

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2020**

OR

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

(State or other jurisdiction of incorporation or organization)

91-1032187

(I.R.S. Employer Identification No.)

1550 Market St. #425

(Address of Principal Executive Offices)

Denver

Colorado

80202

(Zip Code)

(509) 459-6100

Registrant's telephone number, including area code

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock | RLH | New York Stock Exchange |

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 No

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 3, 2020, there were 25,401,421 shares of the registrant's common stock outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

RED LION HOTELS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

| | June 30, 2020 | December 31, 2019 |
|--|--|----------------------|
| | <i>(In thousands, except share data)</i> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (\$972 and \$1,819 attributable to VIEs) | \$ 33,702 | \$ 29,497 |
| Restricted cash (\$100 and \$2,311 attributable to VIEs) | 100 | 2,311 |
| Accounts receivable (\$398 and \$1,033 attributable to VIEs), net of an allowance for doubtful accounts of \$8,611 and \$4,589, respectively | 11,463 | 15,143 |
| Notes receivable, net | 286 | 5,709 |
| Other current assets (\$130 and \$311 attributable to VIEs) | 4,255 | 5,849 |
| Total current assets | 49,806 | 58,509 |
| Property and equipment, net (\$11,296 and \$29,848 attributable to VIEs) | 34,492 | 68,668 |
| Operating lease right-of-use assets (\$— and \$10,810 attributable to VIEs) | 5,337 | 48,283 |
| Goodwill | 18,595 | 18,595 |
| Intangible assets, net | 47,081 | 48,612 |
| Other assets, net (\$— and \$703 attributable to VIEs) | 2,635 | 3,851 |
| Total assets | \$ 157,946 | \$ 246,518 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable (\$134 and \$589 attributable to VIEs) | \$ 4,093 | \$ 5,510 |
| Accrued payroll and related benefits (\$90 and \$349 attributable to VIEs) | 1,031 | 2,709 |
| Other accrued liabilities (\$182 and \$455 attributable to VIEs) | 4,900 | 5,469 |
| Long-term debt, due within one year (\$5,582 and \$16,984 attributable to VIEs) | 5,582 | 16,984 |
| Operating lease liabilities, due within one year (\$— and \$966 attributable to VIEs) | 1,520 | 4,809 |
| Total current liabilities | 17,126 | 35,481 |
| Long-term debt, due after one year, net of debt issuance costs (\$— and \$5,576 attributable to VIEs) | — | 5,576 |
| Line of credit, due after one year | — | 10,000 |
| Operating lease liabilities, due after one year (\$— and \$11,938 attributable to VIEs) | 5,059 | 46,592 |
| Deferred income and other long-term liabilities (\$— and \$28 attributable to VIEs) | 842 | 1,105 |
| Deferred income taxes | 823 | 743 |
| Total liabilities | 23,850 | 99,497 |
| Commitments and contingencies (Note 10) | | |
| STOCKHOLDERS' EQUITY | | |
| RLH Corporation 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; 25,342,104 and 25,148,005 shares issued and outstanding | 254 | 251 |
| Additional paid-in capital, common stock | 179,770 | 181,608 |
| Accumulated deficit | (48,936) | (36,875) |
| Total RLH Corporation stockholders' equity | 131,088 | 144,984 |
| Noncontrolling interest | 3,008 | 2,037 |
| Total stockholders' equity | 134,096 | 147,021 |
| Total liabilities and stockholders' equity | \$ 157,946 | \$ 246,518 |

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

RED LION HOTELS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|--------------------|-------------------|
| | June 30, | | June 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| <i>(In thousands, except per share data)</i> | | | | |
| Revenue: | | | | |
| Royalty | \$ 3,584 | \$ 5,867 | \$ 7,941 | \$ 11,607 |
| Marketing, reservations and reimbursables | 4,473 | 7,603 | 10,278 | 14,332 |
| Other franchise | 701 | 1,214 | 1,475 | 1,756 |
| Company operated hotels | 1,471 | 14,236 | 7,800 | 27,206 |
| Other | — | 5 | — | 8 |
| Total revenues | 10,229 | 28,925 | 27,494 | 54,909 |
| Operating expenses: | | | | |
| Selling, general, administrative and other expenses | 4,770 | 6,660 | 21,035 | 14,051 |
| Company operated hotels | 2,139 | 12,532 | 8,817 | 24,077 |
| Marketing, reservations and reimbursables | 3,791 | 7,847 | 9,549 | 15,008 |
| Depreciation and amortization | 2,410 | 4,109 | 4,947 | 7,556 |
| Asset impairment | — | — | 1,760 | — |
| Loss (gain) on asset dispositions, net | 331 | 38 | (7,561) | 44 |
| Transaction and integration costs | 1,002 | 173 | 1,400 | 235 |
| Total operating expenses | 14,443 | 31,359 | 39,947 | 60,971 |
| Operating loss | (4,214) | (2,434) | (12,453) | (6,062) |
| Other income (expense): | | | | |
| Interest expense | (49) | (1,109) | (555) | (1,991) |
| Loss on early retirement of debt | — | (164) | (1,309) | (164) |
| Other income, net | 199 | 44 | 247 | 77 |
| Total other income (expense) | 150 | (1,229) | (1,617) | (2,078) |
| Loss before taxes | (4,064) | (3,663) | (14,070) | (8,140) |
| Income tax expense (benefit) | 148 | 108 | (604) | 190 |
| Net loss | (4,212) | (3,771) | (13,466) | (8,330) |
| Net loss attributable to noncontrolling interest | 250 | 774 | 1,405 | 1,060 |
| Net loss and comprehensive loss attributable to RLH Corporation | \$ (3,962) | \$ (2,997) | \$ (12,061) | \$ (7,270) |
| Loss per share - basic | \$ (0.16) | \$ (0.12) | \$ (0.48) | \$ (0.29) |
| Loss per share - diluted | \$ (0.16) | \$ (0.12) | \$ (0.48) | \$ (0.29) |
| Weighted average shares - basic | 25,335 | 24,856 | 25,267 | 24,730 |
| Weighted average shares - diluted | 25,335 | 24,856 | 25,267 | 24,730 |

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

RED LION HOTELS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

| Red Lion Hotels Corporation Stockholders' Equity | | | | | | | | |
|--|--------------|--------|-------------------------------|--|---------------------------------|--|-----------------|--|
| | Common Stock | | | Retained Earnings (Accumulated Deficit) | RLH Corporation Total Equity | Equity Attributable to Noncontrolling Interest | Total Equity | |
| | Shares | Amount | Additional Paid-In Capital | | | | | |
| <i>(In thousands, except share data)</i> | | | | | | | | |
| Balances, December 31, 2018 | 24,570,158 | \$ 246 | \$ 182,018 | \$ (17,846) | \$ 164,418 | \$ 21,164 | \$ 185,582 | |
| Net income (loss) | — | — | — | (4,273) | (4,273) | (286) | (4,559) | |
| Shared based payment activity | 56,301 | 1 | 685 | — | 686 | — | 686 | |
| Distributions to noncontrolling interests | — | — | — | — | — | (7,431) | (7,431) | |
| Balances, March 31, 2019 | 24,626,459 | 247 | 182,703 | (22,119) | 160,831 | 13,447 | 174,278 | |
| Net income (loss) | — | — | — | (2,997) | (2,997) | (774) | (3,771) | |
| Shared based payment activity | 449,453 | 4 | (1,034) | — | (1,030) | — | (1,030) | |
| Balances, June 30, 2019 | 25,075,912 | 251 | 181,669 | (25,116) | 156,804 | 12,673 | 169,477 | |
| Net income (loss) | — | — | — | (3,672) | (3,672) | (2,980) | (6,652) | |
| Shared based payment activity | 42,600 | 1 | 1,054 | — | 1,055 | — | 1,055 | |
| Balances, September 30, 2019 | 25,118,512 | 252 | 182,723 | (28,788) | 154,187 | 9,693 | 163,880 | |
| Net income (loss) | — | — | — | (8,087) | (8,087) | 2,096 | (5,991) | |
| Shared based payment activity | 29,493 | (1) | (739) | — | (740) | — | (740) | |
| Reclassification of noncontrolling interest | — | — | (376) | — | (376) | 376 | — | |
| Distributions to noncontrolling interests | — | — | — | — | — | (10,128) | (10,128) | |
| Balances, December 31, 2019 | 25,148,005 | 251 | 181,608 | (36,875) | 144,984 | 2,037 | 147,021 | |
| Net income (loss) | — | — | — | (8,099) | (8,099) | (1,155) | (9,254) | |
| Shared based payment activity | 60,978 | 2 | 336 | — | 338 | — | 338 | |
| Distributions to noncontrolling interests | — | — | (2,376) | — | (2,376) | 2,376 | — | |
| Balances, March 31, 2020 | 25,208,983 | 253 | 179,568 | (44,974) | 134,847 | 3,258 | 138,105 | |
| Net income (loss) | — | — | — | (3,962) | (3,962) | (250) | (4,212) | |
| Shared based payment activity | 133,121 | 1 | 202 | — | 203 | — | 203 | |
| Balances, June 30, 2020 | 25,342,104 | \$ 254 | \$ 179,770 | \$ (48,936) | \$ 131,088 | \$ 3,008 | \$ 134,096 | |

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

RED LION HOTELS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six Months Ended | |
|---|-----------------------|------------|
| | June 30, | |
| | 2020 | 2019 |
| | <i>(In thousands)</i> | |
| Operating activities: | | |
| Net loss | \$ (13,466) | \$ (8,330) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 4,947 | 7,556 |
| Noncash PIK interest and amortization of debt issuance costs | 187 | 249 |
| Amortization of key money and contract costs | 514 | 459 |
| Amortization of contract liabilities | (301) | (534) |
| Loss (gain) on asset dispositions, net | (7,561) | 44 |
| Noncash loss on early retirement of debt | 750 | 67 |
| Asset impairment | 1,760 | — |
| Deferred income taxes | 80 | 98 |
| Stock-based compensation expense | 575 | 1,562 |
| Provision for doubtful accounts | 10,328 | 472 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (1,085) | (820) |
| Key money disbursements | (329) | (535) |
| Other current assets | 1,299 | 839 |
| Accounts payable | (1,483) | 2,827 |
| Other accrued liabilities | (1,984) | (899) |
| Net cash provided by (used in) operating activities | (5,769) | 3,055 |
| Investing activities: | | |
| Capital expenditures | (1,374) | (2,843) |
| Net proceeds from disposition of property and equipment | 36,896 | — |
| Collection of notes receivable | — | 242 |
| Advances on notes receivable | — | (90) |
| Net cash provided by (used in) investing activities | 35,522 | (2,691) |
| Financing activities: | | |
| Borrowings on long-term debt, net of discounts | 4,234 | 32,935 |
| Repayment of long-term debt and finance leases | (21,958) | (20,283) |
| Repayment of line of credit borrowing | (10,000) | — |
| Debt issuance costs | — | (542) |
| Distributions to noncontrolling interest | — | (7,431) |
| Stock-based compensation awards canceled to settle employee tax withholding | (81) | (2,131) |
| Stock option and stock purchase plan issuances, net and other | 46 | 105 |
| Net cash provided by (used in) financing activities | (27,759) | 2,653 |
| Change in cash, cash equivalents and restricted cash: | | |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 1,994 | 3,017 |
| Cash, cash equivalents and restricted cash at beginning of period | 31,808 | 19,789 |
| Cash, cash equivalents and restricted cash at end of period | \$ 33,802 | \$ 22,806 |

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

RED LION HOTELS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Red Lion Hotels Corporation ("RLH Corporation," "RLHC," "we," "our," "us," or "our company") is a NYSE-listed hospitality and leisure company (ticker symbol: RLH) doing business as RLH Corporation and primarily engaged in the franchising and ownership of hotels under the following proprietary brands: Hotel RL, Red Lion Hotels, Red Lion Inn & Suites, GuestHouse, Americas Best Value Inn, Canadas Best Value Inn, Signature and Signature Inn, Knights Inn, and Country Hearth Inns & Suites.

2. Summary of Significant Accounting Policies

The unaudited condensed consolidated financial statements included herein were prepared by us 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"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted as permitted by such rules and regulations.

The Consolidated Balance Sheet as of December 31, 2019 was derived from the audited balance sheet as of such date. We believe the disclosures included herein are adequate; however, they should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2019, filed with the SEC in our annual report on Form 10-K on February 27, 2020.

In the opinion of management, these unaudited condensed consolidated financial statements contain all of the adjustments of a normal and recurring nature necessary to present fairly our Condensed Consolidated Balance Sheets, the Condensed Consolidated Statements of Comprehensive Loss, the Condensed Consolidated Statements of Stockholders' Equity, and the Condensed Consolidated Statements of Cash Flows. The results of operations for the periods presented may not be indicative of that which may be expected for a full year or for any other fiscal period.

New Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*, as amended by multiple subsequent ASUs, which will change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The ASU will replace the current "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For trade and other receivables, held to maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowances for losses. In October 2019, an update was issued to the standard that deferred the effective date of the guidance to the first quarter of 2023 for smaller reporting companies such as us. We are currently evaluating the effects of this ASU on our financial statements, and such effects have not yet been determined.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which amends the existing guidance related to the accounting for income taxes. The ASU eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The ASU is effective the first quarter of 2021, with early adoption permitted. We are currently evaluating the effects of this ASU on our financial statements, and such effects have not yet been determined.

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

3. Business Segments

We have two operating segments: franchised hotels and company operated hotels. 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, income taxes and certain corporate expenses; therefore, they have not been allocated to the operating segments. We allocate selling, general, administrative and other expenses to our operating segments. All balances have been presented after the elimination of inter-segment and intra-segment revenues and expenses.

Selected financial information is provided below (in thousands):

| Three Months Ended June 30, 2020 | Franchised Hotels | Company Operated Hotels | Other | Total |
|---|--------------------------|------------------------------------|-------------------|-------------------|
| Revenue | \$ 8,758 | \$ 1,471 | \$ — | \$ 10,229 |
| Operating expenses: | | | | |
| Segment and other operating expenses | 5,647 | 2,426 | 2,627 | 10,700 |
| Depreciation and amortization | 894 | 423 | 1,093 | 2,410 |
| Loss (gain) on asset dispositions, net | — | 111 | 220 | 331 |
| Transaction and integration costs | — | 21 | 981 | 1,002 |
| Operating income (loss) | <u>\$ 2,217</u> | <u>\$ (1,510)</u> | <u>\$ (4,921)</u> | <u>\$ (4,214)</u> |

| Three Months Ended June 30, 2019 | Franchised Hotels | Company Operated Hotels | Other | Total |
|---|--------------------------|------------------------------------|-------------------|-------------------|
| Revenue | \$ 14,684 | \$ 14,236 | \$ 5 | \$ 28,925 |
| Operating expenses: | | | | |
| Segment and other operating expenses | 10,084 | 12,863 | 4,092 | 27,039 |
| Depreciation and amortization | 1,110 | 1,917 | 1,082 | 4,109 |
| Loss (gain) on asset dispositions, net | (1) | 37 | 2 | 38 |
| Transaction and integration costs | 34 | — | 139 | 173 |
| Operating income (loss) | <u>\$ 3,457</u> | <u>\$ (581)</u> | <u>\$ (5,310)</u> | <u>\$ (2,434)</u> |

| Six Months Ended June 30, 2020 | Franchised Hotels | Company Operated Hotels | Other | Total |
|--|--------------------------|------------------------------------|--------------------|--------------------|
| Revenue | \$ 19,694 | \$ 7,800 | \$ — | \$ 27,494 |
| Operating expenses: | | | | |
| Segment and other operating expenses | 23,187 | 9,456 | 6,758 | 39,401 |
| Depreciation and amortization | 1,776 | 1,289 | 1,882 | 4,947 |
| Asset impairment | — | 1,760 | — | 1,760 |
| Loss (gain) on asset dispositions, net | — | (7,781) | 220 | (7,561) |
| Transaction and integration costs | — | 53 | 1,347 | 1,400 |
| Operating income (loss) | <u>\$ (5,269)</u> | <u>\$ 3,023</u> | <u>\$ (10,207)</u> | <u>\$ (12,453)</u> |

| Six Months Ended June 30, 2019 | Company Operated | | | Total |
|--|-------------------|------------|------------|------------|
| | Franchised Hotels | Hotels | Other | |
| Revenue | \$ 27,695 | \$ 27,206 | \$ 8 | \$ 54,909 |
| Operating expenses: | | | | |
| Segment and other operating expenses | 19,706 | 25,324 | 8,106 | 53,136 |
| Depreciation and amortization | 2,024 | 3,873 | 1,659 | 7,556 |
| Loss (gain) on asset dispositions, net | (1) | 43 | 2 | 44 |
| Transaction and integration costs | 96 | — | 139 | 235 |
| Operating income (loss) | \$ 5,870 | \$ (2,034) | \$ (9,898) | \$ (6,062) |

The following table presents identifiable assets for our reportable segments (in thousands):

| | June 30, 2020 | March 31, 2020 | December 31, 2019 |
|-------------------------|------------------|-------------------|----------------------|
| Franchised Hotels | \$ 82,001 | \$ 82,199 | \$ 91,832 |
| Company Operated Hotels | 60,561 | 65,523 | 138,477 |
| Other | 15,384 | 16,786 | 16,209 |
| Total | \$ 157,946 | \$ 164,508 | \$ 246,518 |

4. Variable Interest Entities

Our joint venture entities have been determined to be variable interest entities ("VIEs") because our voting rights are not proportional to our financial interest and substantially all of each joint venture's activities involve and are conducted on our behalf. We have determined that we are the primary beneficiary as (a) we exert power over two of the entity's key activities (hotel operations and property renovations) and share power over the remaining key activities with our joint venture partners, which do not have the unilateral ability to exercise kick-out rights, and (b) we have the obligation to absorb losses and right to receive benefits that could be significant to the entity through our equity interest and management fees. As a result, we consolidate the assets, liabilities, and results of operations of (1) RL Venture LLC ("RL Venture"), (2) RLS Atla Venture LLC ("RLS Atla Venture"), and (3) RLS DC Venture LLC ("RLS DC Venture"). The equity interests owned by our joint venture partners are reflected as a noncontrolling interest in the condensed consolidated financial statements.

