarter (ended December 31, 2013)	$6.22	$5.10
Third Quarter (ended September 30, 2013)	$6.73	$5.22
Second Quarter (ended June 30, 2013)	$7.15	$5.85
First Quarter (ended March 31, 2013)	$9.30	$5.63

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(b) The closing sale price of the common stock on the NYSE on February 23, 2015 was $6.75. As of that date, there were approximately 118 shareholders of record of the common stock.
(c) We did not pay any cash dividends on our common stock during the last two fiscal years. The board of directors periodically reviews our dividend policy and our longer-term objectives of maximizing shareholder value. Any determination to pay cash dividends in the future will be at the discretion of our board.
(d) The following table provides information as of December 31, 2014 on plans under which equity securities may be issued to employees, directors or consultants:

	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Security Holders:			
1998 Stock Incentive Plan[(1)]	3,500	$7.46	—
2006 Stock Incentive Plan [(2)]	71,676	$10.41	448,788
Equity Compensation Plans Not Approved by Security Holders	—	$—	—
Total	75,176	$10.27	448,788

(1) No further grants will be made under the 1998 Stock Incentive Plan.
(2) Excludes 398,513 restricted stock units under the 2006 Stock Incentive Plan.

(e) The below graph assumes an investment of $100 in our common stock and depicts its price performance relative to the performance of the Russell 2000 Index and the Standard & Poor's Hotels, Resorts & Cruise Lines Index, assuming a reinvestment of all dividends. The price performance on the graph is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data

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The following table sets forth our selected consolidated financial data as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010. The selected consolidated statements of comprehensive income (loss) and balance sheet data are derived from our audited consolidated financial statements. The audited consolidated financial statements for certain of these periods are included elsewhere in this annual report. The selected consolidated financial data set forth below should be read in conjunction with, and are qualified in their entirety by, our consolidated financial statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this annual report and in our prior filings with the SEC.

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share data)				
Consolidated Statements of Comprehensive Income (Loss) Data					
Continuing Operations:					
Total revenues	$145,426	$137,307	$145,896	$150,443	$153,905
Goodwill impairment	—	—	—	14,236	—
Asset impairment	—	7,785	9,440	8,417	—
Gain on asset dispositions	(4,006)	(112)	(160)	(33,379)	(24)
Operating expenses	138,667	148,152	156,265	141,954	155,244
Operating income (loss)	6,759	(10,845)	(10,369)	8,489	1,660
Income (loss) from continuing operations	2,492	(15,070)	(11,164)	(5,295)	(2,423)
Earnings (loss) per share from continuing operations:					
Basic	$0.13	$(0.77)	$(0.58)	$(0.28)	$(0.13)
Diluted	$0.13	$(0.77)	$(0.58)	$(0.28)	$(0.13)
Discontinued Operations:					
Income (loss) from operations of discontinued business units, net of income tax expense (benefit)	(187)	(1,204)	1,009	(1,557)	(425)
Loss on disposal and impairment of the assets of the discontinued business units, net of income tax expense (benefit)	$(2)	$(773)	$(4,526)	$(296)	$(5,762)
Earnings (loss) per share from discontinued operations:					
Basic	$(0.01)	$(0.10)	$(0.18)	$(0.10)	$(0.33)
Diluted	$(0.01)	$(0.10)	$(0.18)	$(0.10)	$(0.33)
Net Income (Loss)	$2,303	$(17,047)	$(14,674)	$(7,148)	$(8,610)
Earnings (Loss) per share					
Basic	$0.12	$(0.87)	$(0.76)	$(0.38)	$(0.47)
Diluted	$0.12	$(0.87)	$(0.76)	$(0.38)	$(0.47)
Weighted Average Shares Outstanding:					
Basic	19,785	19,575	19,327	19,053	18,485
Diluted	19,891	19,575	19,327	19,053	18,485

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	Year ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share data)				
Non-GAAP Data					
EBITDA	$19,671	$1,612	$1,508	$24,693	$14,784
Adjusted EBITDA	14,875	11,956	14,275	15,820	22,531
Adjusted net income (loss)	(2,493)	(6,703)	(1,907)	(16,121)	(863)
Consolidated Statement of Cash Flow Data					
Net cash (used in) provided by operating activities	$10,578	$7,087	$13,470	$1,797	$19,487
Net cash (used in) provided by investing activities	(5,600)	6,441	12,347	21,611	(10,428)
Net cash (used in) provided by financing activities	(12,910)	(6,947)	(21,321)	(25,439)	(8,932)
Consolidated Balance Sheet Data					
Cash	$5,126	$13,058	$6,477	$1,981	$4,012
Assets held for sale	21,173	18,346	18,288	30,380	—
Property and equipment, net	160,410	166,356	195,012	232,589	272,030
Total assets	223,354	234,626	260,942	304,896	331,482
Total debt	30,200	43,058	49,178	70,496	95,152
Debentures due Red Lion Hotels Capital Trust	30,825	30,825	30,825	30,825	30,825
Total liabilities	82,517	97,417	108,034	139,031	160,717
Total stockholders' equity	140,837	137,209	152,908	165,865	170,765

EBITDA is defined as net income (loss), before interest, taxes, depreciation and amortization. We believe it is a useful financial performance measure due to the significance of our long-lived assets and level of indebtedness.

Adjusted EBITDA and Adjusted net income (loss) are additional measures of financial performance. We believe that the inclusion or exclusion of certain special items, such as gains and losses on asset dispositions and impairments, is necessary to provide the most accurate measure of core operating results and as a means to evaluate comparative results.

EBITDA, Adjusted EBITDA and Adjusted net income (loss) are commonly used measures of performance in the industry. We utilize these measures because management finds them a useful tool to perform more meaningful comparisons of past, present and future operating results and as a means to evaluate the results of core, ongoing operations. We believe they are a complement to reported operating results. EBITDA, Adjusted EBITDA and Adjusted net income (loss) are not intended to represent net income (loss) defined by generally accepted accounting principles in the United States ("GAAP"), and such information should not be considered as an alternative to reported information or any other measure of performance prescribed by GAAP. In addition, other companies in our industry may calculate EBITDA and in particular Adjusted EBITDA and Adjusted net income (loss) differently than we do or may not calculate them at all, limiting the usefulness of EBITDA, Adjusted EBITDA and Adjusted net income (loss) as comparative measures.

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The following is a reconciliation of EBITDA and Adjusted EBITDA to net income (loss) attributable to RLHC for the periods presented:

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share data)				
Net income (loss)	$2,303	$(17,047)	$(14,674)	$(7,148)	$(8,610)
Depreciation and amortization	12,762	13,960	14,968	17,625	18,902
Interest expense	4,575	5,516	7,553	8,355	9,012
Income tax (benefit) expense	31	(817)	(6,339)	5,861	(4,520)
EBITDA	19,671	1,612	1,508	24,693	14,784
Loss on discontinued operations (1)	189	1,977	3,327	1,853	6,187
Loss (gain) on asset dispositions (2)	(3,996)	—	—	(33,379)	—
Early termination fee (3)	(2,095)	—	—	—	—
Lease termination costs (4)	750	—	—	—	1,560
Asset impairment (5)	—	7,785	9,440	8,417	—
Separation costs (6)	356	582	—	—	—
Goodwill impairment (7)	—	—	—	14,236	—
Adjusted EBITDA	$14,875	$11,956	$14,275	$15,820	$22,531

(1) Discontinued operations includes the following: a hotel in Eugene, Oregon that ceased operations in 2014; a hotel in Medford, Oregon that was sold in 2013; a commercial mall in Kalispell, Montana that was sold in 2013; a catering contract in Yakima, Washington that was terminated in 2013; a hotel in Sacramento, California that was sold in 2012.

(2) During 2014, we recorded $4.0 million in gain on the sales of the Yakima, Kelso, Kennewick, Canyon Springs and Pocatello properties. In 2011, we recorded a $33.5 million gain on the sale of the Seattle Fifth Avenue Hotel. These amounts are included in the line item "Gain on asset dispositions, net" on the accompanying statements of comprehensive income (loss).

(3) During 2014, we recorded income from a $2.1 million early termination fee related to the Seattle Fifth Avenue Hotel terminating its franchise agreement. This amount is included in the line item "Franchise revenue" on the accompanying consolidated statements of comprehensive income (loss).

(4) During 2014, we amended the lease for the Red Lion Hotel Vancouver at the Quay and recorded an additional $0.8 million in amortized lease termination fees. During 2010, we recorded a $1.5 million expense related to the termination of a franchise and sublease agreement for the Red Lion Hotel Sacramento at Arden Village.

(5) During 2013, we recorded a $7.8 million impairment charge on the Yakima, Canyon Springs, Pocatello, Kelso, and Wenatchee properties. During 2012, we recorded a $9.4 million impairment charge on the Pendleton, Missoula, Denver, and Helena properties. During 2011, we recorded a $8.4 million impairment charge on the Missoula, Denver, Helena, and Vancouver properties.

(6) During 2014, we recorded a $0.4 million separation cost associated with the separation of the former Executive Vice President and Chief Financial Officer. During 2013, we recorded a $0.4 million separation cost associated with the retirement of the former President and Chief Executive Officer and a $0.2 million charge related to the separation of a former Executive Vice President and Chief Operating Officer. These amounts are included in the line item "General and administrative expenses" on the accompanying statements of comprehensive income (loss).

(7) During 2011, we recorded a $14.2 million impairment charge on goodwill in the hotel segment.

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The following is a reconciliation of Adjusted net income (loss) to net income (loss) attributable to RLHC for the periods presented:

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share data)				
Net income (loss)	$2,303	$(17,047)	$(14,674)	$(7,148)	$(8,610)
Loss on discontinued operations (1)	189	1,977	3,327	1,853	6,187
Gain on asset dispositions (2)	(3,996)	—	—	(33,479)	—
Early termination fee (3)	(2,095)	—	—	—	—
Lease termination costs (4)	750	—	—	—	1,560
Asset impairment (5)	—	7,785	9,440	8,417	—
Separation costs (6)	356	582	—	—	—
Goodwill impairment (7)	—	—	—	14,236	—
Adjusted net income (loss)	$(2,493)	$(6,703)	$(1,907)	$(16,121)	$(863)

(1) Discontinued operations includes the following: a hotel in Eugene, Oregon that ceased operations in 2014; a hotel in Medford, Oregon that was sold in 2013; a commercial mall in Kalispell, Montana that was sold in 2013; a catering contract in Yakima, Washington that was terminated in 2013; a hotel in Sacramento, California that was sold in 2012.

(2) During 2014, we recorded $4.0 million in gain on the sales of the Yakima, Kelso, Kennewick and Canyon Springs and Pocatello properties. In 2011, we recorded a $33.5 million gain on the sale of the Seattle Fifth Avenue Hotel. These amounts are included in the line item "Gain on asset dispositions, net" on the accompanying statements of comprehensive income (loss).

(3) During 2014, we recorded income from a $2.1 million early termination fee related to the Seattle Fifth Avenue Hotel terminating its franchise agreement. This amount is included in the line item "Franchise revenue" on the accompanying consolidated statements of comprehensive income (loss).

(4) During 2014, we amended the lease for the Red Lion Hotel Vancouver at the Quay and recorded an additional $0.8 million in amortized lease termination fees. During 2010, we recorded a $1.5 million expense related to the termination of a franchise and sublease agreement for the Red Lion Hotel Sacramento at Arden Village.

(5) During 2013, we recorded a $7.8 million impairment charge on the Yakima, Canyon Springs, Pocatello, Kelso, and Wenatchee properties. During 2012, we recorded a $9.4 million impairment charge on the Pendleton, Missoula, Denver, and Helena properties. During 2011, we recorded a $8.4 million impairment charge on the Missoula, Denver, Helena, and Vancouver properties.

(6) During 2014, we recorded a $0.4 million separation cost associated with the separation of the former Executive Vice President and Chief Financial Officer. During 2013, we recorded a $0.4 million separation cost associated with the retirement of the former President and Chief Executive Officer and a $0.2 million charge related to the separation of a former Executive Vice President and Chief Operating Officer.

(7) During 2011, we recorded a $14.2 million impairment charge on goodwill in the hotel segment.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

We are a NYSE-listed hospitality and leisure company (ticker symbols RLH and RLH-pa) primarily engaged in the management, franchising and ownership of hotels under our proprietary brands, including Hotel RL, Red Lion Hotels, Red Lion Inns & Suites and Leo Hotel Collection (the “Red Lion Brands”). The Red Lion Brands represent upscale and midscale full and select service hotels.

A summary of our properties as of December 31, 2014 is provided below:

	Hotels	Total	Meeting

		Available Rooms	Space (sq. ft.)
Red Lion company operated hotels	19	3,887	177,250
Red Lion franchised hotels	36	7,933	485,072
Total	55	11,820	662,322

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We operate in three reportable segments:

The hotels segment derives revenue primarily from guest room rentals and food and beverage operations at our company operated hotels. As of December 31, 2014, we operated 19 hotels, 14 of which were wholly owned and five of which were leased. During 2014 our hotel segment accounted for approximately 81.5% of total revenues.

The franchise segment is engaged primarily in licensing the Red Lion Brands to franchisees. This segment generates revenue from franchise fees that are typically based on a percent of room revenues and are charged to hotel owners in exchange for the use of our brands and access to our central services programs. These programs include our reservation system, guest loyalty program, national and regional sales, revenue management tools, quality inspections, advertising and brand standards. As of December 31, 2014, we had 36 franchise hotels with 34 under the Red Lion Brands and two hotels under the Leo Hotel Collection brand. During 2014 our franchise segment accounted for approximately 6.6% of total revenues.

The entertainment segment derives revenues from promotion and presentation of entertainment productions under the trade name WestCoast Entertainment, and from ticketing services under the trade name TicketsWest. The ticketing service business offers ticketing inventory management systems, call center services, and outlet/electronic channel distribution for event locations. During 2014 our entertainment segment accounted for approximately 11.8% of total revenues.

Our remaining activities, none of which constitutes a reportable segment, have been aggregated into "other".

