



RED LION®
HOTELS

October 25, 1999

Cavanaugh's Hospitality Corporation Announces Third Quarter Results

SPOKANE, WA – Cavanaugh's Hospitality Corporation (NYSE:CVH), a lodging, entertainment and real estate services company, announced results for the third quarter and nine months ended September 30, 1999. Total revenues increased 22.4% in the third quarter, from \$27.6 million in 1998 to a record \$33.8 million in 1999. EBITDA (earnings before interest, income taxes, depreciation and amortization) increased \$132,000, or 1.3% from \$10.0 million in the third quarter of 1998 to \$10.2 million in the third quarter of 1999. "While we are pleased with achieving record revenues and EBITDA, our goal as a management team will be to evaluate the operations we've had with the hotels we've purchased since the beginning of 1998, which has more than doubled our number of properties, and eliminate any duplication to enhance flow through," said Donald K. Barbieri, Chairman and CEO, Cavanaugh's Hospitality Corporation. Barbieri added, "We're very excited about what is happening in our TicketsWest.com™ entertainment division, where we saw a 349% increase in revenues along with announcements of two acquisitions and an expansion, taking us into the major western U.S. cities of Seattle, Portland and Denver. We also went beyond our historical geographic region this quarter and presented the Broadway musical Cats in Calgary and Edmonton, Alberta and Las Vegas, Nevada." Third quarter net income was \$3.9 million, or \$0.31 per share, a \$200,000, or 4.8% decrease from \$4.1 million, or \$0.32 per share for the same period a year ago. "As a company with large real estate ownership, net income is only part of the picture," said Arthur M. Coffey, Executive Vice President and Chief Financial Officer. "The quarter provided strong cash flow of \$7.3 million from operating activities. With that cash flow we were able to pay down debt by \$4.6 million while putting \$2.3 million towards hotel renovations to keep our facilities up to standards."

HOTEL DIVISION

Cavanaugh's Hotels, the Company's hotel division, had an increase in revenues for the quarter of \$2.9 million, or 11.7% from \$24.9 million in the third quarter of 1998 to \$27.8 million for the same period of 1999. RevPAR (Revenue Per Available Room) for the Comparable Hotels increased 1.1% from \$52.12 to \$52.71. Excluding the Salt Lake Olympus Hotel, RevPAR at the Comparable Hotels increased 4.3% from \$53.04 to \$55.32. "We had a strong summer in some very important markets, including Spokane, Washington, where we have almost 1,300 rooms," said John Taffin, Vice President, Hotel Operations. "Our central Washington region also performed well. However, our quarter was negatively impacted by the performance of our Salt Lake City property, which makes up 10% of our room base." The Salt Lake Olympus Hotel has been hampered this year by ongoing construction in the city and the main off ramp leading from Interstate 15 to the hotel has been closed the entire year. It reopened in the first week of October and the Company is closely monitoring impact from the reopening. "We think it will help," commented Taffin. "The reality, however, is that people are avoiding the city due to the massive construction projects planned in connection with the upcoming Olympics." Smith Travel Research shows citywide RevPAR for upscale hotels in Salt Lake City to be down 14.0% for 1999, through August.

During the quarter, Cavanaugh's Hotels experienced an increase in bookings from Global Distribution Systems (GDS), which travel agents use to book hotel rooms. Cavanaugh's recently went to seamless connectivity with two GDS', Apollo and Sabre, and in the last month went live with Worldspan. This fall a fourth GDS, Amadeus, will be added with seamless connectivity, allowing travel agents and users worldwide to book rooms, receiving confirmation within seconds. "We've seen a positive impact from the GDS' due to our products higher visibility and ease of access. People don't like to wait for an hour for a confirmation, and now they don't have to," explained Lori Farnell, Vice President, Sales and Marketing. "We had good RevPAR performance from many of our properties this quarter, partly due to the seamless connectivity." Revenue from GDS reservations increased 39% in the third quarter of 1999 over the third quarter of 1998.

ENTERTAINMENT

TicketsWest.com™, the Company's entertainment division, had an increase in revenues of 349% during the quarter, from \$907,000 in 1998 to \$4.1 million in 1999, primarily due to Broadway Millennium Series Gross Sales. The Company recently announced the acquisitions of Fastixx and Colorado Neighborhood Box Office, operating throughout Western Oregon and Western Washington, and Colorado Springs, Colorado, respectively. In addition to the purchase of the two ticketing companies, TicketsWest.com announced the expansion of services into Denver, Colorado and the surrounding areas and an agreement to sell ski lift tickets to Colorado area ski resorts through the expanded outlet system. "These acquisitions, and the expansion into the Denver, Colorado area, are increasing our capability to distribute tickets to a wide array of entertainment experiences," said Jack Lucas, Vice President of Entertainment Services. "In addition to our increase in content, we've expanded our geographic area in which we are offering services and we now better overlay the region covered by our hotels. This will allow us to package more entertainment events with hotel rooms, which should increase occupancy. The increased content, from the acquisitions,

on TicketsWest.com™ will make the site well worth bookmarking if you plan to attend entertainment in the Western U.S.”

