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HOTELS

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Cavanaugh's Hospitality Corporation to Acquire Hotel in Washington's State Capital

SPOKANE, WA -- Cavanaugh's Hospitality Corporation (NYSE:CVH) today announced an agreement to purchase the 177-room former Olympia Holiday Inn Select, in Olympia, Washington from Olympic, L.L.C. for an undisclosed amount. The sale is expected to close in December 1998, subject to customary closing conditions. The property will be flagged as a Cavanaugh's Hotel and will increase the number of Cavanaugh's Hotels to 19, including properties in four state capitals. Olympia sits at the southern end of Puget Sound, 45 minutes South of Seattle and two hours North of Portland, Oregon.

The Property is conveniently located for access from the Interstate 5 and Highway 101 interchange and overlooks Capitol Lake. With over 17,000 square feet of meeting space, it is the largest hotel in Olympia in both number of rooms and meeting capacity. In the past two years, the hotel has undergone approximately \$2.5 million of renovation to all areas including rooms, meeting space, restaurant and lounge. Other amenities include an outdoor pool, jacuzzi, exercise room, and business center.

"Cavanaugh's has built strong relationships with the association and government markets over the past twenty years and we consider it an honor to now become a part of the Olympia community," said Lori Farnell, Vice President, Sales and Marketing. "Cavanaugh's growth strategy has included positioning itself throughout the Northwest in capital cities including Olympia, Helena, Boise, and Salt Lake City." Farnell added, "By doing this, we are strengthening our sales efforts to fully satisfy the meeting requirements and the travel rotation patterns of organizations headquartered in these cities."

Cavanaugh's plans to aggressively grow the hotel's existing base of business by utilizing the Company's strong sales network between the Company's 18 other northwest hotels. Cavanaugh's officials believe their corporate and leisure guest benefit programs, combined with the Company's Alaska/Horizon mileage partnership, will enhance the hotel's market share.

With the completion of this acquisition, Cavanaugh's Hospitality Corporation will serve the Northwest with 3,933 full service hotel rooms in 19 hotels, including 47 restaurants and lounges and 196,900 square feet of meeting space. In addition, CVH provides entertainment services through G&B Select-a-Seat, a 20-outlet computerized ticket company, and G&B Presents, a Broadway and special event presenting company. CVH also manages 3.1 million square feet of third party property management, 2,200 residential units, and owns 590,000 square feet of office and retail space.

Statements in this release may be construed to be forward looking and are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward looking statements involve risks and uncertainties, including without limitation, risks relating to the operation and acquisition of hotels, the availability of capital to finance growth, and the historical cyclicity of the lodging industry, as well as the other matters disclosed in the documents filed by the Company with the Securities & Exchange Commission. SOURCE Cavanaugh's Hospitality Corporation.