Results of Operations

Our reported numbers for the periods presented in this report reflect results of the Yakima, Canyon Springs, Pocatello, Kelso and Kennewick properties (all sold in 2014), the Missoula and Pendleton properties (sold in 2013), and the Denver and Helena properties (sold in 2012) for the full years prior to their sales, but only for partial years in the years in which they were sold. These properties were reported in continuing operations since we have significant continuing involvement in their operations as they now operate as franchised hotels. In order to help investors distinguish changes from results of continuing operations versus changes due to the sales of these hotel properties, we will discuss operating results from continuing operations as reported and also discuss certain operating results and data for periods included in the report on a comparable hotel basis. Comparable hotels are properties reported in continuing operations that are owned or leased by us for the entirety of the reporting periods being compared.

A summary of our consolidated statements of comprehensive income (loss) is provided below (in thousands):

	Year ended December 31,		
	2014	2013	2012
Total revenue	$145,426	$137,307	$145,896
Total operating expenses	138,667	148,152	156,265
Operating income (loss)	6,759	(10,845)	(10,369)
Other income (expense):			
Interest expense	(4,575)	(5,516)	(7,553)
Other income, net	339	474	229
Income (loss) from continuing operations before taxes	2,523	(15,887)	(17,693)
Income tax expense (benefit)	31	(817)	(6,529)
Income (loss) from continuing operations	2,492	(15,070)	(11,164)
Income (loss) from discontinued operations	(189)	(1,977)	(3,517)
Net income (loss)	$2,303	$(17,047)	$(14,681)
Net income (loss) attributable to Red Lion Hotels Corporation	$2,303	$(17,047)	$(14,674)
Earnings (loss) per share - basic & diluted	$0.12	$(0.87)	$(0.76)
Non-GAAP data: [1]			
EBITDA	$19,671	$1,612	$1,508
Adjusted EBITDA	$14,875	$11,956	$14,275

Adjusted net income (loss)	$(2,493)	$(6,703)	$(1,907)

[1] See Item 6. Selected Financial Data for a reconciliation of non-GAAP measures to net income (loss) for the periods presented

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For the year ended December 31, 2014, we reported net income of $2.3 million or $0.12 per share. Net income includes $4.0 million in gains on the sales of the Yakima, Kelso, Kennewick, Canyon Springs and Pocatello properties. Net income also includes a $2.1 million early termination fee received related to the Seattle Fifth Avenue Hotel terminating its franchise agreement. In addition, net income includes $0.8 million in amortized lease termination fees related to the amended lease for the Red Lion Hotel Vancouver at the Quay and $0.4 million in separation costs associated with the separation of the former Executive Vice President and Chief Financial Officer.

For the year ended December 31, 2013, our net loss was $17.0 million or $0.87 per share. The net loss includes an impairment charge of $7.8 million on the Yakima, Canyon Springs, Pocatello, Kelso and Wenatchee properties. In addition, the net loss is impacted by a $5.9 million valuation allowance recorded during the year related to our deferred tax assets. The net loss also includes $0.6 million of separation costs associated with the retirement of our former President and Chief Executive Officer and the separation of our former Executive Vice President and Chief Operating Officer.

For the year ended December 31, 2012, our net loss was $14.7 million or $0.76 per share. The net loss includes an impairment charge of $9.4 million related to the Helena, Denver Southeast, Missoula and Pendleton properties.

The above special items are reflected as Adjusted EBITDA. For the year ended December 31, 2014, adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") was $14.9 million, compared to $12.0 million for the year ended December 31, 2013 and $14.3 million in 2012.

Revenue

A breakdown of revenues from continuing operations is as follows (in thousands, except for percentage changes):

Revenue from Continuing Operations

	Year Ended December 31,			2014 vs. 2013		2013 vs. 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Hotels	118,616	120,391	131,112	(1,775)	(1.5)%	(10,721)	(8.2)%
Franchise	9,618	7,136	5,177	2,482	34.8%	1,959	37.8%
Entertainment	17,115	9,439	9,165	7,676	81.3%	274	3.0%
Other	77	341	442	(264)	(77.4)%	(101)	(22.9)%
Total Revenue	$145,426	$137,307	$145,896	$8,119	5.9%	$(8,589)	(5.9)%

Comparable Hotel Revenue (Non-GAAP Data)

A breakdown of our comparable hotel revenues is as follows (in thousands, except for percentage changes):

	Year Ended December 31,			2014 vs. 2013		2013 vs. 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Hotel revenue from continuing operations	$118,616	$120,391	$131,112	(1,775)	(1.5)%	(10,721)	(8.2)%
less: hotel revenue from sold and closed properties	(6,116)	(14,752)	(27,505)	8,636	(58.5)%	12,753	(46.4)%
Comparable total hotel revenue	$112,500	$105,639	$103,607	$6,861	6.5%	$2,032	2.0%

Comparable hotels is defined as properties that are operated by the company and excludes the results of discontinued operations and sold properties. Discontinued operations include the following: a catering contract in Yakima, Washington that was terminated in first quarter 2013; a hotel in Medford, Oregon that was sold in third quarter 2013; and a hotel in Eugene, Oregon that ceased operations in first quarter 2014. Sold properties include the following: the

Kalispell property, which was sold in April 2012; the Helena property and the Sacramento property, sold in 2012; the Missoula property, which was sold in February 2013; the Pendleton property, which was sold in April 2013; the Yakima property, which was sold in April 2014; the Kelso and Kennewick properties, which were sold in May 2014; the Canyon Springs property, which was sold in June 2014; and the Pocatello property which was sold in October 2014.

We utilize these comparable measures because management finds them a useful tool to perform more meaningful comparisons of past, present and future operating results and as a means to evaluate the results of core, ongoing operations. We believe they are a complement to reported operating results. Comparable operating results are not intended to represent reported operating

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results defined by generally accepted accounting principles in the United States ("GAAP"), and such information should not be considered as an alternative to reported information or any other measure of performance prescribed by GAAP.

2014 Compared to 2013

During 2014, revenue from the hotel segment decreased $1.8 million or 1.5% from 2013. The primary reason for the decline is the sale of properties in 2014. On a comparable basis, revenue from the hotel segment increased $6.9 million or 6.5% in 2014 compared to 2013. This comparable increase was primarily driven by a 230 basis points increase in occupancy compared to 2013, primarily driven by increases in permanent and group room nights. ADR increased 3.3% compared to 2013, primarily driven by higher rates in the transient segment.

Revenue from our franchise segment increased $2.5 million to $9.6 million in 2014 compared to 2013. This was primarily due to the early termination fee for the Seattle Fifth Avenue franchise location of $2.1 million.

Revenue in the entertainment segment increased $7.7 million to $17.1 million in 2014. This was primarily due to triple the number of Broadway show dates in 2014 as compared to 2013.

2013 Compared to 2012

Revenues in 2013 from the hotel segment decreased $10.7 million or 8.2% from 2012. The primary reason for the decline is the sale of properties in 2013. On a comparable basis, revenue from the hotel segment increased $2.0 million or 2.09% in 2013 compared to 2012. This comparable increase was primarily driven by a 3.9% increase in ADR. The increase in rate was primarily driven by an increase in the transient market segment. Our largest source of growth came from non-qualified retail, our highest rated customer segment. Focused growth in that segment along with management of the occupancy contribution from opaque online travel agency ("OTA") channels were a big part of our ADR increase strategy during 2013.

Revenue from our franchise segment increased $2.0 million to $7.1 million in 2013 compared to 2012. The addition of new franchised properties and contractual rate increases for existing franchisees drove this increase.

Revenue in the entertainment segment increased $0.3 million to $9.4 million in 2013 compared to 2012. The 2013 segment revenue was positively impacted by stronger ticket demand for events in the markets that our ticketing business serves.

Operating Expenses

Operating expenses generally include direct operating expenses for each of the operating segments, depreciation and amortization, hotel facility and land lease expense, gain or loss on asset dispositions and general and administrative expenses.

Operating Expenses from Continuing Operations

A breakdown of operating expenses from continuing operations is as follows (in thousands, except for percentage changes):

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	Year ended December 31,			2014 vs. 2013		2013 vs. 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Hotels	$94,241	$97,831	$107,247	$(3,590)	(3.7)%	$(9,416)	(8.8)%
Franchise	7,004	6,555	4,758	449	6.8%	1,797	37.8%
Entertainment	14,785	9,189	9,020	5,596	60.9%	169	1.9%
Other	318	535	827	(217)	(40.6)%	(292)	(35.3)%
Depreciation and amortization	12,762	13,960	14,968	(1,198)	(8.6)%	(1,008)	(6.7)%
Hotel facility and land lease	5,210	4,464	4,143	746	16.7%	321	7.7%
Asset impairment	—	7,785	9,440	(7,785)	(100.0)%	(1,655)	(17.5)%
Loss (gain) on asset dispositions, net	(4,006)	(112)	(160)	(3,894)	3,476.8%	48	(30.0)%
General and administrative expenses	8,353	7,945	6,022	408	5.1%	1,923	31.9%
Total operating expenses	$138,667	$148,152	$156,265	$(9,485)	(6.4)%	$(8,113)	(5.2)%

Comparable Hotel Expense (Non-GAAP Data)

A breakdown of our comparable hotel expenses is as follows (in thousands, except for percentage changes):

	Year ended December 31,			2014 vs. 2013		2013 vs. 2012	
	2014	2013	2012	$ Change	% Change	$ Change	% Change
Hotel operating expenses from continuing operations	$94,241	$97,831	$107,247	(3,590)	(3.7)%	(9,416)	(8.8)%
less: hotel operating expenses from sold and closed properties	(5,714)	(12,571)	(24,367)	6,857	(54.5)%	11,796	(48.4)%
Comparable hotel operating expenses	$88,527	$85,260	$82,880	3,267	3.8%	2,380	2.9%

Comparable hotels is defined as properties that are operated by the company and excludes the results of discontinued operations and sold properties. Discontinued operations include the following: a catering contract in Yakima, Washington that was terminated in first quarter 2013; a hotel in Medford, Oregon that was sold in third quarter 2013; and a hotel in Eugene, Oregon that ceased operations in first quarter 2014. Sold properties include the following: the Kalispell property, which was sold in April 2012; the Helena property and the Sacramento property, sold in 2012; the Missoula property, which was sold in February 2013; the Pendleton property, which was sold in April 2013; the Yakima property, which was sold in April 2014; the Kelso and Kennewick properties, which were sold in May 2014; the Canyon Springs property, which was sold in June 2014; and the Pocatello property was sold in October 2014.

We utilize these comparable measures because management finds them a useful tool to perform more meaningful comparisons of past, present and future operating results and as a means to evaluate the results of core, ongoing operations. We believe they are a complement to reported operating results. Comparable operating results are not intended to represent reported operating results defined by generally accepted accounting principles in the United States ("GAAP"), and such information should not be considered as an alternative to reported information or any other measure of performance prescribed by GAAP.

2014 Compared to 2013

Direct hotel expenses as reported were $94.2 million in 2014 compared to $97.8 million in 2013. The primary reason for the decline is the sale of properties in 2014. On a comparable basis, direct hotel expenses were $88.5 million in 2014 compared to $85.3 million in 2013, representing a 3.8% increase. The increase was driven primarily by increased payroll and occupancy related costs, partially offset by lower costs due to changes in our loyalty program.

On a comparable basis, the hotel segment had a direct margin of 21.3% in 2014 compared to 19.3% in 2013. The improvement in margin was primarily driven by the increase in ADR.

Direct expenses for the franchise segment in 2014 increased by $0.4 million compared to 2013, primarily driven by increased franchise development costs.

Direct expenses for the entertainment segment in 2014 increased $5.6 million as compared to 2013. The increase is due to the volume of shows.

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Depreciation and amortization expenses decreased $1.2 million in 2014 compared to 2013. The primary reason for the decline is the sale of properties in 2014; we do not depreciate our assets held for sale.

Hotel facility and land lease costs decreased $0.7 million to $5.2 million in 2014 compared to 2013. During 2014, we amended the lease for the Red Lion Hotel Vancouver at the Quay and recorded an additional $0.8 million in amortized lease termination fees.

During 2013, we recorded a $7.8 million impairment charge on the Yakima, Canyon Springs, Pocatello, Kelso, and Wenatchee properties. We had no such impairments in 2014.

During 2014, we recorded $4.0 million in gain on the sales of the Yakima, Kelso, Kennewick and Canyon Spring and Pocatello properties. We had no such gains in 2013.

General and administrative expenses increased by $0.4 million in 2014 compared to 2013. The increase is primarily due to the accrual of a corporate bonus in 2014. There was no such accrual in 2013.

2013 Compared to 2012

Direct hotel expenses as reported were $97.8 million in 2013 compared to $107.2 million in 2012. The primary reason for the decline is the sale of properties in 2013. On a comparable basis, direct hotel expenses were $85.3 million in 2013 compared to $82.9 million in 2012, representing a 2.9% increase. The year over year increase was primarily due to increased marketing expense to improve ADR as well as one-time labor cost adjustments that benefited 2012. On a comparable basis, the hotel segment had a direct margin of 19.3% in 2013 compared to 20.0% in 2012.

Direct expenses for the franchise segment in 2013 increased by $1.8 million compared to 2012, primarily driven by increased marketing costs.

Direct expenses for the entertainment segment in 2013 increased $0.2 million as compared to 2012. The variance is driven
by the change in the year over year timing and mix of shows.

Depreciation and amortization expenses decreased $1.0 million in 2013 compared to 2012. The primary reason for the decline is the sale of properties in 2013; we do not depreciate our assets held for sale.

Hotel facility and land lease costs increased $0.3 million to $4.5 million in 2013 compared to 2012 primarily resulting from the sale of the Kalispell Mall property. Concurrent with the sale, we entered into an operating lease agreement with the buyer of the commercial mall under which we continue to operate the attached Red Lion Hotel Kalispell.

During 2013, we recorded a $7.8 million impairment charge on the Yakima, Canyon Springs, Pocatello, Kelso, and Wenatchee properties. During 2012, we recorded a $9.4 impairment charge on our Helena, Denver Southeast, Missoula and Pendleton properties.

General and administrative expenses increased by $1.9 million in 2013 compared to 2012. We incurred additional corporate expenses during 2013 primarily due to CEO transition costs, and increased board of director costs and legal expense.

Interest Expense

Interest expense for the year ended December 31, 2014 decreased $1.0 million to $4.6 million. The decline is attributable to a decline in the principal amount of debt outstanding in 2014. Our average pre-tax interest rate on debt during 2014 was 6.9% compared to 6.3% in 2013.