In November 2019, RLH Atlanta LLC, which is wholly owned by RLS Atla Venture, sold the Red Lion Hotel Atlanta International Airport Hotel. Upon completion of the sale, no remaining distributions to our joint venture partner, Shelbourne Falcon Big Peach Investors, LLC, were required and the remaining noncontrolling interest for the entity was reclassified to *Additional paid-in capital* on the Condensed Consolidated Balance Sheets.

There were no cash contributions or distributions by partners to any of the joint venture entities during the three and six months ended June 30, 2020 or 2019 except as otherwise described below.

RL Venture

For all periods presented, RLH Corporation owns 55% of RL Venture and our JV Partner owns 45%. In March 2019, secured loans with an aggregate principal of \$16.6 million were entered into for two RL Venture properties, Hotel RL Salt Lake City and Hotel RL Olympia. Shortly thereafter the net loan proceeds were distributed to us and our joint venture partner in accordance with our respective ownership percentages. Accordingly, during the six months ended June 30, 2019, cash distributions totaled \$16.5 million, of which RLH Corporation received \$9.1 million.

In December 2019, the Hotel RL Salt Lake City was sold for an aggregate sales price of \$33.0 million. Proceeds from the sale were used to repay in full the secured loan entered into in 2019 for the Hotel RL Salt Lake City property. As of June 30, 2020, RL Venture has one remaining property, the Hotel RL Olympia.

RLS DC Venture

As of December 31, 2019, RLH Corporation owned 55% of RLS DC Venture and our Joint Venture Partner owned 45%. In May 2019, a secured loan with principal and accrued exit fee of \$17.4 million was executed by RLS DC Venture. The net loan proceeds were used to pay off the previous debt with a principal balance of approximately \$15.9 million. There were no cash distributions resulting from the refinancing. In February 2020, the Hotel RL in Washington DC, which was wholly-owned by RLS DC Venture, was sold for \$16.4 million. Using proceeds from the sale, together with the release of \$2.3 million in restricted cash held by CP Business Finance I, LP, RLS DC Venture repaid the remaining outstanding principal balance and accrued exit fee under the secured loan agreement. The \$2.4 million balance remaining in non-controlling interest for the entity was reclassified to *Additional paid-in capital* on the Condensed Consolidated Balance Sheets as no remaining distributions to the joint venture partner are required.

5. Property and Equipment

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

| | June 30, 2020 | December 31, 2019 |
|-----------------------------------|------------------|----------------------|
| Buildings and equipment | \$ 44,804 | \$ 101,619 |
| Furniture and fixtures | 6,551 | 12,407 |
| Landscaping and land improvements | 487 | 2,038 |
| | 51,842 | 116,064 |
| Less accumulated depreciation | (26,218) | (57,491) |
| | 25,624 | 58,573 |
| Land | 6,871 | 6,871 |
| Construction in progress | 1,997 | 3,224 |
| Property and equipment, net | \$ 34,492 | \$ 68,668 |

A novel strain of coronavirus (COVID-19) was first identified in Wuhan, China in December 2019, and subsequently declared a pandemic by the World Health Organization on March 11, 2020. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. The economic impact of the pandemic thus far has been extremely punitive to travel related businesses across the nation, significantly affecting the operating results of companies within the hospitality industry. In the first quarter of 2020, we considered the actual and anticipated economic impacts of the COVID-19 pandemic on our financial results to be an indicator that the carrying value of our long-lived assets might not be recoverable. Accordingly, we performed a test for recoverability using probability-weighted undiscounted cash flows on our long-lived assets as of March 31, 2020.

Only the Red Lion Hotel Seattle Airport, one of our company operated hotel properties under a lease through February 2024, did not recover the carrying value of the long-lived asset group in the test for recoverability, due to the short useful life and lack of terminal value. After calculating the fair value of the Red Lion Hotel Seattle Airport property long-lived asset group, we recognized an impairment loss of \$1.8 million in the first quarter of 2020. The fair value was determined based on a discounted cash flow analysis, which is a Level 3 fair value measurement. The impairment loss was allocated to the assets within the long-lived asset group on a pro rata basis, with \$1.5 million applied against the hotel building leasehold interest, included within *Property and equipment, net* and \$0.3 million applied against the *Operating lease right-of-use asset* on the Condensed Consolidated Balance Sheets. There were no other impairments of our long-lived assets in the first or second quarter of 2020.

There were no hotels sold during the three months ended June 30, 2020. During the six months ended June 30, 2020, we sold the Hotel RL Washington DC joint venture hotel property, and our leasehold interest in the Red Lion Anaheim for a combined net gain of \$7.9 million. There were no hotels sold during the three and six months ended June 30, 2019.

6. Goodwill and Intangible Assets

Interim Impairment Assessment

In the first quarter of 2020, we considered the actual and anticipated economic impacts of the COVID-19 pandemic on our financial results to be an indicator that the fair value of our goodwill and indefinite-lived intangible assets might be less than their carrying amounts. Accordingly, we performed quantitative assessments to measure the fair values of these assets as of March 31, 2020. No impairments were identified based on the quantitative impairment calculations of our goodwill and other indefinite-lived intangible assets. No additional indicators of impairment were identified in the second quarter of 2020.

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

| | June 30, 2020 | December 31, 2019 |
|--|------------------|----------------------|
| Goodwill | \$ 18,595 | \$ 18,595 |
| Intangible assets | | |
| Brand name - indefinite lived | \$ 32,532 | \$ 32,532 |
| Trademarks - indefinite lived | 128 | 128 |
| Brand name - finite lived, net | 3,197 | 3,554 |
| Customer contracts - finite lived, net | 11,224 | 12,398 |
| Total intangible assets, net | \$ 47,081 | \$ 48,612 |

The following table summarizes the balances of amortized customer contracts and finite-lived brand names (in thousands):

| | June 30, 2020 | December 31, 2019 |
|---------------------------|------------------|----------------------|
| Customer contracts | \$ 20,773 | \$ 20,773 |
| Brand name - finite lived | 5,395 | 5,395 |
| Accumulated amortization | (11,747) | (10,216) |
| Net carrying amount | \$ 14,421 | \$ 15,952 |

7. Revenue from Contracts with Customers

Inner Circle

In July 2019, the parent entities for eight Inner Circle franchisees and the operating entities for two other Inner Circle franchisees all filed for voluntary bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.

Of the \$7.1 million in accounts receivable and notes receivable balances related to these franchisees, including unamortized key money converted to notes receivable upon termination of contracts, we recognized bad debt expense and an allowance of \$0.8 million in 2019 and bad debt expense and an allowance for the remaining \$6.3 million in the first quarter of 2020 when the reduction in fair value of collateral combined with timing of bankruptcy proceedings made it apparent the balances were highly unlikely to be recoverable. There has been no additional activity recorded by RLHC related to these franchisees since the first quarter and the related balances continue to be fully reserved, but we continue to monitor the ongoing bankruptcy proceedings for any potential changes.

Other Allowances

We recognized additional bad debt expense of \$3.4 million in the first quarter of 2020, primarily related to large balances under legal dispute and aged balances from terminated agreements that were negatively impacted by the economic effects of the COVID-19 pandemic. In the second quarter of 2020 we recognized an additional \$0.6 million of bad debt expense, primarily related to terminated franchise agreements.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers (in thousands):

| Financial Statement Line Item(s) | | June 30, | December 31, |
|----------------------------------|---|-----------|--------------|
| | | 2020 | 2019 |
| Accounts receivable | Accounts receivable, net | \$ 11,463 | \$ 15,143 |
| Key money disbursed | Other current assets and Other assets, net | 2,184 | 2,228 |
| Capitalized contract costs | Other current assets and Other assets, net | 742 | 941 |
| Contract liabilities | Other accrued liabilities and Deferred income and other long-term liabilities | 1,277 | 1,448 |

Significant changes in the key money disbursements, capitalized contract costs, and contract liabilities balances during the period are as follows (in thousands):

| | Key Money Disbursed | Capitalized Contract Costs | Contract Liabilities |
|--|---------------------|----------------------------|----------------------|
| Balance as of January 1, 2020 | \$ 2,228 | \$ 941 | \$ 1,448 |
| Key money disbursed | 329 | — | — |
| Key money converted from accounts receivable | 461 | — | — |
| Key money converted to notes receivable | (639) | — | — |
| Costs incurred to acquire contracts | — | 120 | — |
| Cash received in advance | — | — | 130 |
| Revenue or expense recognized that was included in the January 1, 2020 balance | (161) | (302) | (294) |
| Revenue or expense recognized in the period for the period | (34) | (17) | (7) |
| Balance as of June 30, 2020 | \$ 2,184 | \$ 742 | \$ 1,277 |

Estimated revenues and expenses expected to be recognized related to performance obligations that were unsatisfied as of June 30, 2020, including revenues related to application, initiation and other fees were as follows (in thousands):

| Year Ending December 31, | Contra Revenue | Expense | Revenue |
|--------------------------|----------------|---------|----------|
| 2020 (remainder) | \$ 226 | \$ 120 | \$ 243 |
| 2021 | 380 | 200 | 380 |
| 2022 | 344 | 167 | 283 |
| 2023 | 304 | 123 | 178 |
| 2024 | 249 | 75 | 106 |
| Thereafter | 681 | 57 | 87 |
| Total | \$ 2,184 | \$ 742 | \$ 1,277 |

We did not estimate revenues expected to be recognized related to our unsatisfied performance obligations for our: (i) royalty fees, as they are considered sales-based royalty fees recognized as hotel room sales occur in exchange for licenses of our brand names over the terms of the franchise contracts; and (ii) hotel management fees, since they are allocated entirely to the wholly unsatisfied promise to transfer management services, which form part of a single performance obligation in a series, over the term of the management contract. Therefore, there are no amounts included in the table above related to these revenues.

8. Debt and Line of Credit

The current and noncurrent portions of our debt as of June 30, 2020 and December 31, 2019 are as follows (in thousands):

| Line of Credit | June 30, 2020 | | December 31, 2019 | |
|---------------------------------|---------------|------------|-------------------|------------|
| | Current | Noncurrent | Current | Noncurrent |
| Line of Credit | \$ — | \$ — | \$ — | \$ 10,000 |
| RL Venture - Olympia | 5,600 | — | — | 5,600 |
| RLH DC Venture | — | — | 17,648 | — |
| Total debt | 5,600 | — | 17,648 | 15,600 |
| Unamortized debt issuance costs | (18) | — | (664) | (24) |
| Debt net of debt issuance costs | \$ 5,582 | \$ — | \$ 16,984 | \$ 15,576 |

RL Venture - Olympia

In March 2019, RL Olympia, LLC, a subsidiary of RL Venture, executed a secured debt agreement with Umpqua Bank for a term loan with a principal balance of \$5.6 million. We incurred approximately \$33,000 of debt discounts and debt issuance costs in connection with the issuance of the loan. The loan is fully secured by the Hotel RL Olympia property. The loan has a maturity date of March 18, 2021, and a variable interest rate of LIBOR plus 2.25%, payable monthly. The borrower has the option to exercise two six-month extensions upon maturity of the loan, so long as the borrower is in compliance with covenants. There are no principal repayment requirements prior to the maturity date and the loan includes a financial covenant to be calculated semi-annually in which the property must maintain a minimum debt service coverage ratio of not less than 1.6 to 1.0.

Primarily due to the negative economic impact of the COVID-19 pandemic, the property failed to meet the minimum required financial covenants as of the semi-annual calculation of June 30, 2020. Due to the contractual cure period provisions the debt will not be called due prior to the maturity date in March 2021, however we will be unable to exercise the previously discussed extensions, and as such we have classified this debt as current in our Condensed Consolidated Balance Sheets as of June 30, 2020. We continue to pursue options to address the debt prior to maturity, such as the sale of property or alternative financing.

Line of Credit

In August 2018, we drew the full \$10.0 million available to us on the Line of Credit under a credit agreement with Deutsche Bank AG New York Branch (DB), Capital One, National Association and Raymond James Bank, N.A., as lenders and DB as the administrative agent. In the first quarter of 2020, we sold our leasehold interest in the Red Lion Anaheim for \$21.5 million. Using proceeds from the sale, we repaid the outstanding Line of Credit balance of \$10.0 million. This debt is no longer outstanding as of June 30, 2020 and as the credit agreement has been terminated we no longer have access to this Line of Credit. Due to the early extinguishment of this debt, we recognized a *Loss on early retirement of debt* of \$0.2 million in the first quarter of 2020.

RLH DC Venture

In the first quarter of 2020, we sold the Hotel RL Washington DC for \$16.4 million. Using proceeds from the sale, together with the release of \$2.3 million in restricted cash held by CP Business Finance I, LP, RLH DC Venture repaid the remaining outstanding principal balance and accrued exit fee under the RLH DC Venture - CPBF loan agreement of \$17.7 million. This debt is no longer outstanding as of June 30, 2020. Due to the early extinguishment of this debt, in the first quarter of 2020, we recognized a *Loss on early retirement of debt* of \$1.1 million, including a prepayment penalty of \$0.6 million.

Paycheck Protection Program ("PPP") Loan

On April 21, 2020, RLHC received \$4.2 million in loan proceeds issued pursuant to the PPP of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). In accordance with the CARES Act, RLHC planned to use proceeds from the Loan primarily for payroll costs, rent, and utilities as we concluded we met the certification criteria under the initial requirements of the PPP. However, on April 24, 2020, the U.S. government published additional guidance regarding PPP eligibility. As a result of this new guidance, we determined it was no longer clear that we met the eligibility requirements and accordingly repaid the full amount of the loan in May.

9. Leases

We lease equipment and land and/or property at certain company operated hotel properties as well as office space for our headquarters through operating leases. We have elected the practical expedient so that leases with an initial term of 12 months or less are not recorded on the balance sheet.

We are obligated under finance leases for certain hotel equipment at our company operated hotel locations. The finance leases typically have a five year term.

During the first quarter of 2020, we sold the Hotel RL Washington DC joint venture property, which had a ground lease with a term through 2080. As of December 31, 2019, we had recorded an *Operating lease right-of use asset* of \$10.8 million, and total operating lease liabilities of \$12.9 million for this ground lease. The ground lease was transferred with the sale of the property, resulting in the removal of these balances from the Condensed Consolidated Balance Sheets.

Also in the first quarter of 2020, we sold our leasehold interest in the Red Lion Anaheim, which had a ground lease with a term through 2021 with renewal options through 2106 that were reasonably assured to be exercised. As of December 31, 2019, we had recorded an *Operating lease right-of-use asset* of \$31.4 million, with corresponding operating lease liabilities of \$31.4 million for this ground lease. The ground lease was transferred with the sale of the property, resulting in the removal of these balances from the Condensed Consolidated Balance Sheets.

Balance sheet information related to our leases is included in the following table (in thousands):

| Operating Leases | June 30, 2020 | December 31, 2019 |
|--|----------------------|--------------------------|
| Operating lease right-of-use assets | \$ 5,337 | \$ 48,283 |
| Operating lease liabilities, due within one year | \$ 1,520 | \$ 4,809 |
| Operating lease liabilities, due after one year | 5,059 | 46,592 |
| Total operating lease liabilities | \$ 6,579 | \$ 51,401 |
| | | |
| Finance Leases | June 30, 2020 | December 31, 2019 |
| Property and equipment | \$ 135 | \$ 298 |
| Less accumulated depreciation | (111) | (168) |
| Property and equipment, net | \$ 24 | \$ 130 |
| Other accrued liabilities | \$ 25 | \$ 74 |
| Deferred income and other long-term liabilities | 1 | 76 |
| Total finance lease liabilities | \$ 26 | \$ 150 |

In March of 2020, we entered into a sublease for a portion of our leased corporate office space in an effort to reduce our operating costs. Income from this sublease is presented net with the operating lease expense for the corporate office space within *Selling, general, administrative and other expenses* on the Condensed Consolidated Statements of Comprehensive Loss.