Cavanaugh's Presents, the presenting arm of the entertainment division, completed two of the Broadway Millennium Series shows during the quarter. The entire season includes RIVERDANCE, LES MISERABLES, SHOWBOAT, MISS SAIGON and PHANTOM OF THE OPERA. Riverdance and Les Miserables were presented during the quarter, with both shows selling out. The remainder of the season continues to sell well. “We’re very lucky to have this caliber of productions in Spokane,” said Lucas. “We packaged Riverdance and Les Miserables with hotel rooms in the city and those rooms, in combination with rooms sold to cast and crew members, had a good impact to occupancy at Company- owned hotels.” The Gross Sales of these two productions increased divisional revenues against prior year, which didn’t have the benefit of the large productions. Costs attributed directly to these productions lowered overall Company profit margins versus prior year, as the entertainment division, while profitable, has a smaller profit margin than the hotel division, and revenues from the entertainment division were a higher percentage of total Company revenues than in the prior year.

REAL ESTATE SERVICES

G&B Real Estate Services, the Company's real estate services division, had an increase in revenues during the quarter of \$97,000, or 5.4% from \$1.8 million to \$1.9 million. In Spokane, Washington, where four of the Company's five owned commercial and retail buildings are located, the city's new River Park Square retail development project opened upon completion of its first phase, which includes a Nordstrom store as well as other national retailers, including Gap, Williams & Sonoma and Ann Taylor, as well as a 24 screen AMC theatre. The development is located across from the Company's Crescent Court and Patterson buildings and one block from the Lincoln building. Retailers in these locations experienced increased sales at the opening due to the higher traffic in the downtown core and vacant space is being marketed to new tenants. “It’s great to see the traffic in and around both our owned and managed buildings downtown,” said David Petersen, Vice President, Commercial Operations. “We want to provide the best leasing and management services to our third party owners, and increased traffic goes a long way in helping us provide that. The second stage of the development will be slightly disruptive to traffic downtown during its construction, but we think it will be well worth it.” Construction has begun on the second phase, with an expected opening in summer of 2000.

“I believe we made some good strides this quarter towards strengthening all our divisions, whether it be adding GDS technology in the hotel division or making strategic acquisitions in the entertainment side. In the fourth quarter we’ve got to focus on flow through to the bottom line,” said Barbieri. “I believe there are still opportunities in our hotels purchased since early in 1998 to increase margins and there will be a stern focus in the fourth quarter at achieving that.”

Cavanaugh's Hospitality Corporation serves 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. Cavanaugh's provides entertainment services through TicketsWest.com™, which encompasses G&B Select-a-Seat, a computerized ticket company, and Cavanaugh's Entertainment, a Broadway and special event presenting company. TicketsWest.com™ services are available through its website, at www.TicketsWest.com, stand-alone outlets and a 24-hour toll free call center. G&B Real Estate Services is the real estate division of Cavanaugh's Hospitality Corporation and owns 590,000 square feet of Company commercial real estate and manages 3.4 million square feet of Company and third party owned commercial real estate, and 2,000 units of third party owned apartment and condominium properties. More information on Cavanaugh's can be found on the Internet at www.Cavanaugh's.com.

This release contains forward looking statements which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, including those concerning the future products and activities of the Company. Investors are cautioned that all forward looking statements involve risks and uncertainties, including without limitation, risks relating to the operation of hotels, the availability of capital to finance growth, disruptions in service due to construction, and the historical cyclicity of the lodging industry, the early development stage of the Company's TicketsWest.com™ product and its dependence on increased ticket sales, the unpredictability and potential fluctuations in future revenues and operating results, as well as the other matters disclosed in the documents filed by the Company with the Securities and Exchange Commission. The Company's actual results could differ materially from these statements. SOURCE: Cavanaugh's Hospitality Corporation ("Company").

Cavanaughs Hospitality Corporation
Summary Statements of Operations
(unaudited)
(in thousands except EPS and hotel statistics)