Interest expense for the year ended December 31, 2013 decreased $2.0 million to $5.5 million compared to $7.6 million recorded in 2012. The decline is primarily attributable to a decline in the principal amount of debt outstanding in 2013. Our average pre-tax interest rate on debt during 2013 was 6.3% compared to 7.5% in 2012.

Income Taxes

Our effective income tax rate with respect to income from continuing operations for 2014 was 1.2% as compared to (5.1)% and (36.9)% for 2013 and 2012, respectively. The variances in our rate are due primarily to recording a valuation allowance of $5.9 million against the Company's net deferred tax assets in 2013. Other items giving rise to a difference between our statutory U.S. federal tax rate of 34% and our effective rate include state taxes and incentive tax credits allowed under federal law.

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We make estimates and judgments in determining income tax expense or benefit for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which typically arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, and in the determination of tax credits and other items that impact our income tax expense or benefit.

In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

Based on our current assessment of future taxable income, a valuation allowance is required to reduce our deferred tax assets to an amount that is more likely than not to be realized. We relied on the reversal of certain deferred tax liabilities for realization of a portion of our deferred tax assets and recorded a valuation allowance on the remaining balance at December 31, 2014.

Discontinued Operations

During the first quarter of 2014, we ceased the operation of the Red Lion Hotel Eugene in Eugene, Oregon ("Eugene property") when we assigned our lease to a third party. During the first quarter of 2013, we terminated a catering contract in Yakima, Washington. During the second quarter of 2013, we closed on the sale of the Kalispell Center Mall property in Kalispell, Montana ("Kalispell Mall property") for $11.6 million. During the third quarter of 2013 we sold the Red Lion Hotel Medford in Medford, Oregon ("Medford property") for $2.8 million.

Accordingly, the results of these operations have been classified as discontinued operations in our consolidated statements of comprehensive income (loss) for all periods presented. For additional information, see Note 6 of Notes to Consolidated Financial Statements.

During 2013, as a result of the anticipated closure of the Eugene property, long-lived assets with a carrying value of $1.5 million were written down to their estimated fair value of $0.5 million less disposal costs of $0.1 million resulting in a pre-tax impairment charge in discontinued operations of $1.1 million.

Liquidity and Capital Resources

During the third quarter of 2013, we entered into an agreement with Wells Fargo Bank, National Association ("Wells Fargo") to expand our existing credit facility. The balance of the term loan under the credit facility at the time of the expansion was $0.5 million and there was no outstanding balance on the revolving line of credit. The term loan was increased to a total of $45.0 million, with $38.2 million used to refinance nine fixed-rate notes collateralized by individual properties ("CMBS debt") that were maturing in July 2013.

The original terms of the expanded facility are as follows:

- Principal payments of $750,000 are required on the term loan on the last day of each calendar quarter or the first business day thereafter. If a property securing the facility is sold we will be required to make an additional principal payment on the term loan equal to the greater of (i) 50% of the net proceeds from the sale or (ii) 50% of the appraised market value of the property sold. If any such additional principal payment exceeds $1 million, the remaining principal balance amortization will be modified to reflect the additional payment.
- The term loan matures on June 30, 2018.
- A $10 million revolving line of credit is available under the facility until June 30, 2015.
- Interest under the term loan and revolving line of credit will initially be payable at our option (i) at a fluctuating rate 75 basis points above a base rate in effect from time to time, or (ii) at a rate 325 basis points above LIBOR (under one, three or six month terms). Beginning in 2015, the spread on the LIBOR will decline if our senior leverage ratio is less than 3.00. We have entered into a swap to hedge 40% of our interest rate exposure under the term loan. See Note

9 for further discussion.

- Our obligations under the facility are (i) guaranteed by our subsidiaries Red Lion Hotels Limited Partnership, Red Lion Hotels Franchising, Inc., Red Lion Hotels Management, Inc. and Red Lion Hotels Holdings, Inc., (ii) secured by our accounts receivable and inventory, and (iii) further collateralized by 19 of our hotel properties located in Bellevue, Spokane, Olympia, Port Angeles, Richland, Pasco and Wenatchee, Washington; in Post Falls and Boise, Idaho; in Bend and Coos Bay, Oregon; in Eureka and Redding, California; and in Salt Lake City, Utah.

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The revolving line of credit, which is subject to certain financial covenants, allows us to fund operating needs and may be limited based on a formula relating to the trailing twelve-month consolidated net income of the hotel properties collateralizing the facility. The revolving line of credit was not subject to limitation based on this calculation at December 31, 2014. At December 31, 2014, $7.0 million on the revolving line of credit was available as we had $3.0 million in letters of credit. As of December 31, 2014, we were in compliance with applicable debt covenants.

Subsequent to December 31, 2014, as part of a joint venture transaction, we repaid the outstanding balance of our secured debt with Wells Fargo and the joint venture obtained a new $53.8 million mortgage loan from Capital Source, a division of Pacific Western Bank. We also sold our Bellevue and Wenatchee properties. The revolving line of credit and interest rate swap were terminated as part of these transactions. See Note 18 of Notes to Consolidated Financial Statements.

In addition to the initial advance of $53.8 million under the new mortgage loan, the loan provides for further advances of $26.0 million over a two-year period to cover expenses incurred in improving the joint venture's properties. The loan has a four-year term with a one-year extension option, and interest under the advanced portions of the loan will be calculated at LIBOR plus 4.75%. Interest only payments are due monthly commencing February 2015. Monthly principal payments are required beginning in January 2017 and are based on a 25 year amortization period based on the then current outstanding principal amount. The joint venture must obtain an interest rate cap at standard market terms and, in the event of any prepayment, must pay the lender a penalty tied to its cumulative receipt of $6 million in minimum interest. The loan is non-recourse except that the investors in the joint venture, including the company, signed guarantees regarding, amongst other things, the completion of certain improvements to the joint venture properties, environmental covenants, losses incurred by the lender and any event of bankruptcy involving the joint venture or its owners. The loan agreement contains customary reporting and operating covenants applicable to the joint venture, including requirements for lender approval of annual operating and capital budgets, under certain conditions.

As of the date of filing this Form 10-K, we were in compliance with our debt covenants under the Capital Source loan agreement. We also continue to generate positive cash flow from operations and to have adequate liquidity to fund our ongoing operating activities; however there can be no assurance that we will be able to repay or refinance our debts when they mature or invest in our hotels to remain competitive at our current rates.

We are committed to keeping our properties well maintained and attractive to our customers in order to maintain our competitiveness within the industry and keep our hotels properly positioned in their markets. This requires ongoing access to capital for replacement of outdated furnishings as well as for facility repair, modernization and renovation. Over the last five to six years, our levels of capital expenditures for these purposes have been lower than normal due to the general economic conditions impacting our industry. As a result, we believe it will be necessary to invest capital in our hotels at higher levels than in recent years to support the room rates that we have historically charged.

We may seek to raise additional funds through public or private financings, strategic relationships, sales of assets or other arrangements. We cannot assure that such funds, if needed, will be available on terms attractive to us, or at all. If we sell additional assets, these sales may result in future impairments or losses on the final sale. Finally, any additional equity financings may be dilutive to shareholders and debt financing, if available, may involve covenants that place substantial restrictions on our business.

At December 31, 2014 total outstanding debt was $61.0 million, net of discount. Included in that amount is $30.8 million of debentures due to Red Lion Hotels Capital Trust. Our average pre-tax interest rate on debt was 6.9% at December 31, 2014, of which $47.0 million is at a fixed rate loan with an average rate of 7.9% and $14.0 million is at an average variable rate of 4.2%.

Operating Activities

Net cash provided by operating activities in 2014 totaled $10.6 million, a $3.5 million increase from net cash provided by operating activities of $7.1 million during 2013 and a $2.9 million decrease from $13.5 million net cash provided in 2012. The primary drivers of the 2014 increase from 2013 are improvements in operating income, the release of previously restricted cash and favorable timing of payroll accruals.

Investing Activities

Net cash used in investing activities totaled $5.6 million during 2014 compared to net cash provided by investing activities of $6.4 million during 2013 and net cash provided by investing activities of $12.3 million in 2012. The primary driver of the decrease in 2014 was the $16.1 million net cash paid to purchase an adaptive reuse property located at Baltimore’s Inner Harbor, partially offset by lower levels of capital expenditures on our existing properties throughout the year.

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Financing Activities

Net cash used in financing activities was $12.9 million during 2014, compared to $6.9 million in 2013 and $21.3 million in 2012. Financing activities in 2014 included the required principal payments on the Wells Fargo credit facility in connection with the sales of five hotels in 2014. Financing activities during 2013 included the increase of the term loan under of our credit facility to $45 million, a portion of which was used to repay $38.2 million of debt.

Contractual Obligations

The following table summarizes our significant contractual obligations, including principal and estimated interest on debt, as of December 31, 2014 (in thousands):

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Debt, excluding debentures (1)	$34,531	$3,526	$6,766	$24,239	$—
Operating and capital leases	20,926	7,110	3,680	2,116	8,020
Service agreements	550	275	275	—	—
Debentures due Red Lion Hotels Capital Trust (1)	116,235	2,928	5,857	5,857	101,593
Total contractual obligations (2)	$172,242	$13,839	$16,578	$32,212	$109,613

(1) Including estimated interest payments and commitment fees over the life of the debt agreement.
(2) With regard to purchase obligations, we are not party to any material agreements to purchase goods or services that are enforceable or legally binding as to fixed or minimum quantities to be purchased or stated price terms.

We have leasehold interests at five hotel properties as well as our corporate headquarters located in Spokane, Washington. These leases require us to pay fixed monthly rent and have expiration dates of 2016 and beyond which are reflected in the table above. The table below summarizes the terms of the leases, including extension periods at our option, for our hotel properties as of December 31, 2014:

Property	Expiration date of lease	Extension periods
Red Lion River Inn	October 2018	Three renewal terms of five years each
Red Lion Hotel Seattle Airport	December 2024	One renewal term of five years
Red Lion Hotel Vancouver (at the Quay) (1)	December 2015	None
Red Lion Anaheim	April 2016	18 renewal terms of five years each
Red Lion Hotel Kalispell	April 2028	Three renewal terms of five years each

(1) In September 2014, we amended the lease for Red Lion Hotel Vancouver (at the Quay) to revise the lease term to December 31, 2015. In addition, we have the right to terminate the lease after December 31, 2014 with a payment of $3.0 million. If we have not previously terminated the lease, the lease will expire on December 31, 2015 with a required payment of $3.0 million.

Off-Balance Sheet Arrangements

As of December 31, 2014, we had no off-balance sheet arrangements, as defined by SEC regulations, which have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Other Matters

Franchise Update

At December 31, 2014, our network of hotels included 36 hotels under franchise agreements, representing a total of 7,933 rooms and 485,072 square feet of meeting space.

Asset Sale Update

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At December 31, 2014, we had the following properties listed for sale:

- Red Lion Hotel Wenatchee
- Red Lion Hotel Bellevue

On January 22, 2015, we sold the Wenatchee property for $4.1 million and concurrently entered into a franchise agreement with the new owner.
On February 18, 2015, we sold the Bellevue property for $35.4 million and concurrently entered into a management agreement with the new owner.

Seasonality

Our business is subject to seasonal fluctuations, with more revenues and profits realized from May through October than during the rest of the year. During 2014, revenues during the second and third quarters approximated 28.5% and 29.0%, respectively, of total revenues for the year, compared to revenues of 22.4% and 20.1% of total revenues during the first and fourth quarters respectively.

Inflation

The effect of inflation, as measured by fluctuations in the U.S. Consumer Price Index, has not had a material impact on our consolidated financial statements during the periods presented.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect: (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and (ii) the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates. We consider a critical accounting policy to be one that is both important to the portrayal of our financial condition and results of operations and requires management's most subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our significant accounting policies are described in Note 2 of Notes to Consolidated Financial Statements; however, we have also identified our most critical accounting policies and estimates below. Management has discussed the development and selection of our critical accounting policies and estimates with the audit committee of our board of directors, and the audit committee has reviewed the disclosures presented below.

Revenue Recognition and Receivables

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:

- Hotels - Room rental and food and beverage sales from owned and leased hotels and management fees from hotels under management contract. Revenues are recognized when services have been performed, generally at the time of the hotel stay or guests visit to the restaurant and at the time the management services are provided.
- Franchise - Fees received in connection with the franchise and marketing of our brand names. Franchise revenues are recognized as earned in accordance with the contractual terms of the franchise agreements.
- Entertainment - Online ticketing services, ticketing inventory management systems, promotion of Broadway-style shows and other special events. Where we act as an agent and receive a net fee or commission, revenue is recognized

in the period the services are performed. When we are the promoter of an event and are at-risk for the production, revenues and expenses are recorded in the period of the event performance.

We review the ability to collect individual accounts receivable on a routine basis. We record an allowance for doubtful accounts based on specifically identified amounts that we believe to be uncollectible. A receivable is written off against the allowance for doubtful accounts if collection attempts fail.

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Long-lived Assets

Property and equipment is stated at cost less accumulated depreciation. The assessment of long-lived assets for possible impairment requires us to make judgments regarding estimated future cash flows from the respective properties, which is dependent upon internal forecasts, estimation of the long-term rate of growth for our business, the useful life over which our cash flows will occur, the determination of real estate market values, asset appraisals and, if available and appropriate, current estimated net sales proceeds from pending offers or net sales proceeds from previous, comparable transactions. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is charged to current earnings as an asset impairment.

We review the recoverability of our long-lived assets as events or circumstances indicate that the carrying amount of an asset may not be recoverable. Changes to our plans, including a decision to sell, dispose of or change the intended use of an asset, could have a material impact on the carrying value of the asset.

To determine estimated fair value, we use Level 3 inputs for our discounted cash flow analyses. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 inputs used include growth rate, property-level pro forma financial information and remaining lives of the assets. Management bases these assumptions on historical data and experience and future operational expectations. For certain assets, we use recent asset appraisals or valuations performed by third-parties, which we deemed to be Level 3 inputs, to support our estimate of fair value.

Intangible Assets

We assess goodwill and other intangibles for potential impairments annually, generally in October, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. Our goodwill and other intangible asset impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit, subject to the same general assumptions discussed above for long-lived assets.

The financial and credit market volatility directly impacts fair value measurement through our company's estimated weighted average cost of capital used to determine discount rate, and through our common stock price that is used to determine market capitalization. During times of volatility, significant judgment must be applied to determine whether credit or stock price changes are a short-term move or a longer-term trend.