The components of lease expense during the three and six months ended June 30, 2020 and 2019 are included in the following table (in thousands):

| | Financial Statement Line Item(s) | Three Months Ended June 30, 2020 | Three months ended June 30, 2019 | Six Months Ended June 30, 2020 | Six months ended June 30, 2019 |
|---|--|---|---|---------------------------------------|---------------------------------------|
| Operating lease expense | Selling, general, administrative and other expenses, and Company operated hotels | \$ 313 | 1,143 | \$ 1,129 | \$ 2,276 |
| Short-term lease expense | Selling, general, administrative and other expenses, and Company operated hotels | 202 | 158 | 300 | 405 |
| Sublease income | Selling, general, administrative and other expenses | (71) | — | (89) | — |
| Finance lease expense | | | | | |
| Amortization of finance right-of-use assets | Depreciation and amortization | 6 | 34 | 14 | 69 |
| Interest on lease liabilities | Interest expense | 1 | 8 | 4 | 16 |
| Total finance lease expense | | 7 | 42 | 18 | 85 |
| Total lease expense | | \$ 451 | \$ 1,343 | \$ 1,358 | \$ 2,766 |

Supplemental cash flow information for our leases is included in the following table (in thousands):

| Cash paid for amounts included in the measurement of lease liabilities: | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 |
|--|---|---|
| Cash used in operating activities for operating leases | \$ 1,226 | \$ 2,351 |
| Cash used in operating activities for finance leases | 4 | 16 |
| Cash used in financing activities for finance leases | 19 | 69 |

There were no new finance lease assets or associated liabilities during the three and six months ended June 30, 2020. During the three and six months ended June 30, 2019, we recognized ROU assets of \$181,000 and associated operating lease liabilities of \$202,000 upon commencement of leases for space in our Spokane office.

Information related to the weighted average remaining lease terms and discount rates for our leases as of June 30, 2020 and December 31, 2019 is included in the following table:

| | June 30, 2020 | December 31, 2019 |
|--|----------------------|--------------------------|
| Weighted average remaining lease term (in years) | | |
| Operating leases | 6 | 69 |
| Finance leases | 1 | 3 |
| Weighted average discount rate | | |
| Operating leases | 5.8 % | 7.2 % |
| Finance leases | 5.7 % | 11.9 % |

The future maturities of lease liabilities at June 30, 2020, are as indicated below (in thousands):

| Years Ending December 31, | Operating Leases | Finance Leases |
|----------------------------------|-------------------------|-----------------------|
| 2020 (remainder) | \$ 764 | \$ 13 |
| 2021 | 1,522 | 14 |
| 2022 | 1,486 | — |
| 2023 | 1,449 | — |
| 2024 | 595 | — |
| Thereafter | 1,984 | — |
| Total lease payments | 7,800 | 27 |
| Less: imputed interest | 1,221 | 1 |
| | <u>\$ 6,579</u> | <u>\$ 26</u> |

The future maturities of lease liabilities in the table above do not differ materially from future minimum rental payments under the previous leasing standard.

10. Commitments and Contingencies

At any given time we are subject to claims and actions incidental to the operations of our business. During the second quarter of 2019, we accrued approximately \$952,000 for a settlement over a wage dispute with former hotel employees related to the calculation of pay for certain rest, break, meal, and other periods that are required under California law. Based on information currently available, we do not expect that any other sums we may receive or have to pay in connection with any legal proceeding would have a material effect on our consolidated financial position or net cash flow.

See Item 1. *Legal Proceedings* within Part 2. *Other Information* for additional detail.

11. Stock Based Compensation

Stock Incentive Plans

The 2015 Stock Incentive Plan ("2015 Plan") authorizes the grant or issuance of various stock-based awards, including stock options, restricted stock units, and other stock-based compensation. The 2015 Plan was approved by our shareholders in 2015, and amended in 2017, and as amended provides for awards of 2.9 million shares, subject to adjustments for stock splits, stock dividends and similar events. As of June 30, 2020, there were 1.2 million shares of common stock available for issuance pursuant to future awards under the 2015 Plan, as amended.

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. For the three and six months ended June 30, 2020 and 2019 stock-based compensation expense is as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--------------------------------|-----------------------------|--------|---------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Restricted stock units | \$ 137 | \$ 678 | \$ 375 | \$ 1,290 |
| Unrestricted stock awards | 57 | 130 | 169 | 259 |
| Performance stock units | — | (196) | 15 | (49) |
| Stock options | — | 21 | — | 43 |
| Employee stock purchase plan | 8 | 13 | 16 | 19 |
| Total stock-based compensation | \$ 202 | \$ 646 | \$ 575 | \$ 1,562 |

Restricted Stock Units

Restricted stock units granted to executive officers and other key employees typically vest 25% each year for four years on each anniversary of the grant date. Under the terms of the plans upon issuance, we deliver a net settlement of distributable shares to employees after consideration of individual employees' tax withholding obligations, at the election of each employee. The fair value of restricted stock that vested during the six months ended June 30, 2020 and 2019 was approximately \$0.2 million and \$5.8 million, respectively. We expect to recognize an additional \$1.3 million in compensation expense over the remaining weighted average vesting periods of 24 months.

A summary of restricted stock unit activity for the six months ended June 30, 2020, is as follows:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|-----------------|------------------|--|
| January 1, 2020 | 459,070 | \$ 9.03 |
| Granted | 235,251 | \$ 1.79 |
| Vested | (120,720) | \$ 8.50 |
| Forfeited | (238,411) | \$ 5.87 |
| June 30, 2020 | 335,190 | \$ 6.39 |

Performance Stock Units, Shares Issued as Compensation

Performance stock units ("PSUs") are granted to certain of our executives under the 2015 Plan. These PSUs include both performance and service vesting conditions. Each performance condition has a minimum, a target and a maximum share amount based on the level of attainment of the performance condition. Compensation expense, net of estimated forfeitures, is calculated based on the estimated attainment of the performance conditions during the performance period and recognized on a straight-line basis over the performance and service periods. No PSUs were granted during the three and six months ended June 30, 2020.

During the six months ended June 30, 2020, 25,796 PSUs vested at a weighted average grant date fair value of \$6.45. The fair value of PSUs that vested during the six months ended June 30, 2020 was approximately \$38,000. No PSUs vested during the six months ended June 30, 2019. There are no PSUs outstanding and no remaining compensation expense related to PSUs as of June 30, 2020.

Unrestricted Stock Awards

Unrestricted stock awards are granted to members of our Board of Directors as part of their compensation. Awards are fully vested, and expense is recognized when granted. The fair value of unrestricted stock awards is the market close price of our common stock on the date of the grant.

The following table summarizes unrestricted stock award activity for the three and six months ended June 30, 2020 and 2019:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|---------|---------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Shares of unrestricted stock granted | 45,544 | 15,556 | 76,427 | 30,911 |
| Weighted average grant date fair value per share | \$ 1.27 | \$ 8.33 | \$ 2.22 | \$ 8.38 |

12. 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 three and six months ended June 30, 2020 and 2019 (in thousands, except per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Numerator - basic and diluted: | | | | |
| Net loss | \$ (4,212) | \$ (3,771) | \$ (13,466) | \$ (8,330) |
| Net loss attributable to noncontrolling interest | 250 | 774 | 1,405 | 1,060 |
| Net loss attributable to RLH Corporation | \$ (3,962) | \$ (2,997) | \$ (12,061) | \$ (7,270) |
| Denominator: | | | | |
| Weighted average shares - basic | 25,335 | 24,856 | 25,267 | 24,730 |
| Weighted average shares - diluted | 25,335 | 24,856 | 25,267 | 24,730 |
| Loss per share - basic | \$ (0.16) | \$ (0.12) | \$ (0.48) | \$ (0.29) |
| Loss per share - diluted | \$ (0.16) | \$ (0.12) | \$ (0.48) | \$ (0.29) |

The following table presents options to purchase common shares, restricted stock units outstanding, performance stock units outstanding, and warrants to purchase common shares excluded from the dilutive earnings per share calculation as they were considered antidilutive for the three and six months ended June 30, 2020 and 2019. No options to purchase common shares, restricted stock units outstanding, performance stock units outstanding or warrants to purchase common shares were considered dilutive for the periods presented due to the net losses attributable to RLH Corporation.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|---------|---------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Stock Options⁽¹⁾ | | | | |
| Antidilutive awards outstanding | — | 81,130 | — | 81,130 |
| Total awards outstanding | — | 81,130 | — | 81,130 |
| Restricted Stock Units⁽²⁾ | | | | |
| Antidilutive awards outstanding | 335,190 | 773,727 | 335,190 | 773,727 |
| Total awards outstanding | 335,190 | 773,727 | 335,190 | 773,727 |
| Performance Stock Units⁽³⁾ | | | | |
| Antidilutive awards outstanding | — | 314,684 | — | 314,684 |
| Total awards outstanding | — | 314,684 | — | 314,684 |
| Warrants⁽⁴⁾ | | | | |
| Antidilutive awards outstanding | — | 442,533 | — | 442,533 |
| Total awards outstanding | — | 442,533 | — | 442,533 |

⁽¹⁾ All stock options for the three and six months ended June 30, 2020 and 2019 were anti-dilutive as a result of the net loss attributable to RLH Corporation for these periods, and as a result of the RLH Corporation weighted average share price during the reporting period.

⁽²⁾ Restricted stock units were anti-dilutive for the three and six months ended June 30, 2020 and 2019 due to the net loss attributable to RLH Corporation in the reporting periods. If we had reported net income for the three and six months ended June 30, 2020, then 18,181 and 12,957 units, respectively, would have been dilutive. If we had reported net income for the three and six months ended June 30, 2019, then 138,683 and 156,398 units, respectively, would have been dilutive.

⁽³⁾ Performance stock units are not included in the weighted average diluted shares outstanding until the performance targets are met. PSUs were anti-dilutive for six months ended June 30, 2020 due to the net loss attributable to RLH Corporation in the reporting period. If we had reported net income for the six months ended June 30, 2020, then 5,090 units would have been dilutive. Certain PSUs were anti-dilutive for the three and six months ended June 30, 2019 as their respective performance targets had not been achieved during those periods, in addition to the net loss attributable to RLH Corporation in the reporting periods. If we had reported net income and the performance targets had been met for the three and six months ended June 30, 2019 then 74,903 and 75,976 units, respectively, would have been dilutive.

⁽⁴⁾ All warrants expired without being exercised in January 2020. All warrants for the three and six months ended June 30, 2019 were anti-dilutive due to the net loss attributable to RLH in each reporting period. If we had reported net income for the three and six months ended June 30, 2019, 52,818 and 72,408 warrants, respectively, would have been dilutive.

13. Income Taxes

We recognized income tax expense of \$148,000 and \$108,000 for the three months ended June 30, 2020 and 2019, respectively. For the six months ended June 30, 2020 and 2019 we recognized income tax (benefit) expense of \$(604,000) and \$190,000, respectively. On March 27, 2020, President Trump signed into law the CARES Act, which generally allows for unlimited use of NOLS generated in 2019 and 2020 as well as a five year carryback provision and shortening the recovery period for qualified improvement property. The income tax benefit recognized for the six months ended June 30, 2020 is principally related to the provisions of the CARES Act.

The income tax expense recognized for the three months ended June 30, 2020 and the three and six months ended June 30, 2019 varies from the statutory rate primarily due to a partial valuation allowance against our deferred tax assets, as well as deferred tax expense associated with our acquired indefinite-lived intangible assets, which are amortized for tax purposes but not for GAAP purposes.

We have state operating loss carryforwards, which expire beginning in 2020, and both federal and state tax credit carryforwards, which begin to expire in 2024.

14. Fair Value

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 Level 1, Level 2 and Level 3 of the fair value hierarchy.

Cash, Restricted cash and Accounts receivable carrying values approximate fair value due to the short-term nature of these items. We estimate the fair value of our Notes receivable using expected future payments discounted at risk-adjusted rates, both of which are Level 3 inputs. We estimate the fair value of our Long-term debt and capital lease obligations using expected future payments discounted at risk-adjusted rates, both of which are Level 3 inputs. 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, 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. Estimated fair values of financial instruments are shown in the table below (in thousands).

| | June 30, 2020 | | December 31, 2019 | |
|---------------------------------|-----------------|------------|-------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets: | | | | |
| Notes receivable | \$ 286 | \$ 286 | \$ 5,709 | \$ 5,709 |
| Financial liabilities: | | | | |
| Debt | \$ 5,600 | \$ 5,499 | \$ 33,248 | \$ 32,737 |
| Total finance lease obligations | 26 | 26 | 150 | 150 |

15. Related Party Transactions

During the fourth quarter of 2018, we transitioned management of our company operated Hotel RL Baltimore Inner Harbor and Hotel RL Washington DC from RL Management, Inc., to HEI Hotels and Resorts, of which one of the members of our Board of Directors, Ted Darnall, is currently the Chief Executive Officer. Additionally, during the first quarter of 2019, management of our company operated hotel Red Lion Hotel Seattle Airport was also transitioned from RL Management, Inc. to HEI Hotels and Resorts. During the three months ended June 30, 2020 and 2019, we paid \$125,000 and \$312,000, respectively, in management fees to HEI Hotels and Resorts for management of these properties. During the six months ended June 30, 2020 and 2019, we paid \$322,000 and \$540,000, respectively, in management fees to HEI Hotels and Resorts for management of these properties.

Additionally, as of June 30, 2020, four hotels managed by HEI Hotels and Resorts purchase services from our all-in-one cloud-based hospitality management suite, Canvas Integrated Systems. During the three months ended June 30, 2020 and 2019, we sold \$174,000 and \$181,000, respectively, in services to these hotels. During the six months ended June 30, 2020 and 2019, we sold \$397,000 and \$326,000, respectively, in services to these hotels. Amounts owed to RLHC by HEI Hotels and Resorts as of June 30, 2020 and December 31, 2019 were \$77,000 and \$52,000, respectively.

On May 31, 2019 we executed a mortgage loan with a principal and accrued exit fee of \$17.4 million with CP Business Finance I, LP, an affiliate of Columbia Pacific Opportunity Fund, LP, who currently holds 500,000 shares of RLH common stock. Additionally, Alexander B. Washburn, who served as a member of our Board of Directors from May 2015 to April 2019, is one of the managing members of Columbia Pacific Advisor, LLC, which serves as the investment manager of Columbia Pacific Opportunity Fund, LP. This debt is no longer outstanding.

16. Dispositions

In the first quarter of 2020, we continued the execution of a hotel asset sales initiative consistent with our previously stated business strategy to focus on moving towards operations as primarily a franchise company, and disposed of two hotels from our company operated hotels segment. These dispositions resulted in a combined net gain of \$7.9 million

The following summarizes the result of operations for the two properties sold during the first quarter of 2020 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------|---------------------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Pre-tax income (loss) | \$ 19 | \$ (355) | \$ 6,107 | \$ (476) |
| Net (income) loss attributable to noncontrolling interest | 18 | 128 | 1,152 | 368 |
| Net income (loss) attributable to RLHC | \$ 37 | \$ (227) | \$ 7,259 | \$ (108) |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report on Form 10-Q includes forward-looking statements, including statements concerning operational and financial impacts of the COVID-19 pandemic. We have based these statements on our current expectations, assumptions, 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 quarterly report, these are forward-looking statements. Many possible events or factors, including the effects of the COVID-19 pandemic and those discussed in "Risk Factors" under Item 1A below and under Item 1A of our annual report on Form 10-K for the year ended December 31, 2019, which we filed with the Securities and Exchange Commission on February 27, 2020, 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 quarterly report. We undertake no obligation to update or revise any forward-looking statements except as required by law.

In this report, "we," "our," "us," "our company," "RLHC," and "RLH Corporation" refer to Red Lion Hotels Corporation, doing business as RLH Corporation, and as the context requires all, of its consolidated subsidiaries as follows:

Wholly owned subsidiaries:

- Red Lion Hotels Holdings, Inc.
- Red Lion Hotels Franchising, Inc.
- Red Lion Hotels Canada Franchising, Inc.
- Red Lion Hotels Management, Inc. ("RL Management")
- Red Lion Hotels Limited Partnership
- RL Baltimore LLC ("RL Baltimore")
- WestCoast Hotel Properties, Inc.
- Red Lion Anaheim, LLC
- RLabs, Inc.

Joint venture entities:

- RL Venture LLC ("RL Venture") in which we hold a 55% member interest
- RLS Atla Venture LLC ("RLS Atla Venture") in which we hold a 55% member interest
- RLS DC Venture LLC ("RLS DC Venture") in which we hold a 55% member interest

The terms "the network," "systemwide hotels," "system of hotels," or "network of hotels" refer to our entire group of owned, managed and franchised hotels.

The following discussion and analysis should be read in connection with our unaudited condensed consolidated financial statements and the condensed notes thereto and other financial information included elsewhere in this quarterly report, as well as in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2019, which are included in our annual report on Form 10-K for the year ended December 31, 2019.

COVID-19 Update

COVID-19 was first identified in Wuhan, China in December 2019, and subsequently declared a pandemic by the World Health Organization. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. The economic impact of the pandemic thus far has been extremely punitive to travel related businesses across the nation, significantly affecting the operating results of companies within the hospitality industry. The measures enacted by most governments to combat the pandemic have included intensive restrictions on travel, required closure of businesses deemed non-essential, and shelter in place orders for civilians.

