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Cavanaugh's Hospitality Corporation And Westcoast Hotels, Inc. Agree To Form One Hotel Company

- Cavanaugh's Hotels to be Re-branded as WestCoast Hotels

- Combined Companies to have 8,766 Rooms in 46 Hotels in Nine Western States.

SPOKANE, WA * Cavanaugh's Hospitality Corporation (NYSE:CVH), a lodging, entertainment and real estate services company, announced today that it has reached agreement with Seattle-based WestCoast Hotels, Inc. to form one hotel company. The transaction will close in the first quarter of 2000. Following closing, Cavanaugh's will own, manage or market 46 hotels with 8,766 rooms in nine western states.

The combined companies will have ownership interest in and manage 4,620 rooms in 24 hotels, manage and market an additional 9 hotels with 1,698 rooms, and market under the WestCoast brand 13 hotels with 2,448 rooms. Following closing, Cavanaugh's will re-brand 18 of its 19 properties to WestCoast Hotels. Two premier Cavanaugh's properties, Cavanaugh's Fifth Avenue in Seattle, Washington and Cavanaugh's Inn at the Park, in Spokane, Washington, will join four current WestCoast properties, including The Benson Hotel and The Riverplace Hotel, in Portland, Oregon, The Grove Hotel in Boise, Idaho, and the Hotel Lusso in Spokane, Washington, as WestCoast Grand Hotels. The WestCoast Valley River Inn, in Eugene, Oregon, will upgrade to Grand status as well. WestCoast Hotels will be located in Washington, Oregon, California, Arizona, Utah, Idaho, Montana, Alaska and Hawaii.

Key management of WestCoast Hotels, Inc., including Rodney D. Olson and Michael Bashaw, will remain with the combined company and current WestCoast President and CEO Rodney D. Olson will be nominated to the Board of Directors of Cavanaugh's, to be voted on at the upcoming Cavanaugh's annual meeting. Donald Barbieri will remain CEO of Cavanaugh's Hospitality Corporation. "WestCoast is a successful company, largely due to its strong team of talented and seasoned hotel professionals, who will enhance our existing organization," said Donald K. Barbieri, Chairman, President and CEO, Cavanaugh's Hospitality Corporation. "I am delighted to have them join us in a dramatic growth of the WestCoast brand."

"We are acquiring a great brand in WestCoast," said Barbieri. "The transaction increases our existing ownership-based operation with a fee-based management and franchise revenue stream, which provides a platform for less capital intensive growth through management and franchise agreements, a component that Cavanaugh's didn't have before the acquisition. The knowledge the WestCoast team has of the markets and the relationships they have built is very important. We are combining the skills of two good companies to make one great company which will grow the brand and add loyal customers to the hotels owned by our Franchisees, as well as those we own. We intend to aggressively grow the brand throughout the West, expanding from the dominant Northwest hospitality Company towards the dominant Western United States hospitality Company. We will simply have a much larger base of hotel customers to serve throughout the west and converting Cavanaugh's branded hotels to the WestCoast name will serve the ownership groups best moving forward." In 2000, the fee-based revenue stream is expected to account for approximately 11.4% of the combined company's hotel division's EBITDA (Earnings Before Interest Taxes Depreciation and Amortization).

"Additionally," said Barbieri, "we believe we will bring our Franchisees benefits which weren't available to them before, and I'm eager to share those ideas with them. We are seeing strong growth in our TicketsWest.com division in Colorado, Oregon and Washington. Future growth will continue to compliment the WestCoast Hotels marketing."

"This is exciting news for our guests, employees and investors," said Rodney D. Olson, President and CEO, WestCoast Hotels. "WestCoast and Cavanaugh's have been friendly competitors for many years. By combining these two great companies we will be better able to serve our guests through new locations, create new employment opportunities and open the door for further development and investment opportunities."

WestCoast Hotels was established in 1910 as Vance Hotels. In 1987, with three properties, Vance Hotels changed its name to become WestCoast Hotels. Ownership of hotels has been a component of the WestCoast Hotel business, but they have primarily focused on the franchise and management of hotels and were recently named in "Top 20 Management Companies in the U.S." by Hotel and Motel Management and Hotels magazines.

The acquisition fulfills a stated goal by Cavanaugh's to increase the Company's presence along the Interstate 5 corridor and in

first tier cities. "These are quality hotels that put us in some of the strongest markets in the country," said Barbieri. "In 1998, their RevPAR ran about \$10 above that of Cavanaugh's Hotels, which has a lot to do with the markets that they are in, but it also shows that these are upscale hotels that will compliment our existing base of properties." According to Smith Travel Research, San Diego, San Francisco and Los Angeles-Long Beach are the first, second and fourth highest RevPAR growth cities, respectively, among the top fifteen hotel markets in the country for the twelve months ending September 1999. WestCoast has properties in each of these markets.

"This is a major step for Cavanaugh's Hospitality Corporation," concluded Barbieri. "It opens up a new revenue stream for us that is less vulnerable to industry cycles and allows us to grow our brand, and sell our other products to a larger audience, without having the capital requirements associated with real estate ownership."

A new frequent stay program, WestAwards*, will be rolled out at participating hotels in the first quarter of 2000 to the Company's 275,000 frequent travelers and entertainment customers of TicketsWest.com*. WestAwards* will allow guests to receive awards points at participating hotels for use on their choice of airline miles, through its travel partner Alaska/Horizon Airlines, hotel rooms in the WestCoast Hotels system, or entertainment and ski tickets in the Western U.S. through TicketsWest.com*. WestAwards* members will receive on-line accounts to redeem awards and receive weekly updates of leisure packages, specials by travel partners and entertainment opportunities.

The Company believes that combining WestCoast with Cavanaugh's will result in synergies that include revenue enhancements as well as expense reductions. Revenue enhancement opportunities include cross selling among hotels and overflowing to Company hotels in cities that have multiple properties, such as Seattle, Washington, where previously Cavanaugh's only had one hotel. In addition, a new frequent-guest reward program, called WestAwards*, may increase occupancy by offering more variety in ways to spend points earned from the program, such as stays at resort locations or entertainment from TicketsWest.com, the Company's Entertainment Division. Expense reductions should be realized in combining marketing, spreading overhead costs, eliminating duplicate corporate expenses and purchasing economies of scale.

The acquisition is expected to increase the Company's 2000 revenues by approximately \$30 million, or 26%, and increase EBITDA approximately \$11.5 million, or 38%. Due to increased interest expense and write-off of loan fees associated with the acquisition, it is expected to be neutral to earnings in 2000. Overall, due to increased interest rates, general and administrative costs, and an increase in income taxes from 32% in 1999 to 36% in 2000, earnings for the Company on an existing pro forma basis are expected to be flat in 2000 against earnings in 1999. The acquisition, without the effect of further growth of the brand, is expected to add to earnings in 2001 and 2002, as debt is paid down and interest expense is lowered.

For more information on the combined companies, go to www.cavanaugh.com/chcwc on the Internet or visit any of the company websites and look for the "Press Announcement" hotlink.

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 a computerized ticket company with operations in Washington, Oregon, Idaho, Montana and Colorado, 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.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, the historical cyclicity of the lodging industry, the integration of acquisitions, including WestCoast Hotels, 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").