New and Future Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." The amendments in ASU 2014-08 change the criteria for reporting a discontinued operation and require new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Only disposals representing a strategic shift in operations should be presented as discontinued operations. This accounting standard update is effective for annual filings beginning on or after December 15, 2014. Early adoption is permitted. The impact of the adoption of ASU 2014-08 on our company's results of operations, financial position, cash flows and disclosures will be based on our company’s future disposal activity.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 may be applied using either a full retrospective or a modified retrospective approach and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. We are in the process of evaluating this guidance and our method of adoption.

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

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our earnings and cash flows are subject to fluctuations due to changes in interest rates primarily from outstanding debt. As of December 31, 2014, our outstanding debt, including current maturities and excluding unamortized origination fees, was $61.4 million.

At December 31, 2014, $30.8 million of our outstanding debt was subject to currently fixed interest rates and was not exposed to market risk from rate changes. In addition, $16.2 million of the $30.5 million outstanding on the variable rate Wells Fargo term loan was subject to an interest rate swap, which effectively fixed its interest rate at 4.88%. The remaining $14.3 million outstanding under the term loan remained subject to variable rates, which were 3.4% at the end of 2014. The limit on the Wells Fargo revolving line of credit was $10 million, a portion of which supported outstanding letters of credit. The revolving line of credit, which was subject to certain financial covenants, allowed us to fund operating needs and could be limited based on a formula relating to the trailing twelve-month consolidated net income of the hotel properties collateralizing the facility. As of December 31, 2014, $7.0 million on the revolving line of credit was available as we had $3.0 million in letters of credit at that date.

Under the credit facility with Wells Fargo, interest under the term loan and revolving line of credit was initially payable at our option (i) at a fluctuating rate 75 basis points above a base rate in effect from time to time, or (ii) at a rate 325 basis points above LIBOR (under one, three or six month terms). Beginning in 2015, the spread on the LIBOR would have declined if our senior leverage ratio was less than 3.00. The facility terms required us to hedge at least 40% of our interest rate exposure under the term loan.

We do not enter into derivative transactions for trading purposes, but rather to hedge our exposure to interest rate fluctuations. We manage the floating rate debt using interest rate swaps in order to reduce our exposure to the impact of changing interest rates and future cash outflows for interest.

In June 2013, we entered into an $18.0 million notional amount swap agreement that exchanges a variable interest rate based upon LIBOR for a 4.88% fixed rate of interest over the term of the agreement. The maturity date of the swap was June 29, 2018. From inception through the second quarter of 2014, our interest rate swap was designated as a cash flow hedge. The gains and losses in the fair value of the swap were recorded in stockholders' equity as a component of accumulated other comprehensive income (loss) ("AOCI") on the consolidated balance sheets. As a result of the additional principal payments made concurrent with the sales of our properties, we no longer qualified for hedge accounting and we de-designated the interest rate swap as a cash flow hedge. Beginning in the third quarter of 2014, the gains and losses in the fair value of the swap were recorded as interest expense on the consolidated statements of comprehensive income (loss) and the AOCI balance was amortized and expensed as interest expense over the remaining life of the interest rate swap.

Subsequent to December 31, 2014, as part of a joint venture transaction, we repaid the outstanding balance of our secured debt with Wells Fargo and the joint venture obtained a new $53.8 million mortgage loan from Capital Source, a division of Pacific Western Bank. We also sold our Bellevue and Wenatchee properties. The revolving line of credit and interest rate swap were terminated as part of these transactions.

In addition to the initial advance of $53.8 million under the new mortgage loan, the loan provides for further advances of $26.0 million over a two-year period to cover expenses incurred in improving the joint venture's properties. The loan has a four-year term with a one-year extension option, and interest under the advanced portions of the loan will be calculated at LIBOR plus 4.75%. Interest only payments are due monthly commencing February 2015. Monthly principal payments are required beginning in January 2017 and are based on a 25 year amortization period based on the then current outstanding principal amount. The joint venture must obtain an interest rate cap at standard market terms and, in the event of any prepayment, must pay the lender a penalty tied to its cumulative receipt of $6 million in minimum interest. The loan is non-recourse except that the investors in the joint venture, including the company, signed guarantees regarding, amongst other things, the completion of certain improvements to the joint venture properties, environmental covenants, losses incurred by the lender and any event of bankruptcy involving the joint venture or its owners. The loan agreement contains customary reporting and operating covenants applicable to the joint venture, including requirements for lender approval of annual operating and capital budgets, under certain conditions.

Outside of these changes, we do not foresee any other changes of significance in our exposure to fluctuations in interest rates, although we will continue to manage our exposure to this risk by monitoring available financing alternatives.

The below table summarizes our debt obligations at December 31, 2014 on our consolidated balance sheet (in thousands):

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	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value
Debt, excluding debentures	$2,261	$2,261	$2,261	$23,745		$—	$30,528	$30,683
Average interest rate							4.2 %	
Debentures due Red Lion Hotels Capital Trust	$—	$—	$—	$—	$—	$30,825	$30,825	$31,639
Average interest rate							9.5 %	

Item 8. Financial Statements and Supplementary Data

See Item 15 of this annual report for certain information with respect to the financial statements filed as a part hereof, including financial statements filed pursuant to the requirements of this Item 8.

The following table sets forth supplementary financial data (in thousands except per share amounts) for each quarter for the years ended December 31, 2014 and 2013, derived from our unaudited financial statements. The data set forth below should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements.

	Year ended December 31, 2014 (unaudited)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Hotel revenue	25,925	31,399	36,758	24,534	118,616
Franchise revenue	1,525	4,453	2,066	1,574	9,618
Entertainment revenue	5,105	5,538	3,306	3,166	17,115
Other revenue	33	18	14	12	77
Total revenues	$32,588	$41,408	$42,144	$29,286	$145,426
Operating income (loss) from continuing operations	$(2,175)	$6,253	$6,096	$(3,415)	$6,759
Gain on asset disposition	(75)	(3,403)	40	(568)	(4,006)
Income (loss) from continuing operations	(3,330)	5,139	5,101	(4,418)	2,492
Income (loss) from discontinued operations	(188)	(1)	—	—	(189)
Net income (loss)	$(3,518)	$5,138	$5,101	$(4,418)	$2,303
Earnings (loss) per share - basic and diluted	$(0.18)	$0.26	$0.26	$(0.22)	$0.12

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	Year ended December 31, 2013 (unaudited)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Hotel revenue	25,033	31,741	37,729	25,888	120,391
Franchise revenue	1,264	1,943	2,368	1,561	7,136
Entertainment revenue	3,373	1,778	1,623	2,665	9,439
Other revenue	85	86	84	86	341
Total revenues	$29,755	$35,548	$41,804	$30,200	$137,307
Operating income (loss) from continuing operations	$(3,731)	$(71)	$3,989	$(11,032)	$(10,845)
Asset impairment	—	—	—	7,785	7,785
Gain on asset disposition	(92)	(28)	100	(92)	(112)
Income (loss) from continuing operations	(3,174)	(703)	1,737	(12,930)	(15,070)
Income (loss) from discontinued operations	64	(503)	(510)	(1,028)	(1,977)
Net income (loss)	$(3,110)	$(1,206)	$1,227	$(13,958)	$(17,047)
Earnings (loss) per share - basic and diluted	$(0.16)	$(0.06)	$0.06	$(0.71)	$(0.87)

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Financial Statements

The 2014 Consolidated Financial Statements of Red Lion Hotels Corporation are presented on pages 43 to 66 of this annual report.

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Report of Independent Registered Public Accounting Firm
Board of Directors and Stockholders
Red Lion Hotels Corporation
Spokane, Washington

We have audited the accompanying consolidated balance sheets of Red Lion Hotels Corporation (the “Company”) as of December 31, 2014 and 2013 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, 2014. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Red Lion Hotels Corporation at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, 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), Red Lion Hotels Corporation’s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Spokane, WA
February 26, 2015

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RED LION HOTELS CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and December 31, 2013

	2014	2013
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$5,126	$13,058
Restricted cash	225	—
Accounts receivable, net	6,752	6,283
Notes receivable	2,944	672
Inventories	1,013	1,386
Prepaid expenses and other	3,671	3,266
Deferred income taxes	—	1,034
Assets held for sale	21,173	18,346
Total current assets	40,904	44,045
Property and equipment, net	160,410	166,356
Goodwill	8,512	8,512
Intangible assets	7,012	6,992
Notes receivable - long term	2,340	4,423
Other assets, net	4,176	4,298
Total assets	$223,354	$234,626
LIABILITIES		
Current liabilities:		
Accounts payable	$2,952	$4,763
Accrued payroll and related benefits	4,567	2,786
Other accrued entertainment expenses	5,625	4,418
Other accrued expenses	2,547	4,271
Deferred income taxes	2,778	—
Long-term debt, due within one year	—	3,000
Total current liabilities	18,469	19,238
Long-term debt, net of discount	30,200	40,058
Deferred income	2,988	3,455
Deferred income taxes	35	3,841
Debentures due Red Lion Hotels Capital Trust	30,825	30,825
Total liabilities	82,517	97,417
Commitments and contingencies		
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; 19,846,508 and 19,687,232 shares issued and outstanding	198	197
Additional paid-in capital, common stock	153,671	152,303
Accumulated other comprehensive loss, net of tax	(203)	(159)
Retained earnings (accumulated deficit)	(12,829)	(15,132)
Total stockholders' equity	140,837	137,209
Total liabilities and stockholders' equity	$223,354	$234,626

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

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RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2014, 2013, and 2012

	2014	2013	2012
	(In thousands, except per share data)		
Revenue:			
Hotels	$118,616	$120,391	$131,112
Franchise	9,618	7,136	5,177
Entertainment	17,115	9,439	9,165
Other	77	341	442
Total revenues	145,426	137,307	145,896
Operating expenses:			
Hotels	94,241	97,831	107,247
Franchise	7,004	6,555	4,758
Entertainment	14,785	9,189	9,020
Other	318	535	827
Depreciation and amortization	12,762	13,960	14,968
Hotel facility and land lease	5,210	4,464	4,143
Asset impairment	—	7,785	9,440
Gain on asset dispositions, net	(4,006)	(112)	(160)
General and administrative expenses	8,353	7,945	6,022
Total operating expenses	138,667	148,152	156,265
Operating income (loss)	6,759	(10,845)	(10,369)
Other income (expense):			
Interest expense	(4,575)	(5,516)	(7,553)
Other income, net	339	474	229
Income (loss) from continuing operations before taxes	2,523	(15,887)	(17,693)
Income tax (benefit) expense	31	(817)	(6,529)
Income (loss) from continuing operations	2,492	(15,070)	(11,164)
Discontinued operations:			
Income (loss) from discontinued business units, net of income tax (benefit) expense of $0, $66 and $573, respectively	(187)	(1,204)	1,009
Loss on disposal of the assets of the discontinued business units, net of income tax (benefit) expense of $0, $0 and $(2,566), respectively	(2)	(773)	(4,526)
Income (loss) from discontinued operations	(189)	(1,977)	(3,517)
Net income (loss)	2,303	(17,047)	(14,681)
Less net income (loss) attributable to noncontrolling interest	—	—	(7)
Net income (loss) attributable to Red Lion Hotels Corporation	2,303	(17,047)	(14,674)
Comprehensive income (loss)			
Unrealized gains (losses) on cash flow hedge, net of tax	(44)	(159)	—
Comprehensive income (loss)	$2,259	$(17,206)	$(14,674)
Earnings (loss) per share			
Basic and diluted:			
Net income (loss) from continuing operations	$0.13	$(0.77)	$(0.58)
Net income (loss) from discontinued operations	$(0.01)	$(0.10)	$(0.18)
Net income (loss) attributable to Red Lion Hotels Corporation	$0.12	$(0.87)	$(0.76)
Weighted average shares - basic	19,785	19,575	19,327
Weighted average shares - diluted	19,891	19,575	19,327

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

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RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2014, 2013, and 2012

	Red Lion Hotels Corporation Stockholders' Equity						
	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Equity Attributable to Non-controlling Interest	Total Equity
	(In thousands, except share data)						
Balances, December 31, 2011	19,172,670	$192	$149,027	$ 16,589	$ —	$ 57	$165,865
Net income (loss)	—	—	—	(14,674)	—	(7)	(14,681)
Common stock exchanged for non-controlling interest in partnership	44,837	—	50	—	—	(50)	—
Stock issued under employee stock purchase plan	17,304	—	102	—	—	—	102
Stock issued under option plan	61,492	1	348	—	—	—	349
Stock based compensation	155,546	2	1,253	—	—	—	1,255
Excess tax benefit from stock-based compensation	—	—	18	—	—	—	18
Balances, December 31, 2012	19,451,849	195	150,798	1,915	—	—	152,908
Net income (loss)	—	—	—	(17,047)	—	—	(17,047)
Stock issued under employee stock purchase plan	13,765	—	82	—	—	—	82
Stock issued under option plan	2,000	—	11	—	—	—	11
Stock based compensation	219,618	2	1,514	—	—	—	1,516
Excess shortfall from stock-based compensation	—	—	(102)	—	—	—	(102)
Loss on valuation of swap contract, net of tax	—	—	—	—	(159)	—	(159)
Balances, December 31, 2013	19,687,232	197	152,303	(15,132)	(159)	—	137,209
Net income (loss)	—	—	—	2,303	—	—	2,303
Stock issued under employee stock purchase	14,427	—	69	—	—	—	69

plan							
Stock based compensation	144,849	1	1,299	—	—	—	1,300
Loss on valuation of swap contract, net of tax	—	—	—	—	(72)	—	(72)
Amortization of accumulated loss of swap contract	—	—	—	—	28	—	28
Balances, December 31, 2014	19,846,508	$198	$153,671	$ (12,829)	$ (203)	$ —	$140,837

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

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RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014, 2013, and 2012