We have undertaken a series of organizational changes and cost cutting measures including changes to senior management, a reduction in force and the consolidation of office space to mitigate the impact of the COVID-19 pandemic on our operating results. As our business is reliant in part on the financial success and cooperation of our franchisees, we have also implemented policy changes to address the impact of the pandemic on their financial condition, including the implementation of a fee deferral program to certain of our franchisees in which billings related to fees for March through May of 2020 could be deferred for up to 12 months, temporary fee reductions for review responses, guest relations fees, and certain other fees, and a delay in implementation of capital intensive brand standards. These changes are expected to reduce cash flow, as our franchisees defer paying royalty fees to future periods and take advantage of temporary fee reductions.

The impact of the pandemic is ongoing, and the extent to which the COVID-19 pandemic further impacts our business, operations and financial results will depend on numerous evolving factors that we are not able to accurately predict, including the length of travel restrictions and the continuation or extension of government-mandated stay-at-home orders, the duration and spread of the virus, and the extent to which people are willing to resume travel and hotel stays, as well as the financial condition and recovery of our franchisees. Given the dynamic nature of this situation, we cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows for the foreseeable future. However, we expect it will have a material, adverse impact on future revenue growth as well as overall profitability.

Introduction

We are a NYSE-listed hospitality and leisure company (ticker symbol: RLH) doing business as RLH Corporation and primarily engaged in the franchising and ownership of hotels under the following proprietary brands: Hotel RL, Red Lion Hotels, Red Lion Inn & Suites, GuestHouse, Americas Best Value Inn ("ABVI"), Canadas Best Value Inn ("CBVI"), Signature and Signature Inn, Knights Inn, and Country Hearth Inn & Suites ("Country Hearth").

We operate in two reportable segments:

- The **franchised hotels segment** is engaged primarily in licensing our brands to franchisees. This segment generates revenue from royalty, marketing, and other fees that are primarily based on a percentage of room revenue or on room count or on transaction count and are charged to hotel owners in exchange for the use of our brand and access to our marketing and central services programs. These central services and marketing programs include our reservation system, guest loyalty program, national and regional sales, revenue management tools, quality inspections, advertising and brand standards. Additionally, this segment includes our initial contracts for Canvas Integrated Systems.
- The **company operated hotel segment** derives revenues primarily from guest room rentals and food and beverage offerings at owned and leased hotels for which we consolidate results. Revenues have also been derived from management fees and related charges for hotels with which we contract to perform management services, however our last management agreement terminated in February 2019.

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

A summary of our open franchise and company operated hotels from January 1, 2020 through June 30, 2020, including the approximate number of available rooms, is provided below:

| | Midscale Brand | | Economy Brand | | Total | |
|-------------------------------------|----------------|-----------------------|---------------|-----------------------|--------|-----------------------|
| | Hotels | Total Available Rooms | Hotels | Total Available Rooms | Hotels | Total Available Rooms |
| Beginning quantity, January 1, 2020 | 96 | 13,500 | 966 | 54,200 | 1,062 | 67,700 |
| Newly opened | 1 | 100 | 12 | 700 | 13 | 800 |
| Change in brand | 1 | 100 | (1) | (100) | — | — |
| Terminated properties | (10) | (1,900) | (80) | (4,500) | (90) | (6,400) |
| Ending quantity, June 30, 2020 | 88 | 11,800 | 897 | 50,300 | 985 | 62,100 |

A summary of activity relating to our open midscale franchise and company operated hotels by brand from January 1, 2020 through June 30, 2020 is provided below:

| Midscale Brand Hotels | Hotel RL | Red Lion Hotels | Red Lion Inn and Suites | Signature | Other | Total |
|-------------------------------------|----------|-----------------|-------------------------|-----------|-------|--------|
| Beginning quantity, January 1, 2020 | 9 | 39 | 40 | 4 | 4 | 96 |
| Newly opened | — | — | 1 | — | — | 1 |
| Change in brand | — | — | 1 | — | — | 1 |
| Terminated properties | (1) | (5) | (2) | — | (2) | (10) |
| Ending quantity, June 30, 2020 | 8 | 34 | 40 | 4 | 2 | 88 |
| Ending rooms, June 30, 2020 | 1,400 | 6,700 | 3,200 | 300 | 200 | 11,800 |

A summary of activity relating to our open economy franchise hotels by brand from January 1, 2020 through June 30, 2020 is provided below:

| Economy Brand Hotels | ABVI and CBVI | Knights Inn | Country Hearth | Guest House | Other | Total |
|-------------------------------------|---------------|-------------|----------------|-------------|-------|--------|
| Beginning quantity, January 1, 2020 | 657 | 232 | 47 | 19 | 11 | 966 |
| Newly opened | 8 | 4 | — | — | — | 12 |
| Change in brand | — | — | — | (1) | — | (1) |
| Terminated properties | (49) | (23) | (4) | (2) | (2) | (80) |
| Ending quantity, June 30, 2020 | 616 | 213 | 43 | 16 | 9 | 897 |
| Ending rooms, June 30, 2020 | 32,800 | 13,000 | 2,100 | 1,200 | 1,200 | 50,300 |

A summary of our executed franchise agreements for the six months ended June 30, 2020 is provided below:

| | Midscale Brand | Economy Brand | Total |
|---|----------------|---------------|-------|
| Executed franchise license agreements, six months ended June 30, 2020: | | | |
| New locations | 3 | 16 | 19 |
| New contracts for existing locations | 4 | 69 | 73 |
| Total executed franchise license agreements, six months ended June 30, 2020 | 7 | 85 | 92 |

Overview

Consistent with our previously stated business strategy to move towards operating as primarily a franchise company, in the first quarter of 2020, we sold two of our remaining company operated hotels. On February 7, 2020, we sold the only hotel in our consolidated joint venture, RLS DC Venture, for \$16.4 million. Using proceeds from the sale, together with the release of \$2.3 million in restricted cash held by CP Business Finance I, LP, RLS DC Venture repaid the remaining outstanding principal balance and accrued exit fee under the RLH DC Venture loan agreement of \$17.7 million.

On February 27, 2020, we sold our leasehold interest in the Red Lion Anaheim for \$21.5 million. Using net proceeds from the sale, the Company repaid the \$10.0 million outstanding principal balance owing under the revolving line of credit with Deutsche Bank AG New York Branch, and other lenders party thereto. Upon repayment of the outstanding balance, the Line of Credit was terminated and these funds are no longer available to us.

Results of Operations

A summary of our Condensed Consolidated Statements of Comprehensive Loss is provided below (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Total revenues | \$ 10,229 | \$ 28,925 | \$ 27,494 | \$ 54,909 |
| Total operating expenses | 14,443 | 31,359 | 39,947 | 60,971 |
| Operating loss | (4,214) | (2,434) | (12,453) | (6,062) |
| Other income (expense): | | | | |
| Interest expense | (49) | (1,109) | (555) | (1,991) |
| Loss on early retirement of debt | — | (164) | (1,309) | (164) |
| Other income, net | 199 | 44 | 247 | 77 |
| Loss before taxes | (4,064) | (3,663) | (14,070) | (8,140) |
| Income tax expense (benefit) | 148 | 108 | (604) | 190 |
| Net loss | (4,212) | (3,771) | (13,466) | (8,330) |
| Net loss attributable to noncontrolling interest | 250 | 774 | 1,405 | 1,060 |
| Net loss and comprehensive loss attributable to RLH Corporation | \$ (3,962) | \$ (2,997) | \$ (12,061) | \$ (7,270) |
| Non-GAAP Financial Measures ⁽¹⁾ | | | | |
| EBITDA | \$ (1,605) | \$ 1,555 | \$ (8,568) | \$ 1,407 |
| Adjusted EBITDA | \$ 260 | \$ 3,726 | \$ (10,055) | \$ 4,725 |

⁽¹⁾ The definitions of "EBITDA," and "Adjusted EBITDA" and how those measures relate to net income (loss) are discussed and reconciled under Non-GAAP Financial Measures below.

For the three months ended June 30, 2020, we reported a net loss of \$4.2 million, which included \$0.2 million of stock based compensation, \$1.0 million of transaction and integration costs relating primarily to fees paid to advisors engaged to review and respond to bona fide inquiries received from parties considering an investment in or acquisition of the Company, \$0.3 million of employee separation costs, a \$0.3 million loss on asset disposition, \$0.6 million of bad debt expense primarily related to terminated agreements, and \$0.1 million of expense related to a non-income tax assessment.

For the three months ended June 30, 2019, we reported a net loss of \$3.8 million, which included \$1.0 million related to a legal settlement, \$0.6 million of stock based compensation, a \$0.2 million loss on early retirement of debt resulting from the replacement of a mortgage loan at RLS DC Venture, \$0.2 million of transaction and integration costs, and \$0.2 million of expense related to a non-income tax assessment.

For the six months ended June 30, 2020, we reported a net loss of \$13.5 million, which included \$10.3 million of bad debt expense related to reserves recognized for accounts receivable, key money, and notes receivable for certain Inner Circle franchisees and other customer balances determined to be uncollectible during the six months ended June 30, 2020, \$0.6 million of stock based compensation, a \$1.8 million asset impairment on our Red Lion Hotel Seattle Airport as a result of the negative impact of the COVID-19 pandemic on the operating results of that hotel, \$1.4 million of transaction and integration costs relating primarily to fees paid to advisors engaged to review and respond to bona fide inquiries received from parties considering an investment in or acquisition of the Company, a \$1.3 million loss on early retirement of debt, \$0.8 million of employee separation costs, and \$0.2 million of expense related to a non-income tax assessment, partially offset by \$7.6 million in gains primarily from the disposal of two hotel properties.

For the six months ended June 30, 2019, we reported a net loss of \$8.3 million, which included \$1.6 million of stock based compensation, \$1.0 million related to a legal settlement, \$0.3 million of expense related to a non-income tax assessment, a \$0.2

million loss on early retirement of debt resulting from the replacement of a mortgage loan at RLS DC Venture, and \$0.2 million of transaction and integration costs.

For the three months ended June 30, 2020, Adjusted EBITDA was \$0.3 million compared with \$3.7 million in 2019. This decrease was primarily due to the negative impact of COVID-19 on our operating results.

For the six months ended June 30, 2020, Adjusted EBITDA was \$(10.1) million compared with \$4.7 million in 2019. This decrease was primarily due to \$10.3 million of bad debt expense recognized to establish reserves for certain Inner Circle franchisees in bankruptcy and other customer balances determined to be uncollectible during the six months ended June 30, 2020, along with the negative impact of COVID-19 on our operating results.

Non-GAAP Financial Measures

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 is an additional measure of financial performance. We believe that the inclusion or exclusion of certain special items, such as gains and losses on asset dispositions and impairments and discontinued operations, is necessary to provide the most accurate measure of core operating results and as a means to evaluate comparative results. Adjusted EBITDA also excludes the effect of non-cash stock compensation expense. We believe that the exclusion of this item is consistent with the purposes of the measure described below.

EBITDA and Adjusted EBITDA are commonly used measures of performance in our industry. We utilize these measures because management finds them a useful tool to calculate more meaningful comparisons of past, present and future operating results and as a means to evaluate the results of core, ongoing operations. Our board of directors and executive management team consider Adjusted EBITDA to be a key performance metric and compensation measure. We believe they are a complement to reported operating results. EBITDA and Adjusted EBITDA are not intended to represent net income (loss) defined by generally accepted accounting principles in the United States of America ("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 differently than we do or may not calculate them at all, limiting the usefulness of EBITDA and Adjusted EBITDA as comparative measures.

The following is a reconciliation of EBITDA and Adjusted EBITDA to net loss for the periods presented (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net loss | \$ (4,212) | \$ (3,771) | \$ (13,466) | \$ (8,330) |
| Depreciation and amortization | 2,410 | 4,109 | 4,947 | 7,556 |
| Interest expense | 49 | 1,109 | 555 | 1,991 |
| Income tax expense (benefit) | 148 | 108 | (604) | 190 |
| EBITDA | (1,605) | 1,555 | (8,568) | 1,407 |
| Stock-based compensation ⁽¹⁾ | 202 | 646 | 575 | 1,562 |
| Asset impairment ⁽²⁾ | — | — | 1,760 | — |
| Transaction and integration costs ⁽³⁾ | 1,002 | 173 | 1,400 | 235 |
| Employee separation and transition costs ⁽⁴⁾ | 268 | 35 | 796 | 35 |
| Loss on early retirement of debt ⁽⁵⁾ | — | 164 | 1,309 | 164 |
| Loss (gain) on asset dispositions ⁽⁶⁾ | 331 | 38 | (7,561) | 44 |
| Legal settlement expense ⁽⁷⁾ | — | 952 | — | 952 |
| Non-income tax expense assessment ⁽⁸⁾ | 62 | 163 | 234 | 326 |
| Adjusted EBITDA | 260 | 3,726 | (10,055) | 4,725 |
| Adjusted EBITDA attributable to noncontrolling interests | 122 | (458) | 44 | (1,005) |
| Adjusted EBITDA attributable to RLH Corporation | \$ 382 | \$ 3,268 | \$ (10,011) | \$ 3,720 |

⁽¹⁾ Costs represent total stock-based compensation for each period. These costs are included within *Selling, general, administrative and other expenses* and *Marketing, reservations and reimbursables* on the Condensed Consolidated Statements of Comprehensive Loss.

⁽²⁾ In the first quarter of 2020, we recognized an impairment on our Red Lion Hotel Seattle Airport leased property.

⁽³⁾ Transaction and integration costs incurred in 2020 relate primarily to fees paid to advisors engaged to review and respond to bona fide inquiries received from parties considering an investment in or acquisition of the Company.

⁽⁴⁾ The costs recognized in 2020 relate to severance payments due to our Chief Financial Officer upon her departure in March 2020, along with two reductions in force that were implemented in the first six months of 2020. The costs recognized in 2019 relate to a reduction in force that was implemented in the second quarter of 2019. These costs are included within *Selling, general, administrative and other expenses* and *Marketing, reservations and reimbursables* on the Condensed Consolidated Statements of Comprehensive Loss.

⁽⁵⁾ The *Loss on early retirement of debt* recognized in 2020 relates to unamortized deferred debt issuance costs and prepayment fees incurred related to the payoff of a secured debt agreement at RL Venture - Olympia and the outstanding balance on our Line of Credit. The loss recognized in 2019 relates to unamortized deferred debt issuance costs and prepayment fees incurred related to the payoff of a mortgage loan at RLS DC Venture, which was replaced through a new mortgage loan with a different lender.

⁽⁶⁾ The gain primarily relates to the sale of two properties during the first quarter of 2020. There was no comparable activity during the six months ended June 30, 2019.

⁽⁷⁾ Legal settlement expense relates to a settlement agreement with former hotel workers regarding a wage dispute in California. This expense is included in *Company operated hotels* expense on the Condensed Consolidated Statements of Comprehensive Loss.

⁽⁸⁾ Costs relate to estimated non-income taxes we have concluded we are probable of being assessed. We accrued these estimated taxes in *Selling, general, administrative and other expenses* on the Condensed Consolidated Statements of Comprehensive Loss.

Franchise and Marketing, Reservations and Reimbursables Revenues

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------|---------------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | (in thousands) | | | |
| Royalty | \$ 3,584 | \$ 5,867 | \$ 7,941 | \$ 11,607 |
| Marketing, reservations and reimbursables | 4,473 | 7,603 | 10,278 | 14,332 |
| Other franchise | 701 | 1,214 | 1,475 | 1,756 |

Royalty revenue decreased \$2.3 million or 39% and \$3.7 million or 32%, and revenues from *Marketing, reservations, and reimbursables* revenue decreased by \$3.1 million or 41% and \$4.1 million or 28%, during the three and six months ended June

30, 2020 compared to the three and six months ended June 30, 2019, respectively. These decreases were primarily due to terminated franchise agreements in 2019 and the first half of 2020, along with the negative impact of COVID-19 on our midscale brand hotels who typically pay royalties and marketing fees as a percentage of gross rooms revenue.

Other franchise revenues decreased \$0.5 million or 42% and \$0.3 million or 16% for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019, respectively, primarily due to the impact of terminated agreements, along with temporary fee reductions provided to our franchisees in response to COVID-19.

Company Operated Hotels Revenues

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------------|-----------------------------|-----------|---------------------------|-----------|
| | (in thousands) | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Company operated hotels revenues | \$ 1,471 | \$ 14,236 | \$ 7,800 | \$ 27,206 |

Three months ended June 30, 2020 and 2019

During the three months ended June 30, 2020, revenue from our *Company operated hotels* segment decreased \$12.8 million or 90% compared with the same period in 2019. The decrease was driven primarily by the disposal of two company operated hotel properties in the fourth quarter of 2019 and two additional company operated hotel properties in the first quarter of 2020. There were no hotel properties sold during the three months ended June 30, 2020.

Revenues for the four company operated hotels held during the entirety of both periods decreased by \$4.2 million, to \$1.5 million in the second quarter of 2020 compared to \$5.7 million in the second quarter of 2019. This decrease was primarily due to the negative impact of the COVID-19 pandemic on hotel occupancy.