Three months ended September 30,

	<u>F/Y 99</u>	<u>F/Y 98</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Hotels & Restaurants				
Rooms	\$ 18,624	\$ 16,813	\$ 1,811	10.8%
Food and Beverage	7,723	6,778	945	13.9%
Other	1,441	1,289	152	11.8%
Total Hotels and Restaurants	27,788	24,880	2,908	11.7%
Entertainment, Management & Services	4,072	907	3,165	348.9%
Rental Operations	1,898	1,801	97	5.4%
Total Revenues	33,758	27,588	6,170	22.4%
Operating Expenses:				
<i>Direct:</i>				
Hotels & Restaurants				
Rooms	4,658	4,035	623	15.5%
Food and Beverage	6,296	5,412	884	16.3%
Other	692	590	102	17.3%
Total Hotels and Restaurants	11,646	10,037	1,609	16.0%
Entertainment, Management & Services	3,833	640	3,193	499.0%
Rental Operations	520	439	81	18.3%
Total Direct Expenses	15,999	11,116	4,883	43.9%
<i>Undistributed Operating Expenses:</i>				
Selling, general & administrative	3,736	2,974	762	25.6%
Property Operating Costs	3,291	3,001	290	9.7%
Corporate Expenses	556	453	103	22.8%
Depreciation and Amortization	1,985	1,621	364	22.4%
Total Undistributed Operating Expenses	9,568	8,049	1,519	18.9%
Total Expenses	25,567	19,165	6,402	33.4%
Operating Income	8,191	8,423	(232)	-2.8%
Other Income (Expense):				
Interest Expense	(2,419)	(1,936)	(483)	-24.9%
Interest Income	116	75	41	54.8%
Other Income	7	6	1	17.7%
Minority Interest in Partnerships	(125)	(203)	78	38.3%
Income Before Income Taxes	5,770	6,365	(595)	-9.3%
Income Tax Provision	1,846	2,228	(382)	-17.1%
Income Before Extraordinary Item	3,924	4,137	(213)	-5.2%
Extraordinary Expense, net of taxes	0	16	(16)	-100.0%
Net Income After Extraordinary Item	3,924	4,121	\$ (197)	-4.8%
EBITDA	10,176	10,044	132	1.3%
EBITDA %	30.1%	36.4%		-6.3%
Weighted Average Shares of Stock Outstanding - Basic	12,786,392	12,983,264		
Earnings per Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle - Basic	0.31	0.32	(0.01)	-3.1%
Hotel Statistics: Comparable hotels (hotels owned > 1 year)				
Occupancy	68.0%	65.6%		2.4%
Average Rate	\$77.52	\$79.41	(\$1.90)	-2.4%
RevPAR	\$52.74	\$52.42	\$0.32	0.6%

REVPAR	\$52.71	\$52.12	\$0.59	1.1%
Room Revenue	15,009,234	14,888,554	120,680	0.8%

Cavanaugh's Hospitality Corporation
Summary Statements of Operations

(unaudited)

(in thousands except EPS and hotel statistics)

	Nine months ended September 30,			
	F/Y 99	F/Y 98	\$ Change	% Change
Revenues:				
Hotels & Restaurants				
Rooms	\$ 45,632	\$ 35,365	\$ 10,267	29.0%
Food and Beverage	22,250	16,636	5,614	33.7%
Other	3,758	3,036	722	23.8%
Total Hotels and Restaurants	71,640	55,037	16,603	30.2%
Entertainment, Management & Services	6,498	2,933	3,565	121.5%
Rental Operations	5,745	5,315	430	8.1%
Total Revenues	83,883	63,285	20,598	32.5%
Operating Expenses:				
Direct:				
Hotels & Restaurants				
Rooms	12,214	9,080	3,134	34.5%
Food and Beverage	17,760	13,573	4,187	30.9%
Other	1,672	1,366	306	22.3%
Total Hotels and Restaurants	31,646	24,019	7,627	31.8%
Entertainment, Management & Services	5,436	2,055	3,381	164.5%
Rental Operations	1,551	1,171	380	32.4%
Total Direct Expenses	38,633	27,245	11,388	41.8%
Undistributed Operating Expenses:				
Selling, general & administrative	10,450	7,199	3,251	45.2%
Property Operating Costs	9,422	6,977	2,445	35.0%
Corporate Expenses	1,623	1,295	328	25.3%
Depreciation and Amortization	5,884	4,357	1,527	35.0%
Total Undistributed Operating Expenses	27,379	19,828	7,551	38.1%
Total Expenses	66,012	47,073	18,939	40.2%
Operating Income	17,871	16,212	1,659	10.2%
Other Income (Expense):				
Interest Expense	(7,039)	(5,990)	(1,049)	-17.5%
Interest Income	263	271	(8)	-3.1%
Other Income	16	5	11	195.2%
Minority Interest in Partnerships	(180)	(247)	67	27.1%
Income Before Income Taxes	10,931	10,251	680	6.6%
Income Tax Provision	3,499	3,549	(50)	-1.4%
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	7,432	6,702	730	10.9%
Extraordinary Expense, net of taxes	10	546	(536)	-98.1%
Cumulative Effect of Change in Accounting Principle, net of taxes	133	0	133	0.0%
Net Income After Extraordinary Item and Cumulative Effect of Change in Accounting Principle	\$ 7,289	\$ 6,156	\$ 1,133	18.4%
EBITDA	23,755	20,570	3,185	15.5%
EBITDA %	28.3%	32.5%		-4.2%

Weighted Average Shares of Stock Outstanding - Basic	12,712,969	10,906,762		
Earnings per Share Before Extraordinary Item and Cumulative Effect of Change in Accounting Principle - Basic	0.58	0.61	(0.03)	-4.9%
Hotel Statistics: Comparable hotels (hotels owned > 1 year)				
Occupancy	58.0%	60.1%		-2.1%
Average Rate	\$ 81.15	\$78.43	\$2.72	3.5%
RevPAR	\$47.06	\$47.11	(\$0.05)	-0.1%
Room Revenue	26,419,817	26,110,159	309,658	1.2%