	2014	2013	2012
	(In thousands)		
Operating activities:			
Net income (loss)	$2,303	$(17,047)	$(14,681)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	12,886	14,247	15,815
(Gain) loss on disposition of property, equipment and other assets, net	(4,006)	660	80
Asset impairment	—	8,858	16,294
Deferred income taxes	6	(764)	(8,314)
Equity in investments	36	53	1
Stock based compensation expense	1,300	1,819	1,344
Provision for doubtful accounts	170	110	423
Change in current assets and liabilities:			
Restricted cash	(225)	2,417	941
Accounts receivable	(635)	(711)	1,000
Notes receivable	(153)	—	(109)
Inventories	198	(152)	(61)
Prepaid expenses and other	(890)	(230)	(675)
Accounts payable	(1,811)	(1,261)	1,039
Accrued other	1,399	(912)	373
Net cash (used in) provided by operating activities	10,578	7,087	13,470
Investing activities:			
Purchases of property and equipment	(24,891)	(13,193)	(8,442)
Proceeds from disposition of property and equipment	17,316	16,025	20,819
Collection of notes receivable related to property sales	1,914	3,706	—
Advances to Red Lion Hotels Capital Trust	(27)	(27)	(27)
Other, net	88	(70)	(3)
Net cash (used in) provided by investing activities	(5,600)	6,441	12,347

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RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
For the Years Ended December 31, 2014, 2013, and 2012

	2014	2013	2012
	(In thousands)		
Financing activities:			
Borrowings on credit facility	—	—	2,122
Borrowings on long-term debt	—	44,500	—
Repayment of credit facility	—	(11,300)	(2,966)
Repayment of long-term debt	(12,973)	(38,878)	(20,474)
Proceeds (payments) of stock compensation, net	69	(312)	255
Additions to deferred financing costs	(6)	(957)	(258)
Net cash (used in) provided by financing activities	(12,910)	(6,947)	(21,321)
Change in cash and cash equivalents:			
Net increase (decrease) in cash and cash equivalents	(7,932)	6,581	4,496
Cash and cash equivalents at beginning of year	13,058	6,477	1,981
Cash and cash equivalents at end of year	$5,126	$13,058	$6,477
Supplemental disclosure of cash flow information:			
Cash paid during years for:			
Income taxes	$44	$46	$149
Interest on debt	$4,514	$5,629	$7,000
Cash received during years for:			
Income taxes	$18	$384	$44
Non-cash investing and financing activities:			
Reclassification of property and other assets to assets held for sale	$17,702	$18,890	$4,277
Reclassification of long term note receivable to short term	$2,311	$—	$—
Exchange of note receivable for real property	$1,950	$1,720	$6,000
Exchange of common stock for noncontrolling interest in partnership	$—	$—	$50
Conversion of restricted cash to accounts receivable	$—	$—	$75
Conversion of note receivable to fixed assets	$—	$—	$210
Conversion of accounts receivable to note receivable	$—	$67	$277
Reclassification of property to other assets	$117	$—	$—
Bonuses to employees paid in stock	$—	$—	$125

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

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RED LION HOTELS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Red Lion Hotels Corporation ("RLHC", "we", "our", "us" or the "company") is a NYSE-listed hospitality and leisure company (ticker symbols RLH and RLH-pa) primarily engaged in the ownership, management and franchising of hotels under our proprietary brands, including Hotel RL, Red Lion Hotels, Red Lion Inns & Suites and Leo Hotel Collection (the "Red Lion Brands"). The Red Lion Brands represent upscale and midscale full and select service hotels. As of December 31, 2014, the Red Lion network of hotels was comprised of 55 hotels located in ten states and one Canadian province. The Red Lion Hotels and Red Lion Inn & Suites network was comprised of 53 hotels with 8,564 rooms and 421,322 square feet of meeting space, of which we operated 19 hotels (14 are wholly owned and five are leased) and 34 are franchised. The Leo Hotel Collection was comprised of two hotels with 3,256 rooms and 241,000 square feet of meeting space.

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

We were incorporated in the state of Washington in April 1978, and until 2005 operated hotels under various brand names including Cavanaughs Hotels and WestCoast Hospitality Corporation. The financial statements encompass the accounts of Red Lion Hotels Corporation and all of its consolidated subsidiaries, including Red Lion Hotels Holdings, Inc., Red Lion Hotels Franchising, Inc., and Red Lion Hotels Limited Partnership ("RLHLP").

During a portion of the first quarter of 2012, RLHC owned 99.7% of RLHLP. The remaining 0.3% is reflected in our first quarter 2012 financial statements as non-controlling interest. In February 2012, we elected to issue 44,837 shares of our common stock in exchange for a like number of operating partnership units that then certain limited partners had put to RLHLP. RLHLP remained in existence as a limited partnership because there were 70,842.51 operating partnership units held by North River Drive Company, a wholly owned subsidiary of RLHC. In December 2012, North River Drive Company was merged into RLHC and no longer exists. However, RLHLP remains as a limited partnership for state law (but not federal tax) purposes because Red Lion Hotels Corporation and its wholly owned subsidiary, Bellevue Inn LLC, are its two partners.

The financial statements also include an equity method investment in a 19.9% owned real estate venture, as well as certain cost method investments in various entities included as other assets, over which we do not exercise significant influence. In addition, we hold a 3% common interest in Red Lion Hotels Capital Trust (the "Trust") that is considered a variable interest entity. We are not the primary beneficiary of the Trust; thus, it is treated as an equity method investment.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements have been prepared by RLHC 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.

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, 2014 cash of approximately 0.2 million was held for collateralizing a letter of credit for an equity method investment.

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Allowance for Doubtful Accounts

The ability to collect individual accounts receivable is reviewed on a routine basis. An allowance for doubtful accounts is recorded based on specifically identified amounts believed to be uncollectible. If actual collection experience changes, revisions to the allowance may be required and if all attempts to collect a receivable fail, it is recorded against the allowance. The estimate of the allowance for doubtful accounts is impacted by, among other things, national and regional economic conditions.

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

	Year ended December 31,		
	2014	2013	2012
	(In thousands)		
Allowance for doubtful accounts, continuing operations			
Balance, beginning of year	$132	$98	$387
Additions to allowance	244	95	137
Write-offs, net of recoveries	(73)	(61)	(426)
Balance, end of year	$303	$132	$98

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.

Property and Equipment

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

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

Buildings	25 to 39 years
Equipment	2 to 15 years
Furniture and fixtures	5 to 15 years
Landscaping and improvements	15 years

Valuation of Long-Lived Assets

We test long-lived asset groups for recoverability when changes in circumstances indicate the carrying value may not be recoverable, for example, when there are material adverse changes in projected revenues or expenses, significant underperformance relative to historical or projected operating results, or significant negative industry or economic trends. We also perform a test for recoverability when management has committed to a plan to sell or otherwise dispose of an asset group and the plan is expected to be completed within a year. 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 "Valuation of Goodwill" 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.

For information on impairment losses recorded in 2014, 2013 and 2012 associated with long-lived assets, see Note 4.

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Valuation of Goodwill and Indefinite Lived Intangible Assets

We assess goodwill and other intangibles 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 asset. For purposes of goodwill impairment testing, we have determined that the individual segments where goodwill is recorded constitute reporting units as defined in the literature.

We first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The qualitative factors include economic environment, business climate, market capitalization, operating performance, competition, and other factors. If quantitative analyses are required, in the first step of evaluating goodwill for impairment we compare the estimated fair value of the reporting unit with its carrying value. If the estimated fair value of the reporting unit exceeds its carrying amount, no further analysis is needed.

If the estimated fair value of the reporting unit is less than its carrying amount, we proceed to the second step of the test to calculate the implied fair value of the reporting unit's goodwill in order to determine whether any impairment is required. We calculate the implied fair value of the reporting unit's goodwill by allocating the estimated fair value of the reporting unit to all of the assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, we recognize an impairment loss for that excess amount. In allocating the estimated fair value of the reporting unit to all of the assets and liabilities of the reporting unit, we use industry and market data, recent appraisals and knowledge of the industry and past experiences.

We base our calculations of the estimated fair value of a reporting unit on a combined income and market approach. For the income approach, we use a discounted cash flow model that includes the following assumptions: projections of revenues and expenses and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. We base these assumptions on historical data and experience, third-party appraisals, industry projections, micro and macro general economic condition projections, and our own expectations. For the market approach, we use analyses based primarily on market comparables and assumptions about market capitalization rates, growth rates, and inflation. See Note 7.

The impairment test for indefinite lived intangible assets consists of either a qualitative assessment or a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss, if any, is recognized for the amount by which the carrying value exceeds the fair value of the asset. Fair value is typically estimated using a discounted cash flow analysis.

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.

For information on the assets classified as held for sale, see Note 5.

Notes Receivable

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

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During 2014, we sold the Red Lion Hotel Pocatello ("Pocatello property") and the Red Lion Hotel & Conference Center Kelso/Longview ("Kelso property") and received a $1.8 million secured promissory note and a $0.2 million secured promissory note, respectively.

During 2013, we sold a property, the Red Lion Hotel Pendleton ("Pendleton property") and received a $1.7 million secured promissory note.

During 2012, we sold two properties, the Red Lion Hotel Sacramento at Arden Village ("Sacramento property") and the Red Lion Hotel Denver Southeast in Aurora, Colorado ("Denver Southeast property") and received a $2.7 million secured promissory note and a $4.0 million secured promissory note, respectively.

Other Assets

Other assets primarily include deferred loan costs, equity method and cost method investments discussed in Note 1. Equity method investments are carried at cost, adjusted for our proportionate share of earnings and any investment disbursements. Cost method investments are carried at their original purchase price. Deferred loan costs are amortized using the effective interest method over the term of the related loan agreement.

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 2014, 2013 and 2012, we recognized income of approximately $0.5 million each year for the amortization of the deferred gain. The remaining balance at December 31, 2014, was $1.8 million.

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, 2014, a valuation allowance has been recorded to reduce our deferred tax assets to an amount that is more likely than not to be realized. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and

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(2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. See Note 14.

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:

- Hotels - Room rental and food and beverage sales from owned and leased hotels and management fees from hotels under management contract. Revenues are recognized when services have been performed, generally at the time of the hotel stay or guests visit to the restaurant and at the time the management services are provided.
- Franchise - Fees received in connection with the franchise and marketing of our brand names. Franchise revenues are recognized as earned in accordance with the contractual terms of the franchise agreements.
- Entertainment - Online ticketing services, ticketing inventory management systems, promotion of Broadway-style shows and other special events. Where we act as an agent and receive a net fee or commission, revenue is recognized in the period the services are performed. When we are the promoter of an event and are at-risk for the production, revenues and expenses are recorded in the period of the event performance.

Advertising and Promotion

Costs associated with advertising and promotional efforts are generally expensed as incurred. During the years ended December 31, 2014, 2013 and 2012, we incurred approximately $3.4 million, $3.9 million and $3.1 million, respectively, in advertising expense from continuing operations.

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing income (loss) by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share gives effect to all dilutive potential shares that are outstanding during the period and include outstanding stock options and other outstanding employee equity grants, as well as the effect of noncontrolling interest related to the previously outstanding operating partnership units of RLHLP, by increasing the weighted-average number of shares outstanding by their effect. When we report a net loss during the period, basic and diluted earnings (loss) per share are the same. See Note 13.

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. These reclassifications had no effect on reported income/losses, cash flows, total assets, or stockholders' equity as previously reported.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." The amendments in ASU 2014-08 change the criteria for reporting a discontinued operation and require new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Only disposals representing a strategic shift in operations should be presented as discontinued operations. This accounting standard update is effective for annual filings beginning on or after December 15, 2014. Early adoption is permitted. The impact of the adoption of ASU 2014-08 on our company's results of operations, financial position, cash flows and disclosures will be based on our company's future disposal activity.

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In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 may be applied using either a full retrospective or a modified retrospective approach and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. We are in the process of evaluating this guidance and our method of adoption.

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

3. Business Segments

We have three operating segments: hotels, franchise and entertainment. The "other" segment consists of miscellaneous revenues and expenses, cash and cash equivalents, certain receivables, certain property and equipment and general and administrative expenses, which are not specifically associated with an operating segment. Management reviews and evaluates the operating segments exclusive of interest expense and income taxes; therefore, it has not been allocated to the segments. All balances have been presented after the elimination of inter-segment and intra-segment revenues and expenses.

Selected information with respect to continuing operations is provided below (in thousands):

	Year ended December 31,		
	2014	2013	2012
Revenues:			
Hotels	$118,616	$120,391	$131,112
Franchise	9,618	7,136	5,177
Entertainment	17,115	9,439	9,165
Other	77	341	442
	$145,426	$137,307	$145,896
Operating income (loss):			
Hotels	$11,807	$(2,211)	$(2,785)
Franchise	2,565	531	374
Entertainment	1,981	(109)	(244)
Other	(9,594)	(9,056)	(7,714)
	$6,759	$(10,845)	$(10,369)
Capital expenditures:			
Hotels	$24,255	$11,882	$7,690
Franchise	20	320	6
Entertainment	241	10	171
Other	375	280	785
	$24,891	$12,492	$8,652
Depreciation and amortization:			
Hotels	$11,394	$12,643	$13,229
Franchise	49	49	45
Entertainment	350	359	389
Other	969	909	1,305
	$12,762	$13,960	$14,968

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	Year ended December 31,		
	2014	2013	2012
Identifiable assets:			
Hotels	$190,332	$192,225	$212,418
Franchise	9,807	9,348	8,994
Entertainment	6,161	6,759	5,976
Other [(1)]	17,054	26,294	33,554
	$223,354	$234,626	$260,942

(1) Includes the identifiable assets of assets classified as held for sale.

4. Property and Equipment

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

	December 31,	
	2014	2013
Buildings and equipment	$182,273	$188,331
Furniture and fixtures	31,910	32,685
Landscaping and land improvements	6,943	6,459
	221,126	227,475
Less accumulated depreciation and amortization	(117,968)	(117,343)
	103,158	110,132
Land	39,087	48,886
Construction in progress	18,165	7,338
Property and equipment, net	$160,410	$166,356

The table above excludes the property and equipment balances of assets held for sale. See Note 5 for further discussion.