Six months ended June 30, 2020 and 2019

During the six months ended June 30, 2020, revenue from our *Company operated hotels* segment decreased \$19.4 million or 71% compared with the same period in 2019. The decrease was driven primarily by the disposal of two company operated hotel properties in the fourth quarter of 2019 and two additional company operated hotel properties in the first quarter of 2020.

Revenues for the four company operated hotels held during the entirety of both periods decreased by \$5.2 million, to \$5.4 million for the six months ended June 30, 2020, compared to \$10.6 million for the six months ended June 30, 2019. This decrease was primarily due to the negative impact of the COVID-19 pandemic on hotel occupancy.

Operating Expenses

Selling, General, Administrative and Other Expenses

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|----------|---------------------------|-----------|
| | (in thousands) | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Franchise development and operations, including labor | \$ 1,196 | \$ 2,356 | \$ 3,132 | \$ 4,361 |
| General and administrative labor and labor-related costs | 1,238 | 1,624 | 3,221 | 3,501 |
| Stock-based compensation | 90 | 288 | 250 | 762 |
| Non-income tax expense assessment | 62 | 163 | 234 | 326 |
| Bad debt expense | 597 | 246 | 10,317 | 457 |
| Legal fees | 438 | 433 | 966 | 1,021 |
| Professional fees and outside services | 158 | 216 | 726 | 633 |
| Facility lease | 204 | 196 | 417 | 474 |
| Information technology costs | 231 | 218 | 432 | 435 |
| Other | 556 | 920 | 1,340 | 2,081 |
| Total Selling, general, administrative and other expenses | \$ 4,770 | \$ 6,660 | \$ 21,035 | \$ 14,051 |

Three months ended June 30, 2020 and 2019

Selling, general, administrative and other expenses decreased by \$1.9 million or 28% for the three months ended June 30, 2020 compared with three months ended June 30, 2019.

Franchise development and operations, including labor, General and administrative labor and labor-related costs, and Stock-based compensation decreased primarily as a result of the significant reduction in force implemented at the beginning of the second quarter of 2020 and executive terminations in the fourth quarter of 2019, partially offset by severance costs paid to employees.

Bad debt expense increased primarily as a result of terminated franchise agreements reducing the likelihood of collection of outstanding amounts.

Other expenses decreased primarily due to various efficiencies and cost cutting initiatives implemented by management.

Six months ended June 30, 2020 and 2019

Selling, general, administrative and other expenses increased by \$7.0 million or 50% for the six months ended June 30, 2020 compared with six months ended June 30, 2019.

Franchise development and operations, including labor, General and administrative labor and labor-related costs, and Stock-based compensation decreased primarily as a result of the significant reduction in force implemented at the beginning of the second quarter of 2020 and executive terminations in the fourth quarter of 2019, partially offset by severance costs paid to employees.

Bad debt expense increased primarily due to \$6.3 million of expense arising from a reserve recognized for accounts receivable, key money, and notes receivable for certain Inner Circle franchisees. The remaining increase relates primarily to reserves recognized for accounts and notes receivable related to large balances under legal dispute, aged balances from terminated agreements, or aged balances placed with third party collections. See Note 7. *Revenue from Contracts with Customers* within Item 8. *Financial Statements* for additional detail.

Other expenses decreased primarily due to various efficiencies and cost cutting initiatives implemented by management.

Company Operated Hotels Expenses

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------------|-----------------------------|-----------|---------------------------|-----------|
| | (in thousands) | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Company operated hotels expenses | \$ 2,139 | \$ 12,532 | \$ 8,817 | \$ 24,077 |

Three months ended June 30, 2020 and 2019

Company operated hotels expenses decreased by \$10.4 million or 83%. The decrease was driven primarily by the disposal of two company operated hotel properties in the fourth quarter of 2019 and two additional company operated hotel properties in the first quarter of 2020.

Operating expenses for the four company operated hotels held during the entirety of both periods decreased by \$2.7 million, to \$2.2 million in the second quarter of 2020 compared to \$4.9 million in the second quarter of 2019, primarily due to the impact of COVID-19 on hotel operations and other cost cutting initiatives implemented by management.

Six months ended June 30, 2020 and 2019

Company operated hotels expenses decreased by \$15.3 million or 63%. The decrease was driven primarily by the disposal of two company operated hotel properties in the fourth quarter of 2019 and two additional company operated hotel properties in the first quarter of 2020.

Operating expenses for the four company operated hotels held during the entirety of both periods decreased by \$3.5 million, to \$6.4 million for the six months ended June 30, 2020 compared to \$9.9 million for the six months ended June 30, 2019, primarily due to the impact of COVID-19 on hotel operations and other cost cutting initiatives implemented by management.

Marketing, Reservations and Reimbursables Expenses

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|-----------|
| | (in thousands) | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Marketing, reservations and reimbursables expenses | \$ 3,791 | \$ 7,847 | \$ 9,549 | \$ 15,008 |

Marketing, reservations and reimbursables expenses decreased by \$4.1 million or 52% and \$5.5 million or 36% during the three and six months ended June 30, 2020, respectively. This decrease was primarily driven by a decrease in reservation volume due to the impact of COVID-19 and is consistent with the decrease in *Marketing, reservations and reimbursables revenues*.

Depreciation and Amortization

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------|-----------------------------|----------|---------------------------|----------|
| | (in thousands) | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Depreciation and amortization | \$ 2,410 | \$ 4,109 | \$ 4,947 | \$ 7,556 |

Depreciation and amortization expense decreased \$1.7 million or 41% and \$2.6 million or 35% for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019. These decreases were driven primarily by the disposal of two company operated hotel properties in the fourth quarter of 2019 and two additional company operated hotel properties in the first quarter of 2020. This decrease was partially offset by additional depreciation recognized from other fixed assets placed in service during the remainder of 2019 and the first half of 2020.

Asset Impairment

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------|-----------------------------|------|---------------------------|------|
| | (in thousands) | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Asset impairment | \$ — | \$ — | \$ 1,760 | \$ — |

We recognized an impairment loss of \$1.8 million on our Red Lion Hotel Seattle Airport leased property during the first quarter of 2020. See Note 5. *Property and Equipment* within Item 8. *Financial Statements* for additional detail.

Loss (Gain) on Asset Dispositions, net

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------|---------------------------|-------|
| | (in thousands) | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Loss (gain) on asset dispositions, net | \$ 331 | \$ 38 | \$ (7,561) | \$ 44 |

We recognized a net gain on asset dispositions of \$7.6 million for the six months ended June 30, 2020, primarily from the disposal of two hotel properties during the first quarter of 2020. There was no comparable activity during the six months ended June 30, 2019.

Transaction and Integration Costs

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-----------------------------------|-----------------------------|--------|---------------------------|--------|
| | (in thousands) | | | |
| | 2020 | 2019 | 2020 | 2019 |
| Transaction and integration costs | \$ 1,002 | \$ 173 | \$ 1,400 | \$ 235 |

Transaction and integration costs incurred during the current year primarily relate to fees paid to advisors engaged to review and respond to bona fide inquiries received from parties considering an investment in or acquisition of the Company.

Interest Expense

Interest expense decreased \$1.1 million in the second quarter of 2020 compared to the second quarter of 2019 and \$1.4 million during the six months ended June 30, 2020 compared with the same period in 2019. This decrease is primarily due to hotel sales and the related reduction in our average corporate and hotel-specific debt outstanding in 2020 as compared to 2019.

Loss on Early Retirement of Debt

In the first quarter of 2020, we recognized a *Loss on early retirement of debt* of \$1.3 million related to the early payoff of our Line of Credit and a secured debt agreement at RLH DC Venture. These loans were paid off using proceeds from the sale of the Hotel RL Washington DC joint venture property and our leasehold interest in the Red Lion Anaheim. In the second quarter of 2019, we recognized a *Loss on early retirement of debt* of \$0.2 million for unamortized deferred debt issuance costs and prepayment fees incurred related to the payoff of a mortgage loan at RLS DC Venture, which was replaced through a new mortgage loan with a different lender.

Income Taxes

For the three and six months ended June 30, 2020, we reported income tax expense (benefit) of \$148,000 and \$(604,000) compared with income tax expense of \$108,000 and \$190,000 for the same periods in 2019. The income tax benefit recognized for the six months ended June 30, 2020 is principally related to the provisions of the CARES Act. The income tax expense recognized for the three months ended June 30, 2020 and the three and six months ended June 30, 2019 varies from the statutory rate primarily due to a partial valuation allowance against our deferred tax assets. See Note 13. *Income Taxes* within Item 1. *Financial Statements*.

Liquidity and Capital Resources

Our principal source of liquidity is cash flow from operations. Cash flows may fluctuate and are sensitive to many factors including changes in working capital and the timing and magnitude of capital expenditures and payments on debt. We believe the ongoing effects of COVID-19 on our operations have had, and will continue to have, a material impact on our ability to generate cash from our operations and our financial results, and the impact may continue beyond the containment of the outbreak. We cannot assure you that our assumptions used to estimate our liquidity requirements will be correct given the dynamic nature of the situation.

Working capital, which represents current assets less current liabilities, was \$32.7 million and \$23.0 million as of June 30, 2020 and December 31, 2019, respectively. As of June 30, 2020, we had cash and cash equivalents of \$33.7 million and debt of \$5.6 million. In order to preserve sufficient liquidity during these uncertain times, we implemented certain cost saving measures at the end of the first quarter of 2020, which included a reduction in force of approximately 40%, company-wide compensation reductions, consolidation of office space and a reduction in 2020 capital expenditures and key money commitments. Based upon our current liquidity position, and assumptions regarding the impact of COVID-19, including its duration, economic impact and impact on travel, we believe that we have sufficient liquidity to fund our operations at least through August 2021. However, given the uncertain nature of the COVID-19 pandemic on our operations, we cannot assure you that our assumptions used to estimate our liquidity requirements will be correct.

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.

We are committed to maintaining our infrastructure for systems and services we provide to our franchisees. This requires ongoing access to capital investments in technology and related assets.

Sources and Uses of our Cash, Cash Equivalents, and Restricted Cash

The following table summarizes our net cash flows for operating, investing, and financing activities (in thousands):

| | Six Months Ended June 30, | |
|---|---------------------------|----------|
| | 2020 | 2019 |
| Net cash provided by (used in) operating activities | \$ (5,769) | \$ 3,055 |
| Net cash provided by (used in) investing activities | 35,522 | (2,691) |
| Net cash provided by (used in) financing activities | (27,759) | 2,653 |

Operating Activities

Net cash used in operating activities totaled \$5.8 million during the first six months of 2020 compared with cash provided by operating activities of \$3.1 million during the same period in 2019. The primary driver of the change in cash flows was a decrease in cash flows from working capital accounts of approximately \$5.0 million. Additionally, there was an increase in net loss excluding *Loss (gain) on asset dispositions, net*, *Asset impairment*, and *Provision for doubtful accounts* of approximately \$1.1 million to \$8.9 million for the six months ended June 30, 2020 compared to \$7.8 million for the six months ended June 30, 2019.

Investing Activities

Net cash provided by investing activities totaled \$35.5 million during the first six months of 2020 compared with cash used in investing activities of \$2.7 million during the same period in 2019. Cash flows increased for the six months ended June 30, 2020 primarily due to net proceeds from hotel sales of \$36.9 million during the first quarter of 2020. Additionally, cash spent for capital expenditures was reduced by \$1.5 million during the six months ended June 30, 2020 compared with the same period in 2019.

Financing Activities

Net cash used in financing activities was \$27.8 million during the first six months of 2020 compared with cash provided by financing activities of \$2.7 million in the first six months of 2019. During the six months ended June 30, 2020 we paid off an outstanding loan for one company operated property along with the outstanding balance on our Line of Credit. Additionally, we borrowed and repaid approximately \$4.2 million under the PPP loan program in the second quarter of 2020. During the six months ended June 30, 2019, we executed new mortgage loans for three company operated hotel properties while paying off one. Some of the loan proceeds were distributed to joint venture partners and used to pay down a portion of the outstanding principal on our Senior Secured Term Loan.

Debt

As of June 30, 2020, we had outstanding total debt, excluding unamortized deferred financing costs and discounts, of \$5.6 million. This outstanding debt is secured by the Hotel RL Olympia and the debt agreement includes financial covenants that the hotel property is required to meet. Primarily due to the negative economic impact of the COVID-19 pandemic, the property failed to meet the minimum required financial covenants as of the semi-annual calculation of June 30, 2020. Due to the contractual cure period provisions the debt will not be called due prior to the maturity date in March 2021. We continue to pursue options to address the debt prior to maturity, such as the sale of property or alternative financing.

In February 2020, we sold the Hotel RL Washington DC for \$16.4 million. Using proceeds from the sale, together with the release of \$2.3 million in restricted cash held by CP Business Finance I, LP, RLH DC Venture repaid the remaining outstanding principal balance and accrued exit fee under the RLH DC Venture - CPBF loan agreement of \$17.7 million, plus a prepayment penalty of \$0.6 million.

Also in February of 2020, using the net proceeds from the sale of our leasehold interest in the Red Lion Anaheim, we repaid the outstanding Line of Credit balance of \$10.0 million. Upon repayment of the outstanding balance, the Line of Credit was terminated and these funds are no longer available to us.

See Note 8. *Debt and Line of Credit* within Item 1. *Financial Statements* of this quarterly report on Form 10-Q, for further additional information about our debt obligations.

Off-Balance Sheet Arrangements

As of June 30, 2020, we had no off-balance sheet arrangements 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.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that effect: (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. Since the date of our annual report on Form 10-K for the fiscal year ended December 31, 2019, we have made no material changes to our critical accounting policies or the methodologies or assumptions that we apply under them.

New and Recent Accounting Pronouncements

See Note 2. *Summary of Significant Accounting Policies* within Item 1. *Financial Statements* of this quarterly report on Form 10-Q for information on new and recent GAAP accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined by Rule 229.10(f)(1).

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2020, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended). 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 SEC rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in the company’s internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), during the six months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

On September 26, 2018, Radisson Hotels International, Inc. filed a complaint against RLH Corporation and our subsidiary Red Lion Hotels Franchising, Inc. in the United States District Court for the Eastern District of Washington. The complaint alleges tortious interference with agreements between Radisson and several franchisees controlled by Inner Circle Investments and seeks damages in an undetermined amount. Court mandated mediation has been scheduled for August 26, 2020. RLH Corporation believes this complaint is without merit and we intend to defend it vigorously.

On October 31, 2018, the Company’s lease for the Red Lion River Inn expired. The landlord filed a lawsuit against the Company on January 24, 2019 in Spokane Superior Court, alleging breach of the lease agreement and tort claims relating to the condition of the hotel. The Company filed its Answer on January 25, 2019, denying all allegations and asserting various affirmative defenses. RLH Corporation believes this complaint is without merit and we intend to defend it vigorously.

During the second quarter of 2019, we accrued approximately \$952,000 for a settlement over a wage dispute with former hotel employees related to the calculation of pay for certain rest, break, meal, and other periods that are required under California law.

Along with many of its competitors, the Company has been named as a defendant in lawsuits filed in various state and federal courts, alleging statutory and common law claims related to purported incidents of human trafficking at certain franchised hotel facilities. As of July 31, 2020, the Company was involved (as a named defendant) in three separate human trafficking lawsuits. The Company is in various stages of seeking dismissal on the basis that the Company did not own, operate or manage the hotels at issue, and intends to vigorously defend the lawsuits.

As a result of downsizing (both prior to COVID-19 and as a result of COVID-19), the Company eliminated a number of positions and laid off a number of employees in the fourth quarter of 2019 and the first two quarters of 2020. A small number of former employees have disputed the basis for their layoffs. On May 7, 2020, a former employee whose position with RLH had been eliminated in September 2019, filed a complaint in the U.S. District Court for the District of Colorado against the Company alleging gender discrimination, a hostile work environment, retaliation, and disparate treatment. The Company believes that the plaintiff’s claims are without merit and is vigorously defending them. In November 2019, a former employee’s position with RLHC was eliminated, following which the employee submitted a claim with the U.S. Equal Employment

Opportunity Commission alleging gender discrimination and retaliation. The Company has filed its position statement, denying the claims, which the Company believes to be without merit. On June 15, 2020, the Company was advised that on May 20, 2020, a former employee whose position with the Company had been eliminated as of April 17, 2020, had filed a charge of age discrimination with the EEOC and the Colorado Civil Rights Division of the Colorado Department of Regulatory Agencies. The Company has filed its position statement, denying the claims, which the Company believes to be without merit.

At any given time, we are subject to additional 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. See Note 10. *Commitments and Contingencies* within Item 1. *Financial Statements*.

Item 1A. Risk Factors

We are subject to various risks, including those set forth below, and those discussed in Part I, Item 1A. *Risk Factors* in our annual report on Form 10-K for the year ended December 31, 2019, 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. You should carefully consider these risk factors, in addition to the other information in this quarterly report.

The COVID-19 outbreak, or an outbreak of a similar pandemic, epidemic or other public health emergency, is expected to have a significant impact on our financial condition and operations.

The current, and uncertain future impact of the COVID-19 outbreak, including its effect on the ability or desire of people to travel, is expected to continue to impact our results, operations, outlooks, plans, goals, growth, cash flows, liquidity, and stock price.

