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HOTELS

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Cavanaugh's Hospitality Corporation Announces Fourth Quarter And Year-End Results

SPOKANE, WA – Cavanaugh's Hospitality Corporation (NYSE:CVH) today reported results for the three months and year ended December 31, 1999. Net income for the year increased from \$7.5 million in 1998 to \$8.0 million in 1999 while Earnings Per Share (EPS) for the same period decreased from \$.71 to \$.64. Cash provided by operations in 1999 increased to \$19.7 million from \$14.2 million in 1998. During the fourth quarter, Net income decreased to \$740 thousand from \$1.4 million during the same period last year and EPS declined to \$.06 in 1999 from \$.11 in 1998. During the quarter, Comparable Hotel (hotels owned for greater than one year) Revenue Per Available Room (RevPAR) increased 3.2%. RevPAR for the year for Comparable Hotels increased .5%. With the recent acquisition of WestCoast Hotels, Inc., which includes third party owned properties with which the WestCoast has management agreements, total annual revenue under management for the Company is expected to increase in 2000 approximately 65%, or \$83 million, to approximately \$210 million. This includes the Cavanaugh's Hospitality Corporation's real estate division, which also manages properties for third party owners.

As previously reported, the Company experienced soft year-end demand, as people chose to celebrate the millennium season at home, in apparent anticipation of disruptions to computer-related products and services at New Year's. Both the hotel and entertainment divisions of the Company were negatively affected by the soft demand, resulting in unfavorable results for the month of December. Also, while revenues in the Entertainment Division increased 194% and 141% for the fourth quarter and twelve months ended December 31, 1999, respectively, start-up costs associated with the purchases of Fastixx and Colorado Neighborhood Box Office and investments in software development for TicketsWest.com™ reduced margins, negatively impacting year on year results.

"1999 continued to be a very profitable year for us, although it came to a close with a very soft holiday season, and throughout the year we experienced a difficult operating environment in Salt Lake City, where construction in the city has hampered travelers for over a year," explained Donald K. Barbieri, the Company's Chairman, President and CEO. "However, we took important steps in 1999 to strengthen our position and market penetration in all the markets we serve, which we believe will add value in 2000 and beyond."

During the fourth quarter, Cavanaugh's announced the acquisition of Seattle-based WestCoast Hotels, Inc. The acquisition more than doubled the number of hotels that Cavanaugh's owns, manages or markets, to 46 hotels with 8,766 rooms in nine western states. Previously, Cavanaugh's operated in five states. The full-service WestCoast hotel chain has properties primarily located in populous urban areas such as Seattle, Washington; Portland, Oregon; San Francisco, Los Angeles and La Jolla, California; and Phoenix, Arizona. Cavanaugh's also announced its intention to re-flag all Cavanaugh's Hotels to the WestCoast brand, which is expected to take place during 2000. Additionally, Cavanaugh's is in the process of changing its corporate name to WestCoast Hospitality Corporation. The Cavanaugh's name and stock symbol, CVH, are expected to be replaced by the WestCoast name and the stock symbol WEH on March 1, 2000. "This acquisition increases our geographic coverage, giving Cavanaugh's and WestCoast customers more opportunity to stay within the brand while traveling throughout the West," said John Taffin, Vice President, Hotel Operations. "We have also strengthened our position in a number of key markets, such as Seattle, where prior to the acquisition we had one hotel. Now we have a group of properties in Seattle that can overflow from one hotel to another." In addition to revenue increasing opportunities as a result of combining the two hotel brands and introducing customers to a substantial number of new locations, the Company believes the combination will provide expense reduction opportunities. "With 46 hotels, our revenue under management has gone up, increasing our purchasing power, and we expect to realize savings as a result," said Taffin. "Our combined marketing efforts and elimination of duplicate corporate expenses should also reduce costs."

Cavanaugh's also recently announced a strategic alliance with Vancouver, British Columbia-based Coast Hotels & Resorts, which operates 20 hotels and resorts throughout British Columbia and Alberta. The relationship will include a marketing affiliation as well as cross-selling efforts among the hotels. An integrated website for the two companies will allow one-stop shopping for the combined 66 hotels and 11,582 rooms throughout the western United States and Canada, and a joint central purchasing program will take advantage of volume purchasing and rebates, which is expected to further reduce expenses for the two companies. Also, integration of toll-free call centers between the two companies will result in the ability for each call center to sell inventory from both hotel chains. "Our alliance with Coast Hotels & Resorts will introduce new customers to our chain," said Barbieri. "Pooling our 150 sales team members means more business and less leakage outside the combined system." The marketing affiliation will include publishing joint hotel and resort directories as well as rolling out combined marketing presentations that will focus on cross selling groups among the hotels. "I think the integrated website will be one of the most powerful components of the alliance," added Barbieri. "We believe the one-stop shopping experience with the geographic coverage we now have will draw more people to our website, which will not only aggregate content from both hotel

chains, but TicketsWest.comTM as well. TicketsWest.comTM, our entertainment ticketing website, will add a component that delivers a full leisure package to people seeking lodging and entertainment in the West.”