Impairments on property and equipment are summarized below:

	Impairment Recorded Year Ended December 31,			Continuing	Discontinued	Year
	2014	2013	2012	Operations	Operations	Sold
	(in millions)					
Red Lion Hotel Wenatchee	$—	$1.0	$—	x		2015
Red Lion Hotel Canyon Springs	—	2.6	—	x		2014
Red Lion Hotel Yakima Center	—	0.7	—	x		2014
Red Lion Hotel & Conference Center Kelso/Longview	—	1.5	—	x		2014
Red Lion Hotel Pocatello	—	2.0	—	x		2014
Red Lion Hotel Eugene	—	1.1	—		x	2014
Red Lion Hotel Medford	—	—	0.8		x	2013
Kalispell Center Mall	—	—	2.2		x	2013
Red Lion Hotel Pendleton	—	—	2.3	x		2013
Red Lion Hotel Missoula	—	—	0.9	x		2013
Red Lion Hotel Denver Southeast	—	—	3.9	x		2012
Red Lion Colonial Hotel	—	—	2.3	x		2012
Red Lion Hotel Sacramento at Arden Village	—	—	3.9		x	2012

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5. Assets Held for Sale

The following properties were classified as assets held for sale as of December 31, 2014: the Red Lion Hotel Bellevue in Bellevue, Washington ("Bellevue property") and the Red Lion Hotel Wenatchee in Wenatchee, Washington ("Wenatchee property"). The Bellevue property and the Wenatchee property were sold in 2015. See Note 18 for more information.

The following properties were classified as assets held for sale as of December 31, 2013: the Red Lion Hotel Canyon Springs in Twin Falls, Idaho ("Canyon Springs property"), the Red Lion Hotel Columbia Center in Kennewick, Washington ("Kennewick property"), the Red Lion Hotel Yakima Center in Yakima Washington ("Yakima property"), the Red Lion Hotel & Conference Center Kelso/Longview ("Kelso property"), the Red Lion Hotel Pocatello ("Pocatello property"), and the Red Lion Hotel Wenatchee ("Wenatchee property"). These properties were classified as assets held for sale in the fourth quarter of 2013. The Canyon Springs, Kennewick, Yakima, Kelso, and Pocatello properties were sold in 2014.

The property and equipment of these properties that are classified as assets held for sale on the consolidated balance sheets (beginning in the year classified as held for sale) as of December 31, 2014 and 2013 are detailed in the table below (in thousands):

	2014	2013
Buildings and equipment	$16,339	$25,367
Furniture and fixtures	345	1,138
Landscaping and land improvements	1,948	7,337
	18,632	33,842
Less accumulated depreciation	(8,537)	(25,207)
	10,095	8,635
Land	11,066	9,478
Construction in progress	12	233
Assets held for sale	$21,173	$18,346

6. Discontinued Operations

During 2014, we ceased the operation of the Red Lion Hotel Eugene in Eugene, Oregon ("Eugene property") when we assigned our leased to a third party. Accordingly, all operations of this property have been classified as discontinued operations for all periods presented.

During 2013, we terminated a catering contract in Yakima, Washington. Accordingly, all operations under this contract have been classified as discontinued operations for all periods presented. Certain property and equipment related to these operations were considered abandoned and a pre-tax loss on disposition of assets of $0.1 million has been recognized in discontinued operations.

During 2013, we closed on the sales of the Kalispell Center Mall property in Kalispell, Montana ("Kalispell Mall property"), the Red Lion Hotel Medford in Medford, Oregon ("Medford property") and the Red Lion Hotel Sacramento at Arden Village ("Sacramento property"). We no longer have continuing involvement in these properties; therefore the operations of these properties have been classified as discontinued operations for all periods presented.

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The following table summarizes the results of discontinued operations for the periods indicated (in thousands):

	Year ended December 31,		
	2014	2013	2012
Revenues	$133	$5,778	$10,048
Operating expenses	(290)	(5,233)	(7,497)
Hotel facility and land lease	(30)	(423)	(717)
Depreciation and amortization	—	(187)	(847)
Interest Expense	—	—	595
Loss on asset dispositions	—	(1,073)	—
Income tax (expense) benefit	—	(66)	(573)
Loss from operations of discontinued business units	(187)	(1,204)	1,009
Loss on disposal or impairment of the assets of discontinued business units	(2)	(773)	(7,092)
Income tax benefit	—	—	2,566
Loss on impairment of the assets of the discontinued business units	(2)	(773)	(4,526)
Loss from discontinued operations	$(189)	$(1,977)	$(3,517)

Changes to discontinued operations in 2014

The following properties were classified as discontinued operations in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2013 when they were initially listed for sale. They were subsequently reclassified into continuing operations due to a determination that there will be significant continuing involvement through a franchise agreement.

- In April 2014, we closed on the sale of the Yakima property for $3.7 million.
- In May 2014, we closed on the sale of the Kennewick property for $5.9 million.
- In May 2014, we closed on the sale of the Kelso property for $4.8 million. $4.6 million was paid in cash and the remainder was paid via a secured promissory note due in January 2016.
- In June 2014, we closed on the sale of the Canyon Springs property for $2.5 million.
- In October 2014, we closed on the sale of the Pocatello property for $3.0 million. $2.2 million was paid in cash and the remainder was paid via a secured promissory note that requires minimum monthly payments and is due in full in October 2018.
- In January 2015, we closed on the sale of the Wenatchee property for $4.1 million. See Note 18 for further discussion.

7. Goodwill and Intangibles

Goodwill represents the excess of the estimated fair value of the net assets acquired during business combinations over the net tangible and identifiable intangible assets acquired. Goodwill was recorded in prior years in connection with the acquisitions of franchises and entertainment businesses.

The Red Lion brand name is an identifiable, indefinite lived-intangible asset that represents the separable legal right to a trade name and associated trademarks acquired in a business combination we entered into in 2001.

We assess goodwill and the brand name 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 during the year ended December 31, 2014 or December 31, 2013.

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

	December 31, 2014	2013
Goodwill	$8,512	$8,512
Intangible assets		
Brand name	$6,878	$6,878
Trademarks	134	114
Total intangible assets	$7,012	$6,992

Goodwill and other intangible assets attributable to each of our business segments at December 31, 2014 and 2013 were as follows (in thousands):

	December 31, 2014		2013	
	Goodwill	Intangible Assets	Goodwill	Intangible Assets
Hotels	$—	$4,659	$—	$4,639
Franchise	5,351	2,347	5,351	2,347
Entertainment	3,161	6	3,161	6
Total	$8,512	$7,012	$8,512	$6,992

8. Credit Facility and Long-Term Debt

During the third quarter of 2013, we entered into an agreement with Wells Fargo Bank, National Association ("Wells Fargo") to expand our existing credit facility. The balance of the term loan under the credit facility at the time of the expansion was $0.5 million and there was no outstanding balance on the revolving line of credit. The term loan was increased to a total of $45.0 million, with $38.2 million used to refinance nine fixed-rate notes collateralized by individual properties ("CMBS debt") that were maturing in July 2013.

The original terms of the expanded facility are as follows:

- Principal payments of $750,000 are required on the term loan on the last day of each calendar quarter or the first business day thereafter. If a property securing the facility is sold we will be required to make an additional principal payment on the term loan equal to the greater of (i) 50% of the net proceeds from the sale or (ii) 50% of the appraised market value of the property sold. If any such additional principal payment exceeds $1 million, the remaining principal balance amortization will be modified to reflect the additional payment.
- The term loan matures on June 30, 2018.
- A $10 million revolving line of credit is available under the facility until June 30, 2015.
- Interest under the term loan and revolving line of credit will initially be payable at our option (i) at a fluctuating rate 75 basis points above a base rate in effect from time to time, or (ii) at a rate 325 basis points above LIBOR (under one, three or six month terms). Beginning in 2015, the spread on the LIBOR will decline if our senior leverage ratio is less than 3.00. We have entered into a swap to hedge 40% of our interest rate exposure under the term loan. See Note 9 for further discussion.
- Our obligations under the facility are (i) guaranteed by our subsidiaries Red Lion Hotels Limited Partnership, Red Lion Hotels Franchising, Inc., Red Lion Hotels Management, Inc. and Red Lion Hotels Holdings, Inc., (ii) secured by our accounts receivable and inventory, and (iii) further collateralized by 19 of our hotel properties located in Bellevue, Spokane, Olympia, Port Angeles, Richland, Pasco and Wenatchee, Washington; in Post Falls and Boise, Idaho; in Bend and Coos Bay, Oregon; in Eureka and Redding, California; and in Salt Lake City, Utah.

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The facility required us to comply with customary affirmative and negative covenants, as well as financial covenants relating to leverage, debt service, and loan coverage ratios. It also included customary events of default. We were in compliance with these covenants at December 31, 2014.

At December 31, 2014 outstanding debt was $61.0 million. The debt balance includes the $30.5 million outstanding on the term loan with Wells Fargo and unamortized origination fees on the debt of $0.3 million. In addition to this term loan, we also had a revolving line of credit with Wells Fargo for up to $10 million, a portion of which supported outstanding letters of credit. At December 31, 2014, $7.0 million on the revolving line of credit was available as we had $3.0 million in letters of credit as of that date. Also included in the total debt amount is $30.8 million of debentures due to Red Lion Hotels Capital Trust that matures in 2044. See Note 10 for further discussion.

As discussed in Note 6, during 2014, we completed the sales of the Yakima, Kelso, Kennewick, Canyon Springs and Pocatello properties, which were pledged as collateral for our credit facility. As required under the terms of the loan, we made principal payments totaling $10.4 million from the proceeds of the sales. As of December 31, 2014, principal payments of $591,689 were required on the term loan on the last day of each calendar quarter or the first business day thereafter.

As discussed in Note 18, subsequent to year-end, we completed the sales of the Bellevue and Wenatchee properties. We also, as part of a joint venture transaction, repaid the outstanding balance of our secured debt with Wells Fargo and the joint venture obtained a new $53.8 million mortgage loan from Capital Source, a division of Pacific Western Bank. The revolving line of credit was terminated as part of these transactions.

Contractual maturities for the term loan and revolving line of credit outstanding at December 31, 2014, for the remaining term, are summarized by year as follows (in thousands):

Year Ending December 31,	Amount
2015	$2,261
2016	2,261
2017	2,261
2018	23,744
	$30,527

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9. Derivative Financial Instruments

We do not enter into derivative transactions for trading purposes, but rather to hedge our exposure to interest rate fluctuations. We manage our floating rate debt using interest rate swaps in order to reduce our exposure to the impact of changing interest rates and future cash outflows for interest.

As required under the Wells Fargo credit facility, we entered into an interest rate swap with Wells Fargo to hedge the first 40% of our interest rate exposure. The swap had an original notional amount of $18.0 million and a fixed rate of 4.88%. Our contractual quarterly payments reduced the outstanding notional amount to $16.2 million as of December 31, 2014. The swap was settled on the same day as the required monthly interest payments on the term loan and expired on June 29, 2018.

From inception through the second quarter of 2014, our interest rate swap was designated as a cash flow hedge. The gains and losses in the fair value of the swap were recorded in stockholders' equity as a component of accumulated other comprehensive income (loss) ("AOCI") on the consolidated balance sheets. As a result of the additional principal payments made concurrent with the sales of our properties, we no longer qualified for hedge accounting and we de-designated the interest rate swap as a cash flow hedge. Beginning in the third quarter of 2014, the gains and losses in the fair value of the swap were recorded as interest expense on the consolidated statements of comprehensive income (loss) and the AOCI balance was amortized and expensed as interest expense over the remaining life of the interest rate swap.

We measure the value of the interest rate swap utilizing an income approach valuation technique, converting future amounts of cash flows to a single present value in order to obtain a transfer exit price within the bid and ask spread that is most representative of the fair value of our derivative instruments. This option-pricing technique utilizes a one-month LIBOR forward yield curve, obtained from an independent external service.

At December 31, 2014, the valuation of the interest rate swap resulted in the recognition of a swap liability totaling $0.2 million, which is included in other accrued expenses on the balance sheet.

10. Debentures of Red Lion Hotels Capital Trust

Together with the Trust, we completed a public offering of $46.0 million of trust preferred securities in 2004. The securities are listed on the New York Stock Exchange and entitle holders to cumulative cash distributions at a 9.5% annual rate with maturity in February 2044. The cost of the offering totaled $2.3 million, which the Trust paid through an advance by us. The advance to the Trust is included with other noncurrent assets on our consolidated balance sheets.

We borrowed all of the proceeds from the offering, including our original 3% trust common investment of $1.4 million, on the same day through 9.5% debentures that are included as a long-term liability on our consolidated balance sheets. The debentures mature in 2044 and their payment terms mirror the distribution terms of the trust securities. The debenture agreement required the mandatory redemption of 35% of the then-outstanding trust securities at 105% of issued value if we completed an offering of common shares with gross proceeds of greater than $50 million. In accordance therewith and in connection with a common stock offering in May 2006, we repaid approximately $16.6 million of the debentures due the Trust. The Trust then redeemed 35% of the outstanding trust preferred securities and trust common securities at a price of $26.25 per share, a 5% premium over the issued value of the securities. Of the $16.6 million, approximately $0.5 million was received back by us for our trust common securities and was reflected as a reduction of our investment in the Trust. At December 31, 2014 and 2013, debentures due the Trust totaled $30.8 million.

11. Commitments and Contingencies

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

Due to our equity method investment in a 19.9% owned real estate venture, we are considered a guarantor of the mortgage for the building associated with that investment. We would be obligated to pay a portion of this mortgage in the event the real estate venture were unable to meet its principal or interest payment obligations. As of December 31, 2014, the maximum amount payable under this guarantee was approximately $1.9 million, which represents 19.9% of the outstanding mortgage balance. At December 31, 2014, it was not probable that we would be required to pay any of this amount; thus we have not accrued a liability for any portion of this obligation in our December 31, 2014 financial statements.

12. Stockholders' Equity

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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, 2014, there were 19,846,508 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.

Each holder of common stock is entitled to one vote for each share held on all matters to be voted upon by the shareholders with no cumulative voting rights. Holders of common stock are entitled to receive ratably the dividends, if any, that are declared from time to time by the board of directors out of funds legally available for that purpose. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

Stock Incentive Plans

As approved by our shareholders, the 1998 Stock Incentive Plan and the 2006 Stock Incentive Plan, as amended, authorize the grant or issuance of various option or other awards including restricted stock grants and other stock-based compensation. The 2006 plan allows awards covering up to two million shares (subject to adjustments for stock splits, stock dividends and similar events). The 1998 plan allows awards covering up to 1.4 million shares, although as a condition to the approval of the 2006 plan, we no longer grant or issue awards under the 1998 plan. The compensation committee of the board of directors administers the 2006 plan and establishes to whom awards are granted and the type and terms and conditions, including the exercise period, of the awards. As of December 31, 2014, there were 448,788 shares of common stock available for issuance pursuant to future stock option grants or other awards under the 2006 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. Stock-based compensation expense related to these awards during 2014, 2013 and 2012 for employees was approximately $0.9 million, $1.3 million and $0.8 million, respectively.