The spread of COVID-19 and the recent developments surrounding the global pandemic are having material negative impacts on all aspects of our business. We have been, and will continue to be, further negatively impacted by related developments, including heightened domestic and foreign governmental regulations and travel advisories, social distancing recommendations by the U.S. Department of State and the Centers for Disease Control and Prevention, stay-at-home orders and travel bans and restrictions, each of which has impacted, and is expected to continue to significantly impact, our financial results.

As primarily a franchise company in the hospitality industry, we are largely reliant on the financial success and cooperation of our franchisees. Our revenues and operating results are highly dependent upon the ability of our franchisees to generate revenue at their franchised properties, which generates revenue for us from royalty, marketing, and other fees. Due to the COVID-19 pandemic, some of our franchisees have had to close their hotels, and others are experiencing unprecedented declines in room revenues. Some of our franchisees may not be able to withstand the financial pressures on their operations, and may have to close their hotels, or may have their hotels repossessed by lenders holding a mortgage on their property. As a result, we have seen and will continue to see a reduction in our anticipated income, collections of outstanding receivables, and overall cash flows, which will have a negative impact on our financial condition and results of operations.

As our business is reliant on the financial success and cooperation of our franchisees, we have implemented policy changes to address the impact of the COVID-19 pandemic on their financial condition, including the implementation of a fee deferral program to certain of our franchisees in which billings related to fees for March through May of 2020 could be deferred for up to 12 months, temporary fee reductions for review responses, guest relations fees, and certain other fees, and a delay in implementation of capital intensive brand standards. While these changes are temporary, if the COVID-19 pandemic continues for longer than expected, or reappears in the fall or winter, we may be required to extend some of these fee deferral programs, resulting in additional reductions in income and cash flows and negatively impacting our financial condition.

In addition, the hotel business is seasonal in nature, with the period from May through October generally accounting for the greatest portion of our annual company operated hotel revenues, and franchise royalties that are based on a percentage of hotel revenue. Should the COVID-19 pandemic continue through the summer months, we could experience a larger adverse impact to our revenues and results of operations as a result of this seasonality.

We cannot predict when travel restrictions will be lifted and there is a risk that additional travel restrictions will be implemented in certain areas. Moreover, even once travel advisories and restrictions are lifted, demand for hotel accommodations may remain weak for a significant length of time and we cannot predict if and when it will return to pre-outbreak demand. In particular, demand may be negatively impacted by the adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels and loss of personal wealth resulting from the impact of COVID-19.

We have never previously experienced a crisis of this nature or magnitude, and as a consequence, our ability to predict the impact on our future prospects is uncertain. In particular, we cannot predict the impact of the public's concern regarding the health and safety of travel, and related decreases in demand for hotel accommodations on our financial performance and our cash flows.

In addition, the COVID-19 outbreak has significantly increased economic and demand uncertainty. The current outbreak and continued spread of COVID-19 could cause a global recession, which would have a further adverse impact on our financial condition and operations. The significant level of unemployment in the U.S. and other regions is likely to have a negative impact on demand for hotel accommodations once operations resume, and these impacts could exist for an extensive period of time.

The extent of the effects of the outbreak on our business and the hospitality industry at large is highly uncertain, and will ultimately depend on factors outside our control, including, but not limited to, the duration and severity of the outbreak, the length of time it takes for demand and pricing to return and normal economic and operating conditions to resume. To the extent COVID-19 adversely affects our business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in Part I, Item 1A. *Risk Factors* included in our annual report on Form 10-K for the year ended December 31, 2019.

Departures of senior executives or other key employees could adversely affect our business.

We have seen significant turnover among our senior executives over the past five years. Our current CEO accepted a permanent role in June 2020 after operating as an interim CEO since December 2019. His predecessor resigned in November 2019 after five years at the Company. Our current Chief Financial Officer was hired in June 2020, while his predecessor was promoted from Chief Accounting Officer April 1, 2020 and departed in May 2020. Our prior CFO was in place from January 2019 until March 2020, and her predecessor was hired in 2017 and announced his departure for personal reasons in October 2018. Our Executive Vice President, General Counsel, left the Company in June 2020, our Executive Vice President, President of Global Development, left the Company in November 2019, and our Chief Marketing Officer departed the Company in May 2019.

Turnover of senior management can adversely impact our stock price, our results of operations, our relationships with our franchisees and may make recruiting for future management positions more difficult. The loss of institutional knowledge and expertise that results from the departure of experienced employees could impact our ability to timely and successfully implement our business plans and strategies, and have a material adverse effect on our business and operations. Changes in personnel could also adversely affect our internal controls over financial reporting, leading to deficiencies or the inability to timely provide reliable and accurate financial reports. Further, we may incur significant expenses related to any executive transition costs that may impact our operating results. For example, we recorded employee separation and transition costs of \$0.8 million, and \$1.1 million in the first six months of 2020 and in the year ended December 31, 2019, respectively, related to executive and management transition, which included severance payments and other incremental expenses. Additional losses of senior team members could have a material adverse impact on our financial condition or results of operations. We currently do not carry key person insurance on members of our senior management team.

We place substantial reliance on the lodging industry experience and the institutional knowledge of the members of our senior management team. We compete for qualified personnel with this experience against companies with greater financial resources than ours. In order to successfully recruit qualified employees, we will likely need to offer a combination of base salary and equity compensation. These future issuances of our equity securities will dilute existing shareholders' ownership interests. Finding suitable replacements for senior management and other key employees can be difficult, and there can be no assurance we will continue to be successful in retaining or attracting qualified personnel in the future.

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, and the lack of continuity among our executive team could have a material adverse effect on our business, financial condition and results of operations.

Our recent organizational changes and cost cutting measures may not be successful.

On April 2, 2020, our Board of Directors announced a series of organizational changes and cost cutting measures including changes to senior management, a reduction in force of approximately 40% of our corporate workforce, a reduction in capital expenditures and the closing of the Company's Spokane office. These initiatives accelerated cost-cutting measures begun at the end of 2019, and were broadened and accelerated in light of the COVID-19 pandemic. We believe these changes are needed to streamline our organization and reallocate our resources to better align with our current strategic goals, and to respond to the challenges facing the Company as a result of the COVID-19 pandemic. However, these restructuring and cost cutting activities may yield unintended consequences and costs, such the loss of institutional knowledge and expertise, attrition beyond our

intended reduction in force, a reduction in morale among our remaining employees, and the risk that we may not achieve the anticipated benefits, all of which may have a material adverse effect on our results of operations or financial condition. We may also discover that the reductions in force and cost cutting measures will make it difficult for us to pursue new opportunities and initiatives, requiring us to hire qualified replacement personnel, which may require us to incur additional and unanticipated costs and expenses.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. *Risk Factors* in our annual report on Form 10-K for the year ended December 31, 2019, which could materially affect our business, financial condition or future results. The risks described in our annual report may not be the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results in the future.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits**Index to Exhibits**

| Exhibit Number | Description |
|-----------------------|--|
| 10.1 | Amended and Restated Employment Offer Letter of John J. Russell, Jr. dated June 8, 2020 |
| 10.2 | Employment Offer Letter of Gary Kohn dated May 29, 2020 |
| 10.3 | Amendment dated April 1, 2020 to Harry Sladich Employment Offer Letter |
| 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |

SIGNATURES

Pursuant to the requirements 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

| | <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|-----|---|---|----------------|
| By: | <u>/s/ John J. Russell, Jr.</u> John J. Russell, Jr. | President and Chief Executive Officer (Principal Executive Officer) | August 6, 2020 |
| By: | <u>/s/ Gary Kohn</u> Gary Kohn | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | August 6, 2020 |

June 8, 2020

John J. Russell, Jr.

RE: Amended and Restated Red Lion Hotels Corporation Employment Offer Letter

Dear John:

This letter amends and restates in its entirety your current Offer Letter dated November 30, 2019 (the “Original Letter”), effective as of the Effective Date.

On behalf of Red Lion Hotels Corporation (the “Company”), we are delighted to offer you the position of Chief Executive Officer of the Company. As Chief Executive Officer, you will report to the Board of Directors of the Company.

As an executive officer of the Company, the details of your hire, your compensation and any of your acquisitions and dispositions of stock of the Company may in the future be subject to Securities Exchange Commission reporting rules.

The following outlines the employment package for your position. EFFECTIVE DATE: June 8,

2020

POSITION: Chief Executive Officer. Your responsibilities will be those outlined in your job description, as may be modified, and as may be assigned to you from time to time by the Board. You will also be required, as appropriate and consistent with other senior executives, to attend and participate in (i) necessary senior executive meetings, committees and councils and (ii) meetings of the Board of Directors of the Company.

COMPENSATION: Your position is classified as a salaried exempt position, which means it is exempt from state and federal overtime laws. You will be paid a bi-weekly base salary of \$15,384.62, which is equivalent to \$400,000 per year, subject to normal withholdings and payroll taxes. You will not be entitled to any additional compensation in the event you are appointed to serve as an officer or director of any of the Company’s direct or indirect subsidiaries or affiliates

BONUS: In addition to your base salary, you are eligible to earn a bonus if you are actively employed throughout the applicable bonus period, and if you meet the other requirements outlined in any bonus plan as may be approved by the Compensation Committee of the Board from time to time for executive officers of the Company. Bonus targets and goals for achievement of bonuses by executive officers are set by the Compensation Committee at its sole discretion. Your bonus target for this position is set at a target of 100% of base salary.

As interim Chief Executive Officer, you were eligible to earn a bonus of up to \$35,000.00 for each 90 days of your employment if you were actively employed throughout each such 90 day bonus period, and if you meet the bonus criteria as outlined by the Compensation Committee of the Company's Board of Directors from time to time in its sole discretion. For the second quarter ending June 30, 2020, the Compensation Committee has approved a bonus of \$25,000, which will be payable to you upon your execution of this letter. This will be the last bonus payment made under your Original Letter. Going forward, your bonus will be governed by the paragraph above.

ANNUAL EQUITY GRANT: At the sole discretion of the Compensation Committee of the Company's Board, you are eligible to receive an annual grant of equity under the Company's 2015 Stock Incentive Plan (or such successor plan as may be then in effect), upon terms as determined by the Compensation Committee in its sole discretion and consistent with the terms and conditions of other equity awards issued to the Company's other executive officers.

INITIAL EQUITY GRANT: You will also receive a one-time grant of Restricted Stock Units (RSU) in the Company, with a grant date value equal to \$150,000, based on the closing price of the Company's stock on the Effective Date. The RSUs will vest one-fourth on each of the first four anniversaries of the date of issuance.

TRAVEL: You may be expected as part of your duties to travel frequently to such places as may be directed from time to time by the Company. The Company will reimburse your reasonable travel expenses in accordance with its travel reimbursement policies as such policies may change from time to time.

BENEFITS: You will be eligible to participate in all employee benefit programs on the same terms and conditions as any Company executive vice president, as they may be modified from time to time, including:

- Medical and Dental insurance eligible the first of the month following your Start Date
- Employee Assistance Program (EAP)
- Long Term Disability insurance coverage starting the first of the month following your Start Date
- Flexible Spending Account - Section 125 Medical Reimbursement and Dependent Care accounts eligible within 30 days of your Start Date for the following 1st of the month effective date
- AFLAC - Voluntary Cancer Protection, Short Term Disability, Personal Recovery and Accident / Injury Protection Plans available following Start Date and also during open enrollment periods
- Vacation, Holiday, Sick Pay and Disability Programs
- Participation in the Company 401(k) Retirement Savings Plan with a discretionary match made after the end of each calendar year.
- Direct Deposit
- Option to purchase shares of Company stock at a 15% discount through payroll deduction under Red Lion's Employee Stock Purchase Plan
- Voluntary Term Life and AD&D Insurance coverage eligible the first of the month following your Start Date
- Continuing education reimbursement

- Discounted hotel accommodations for you and your family at Company hotels

SEVERANCE BENEFITS:

UPON TERMINATION WITHOUT CAUSE: If the Company terminates your employment without Cause (defined below), the Company will pay you severance in an amount equal to one-half (1/2) your base annual salary for the then current fiscal year. Severance will be made as salary continuation payments made at the Company's regular payroll intervals, and continuing for a period of not more than six (6) months; provided, however, that the first payment will be made on the first payroll date following the Company's timely receipt of an effective release, as described below, that has become irrevocable (the "first payment date"), and the final payment will be made not later than March 15 of the calendar year following the calendar year of your termination (the "final payment date"). As a previous condition to payment of any severance under this agreement, you must execute, and not revoke during any legally applicable revocation period, a separation agreement and general release in substantially the form attached hereto as Exhibit A. Such separation and general release must be executed and enforceable within sixty (60) days following the occurrence of the event that entitles you to such payments.

UPON CHANGE OF CONTROL AND CONSTRUCTIVE TERMINATION: If, during the term of your employment with the Company, there is a Change of Control (defined below) and there is a Constructive Termination (defined below) of your employment without Cause within twelve (12) months after such Change of Control, you will be entitled to a lump sum payment equal to your base annual salary for the then current fiscal year. In addition, (A) the Company shall accelerate vesting on any portion of any equity grant previously made to you under the Company's 2015 Stock Incentive Plan, or any successor plan, that would otherwise have vested within 12 months after such termination; and (B) all Company imposed restrictions under any vested restricted stock, restricted stock unit or other similar equity-based awards granted to you by the Company, if any, shall be terminated upon the termination of your employment, and the Company shall issue all common stock that underlies such awards but has not yet been issued; provided that (i) if the terms of any such award require you to pay monetary consideration for such stock, the stock underlying such award shall be issued only if you pay such consideration, and (ii) if any restrictions under any such award are performance-based, such restrictions shall terminate and the stock underlying such award shall be issued only if and to the extent expressly provided in the agreement evidencing the award. As a previous condition to payment of any severance under this agreement, within the sixty (60) day period following your Constructive Termination, you must execute and not revoke during any legally applicable revocation period, and a separation agreement and general release in substantially the form attached hereto as Exhibit A, and such separation agreement and general release must be effective. The severance amounts hereunder shall, subject to *COMPLIANCE WITH SECTION 409A* below, be paid to you in accordance with the Company's customary payroll practices, commencing on the first regular payroll date on or following the date that is sixty (60) days following your Constructive Termination.

As used herein, the term "Cause" means: (i) your willful and intentional failure or refusal to perform or observe any of your material duties, responsibilities or obligations, if such breach is not cured within 30 days after notice thereof to you by the Company, which notice shall state that such conduct shall, without

cure, constitute Cause; (ii) any willful and intentional act by you involving fraud, theft, embezzlement or dishonesty affecting the Company; or (iii) your conviction of (or a plea of nolo contendere to) an offense which is a felony in the jurisdiction involved.

“Constructive Termination” shall be deemed to occur if the Company terminates your employment without Cause, or if you voluntarily elect to terminate your employment within thirty (30) days after any of the following events occurring without your consent: (i) there is a significant reduction in your overall scope of duties, authorities and responsibilities (it being understood that a new position within a larger combined company is not a constructive termination if it is in the same area of operations and involves similar scope of management responsibility notwithstanding that you may not retain as senior a position overall within the larger combined company as your prior position within the Company); or (ii) there is a reduction of more than 20% of your base salary or target bonus (other than any such reduction consistent with a general reduction of pay across the Company’s or its successor’s executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company); or (iii) you are required to relocate from your present residence as a condition of your continuing employment.

As used herein, the term “Change of Control” means the occurrence of any one of the following events: any merger or consolidation involving the acquisition of 50% or more of the combined voting power of the outstanding securities of the Company by a “person” or “group” (as those terms are defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), adoption of a plan for liquidation of the Company or for sale of all or substantially all of the assets of the Company or other similar transaction or series of transactions involving the Company, or the acquisition of 50% or more of the combined voting power of the outstanding securities of the Company by a “person” or “group” (as those terms are defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934).

COMPLIANCE WITH SECTION 409A: Notwithstanding any other provision of this letter to the contrary, the compensation and benefits provided by this letter are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and all regulations and other guidance promulgated by the Secretary of the Treasury pursuant to such section (such section, regulations and other guidance being referred to herein as “Section 409A”), and this letter shall be construed and administered to give full effect to such intention. To the extent any amounts are determined to be subject to Section 409A (“Section 409A Deferred Compensation”), the terms of this letter shall be construed and administered to avoid incurring any penalties under Section 409A. In addition, this letter is subject to the following:

1. Separation from Service. Payments and benefits otherwise payable or provided pursuant to this letter upon your Constructive Termination shall be paid or provided only at the time of a termination of your employment that constitutes a Separation from Service. For the purposes of this letter, a “Separation from Service” is a separation from service within the meaning of Treasury Regulation Section 1.409A-1(h).
2. Six-Month Delay Applicable to Specified Employees. If, at the time of your Separation from Service, you are a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code, then any payments and benefits constituting Section 409A Deferred Compensation to be paid or

provided pursuant to this letter upon your Separation from Service shall be paid or provided commencing on the later of (i) the first business day after the date that is six months after the date of such Separation from Service or, if earlier, the date of your death (in either case, the “Delayed Payment Date”), or (ii) the date or dates on which such Section 409A Deferred Compensation would otherwise be paid or provided in accordance with this letter without regard to this paragraph. All such payments and benefits that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

1. Installments. Your right to receive any amounts payable hereunder in two or more installments shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment for purposes of Section 409A.