During the quarter, Cavanaugh's also announced an agreement with Darwin Networks to install high-speed Internet access in all Company owned hotels. The installations began during the quarter and Darwin expects to complete the remaining hotels by March. Increased use of the Internet by business and leisure travelers alike caused Cavanaugh's to seek out a high-speed Internet solution which the Company believes is a room amenity that travelers are beginning to look for in making a hotel choice.

In addition to the growth in hotels during 1999, TicketsWest.comTM, the Company's entertainment division, doubled in size while adding online real-time sales of tickets at its TicketsWest.com website. “I think the importance of the markets which we expanded into during the year is what makes the growth of the division so great,” said Jack Lucas, Vice President, Entertainment Services. “The majority of the growth was into the Portland, Seattle and Colorado markets. In these markets we were able to establish distribution systems, through grocery chains Fred Meyer and King Soopers (both Kroger Company subsidiaries), which are highly visible, heavily trafficked and contain the capacity to expand into more locations. Our distribution system on the Internet is also providing us with a tool to sell tickets to anyone, anywhere, while gathering customer information that will allow us to better communicate and market to TicketsWest.com customers.” According to Forrester Research, Internet event ticket sales for the United States is forecast to grow from \$115 million in 1998 to \$2.6 billion in 2003.

“We believe that we have a strong brand in WestCoast, that will be further solidified with the re-flagging of Cavanaugh's,” concluded Barbieri. “In 2000 we plan to use our expanded geographic coverage to attract new customers to our array of lodging and entertainment products while giving our existing customers added reasons to continue staying with us. Our outlook over the next year is positive as we unveil the new face of our Company.”

Cavanaugh's Hospitality Corporation, soon to be renamed WestCoast Hospitality Corporation, serves the western United States with 8,766 hotel rooms in 46 Cavanaugh's Hotels and WestCoast Hotels. Cavanaugh's Hotels will be re-branded as WestCoast Hotels during 2000. Cavanaugh's provides entertainment services through TicketsWest.comTM, 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.comTM 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 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 cyclicality of the lodging industry, the integration of acquisitions, including WestCoast Hotels, the early development stage of the Company's TicketsWest.comTM 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”).

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

Three months ended December 31,

	<u>F/Y 99</u>	<u>F/Y 98</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Hotels & Restaurants				
Rooms	\$ 11,911	\$ 11,323	\$ 588	5.2%
Food and Beverage	8,098	7,764	334	4.3%
Other	1,159	1,048	111	10.6%
Total Hotels and Restaurants	21,168	20,135	1,033	5.1%
Entertainment, Management & Services	3,155	1,073	2,082	194.1%
Rental Operations	1,849	1,840	9	0.5%
Total Revenues	26,172	23,048	3,124	13.6%
Operating Expenses:				
Direct:				
Hotels & Restaurants				
Rooms	3,699	3,482	217	6.2%
Food and Beverage	6,190	6,015	175	2.9%
Other	562	436	126	29.0%
Total Hotels and Restaurants	10,451	9,933	518	5.2%
Entertainment, Management & Services	3,021	630	2,391	379.4%
Rental Operations	525	398	127	31.8%
Total Direct Expenses	13,997	10,961	3,036	27.7%
Undistributed Operating Expenses:				
Selling, general & administrative	3,447	2,618	829	31.7%
Property Operating Costs	3,146	3,155	(9)	-0.3%
Corporate Expenses	370	457	(87)	-19.3%
Depreciation and Amortization	2,048	1,758	290	16.5%
Total Undistributed Operating Expenses	9,011	7,988	1,023	12.8%
Total Expenses	23,008	18,949	4,059	21.4%
Operating Income	3,164	4,099	(935)	-22.8%
Other Income (Expense):				
Interest Expense	(2,346)	(2,137)	(209)	9.8%
Interest Income	105	75	30	40.5%
Other Income	5	84	(79)	-94.4%
Minority Interest in Partnerships	50	(8)	58	709.2%
Income Before Income Taxes	978	2,113	(1,135)	-53.7%
Income Tax Provision	238	761	(523)	-68.7%
Net Income	740	1,352	(612)	-45.2%
EBITDA	5,212	5,857	(645)	-11.0%
EBITDA %	19.9%	25.4%		-5.5%
Weighted Average Shares of Stock Outstanding - Basic	12,878	12,652		
Earnings per Share	0.06	0.11	(0.05)	-46.2%
Hotel Statistics: Comparable hotels (hotels owned > 1 year)				
Occupancy	48.4%	46.4%		2.0%
Average Rate	\$ 70.08	\$ 70.81	(\$0.73)	-1.0%
RevPAR	\$ 33.89	\$ 32.82	\$1.07	3.2%
Room Revenue	11,309,286	11,192,429	116,857	1.0%

Occupancy	55.5%	57.1%		-1.5%
Average Rate	\$ 80.80	\$ 78.26	\$2.53	3.1%
RevPAR	\$ 44.86	\$ 44.65	\$0.21	0.5%
Room Revenue	33,669,038	33,191,367	477,651	1.4%