Stock-based compensation expense includes $0.3 million of expense recorded upon the separation of our former Executive Vice President and Chief Financial Officer in 2014 and $0.5 million of expense recorded upon the retirement of our former President and Chief Executive Officer in 2013.

In addition to the awards mentioned above, during the years ended December 31, 2014, 2013 and 2012, there were 85,442, 77,360 and 58,705 shares of common stock, respectively, issued in aggregate to non-management directors as compensation for service. During the years ended December 31, 2014, 2013 and 2012, we recognized compensation expense of approximately $0.5 million, $0.6 million and $0.5 million, respectively, upon issuance.

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. No stock options were granted in 2014, 2013 or 2012.

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A summary of stock option activity for the year ended December 31, 2014, is as follows:

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2014	167,607	$9.41
Options granted	—	$—
Options exercised	—	$—
Options forfeited	(92,431)	$8.87
Balance, December 31, 2014	75,176	$10.27
Exercisable, December 31, 2014	75,176	$10.27

Additional information regarding stock options outstanding and exercisable as of December 31, 2014, is presented below.

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Expiration Date	Exercise Price	Aggregate Intrinsic Value(1)	Number Exercisable	Exercise Price	Aggregate Intrinsic Value(1)
7.46	3,500	0.86	2015	$7.46	$—	3,500	$7.46	$—
8.74	40,836	3.39	2018	8.74	—	40,836	8.74	—
12.21	15,195	1.89	2016	12.21	—	15,195	12.21	—
13.00	15,645	2.38	2017	13.00	—	15,645	13.00	—
	75,176	2.76	2015-2018	$10.27	$—	75,176	$10.27	$—

(1) The aggregate intrinsic value is before applicable income taxes and represents the amount option recipients would have received if all options had been exercised on the last trading day of 2014, based upon our closing stock price of $6.34.

Restricted Stock Units, Shares Issued as Compensation

During 2014, 2013 and 2012, we granted 319,168, 218,356 and 169,036 unvested restricted stock units, respectively, to executive officers and other key employees, the majority of which 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, 2014, 2013 and 2012 there were 398,513, 303,749 and 323,561 unvested restricted stock units outstanding, respectively. Since we began issuing restricted stock units, approximately 22.1% of total restricted stock units granted have been forfeited.

A summary of restricted stock unit activity for the year ended December 31, 2014, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2014	303,749	$7.32
Granted	319,168	$5.63
Vested	(117,758)	$7.18

Forfeited	(106,646)	$7.01
Balance, December 31, 2014	398,513	$6.09

117,758 shares of common stock were issued to employees in 2014 as their restricted stock units vested. Under the terms of the 2006 plan 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.

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During 2014, 2013 and 2012, we recognized approximately $0.9 million, $1.2 million and $0.8 million, respectively, in compensation expense related to these grants, and expect to record an additional $1.6 million in compensation expense over the remaining weighted average vesting periods of approximately 26 months.

Employee Stock Purchase Plan

In 2008, we adopted a new employee stock purchase plan ("ESPP") upon expiration of our previous plan. Under the ESPP, 300,000 shares of common stock are authorized for purchase by eligible employees at a 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 2014, 2013 and 2012, there were 14,427, 13,765 and 17,304 shares, respectively, issued, and approximately $18,000, $17,000 and $16,000 was recorded in compensation expense related to the discount associated with the plan in each year, respectively.

13. Earnings (Loss) Per Share

The following table presents a reconciliation of the numerators and denominators used in the basic and diluted net income (loss) per share computations for the years ended December 31, 2014, 2013 and 2012 (in thousands, except per share amounts):

	Year ended December 31,		
	2014	2013	2012
Numerator - basic and diluted:			
Income (loss) from continuing operations	$2,492	$(15,070)	$(11,164)
Less net income or loss attributable to noncontrolling interest	—	—	(7)
Income (loss) from discontinued operations	(189)	(1,977)	(3,517)
Net income (loss)	$2,303	$(17,047)	$(14,674)
Denominator:			
Weighted average shares - basic	19,785	19,575	19,327
Weighted average shares - diluted	19,891	19,575	19,327
Earnings (loss) per share:			
Basic and Diluted			
Income (loss) from continuing operations	$0.13	$(0.77)	$(0.58)
Income (loss) from discontinued operations	$(0.01)	$(0.10)	$(0.18)
Net income (loss)	$0.12	$(0.87)	$(0.76)

At December 31, 2014, 75,176 options to purchase common shares were considered antidilutive.
At December 31, 2013 and 2012 all of the 167,607 and 172,814 options to purchase common shares and all of the 303,749 and 323,561 restricted stock units outstanding as of that date were considered antidilutive in the period.

14.Income Taxes

Major components of the income tax expense (benefit) from continuing operations for the years ended December 31, 2014, 2013 and 2012, are as follows (in thousands):

	December 31,		
	2014	2013	2012
Current:			
Federal (benefit) expense	$—	$(17)	$(153)
State (benefit) expense	25	32	6
Deferred (benefit) expense	6	(766)	(8,376)

Income tax (benefit) expense	31	(751)	(8,523)
Less: tax benefit of discontinued operations	—	(66)	1,994
Income tax (benefit) expense from continuing operations	$31	$(817)	$(6,529)

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The differences between income taxes expected at the U.S. federal statutory income tax rate of 34 percent and the reported income tax (benefit) expense are summarized as follows (in thousands, except percentages):

	December 31,					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
(Benefit) provision at federal statutory rate	$858	34.0 %	$(6,051)	-34.0 %	$(7,887)	-34.0 %
State tax (benefit) expense	23	0.9 %	(365)	-2.0 %	(774)	-3.3 %
Effect of tax credits	(173)	-6.9 %	(433)	-2.4 %	(336)	-1.4 %
Other	286	11.3 %	205	1.1 %	474	2.0 %
Valuation allowance	(963)	-38.2 %	5,893	33.1 %	—	— %
Income tax (benefit) expense	31	1.2 %	(751)	-4.2 %	(8,523)	-58.1 %
Effect of discontinued operations	—	— %	(66)	— %	1,994	— %
Income tax (benefit) expense from continuing operations	$31	1.2 %	$(817)	-5.1 %	$(6,529)	-36.9 %

Significant components of the net deferred tax assets and liabilities at December 31, 2014 and 2013, are as follows (in thousands):

	December 31,			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	$—	$11,889	$—	$11,680
Brand name	—	2,485	—	2,502
Other intangible assets	—	208	—	211
Gain on sale leaseback	1,079	—	1,257	—
Tax credit carryforwards	4,484	—	4,299	—
Federal and state net operating losses	10,250	—	10,746	—
Other	872	—	1,177	—
Valuation allowance	(4,916)	—	(5,893)	—
Total	$11,769	$14,582	$11,586	$14,393

At December 31, 2014 and 2013, we had federal gross operating loss carryforwards of approximately $27.3 million and $28.6 million, respectively; state gross operating loss carryforwards of approximately $20.5 million and $21.8 million, respectively; and federal and state tax credit carryforwards of approximately $4.5 million and $4.3 million, respectively. The federal net operating loss carryforwards will expire beginning in 2033, and the state net operating loss carryforwards will expire beginning in 2017; the tax credit carryforwards will begin to expire in 2024.

We assess the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2014. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of this evaluation, as of December 31, 2014, a valuation allowance of $4.9 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 our projections for growth. Should we determine we will be able to realize our deferred tax assets, the tax benefits relating to any reversal of the valuation allowance will be accounted for as a reduction of income tax expense.

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, 2014 and 2013, 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

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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 2008.

15. Operating Lease Commitments

Total future minimum payments due under all current term operating leases at December 31, 2014, are as indicated below (in thousands):

Year Ended December 31,	
2015	$7,072
2016	2,199
2017	1,481
2018	1,366
2019	750
Thereafter	8,020
Total	$20,888

Total rent expense from continuing operations, under leases for the years ended December 31, 2014, 2013 and 2012 was $5.2 million, $4.5 million, and $4.1 million, respectively, shown as hotel facility and land lease expense on our consolidated statements of comprehensive income (loss).

We have leasehold interests at five hotel properties as well as our corporate headquarters located in Spokane, Washington. These leases require us to pay fixed monthly rent and have expiration dates of 2016 and beyond. The table below summarizes the terms of the leases, including extension periods at our option, for our hotel properties as of December 31, 2014:

Property	Expiration date of lease	Extension periods
Red Lion River Inn	October 2018	Three renewal terms of five years each
Red Lion Hotel Seattle Airport	December 2024	One renewal term of five years
Red Lion Hotel Vancouver (at the Quay) (1)	December 2015	None
Red Lion Anaheim	April 2016	18 renewal terms of five years each
Red Lion Hotel Kalispell	April 2028	Three renewal terms of five years each

(1) In September 2014, we amended the lease for Red Lion Hotel Vancouver (at the Quay) to revise the lease term to December 31, 2015. In addition, we have the right to terminate the lease after December 31, 2014 with a payment of $3.0 million. If we have not previously terminated the lease, the lease will expire on December 31, 2015 with a required payment of $3.0 million.

16. Related-Party Transactions

We conducted various business transactions in which the counterparty was considered a related party due to the relationships between us and the counterparty's officers, directors and/or equity owners. The nature of the transactions was limited to performing certain management and administrative functions for the related entities, commissions for real estate sales and leased office space. The total aggregate value of these transactions in 2014, 2013 and 2012 was $0.0 million, $0.1 million and $0.5 million, respectively.

17. Fair Value of Financial Instruments

Estimated fair values of financial instruments (in thousands) are shown in the table below. The carrying amounts for cash and cash equivalents, accounts receivable, notes receivable and current liabilities are reasonable estimates of their fair values. We estimate the fair value of our long-term debt, excluding leases, using expected future payments discounted at risk-adjusted rates, both of which are Level 3 inputs. The debentures are valued at the closing price on December 31, 2014, of the underlying trust preferred securities on the New York Stock Exchange, which was a directly observable Level 1 input. 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,

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potential income tax ramifications related to the realization of gains and losses that would be incurred in an actual sale or settlement have not been taken into consideration.

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents and restricted cash(1)	$5,351	$5,351	$13,058	$13,058
Accounts receivable(1)	$6,752	$6,752	$6,283	$6,283
Notes receivable	$5,284	$5,284	$5,095	$5,095
Financial liabilities:				
Current liabilities, excluding debt(1)	$18,469	$18,469	$16,238	$16,238
Total debt	$30,200	$30,683	$43,058	$44,311
Debentures	$30,825	$31,639	$30,825	$32,058

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(1) Includes the cash, accounts receivable, and current liabilities of discontinued operations held for sale.

18. Subsequent Events

In January 2015, we transferred 12 of our wholly owned hotels into RL Venture LLC a newly created entity that was initially wholly owned by us. Subsequently, we sold a 45 percent member interest in RL Venture LLC to Shelbourne Falcon RLHC Hotel Investors LLC ("Shelbourne"). We concurrently repaid the outstanding balance of our secured debt with Wells Fargo Bank. The joint venture also obtained a new mortgage loan from Capital Source, a division of Pacific Western Bank, secured by the 12 properties. Shelbourne is an entity led by Shelbourne Capital LLC and includes several other institutional real estate investors, including Columbia Pacific Real Estate Fund II, LP, an affiliate of the company's largest shareholder Columbia Pacific Opportunity Fund, LP. All 12 hotels will continue to be managed by RLHC's wholly owned subsidiary, Red Lion Hotels Management, Inc., under an initial five-year management contract, with three five-year extensions. These hotels will continue to be consolidated as the joint venture is considered a variable interest entity and we are the primary beneficiary. In connection with Shelbourne's investment in the joint venture, RLHC issued to Shelbourne warrants to acquire 442,533 shares of common stock at $6.78 per share.

The new mortgage loan has a base principal amount of $53.8 million and an additional $26.0 million over a two-year period to cover expenses related to improvements to the properties owned by the joint venture. The loan has a four-year term with a one-year extension option, and interest under the advanced portions of the loan will be calculated at LIBOR plus 4.75%. Interest only payments are due monthly commencing February 2015. Monthly principal payments are required beginning in January 2017 and are based on a 25 year amortization period based on the then current outstanding principal amount. The joint venture is required to buy an interest rate cap at standard market terms and in the event of any prepayment, are required to pay the lender a penalty tied to their cumulative receipt of $6 million in minimum interest. The loan is non-recourse except that several investors in the joint venture, including the company, are required to sign guarantees regarding, amongst other things, the completion of certain improvements to the joint venture properties, environmental covenants, losses incurred by the lender and any event of bankruptcy involving the joint venture or its owners. The loan agreement contains customary reporting and operating covenants applicable to the joint venture, including requirements for lender approval of annual operating and capital budgets, under certain conditions.

On January 22, 2015, we sold the Wenatchee property for $4.1 million and concurrently entered into a franchise agreement with the new owner. See Note 5 for more information.

On February 18, 2015, we sold the Bellevue property for $35.4 million and concurrently entered into a management agreement with the new owner. See Note 5 for more information.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2014, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective to ensure that material information required to be disclosed by us in the reports filed or submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within time periods specified in Securities and Exchange Commission rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting, which is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Because of its inherent limitations, any system of internal controls over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014, using criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and concluded that we have maintained effective internal control over financial reporting as of December 31, 2014, based on these criteria.

Our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014, has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in its report which is included herein.