2. Notice Upon Constructive Termination. If you voluntarily elect to terminate your employment under circumstances that would otherwise constitute a Constructive Termination under this letter, a Constructive Termination shall not be deemed to have occurred unless (i) you have given the Company written notice that a specified event has occurred giving you the right to voluntarily terminate your employment and have that be treated as a Constructive Termination, (ii) such written notice is provided within ninety (90) days of the first occurrence of such specified event, (iii) the Company fails to cure such event within a period of thirty (30) days after the receipt of such notice, and (iv) you voluntarily terminate your employment within thirty (30) days following the end of the Company’s cure period.

LOYALTY, NONDISCLOSURE OF CONFIDENTIAL INFORMATION: By accepting this offer, you agree that you will continue to act at all times in the best interest of the Company. You also agree that, except as required for performance of your work, you will not use, disclose or publish any Confidential Information of the Company either during or after your employment, or remove any such information from the Company’s premises. Confidential Information includes, but is not limited to, lists of actual and prospective customers and clients, financial and personnel-related information, projections, operating procedures, budgets, reports, business or marketing plans, compilations of data created by the Company or by third parties for the benefit of the Company.

NONCOMPETITION AND NONSOLICITATION: (a) You agree that during a period after termination of your employment commensurate with the months of base salary you are paid as a benefit in connection with a related severance event, you will not, directly or indirectly, engage or participate or make any financial investments in (other than ownership of up to 5% of the aggregate of any class of securities of any corporation if such securities are listed on a national stock exchange or under section 12(g) of the Securities Exchange Act of 1934) or become employed by, or act as an agent or principal of, or render advisory or other management services to or for, any Competing Business. As used herein the term

“Competing Business” means any business which includes hotel franchising, hotel marketing services, hotel reservation services, or related hotel services, including hotel technology and platform system services or sales, that competes directly or indirectly with the Company.

(b) You also agree that during your employment at the Company and during a period after termination of your employment commensurate with the months of base salary you are paid as a benefit in connection

with a related severance event, you will not solicit, raid, entice or induce any person that then is or at any time during the twelve-month period prior to the end of your employment was an employee of the Company (other than a person whose employment with the Company has been terminated by the Company), to become employed by any person, firm or corporation.

COMPLAINT RESOLUTION: By accepting this offer with the Company, you also agree to continue to familiarize yourself with its policies, including its policies on equal opportunity and anti-harassment, and to promptly report to the appropriate the Company supervisors or officers any matters which require their attention.

KEY EMPLOYEE STATUS: You are regarded as a key employee under certain federal regulations governing family and medical leave. This status will require that you work closely with us in planning if you develop a need for family or medical leave.

NATURE OF EMPLOYMENT: As you know, the Company is an at-will employer. This means that your employment is not for a set amount of time; either you or the Company may terminate your employment at any time, with or without cause.

ENTIRE AGREEMENT: This letter contains all of the terms of your employment with the Company, and supersedes any prior understandings or agreements, whether oral or in writing.

The Company reserves the right, subject to limitations and provisions of applicable law and regulations, to change, interpret, withdraw, or add to any of its policies, benefits, or terms and conditions of employment at its sole discretion, and without prior notice or consideration to any associate. The Company's policies, benefits or terms and conditions of employment do not create a contract or make any promises of specific treatment.

We are pleased and proud to be adding your talents to our leadership team. Sincerely,

/s/ R. Carter Pate

R. Carter Pate Chairman of the Board
Red Lion Hotels Corporation

Accepted as of the date first set forth above:

/s/ John J. Russell, Jr.

John J. Russell, Jr.

EXHIBIT A

GENERAL RELEASE OF CLAIMS

This Agreement and General Release of Claims (“Agreement”) is entered into by and between John J. Russell, Jr. (“Employee”), Employee’s heirs, dependents, beneficiaries, executors, administrators, representatives, successors and assigns (collectively referred to throughout this Agreement as “Employee”), and Red Lion Hotels Corporation, dba RLH Corporation (the “Company”).

WHEREAS, Employee’s last date of employment with the Company was *.

WHEREAS, Employer and Company wish to settle and resolve all issues arising out of Employee’s employment with and separation from Employer without any disputes or proceedings,

NOW, THEREFORE, for and in consideration of the mutual promises and other good and valuable consideration described below, the receipt and adequacy of which are acknowledged by Company and Employee, both of them agree to the following:

ONE: Separation

Company and Employee agree that Employee’s last date of employment by Company was * (“Separation Date”).

TWO: General Release

With the exception of Company’s obligation to pay to Employee severance benefits in accordance with the Amended and Restated Employment Offer Letter, dated June 8, 2020 (the “Employment Agreement”), Employee knowingly and voluntarily, unconditionally and forever, releases and forever discharges the Company, all of its current and former parents, affiliates, subsidiaries, divisions, predecessors, insurers, successors and assigns, and all of their current and former employees, attorneys, officers, directors, shareholders and agents thereof, both individually and in their business capacities, and their employee benefit plans and programs and their administrators and fiduciaries (all collectively referred to throughout the remainder of this Agreement as “Releasees”), of and from any and all claims, known and unknown, asserted or unasserted, which the Employee has or may have against Releasees, including, but not limited to:

- (a) Any and all claims for wrongful discharge, constructive discharge, or wrongful demotion;
- (b) Any and all claims relating to any contracts of employment, oral or written, express or implied, or breach of the covenant of good faith and fair dealing, oral or written, express or implied;
- (c) Any and all tort claims of any nature, including but not limited to any claims for negligence, defamation, misrepresentation, fraud, or negligent or intentional infliction of emotional distress;
- (d) Any and all claims for discrimination, harassment, whistle blowing or retaliation;

a. Any and all claims for alleged violation of Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, 42 U.S.C. Section 1981, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Americans With Disabilities Act, the Employee Retirement Income Security Act, the Federal Rehabilitation Act of 1973, the Federal Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Labor Management Relations Act, the Equal Pay Act, the Fair Credit Reporting Act, the Immigration Reform and Control Act, the Uniform Services Employment and Reemployment Rights Act, the Conscientious Employee Protection Act and any and all claims for violation of any other federal, state or local law, rule, regulation or ordinances, public policy or common law;

b. Any and all claims for unpaid or disputed wages, bonuses, profit sharing units, commissions or other compensation;

c. Any and all claims for attorneys' fees or costs;

d. Provided however nothing herein is intended to release Employee's rights under the Company's 401(k) plan as prescribed by law, or any other claims that may not be released by agreement pursuant to applicable law; and

e. Further, nothing herein shall release Employee's rights of indemnification under the Company's organizational documents for acts committed in the ordinary course of business and within the scope of his employment, including any such rights under any insurance policy.

Employee understands this Release includes all claims related in any manner to Employee's employment up until the date of this Agreement. Employee further understands that Employee is hereby releasing any known or unknown claim for alleged right to discovery of information or documents of Releasees. Employee is granting this Release even though Employee understands that Employee may not, as of this date, know all of the claims Employee may lawfully have against the Releasees. This release is intended to be as broad as the law allows and includes, without limitation, any claims pursuant to statute or otherwise for attorneys' fees and costs.

THREE: Acknowledgments of Employee

Employee acknowledges that the severance benefits specified in the Employment Agreement represent sufficient consideration for Employee's release of claims and the other covenants contained in this Agreement that pertain to Employee. Employee further acknowledges that in the event Employee does not execute this Agreement, or fails to execute and deliver this Agreement to Company within the 60 day period following his Separation Date, Employee will not be entitled to, among other things, the severance benefits specified in the Employment Agreement.

Employee acknowledges that Employee has not suffered any on-the-job injury or illness for which Employee has not already filed a claim.

Employee acknowledges and represents that as of the date of the execution of this Agreement, Employee has not filed any complaints or charges with any administrative agency, or brought a claim in any court, and is not a party to any claim against the Company, and has not assigned any claim against the

Company to any third party. Employee further agrees not to affirmatively seek to file any claims against the Company and that if any such claim is prosecuted in Employee's name before any court or administrative agency, Employee waives and agrees not to take any award of money or other damages from such action.

The Company has granted Employee any leave to which Employee was entitled from the Company under the Family and Medical Leave Act or related state or local leave or disability accommodation laws.

Employee has not divulged any proprietary or confidential information of the Company and will continue to maintain the confidentiality of such information consistent with the Company's policies, Employee's agreement(s) with the Company and/or any applicable common law.

Employee has not been retaliated against for reporting any allegations of wrongdoing by the Company, its officers or any other Releasee described in this Agreement, including any allegations of corporate fraud. Both the Company and Employee acknowledge that this Agreement does not limit either party's right, where applicable, to file or to participate in an investigative proceeding of any federal, state or local governmental agency. To the extent permitted by law, Employee agrees that if such an administrative claim is made, Employee shall not be entitled to recover, and waives any right to recover monetary damages or other individual remedies in connection with any such claim.

FOUR: Non-Admission of Liability

This Agreement and benefits provided hereunder are not intended to be, shall not be construed as, and are not an admission, concession by the Company or any other Releasees, or evidence of any wrongdoing or illegal or actionable acts or omissions, and the Company expressly denies that it engaged in any wrongdoing or illegal or actionable acts or omissions.

FIVE: Period for Review and Eligibility Criteria

Employee understands that he has been given a period of twenty-one (21) calendar days to review and consider this Agreement. Employee further understands that he may take as much or as little of this 21-day period of time to consider this Agreement as he wishes, before signing this Agreement.

SIX: Revocation Period

EMPLOYEE MAY REVOKE HIS ACCEPTANCE OF THIS AGREEMENT WITHIN THE SEVEN (7) DAY PERIOD AFTER HE HAS SIGNED IT IF HE SO DESIRES. ANY REVOCATION MUST BE IN WRITING AND SUBMITTED TO THE COMPANY'S GENERAL COUNSEL, 1550 MARKET STREET, SUITE 425, DENVER, CO 80202 . THE REVOCATION MUST BE EITHER: (A) PERSONALLY DELIVERED TO THE GENERAL COUNSEL WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNS THE AGREEMENT; (B) MAILED TO THE GENERAL COUNSEL AT THE ADDRESS SPECIFIED ABOVE BY FIRST CLASS UNITED STATES MAIL AND POSTMARKED WITHIN SEVEN (7) CALENDAR DAYS AFTER

EMPLOYEE SIGNS THE AGREEMENT; OR (C) DELIVERED TO THE GENERAL COUNSEL AT THE ADDRESS SPECIFIED ABOVE THROUGH A REPUTABLE OVERNIGHT DELIVERY SERVICE WITH DOCUMENTED EVIDENCE THAT IT WAS SENT WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNED THE AGREEMENT. THIS AGREEMENT WILL BECOME EFFECTIVE AND BINDING ON THE PARTIES ON THE EIGHTH (8) DAY AFTER IT IS SIGNED, PROVIDED THAT EMPLOYEE HAS NOT REVOKED HIS ACCEPTANCE OF IT DURING THE REVOCATION PERIOD.

SEVEN: Advised to Consult with Attorney

Employee is hereby advised to consult with an attorney of his own choosing before signing this Agreement. Employee understands that whether to do so is his decision.

EIGHT: Binding Agreement

This Agreement shall be binding upon and inure to the benefit of the parties, as well as their heirs, administrators, representatives, agents, executors, successors and assigns.

NINE: Arbitration

Except as stated in Paragraph SIXTEEN, any controversy, dispute or claim arising out of or related to this Agreement or its enforceability shall be finally settled by final and binding arbitration conducted by a single arbitrator selected by the parties in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association.

If Employee breaches any provision of this Agreement pertaining to Employee, the arbitrator will be empowered: (a) to specifically enforce any term or terms of this Agreement; (b) to award the Company monetary damages resulting from such breach; and/or (c) to terminate the Company's obligations to provide future monetary payments and benefits to Employee under this Agreement.

TEN: Confidentiality

Employee represents and agrees that he will not disclose any non-public terms of this Agreement, the facts leading up to this Agreement, any allegations of wrongdoing or the terms of the negotiations leading up to this Agreement, to any persons, except (a) to members of Employee's immediate family, Employee's attorneys, accountants, tax advisors or financial advisors, provided that: (i) Employee informs each such person of this confidentiality obligation, (ii) each such person agrees to be bound to its terms, and (iii) Employee shall be responsible for any violation of the terms of this Paragraph by any of those persons; and (b) to the extent required by a subpoena or court order or otherwise required by law.

ELEVEN: Confidential Information

Employee acknowledges that he received and had access to Confidential Information (as defined below) of the Company and/or its affiliates throughout his employment, and that such Confidential

Information is a special, valuable and unique asset belonging to the Company. Without limiting Employee's continuing obligations under any existing confidentiality agreement, and in recognition of Employee's legal obligations and the consideration set forth in this Agreement, Employee agrees not to disclose to any third person or to use for the direct or indirect benefit of any person or entity other than the Company or its affiliates any Confidential Information without the Company's express written consent, unless such Confidential Information has been previously disclosed to the public by the Company or is in the public domain (other than by reason of Employee's breach of this Paragraph).

"Confidential Information" includes, but is not limited to, privileged information exchanged with the Company's legal counsel, trade secrets, customer lists and details of contracts with or requirements of customers, the identity of any owner of a managed hotel, information relating to any current, past or prospective management agreement or joint venture, information pertaining to business methods, sales plans, design plans and strategies, management organization, computer systems or software, operating policies or manuals, personnel records or information, information relating to current, past or contemplated employee benefits or compensation data or strategies, business, financial, development or marketing plans, or manpower strategies or plans, privileged information exchanged with the Company's legal counsel, financial records or other financial, commercial, business or technical information relating to the Company or its affiliates provided, however, that "Confidential Information" shall not include any information that demonstrably (a) is or becomes available to the public other than as a consequence of a breach of Employee of any fiduciary duty or obligation of confidentiality, (b) Employee received from a source not bound, to his knowledge, by obligations of confidentiality, or (c) was already in Employee's possession on a non-confidential basis prior to the commencement of his employment by the Company.

Employee hereby represents that as of this Agreement that Employee has not disclosed any Confidential Information or Confidential Materials to any person or entity (other than the Company) without the express written authorization of an authorized officer of the Company.

Nothing in this Paragraph prohibits the Employee from disclosing Confidential Information or Confidential Materials to the extent required by a court or governmental agency or by applicable law or under compulsion of legal process, provided, however, that if Employee receives a subpoena or any other written or oral request for disclosure or release of any Confidential Information, Confidential Materials or any other information concerning the Company or any other Releasee described in this Agreement, including but not limited to this Agreement and any information concerning this Agreement, Employee shall (a) within two (2) business days of the service or receipt of such subpoena or other request notify the Company in writing directed to the Company's General Counsel, 1550 Market Street, Suite 425, Denver, Colorado 80202 and provide the Company with a copy of any subpoena or other written request, or disclose the nature of the request for information, if oral, and (b) prior to making any such disclosure Employee will take all reasonable steps to afford the Company the opportunity to attempt to obtain a court order to assure the confidential treatment of the Confidential Information, Confidential Materials or other information concerning the Company or any other Releasee described in this Agreement or to prohibit or limit such disclosure.

TWELVE: Non-Competition; Non-Solicitation

Employee acknowledges he is bound by and agrees to comply with the Non-Competition and Non-Solicitation provisions set forth the Employment Agreement.

THIRTEEN: Return of Company Property

Employee represents that as of the Separation Date, he will return to the Company all Company property in his possession, custody or control, including, without limitation, computers, laptops, printers, scanners and accessories, disks, keys, cell phones, smart technology, credit cards, access cards, Company records, documents and files and all copies and recordings thereof, whether written or electronically created or stored.

FOURTEEN: Future Cooperation

Employee will comply with all reasonable requests from any Releasee for assistance and/or information in connection with any matters relating to the duties and responsibilities of Employee's employment with the Company, including without limitation, consulting with any of the employees in connection with the transition of on-going matters, consulting with attorneys of any Releasee and/or appearing as a witness in connection with any dispute, controversy, action or proceeding of any kind, and making himself available to attorneys of Releasees in advance of witness appearances for purposes of preparation upon the request of the Company and with reasonable advance notification without the need for the Company to issue a subpoena.

FIFTEEN: Public Announcement and Non-Disparagement

Employee shall not make any statements, whether oral or written, to the press or other media outlets regarding the Employee's employment or separation of employment with the Company, without express written consent and approval of the Company, except that this Paragraph shall not apply to any statements required to be made by reason of law, regulation, or any judicial or other similar proceeding or order, and provided further that nothing in this paragraph shall restrict Employee's new employer from issuing a press release that states Employee was formerly employed at Company.

Employee expressly agrees that he will not make any disparaging, malicious, and/or false comments, whether oral or written, about the Releasees in any way, now or in the future. Employee understands that any proven breach of this paragraph is a material breach of this Agreement.