There have been no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during our fourth fiscal quarter of 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Red Lion Hotels Corporation
Spokane, Washington

We have audited Red Lion Hotels Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Red Lion Hotels Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, "Management's Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Red Lion Hotels Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Red Lion Hotels Corporation as of December 31, 2014 and 2013, 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, 2014 and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Spokane, WA
February 26, 2015

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Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers and Corporate Governance

Executive Officers of the Registrant

Name	Age	Position
Gregory T. Mount	54	President and Chief Executive Officer
James A. Bell	47	Executive Vice President, Chief Financial Officer
Harry G. Sladich	53	Executive Vice President, Hotel Operations and Sales
William J. Linehan	49	Executive Vice President, Chief Marketing Officer
Thomas L. McKeirnan	46	Executive Vice President, General Counsel and Secretary
Jack G. Lucas	62	Vice President and President, TicketsWest

Gregory T. Mount. Mr. Mount joined our company as President and Chief Executive Officer in January 2014. From November 2009 to January 2014, he served as President of Richfield Hospitality, Inc., a hotel management company based in Denver, Colorado. From January 2007 to November 2009, he served as a Senior Vice President of Acquisitions at Sage Hospitality Resources, LLC, a hotel management, investment and development company. From 1998 to 2006, Mr. Mount held various senior development and operations positions with Starwood Hotels & Resorts Worldwide, Inc. From 1990 to 1998, he served in several management positions at Interstate Hotels & Resorts, Inc. From 1982 to 1990, he worked in various operational roles at Marriott International, Inc. In early 2011, a staffing services company operated by Mr. Mount's wife filed a petition for reorganization under federal bankruptcy laws. That case was administratively consolidated with a second reorganization case filed by the Mounts, who had personally guaranteed the commercial loan used to acquire the company. A joint plan of reorganization was confirmed in the fall of 2011, and in 2012 orders were entered finding both cases fully administered and discharging the individual debtors.

James A. Bell. Mr. Bell was appointed Executive Vice President, Chief Financial Officer effective October 29, 2014. Mr. Bell joined RLHC from Coldwater Creek, Inc., where he was most recently President and Interim Chief Executive Officer, and also served as Executive Vice President, Chief Operating Officer and Chief Financial Officer from January 2012 to June 2014, Senior Vice President Chief Financial Officer from March 2010 to January 2012 and Vice President of Finance from September 2009 to March 2010. From 2007 to 2009 Mr. Bell served as Senior Vice President Finance and Planning for Harry & David Holdings, Inc., and from 2002 to 2007, he was Senior Director of Finance and Controller for international clothing retailer The Gap, Inc. Prior to working at The Gap, Inc., Mr. Bell was Vice President in the technology investment banking group at Piper Jaffray, Inc. From May 1989 to June 1998, Mr. Bell served as a U.S. Navy officer and Naval Flight Officer.

Harry G. Sladich. Mr. Sladich has served as Executive Vice President, Hotel Operations and Sales since February 2014. He previously had served as Executive Vice President of Sales, Marketing & Distribution since joining our company in March 2010. A 35-year veteran of the hospitality industry, Mr. Sladich served as President and CEO of the Spokane Regional Convention and Visitors Bureau from 2005 to 2010, where he played a key role in building and selling the Washington State image. Earlier in his career, Mr. Sladich was Vice President of Sales and Marketing for Sterling Hospitality, hotel developers and operators of several franchises including Holiday Inn Express, Hampton Inn and Quality Inn. Before working for Sterling Hospitality, he was General Manager of Hotel Lusso, an upscale boutique hotel in Spokane, and was Vice President of National Sales for Guestmark International (GMI), a national hotel marketing company based in Boston. Mr. Sladich has also worked for Sheraton Hotels in both hotel operations and food and beverage. Mr. Sladich serves on two prominent national industry boards, including the U.S. Travel

Association and Destination & Travel Foundation Board of Trustees. In addition, former Washington State Governor Christine Gregoire appointed Mr. Sladich to the board of Washington Filmworks, which manages the state incentive programs for films produced in Washington, and to the Washington State Convention Center Board of Directors. He has also served on the board for the Western Association of Convention & Visitors Bureaus (WACVB) and the Boys & Girls Clubs of Spokane County.

William J. Linehan. Mr. Linehan joined our company as Executive Vice President, Chief Marketing Officer in February 2014. From 2009 until he joined us, he served as Chief Marketing Officer of Richfield Hospitality, Inc., a hotel management company based in Denver, Colorado. From 2006 to 2008, he served as Vice President, Global Marketing of InterContinental Hotels Group. From 2002 to 2006, Mr. Linehan was the Global Vice President of Marketing, Brand Alignment and Partnership at Starwood Hotels & Resorts Worldwide, Inc. Prior to joining Starwood, he had since 1987 held various hotel management positions.

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Thomas L. McKeirnan. Mr. McKeirnan has been Executive Vice President, General Counsel and Secretary since February 2013. He served as Senior Vice President, General Counsel and Secretary from February 2005 through January 2013. He has been with our company since July 2003. Prior to joining us, Mr. McKeirnan was a partner at the Spokane, Washington law firm of Paine Hamblen Coffin Brooke & Miller LLP from January 2002 until July 2003 and an associate attorney at the same firm from 1999 to 2001. Mr. McKeirnan was an associate attorney with the Seattle, Washington law firm of Riddell Williams P.S. from 1995 until 1999. Mr. McKeirnan's private legal practice focused on corporate, transactional, real estate and securities law, with an emphasis on the hospitality industry. While in private practice, Mr. McKeirnan represented us as outside counsel on various strategic and transactional matters and also represented WestCoast Hotels, Inc. prior to our acquisition of that company. Mr. McKeirnan serves as a director and Chairman of the Nominating and Corporate Governance Committee of the Board of Directors of St. Augustine Gold & Copper Ltd. He also serves on the Executive Committee of the Board of Trustees of Gonzaga Preparatory School.

Jack G. Lucas. Mr. Lucas serves as Vice President of RLHC and President of TicketsWest. He is in charge of overseeing all of the various departments within our entertainment division. He has been President of TicketsWest since February 2006 and Vice President of RLHC since August 1998. Mr. Lucas has approximately 29 years of experience in the entertainment industry, and has been employed by us since 1987. Mr. Lucas previously spent 13 years on the management staff of the City of Spokane Entertainment Facilities, which included a 2,700-seat performing arts center, 30,000-seat stadium, 8,500-seat coliseum, and convention center. Mr. Lucas was awarded the 2004 International Ticketing Professional of the Year award from the International Ticketing Association. In 2013, Mr. Lucas earned the prestigious International Ticketing Association INTIX Patricia Spira Lifetime Achievement Award.

The remainder of the information required by this item will be contained in, and is incorporated by reference from, the definitive proxy statement for our 2015 Annual Meeting of Shareholders under the captions “Proposal 1: Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Corporate Governance.” This proxy statement will be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2014 pursuant to Regulation 14A under the Securities Exchange Act of 1934.

We make available free of charge on our website (www.redlion.com) the charters of all of the standing committees of our board of directors (including those of the audit, nominating and corporate governance and compensation committees), the code of business conduct and ethics for our directors, officers and employees, and our corporate governance guidelines. We will furnish copies of these documents to any shareholder upon written request sent to our General Counsel, 201 W. North River Drive, Suite 100, Spokane, Washington 99201-2293.

Item 11. Executive Compensation

The information required by this item will be contained in, and is incorporated by reference from, the definitive proxy statement for our 2015 Annual Meeting of Shareholders under the captions “Compensation Discussion and Analysis,” “Executive Compensation” and “Director Compensation.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

A portion of the information required by this item will be contained in, and is incorporated by reference from, the definitive proxy statement for our 2015 Annual Meeting of Shareholders under the caption “Security Ownership of Certain Beneficial Owners and Management.”

See Item 5 of this Annual Report on Form 10-K for information regarding our equity compensation plans.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in, and is incorporated by reference from, the definitive proxy statement for our 2015 Annual Meeting of Shareholders under the captions “Certain Relationships and Related Transactions,” and “Corporate Governance - Director Independence.”

Item 14. Principal Accounting Fees and Services

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The information required by this item will be contained in, and is incorporated by reference from, the definitive proxy statement for our 2015 Annual Meeting of Shareholders under the caption "Principal Accounting Fees and Services."

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PART IV

Item 15. Exhibits

List of documents filed as part of this report:
1. Index to Red Lion Hotels Corporation financial statements:

2. Index to financial statement schedules:
All schedules for which provisions are made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable or the information is contained in the Financial Statements and therefore has been omitted.
3. Index to exhibits:

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Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.2 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on May 25, 2011)
3.2	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on August 12, 2013)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 in the Form S 3/A (Commission File No. 333-133287) filed on May 15, 2006)
4.2	Certificate of Trust of Red Lion Hotels Capital Trust (incorporated by reference to Exhibit 4.2 in the Form S 1 (Commission File No. 333 110214) filed on November 4, 2003)
4.3	Declaration of Trust of Red Lion Hotels Capital Trust (incorporated by reference to Exhibit 4.3 in the Form S 1 (Commission File No. 333 110214) filed on November 4, 2003)
4.4	Amended and Restated Declaration of Trust of Red Lion Hotels Capital Trust (incorporated by reference to Exhibit 4.1 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on March 19, 2004)
4.5	Indenture for 9.5% Junior Subordinated Debentures Due February 24, 2044 (incorporated by reference to Exhibit 4.2 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on March 19, 2004)
4.6	Form of Certificate for 9.5% Trust Preferred Securities (Liquidation Amount of $25 per Trust Preferred Security) of Red Lion Hotels Capital Trust (incorporated by reference to Exhibit 4.3 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on March 19, 2004)
4.7	Form of 9.5% Junior Subordinated Debenture Due February 24, 2044 (incorporated by reference to Exhibit 4.4 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on March 19, 2004)
4.8	Trust Preferred Securities Guarantee Agreement dated February 24, 2004 (incorporated by reference to Exhibit 4.5 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on March 19, 2004)
4.9	Trust Common Securities Guarantee Agreement dated February 24, 2004 (incorporated by reference to Exhibit 4.6 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on March 19, 2004)
	Executive Compensation Plans and Agreements
10.1	1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 in the Quarterly Report on Form 10 Q (Commission File No. 001 13957) filed on May 15, 2001)
10.2	Form of Notice of Grant of Stock Options and Option Agreement for the 1998 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on November 15, 2005)
10.3	

	2006 Stock Incentive Plan (incorporated by reference to Appendix C to the Schedule 14A (Commission File No. 001 13957) filed on April 20, 2006)
10.4	First Amendment to 2006 Stock Incentive Plan (incorporated by reference to Appendix A to the Schedule 14A (Commission File No. 001 13957) filed on April 22, 2009)
10.5	Form of Restricted Stock Unit Agreement -- Notice of Grant for the 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10 in the Current Report on Form 8-K (Commission File No. 001 13957) filed on November 22, 2006)
10.6	Form of Notice of Grant of Stock Options and Option Agreement for the 2006 Stock Incentive Plan (incorporated by reference to Exhibit 20.1 in the Quarterly Report on Form 10 Q (Commission File No. 001 13957) filed on August 14, 2006)

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Exhibit Number	Description
10.7	2008 Employee Stock Purchase Plan (incorporated by reference to Appendix A to the Schedule 14A (Commission File No. 001 13957) filed on April 22, 2008)
10.8	First Amendment to 2008 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.8 in the Annual Report on Form 10 K (Commission File No. 001 13957) filed on March 11, 2010)
10.9	Executive Officer's Incentive Pay Plan Effective January 1, 2014 (incorporated by reference to Exhibit 10.10 in the Annual Report on Form 10 K (Commission File No. 001 13957) filed on March 5, 2014)
10.10 **	Employment offer letter of Gregory T. Mount, as amended and restated on February 27, 2015
10.11 **	Employment offer letter of James A. Bell, as amended and restated on February 27, 2015
10.12 **	Employment offer letter of William J. Linehan, as amended and restated on February 27, 2015
10.13 **	Executive Employment Agreement between the Registrant and Thomas L. McKeirnan, as amended and restated on February 27, 2015
10.14 **	Employment offer letter of Harry G. Sladich, as amended and restated on February 27, 2015
10.15	Employment offer letter of Julie Shiflett, as amended and restated on May 21, 2013 (incorporated by reference to Exhibit 10.4 in the Quarterly Report on Form 10 Q (Commission File No. 001 13957) filed on August 9, 2013)
10.16	Retention Agreement dated June 24, 2014 between the Registrant and Julie Shiflett (incorporated by reference to Exhibit 10.1 in the Quarterly Report on Form 10 Q (Commission File No. 001 13957) filed on August 8, 2014)
	Other Material Contracts
10.17	Second Amended and Restated Credit Agreement dated as of June 20, 2013 between the Registrant and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 in the Quarterly Report on Form 10 Q (Commission File No. 001 13957) filed on August 9, 2013)
10.18	Term Note dated June 20, 2013 for $45,000,000 payable by the Registrant to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 in the Quarterly Report on Form 10 Q (Commission File No. 001 13957) filed on August 9, 2013)
10.19	Revolving Line of Credit Note dated June 20, 2013 for $10,000,000 payable by the Registrant to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.3 in the Quarterly Report on Form 10 Q (Commission File No. 001 13957) filed on August 9, 2013)

** Exhibits filed with this report

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Exhibit Number	Description
21 **	List of Subsidiaries of Red Lion Hotels Corporation
23 **	Consent of BDO USA, LLP
24	Powers of Attorney (included on signature page)
31.1 **	Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a)
31.2 **	Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a)
32.1 **	Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(b)
32.2 **	Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(b)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
	** Exhibits filed with this report

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RED LION HOTELS CORPORATION
Registrant

By /s/ GREGORY T. MOUNT
Gregory T. Mount
President and Chief Executive Officer

Date: February 26, 2015

POWERS OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Gregory T. Mount and James A. Bell and each of them severally, such person's true and lawful attorneys-in-fact and agents, with full power to act without the other and with full power of substitution and resubstitution, to execute in the name and on behalf of such person, individually and in each capacity stated below, any and all amendments to this report, and any and all other instruments necessary or incidental in connection herewith, and to file the same with the Securities and Exchange Commission.
Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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Signature	Title	Date
/s/ GREGORY T. MOUNT Gregory T. Mount	President and Chief Executive Officer (Principal Executive Officer)	February 26, 2015
/s/ JAMES A. BELL James A. Bell	Executive Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 26, 2015
/s/ MELVIN L. KEATING Melvin L. Keating	Chairman of the Board of Directors	February 26, 2015
/s/ JAMES P. EVANS James P. Evans	Director	February 26, 2015
/s/ RYLAND P. DAVIS Ryland P. Davis	Director	February 26, 2015
/s/ RAYMOND R. BRANDSTROM Raymond R. Brandstrom	Director	February 26, 2015
/s/ DAVID J. JOHNSON David J. Johnson	Director	February 26, 2015
/s/ MICHAEL VERNON Michael Vernon	Director	February 26, 2015
/s/ ROBERT G. WOLFE Robert G. Wolfe	Director	February 26, 2015