SIXTEEN: Injunctive Relief

Employee acknowledges and agrees that Paragraphs TEN, ELEVEN, TWELVE, FOURTEEN and FIFTEEN hereof relate to special, unique and extraordinary matters and that a violation of any of the terms of such Paragraphs will cause the Company irreparable injury for which adequate remedies are not available at law. Therefore, Employee agrees that the Company shall be entitled to an injunction,

restraining order or such other equitable relief (without the requirement to post bond) in a court of law restraining Employee from committing any violation of the covenants and obligations contained in Paragraphs TEN, ELEVEN, TWELVE, FOURTEEN and FIFTEEN. These remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.

Employee further agrees to submit to personal jurisdiction of the federal and state courts of the State of Washington in regard to this Paragraph SIXTEEN, if the Company seeks to enjoin Employee from any actions or activities which are alleged to be violative of Paragraph TEN, ELEVEN, TWELVE, FOURTEEN and FIFTEEN of this Agreement.

SEVENTEEN: Waiver and Amendment

No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that right or any other right. A waiver or consent given by the Company on one occasion shall be effective only in that instance and shall not be construed as a waiver or bar of any right on any other occasion. This Agreement may not be modified, altered or changed in any manner, except by an instrument in writing signed by duly authorized representatives of the parties that specifically refers to this Agreement.

EIGHTEEN: Choice of Law

This Agreement shall be governed by the laws of the State of Washington without giving effect to the conflict of law principles thereof and except that the interpretation and enforceability of the arbitration clause herein shall be governed by the Federal Arbitration Act.

NINETEEN: Severability

If any portion of this Agreement is declared unlawful or unenforceable, the remaining parts will remain enforceable. In the event that Paragraph TWO is held invalid or unenforceable, in whole or in part, this Agreement shall be voidable in the sole discretion of the Company.

TWENTY: Entire Agreement

This Agreement is the entire Agreement between Employee and the Company regarding the subjects addressed in this document, and this Agreement supersedes and cancels any other agreements, arrangements, obligations or understandings between the Company and the Employee pertaining to the subjects addressed herein, provided, however, that: (i) Company's obligation to pay to Employee severance benefits under his Employment Agreement, (ii) Employees obligations under his Employment Agreement that are intended to survive his termination, (iii) any confidentiality, non-disclosure, non-solicitation, intellectual property or similar agreement between Employee and the Company; (iv) any arbitration agreement between Employee and the Company; and (v) any vested rights under applicable stock option, restricted stock or restricted stock unit agreement or plan pertaining to Employee, shall each survive this Agreement in accordance with its terms.

EMPLOYEE ACKNOWLEDGES THAT:

- EMPLOYEE HAS READ THIS AGREEMENT;
- EMPLOYEE FULLY UNDERSTANDS THE TERMS OF THIS AGREEMENT;
- EMPLOYEE HAS TAKEN SUFFICIENT TIME TO CONSIDER THIS AGREEMENT;
- EMPLOYEE IS VOLUNTARILY ENTERING INTO THIS AGREEMENT;
- EMPLOYEE HAS BEEN ADVISED TO CONSULT WITH AN ATTORNEY OF HIS OWN CHOOSING REGARDING HIS CONSIDERATION OF, AND ENTERING INTO, THIS AGREEMENT;
- THIS AGREEMENT CONTAINS A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS AS OF THE DATE EMPLOYEE SIGNS THIS AGREEMENT AND A RESTRICTION ON RELEASE OF CONFIDENTIAL INFORMATION AND CONFIDENTIAL MATERIALS;
- NO PROMISES OR AGREEMENTS OF ANY KIND HAVE BEEN MADE TO OR WITH EMPLOYEE, OTHER THAN THOSE SET FORTH IN THIS AGREEMENT, TO CAUSE EMPLOYEE TO SIGN THIS AGREEMENT.

Signature: _____

Dated: _____

Red Lion Hotels Corporation

By: _____

Dated: _____

May 29,2020

Mr. Gary Kohn

RE: Red Lion Hotels Corporation Employment Offer Letter

Dear Gary:

On behalf of Red Lion Hotels Corporation (the "Company"), we are delighted to offer you the position of Executive Vice President, Chief Financial Officer. In your new position, you will report to the President and CEO of the Company.

As an executive officer of the Company, the details of your hire, your compensation and any of your acquisitions and dispositions of stock of the Company may in the future be subject to Securities Exchange Commission reporting rules.

The following outlines the employment package for your position. START DATE: May 29, 2020.

POSITION: Executive Vice President, Chief Financial Officer. Your responsibilities will be those outlined in your job description, as may be modified, and as may be assigned to you from time to time by the President and CEO. You will also be required, as appropriate and consistent with other senior executives, to attend and participate in (i) necessary senior executive meetings, committees and councils and (ii) meetings of the Board of Directors of the Company.

COMPENSATION: Your position is classified as a salaried exempt position, which means it is exempt from state and federal overtime laws. You will be paid a bi-weekly base salary of \$13,461.54, which is equivalent to \$350,000 per year, subject to normal withholdings and payroll taxes. You will not be entitled to any additional compensation in the event you are appointed to serve as an officer or director of any of the Company's direct or indirect subsidiaries or affiliates.

BONUS: In addition to your base salary, you are eligible to earn a bonus if you are actively employed throughout the applicable bonus period, and if you meet the other requirements outlined in any bonus plan as may be approved by the Compensation Committee of the Board from time to time for Executive Vice Presidents of the Company. Bonus targets and goals for achievement of bonuses by executive officers are set by the Compensation Committee at its sole discretion. Your bonus target for this position is set at a target of 600/4 of base salary.

ANNUAL EQUITY GRANT: At the sole discretion of the Compensation Committee of the Company's Board, you are eligible to receive an annual grant of equity under the Company's 2015 Stock Incentive Plan (or such successor plan as may be then in effect), upon terms as determined by the Compensation

Committee in its sole discretion and consistent with the terms and conditions of other equity awards issued to the Company's other executive officers.

INITIAL EQUITY GRANT: You will also receive effective on your Start Date a one-time grant of 90,000 Restricted Stock Units in the Company, vesting one-fourth on each of the first four anniversaries of the date of issuance.

TRAVEL: You may be expected as part of your duties to travel frequently to such places as may be directed from time to time by the Company. The Company will reimburse your reasonable travel expenses in accordance with its travel reimbursement policies as such policies may change from time to time.

BENEFITS: You will be eligible to participate in all employee benefit programs on the same terms and conditions as any Company Executive Vice President, as they may be modified from time to time, including:

- Medical and Dental insurance eligible the first of the month following your Start Date
- Employee Assistance Program (EAP)
- Long Tenn Disability insurance coverage starting the first of the month following your Start Date
- Flexible Spending Account - Section 125 Medical Reimbursement and Dependent Care accounts eligible within 30 days of your Start Date for the following 1st of the month effective date
- AFLAC - Voluntary Cancer Protection, Short Tenn Disability, Personal Recovery and Accident/ Injury Protection Plans available following Start Date and also during open enrollment periods
- Vacation, Holiday, Sick Pay and Disability Programs
- Participation in the Company 401(k) Retirement Savings Plan with a discretionary match made after the end of each calendar year.
- Direct Deposit
- Option to purchase shares of Company stock at a 15% discount through payroll deduction under Red Lion's Employee Stock Purchase Plan
- Voluntary Tenn Life and AD&D Insurance coverage eligible the first of the month following your Start Date
- Continuing education reimbursement
- Discounted hotel accommodations for you and your family at Company hotels

SEVERANCE BENEFITS:

UPON TERMINATION WITHOUT CAUSE: If the Company terminates your employment without Cause (defined below), the Company will pay you severance in an amount equal to one-half (1/2) your base annual salary for the then current fiscal year. Severance will be made as salary continuation payments made at the Company's regular payroll intervals, and continuing for a period of not more than six (6) months; provided, however, that the first payment will be made on the first payroll date following the Company's timely receipt of an effective release, as described below, that has become irrevocable (the "first payment date"), and the final payment will made not be later than March 15 of the calendar year

following the calendar year of your termination (the "final payment date"). As a previous condition to payment of any severance under this agreement, you shall must execute , and not revoke during any legally applicable revocation period, a separation agreement and general release in substantially the form attached hereto as Exhibit A. Such separation and general release must be executed and enforceable within sixty (60) days following the occurrence of the event that entitles you to such payments.

UPON CHANGE OF CONTROL AND CONSTRUCTIVE TERMINATION: If, during the term of your employment with the Company, there is a Change of Control (defined below) and there is a Constructive Termination (defined below) of your employment without Cause within twelve (12) months after such Change of Control, you will be entitled to a lump sum payment equal to your base annual salary for the then current fiscal year. In addition, (A) the Company shall accelerate vesting on any portion of any equity grant previously made to you under the Company's 2015 Stock Incentive Plan, or any successor plan, that would otherwise have vested within 12 months after such termination; and (B) all Company imposed restrictions under any vested restricted stock, restricted stock unit or other similar equity-based awards granted to you by the Company, if any, shall be terminated upon the termination of your employment, and the Company shall issue all common stock that underlies such awards but has not yet been issued; provided that (i) if the terms of any such award require you to pay monetary consideration for such stock, the stock underlying such award shall be issued only if you pay such consideration, and (ii) if any restrictions under any such award are performance-based, such restrictions shall terminate and the stock underlying such award shall be issued only if and to the extent expressly provided in the agreement evidencing the award. As a previous condition to payment of any severance under this agreement, within the sixty (60) day period following your Constructive Termination, you must execute and not revoke during any legally applicable revocation period, and a separation agreement and general release in substantially the form attached hereto as Exhibit A. and such separation agreement and general release must be effective. The severance amounts hereunder shall, subject to *COMPLIANCE WITH SECTION 409A* below, be paid to you in accordance with the Company's customary payroll practices, commencing on the first regular payroll date on or following the date that is sixty (60) days following your Constructive Termination.

As used herein, the term "Cause" means: (i) your willful and intentional failure or refusal to perform or observe any of your material duties, responsibilities or obligations, if such breach is not cured within 30 days after notice thereof to you by the Company, which notice shall state that such conduct shall, without cure, constitute Cause; (ii) any willful and intentional act by you involving fraud, theft, embezzlement or dishonesty affecting the Company; or (iii) your conviction of (or a plea of nolo contendere to) an offense which is a felony in the jurisdiction involved.

"Constructive Termination" shall be deemed to occur if the Company terminates your employment without Cause, or if you voluntarily elect to terminate your employment within thirty (30) days after any of the following events occurring without your consent: (i) there is a significant reduction in your overall scope of duties, authorities and responsibilities (it being understood that a new position within a larger combined company is not a constructive termination if it is in the same area of operations and involves similar scope of management responsibility notwithstanding that you may not retain as senior a position overall within the larger combined company as your prior position within the Company); or (ii) there is a reduction of more than 20% of your base salary or target bonus (other than any such reduction consistent

with a general reduction of pay across the Company's or its successor's executive staff as a group, as an economic or strategic measure due to poor financial performance by the Company); or (iii) you are required to relocate from your present residence as a condition of your continuing employment.

As used herein, the term "Change of Control" means the occurrence of any one of the following events: any merger or consolidation involving the acquisition of 50% or more of the combined voting power of the outstanding securities of the Company by a "person" or "group" (as those terms are defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), adoption of a plan for liquidation of the Company or for sale of all or substantially all of the assets of the Company or other similar transaction or series of transactions involving the Company, or the acquisition of 50% or more of the combined voting power of the outstanding securities of the Company by a "person" or "group" (as those terms are defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934).

COMPLIANCE WITH SECTION 409A: Notwithstanding any other provision of this letter to the contrary, the compensation and benefits provided by this letter are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and all regulations and other guidance promulgated by the Secretary of the Treasury pursuant to such section (such section, regulations and other guidance being referred to herein as "Section 409A"), and this letter shall be construed and administered to give full effect to such intention. To the extent any amounts are determined to be subject to Section 409A ("Section 409A Deferred Compensation"), the terms of this letter shall be construed and administered to avoid incurring any penalties under Section 409A. In addition, this letter is subject to the following:

1. Separation from Service. Payments and benefits otherwise payable or provided pursuant to this letter upon your Constructive Termination shall be paid or provided only at the time of a termination of your employment that constitutes a Separation from Service. For the purposes of this letter, a "Separation from Service" is a separation from service within the meaning of Treasury Regulation Section 1.409A-1(h).
2. Six-Month Delay Applicable to Specified Employees. If, at the time of your Separation from Service, you are a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then any payments and benefits constituting Section 409A Deferred Compensation, to be paid or provided pursuant to this letter upon your Separation from Service shall be paid or provided commencing on the later of (i) the first business day after the date that is six months after the date of such Separation from Service or, if earlier, the date of your death (in either case, the "Delayed Payment Date"), or (ii) the date or dates on which such Section 409A Deferred Compensation would otherwise be paid or provided in accordance with this letter without regard to this paragraph. All such payments and benefits that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.
3. Installments. Your right to receive any amounts payable hereunder in two or more installments shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment for purposes of Section 409A.

1. Notice Upon Constructive Termination. If you voluntarily elect to terminate your employment under circumstances that would otherwise constitute a Constructive Termination under this letter, a Constructive Termination shall not be deemed to have occurred unless (i) you have given the Company written notice that a specified event has occurred giving you the right to voluntarily terminate your employment and have that be treated as a Constructive Termination, (ii) such written notice is provided within ninety (90) days of the first occurrence of such specified event, (iii) the Company fails to cure such event within a period of thirty (30) days after the receipt of such notice, and (iv) you voluntarily terminate your employment within thirty (30) days following the end of the Company's cure period.

LOYALTY, NONDISCLOSURE OF CONFIDENTIAL INFORMATION: By accepting this offer, you agree that you will continue to act at all times in the best interest of the Company. You also agree that, except as required for performance of your work, you will not use, disclose or publish any Confidential Information of the Company either during or after your employment, or remove any such information from the Company's premises. Confidential Information includes, but is not limited to, lists of actual and prospective customers and clients, financial and personnel-related information, projections, operating procedures, budgets, reports, business or marketing plans, compilations of data created by the Company or by third parties for the benefit of the Company.

NONCOMPETITION AND NONSOLICITATION: (a) You agree that during a period after termination of your employment commensurate with the months of base salary you are paid as a benefit in connection with a related severance event, you will not, directly or indirectly, engage or participate or make any financial investments in (other than ownership of up to 5% of the aggregate of any class of securities of any corporation if such securities are listed on a national stock exchange or under section 12(g) of the Securities Exchange Act of 1934) or become employed by, or act as an agent or principal of, or render advisory or other management services to or for, any Competing Business. As used herein the term "Competing Business" means any business which includes hotel franchising, hotel marketing services, hotel reservation services, or related hotel services, including hotel technology and platform system services or sales, that competes directly or indirectly with the Company.

(b) You also agree that during your employment at the Company and during a period after termination of your employment commensurate with the months of base salary you are paid as a benefit in connection with a related severance event, you will not solicit, raid, entice or induce any person that then is or at any time during the twelve-month period prior to the end of your employment was an employee of the Company (other than a person whose employment with the Company has been terminated by the Company), to become employed by any person, firm or corporation.

COMPLAINT RESOLUTION: By accepting this offer with the Company, you also agree to continue to familiarize yourself with its policies, including its policies on equal opportunity and anti-harassment, and to promptly report to the appropriate the Company supervisors or officers any matters which require their attention.

KEY EMPLOYEE STATUS: You are regarded as a key employee under certain federal regulations governing family and medical leave. This status will require that you work closely with us in planning if you develop a need for family or medical leave.

NATURE OF EMPLOYMENT: As you know, the Company is an at-will employer. This means that your employment is not for a set amount of time; either you or the Company may terminate your employment at any time, with or without cause.

ENTIRE AGREEMENT: This letter contains all of the terms of your employment with the Company, and supersedes any prior understandings or agreements, whether oral or in writing.

The Company reserves the right, subject to limitations and provisions of applicable law and regulations, to change, interpret, withdraw, or add to any of its policies, benefits, or terms and conditions of employment at its sole discretion, and without prior notice or consideration to any associate. The Company's policies, benefits or terms and conditions of employment do not create a contract or make any promises of specific treatment.

We are pleased and proud to be adding your talents to our leadership team.

Sincerely,

/s/ John Russell

John Russell

Interim President and CEO

Red Lion Hotels Corporation

Accepted as of the date first set forth above:

/s/ Gary Kohn

Gary Kohn

EXHIBIT A

GENERAL RELEASE OF CLAIMS

This Agreement and General Release of Claims ("Agreement") is entered into by and between Gary Kohn ("Employee"), Employee's heirs, dependents, beneficiaries, executors, administrators, representatives, successors and assigns (collectively referred to throughout this Agreement as "Employee"), and Red Lion Hotels Corporation, dba RLH Corporation (the "Company").

WHEREAS, Employee's last date of employment with the Company was *.

WHEREAS, Employer and Company wish to settle and resolve all issues arising out of Employee's employment with and separation from Employer without any disputes or proceedings,

NOW, THEREFORE, for and in consideration of the mutual promises and other good and valuable consideration described below, the receipt and adequacy of which are acknowledged by Company and Employee, both of them agree to the following:

ONE: Separation

Company and Employee agree that Employee's last date of employment by Company was* ("Separation Date").

TWO: General Release

With the exception of Company's obligation to pay to Employee severance benefits in accordance with the Offer Letter, dated May 29, 2020, (the "Employment Agreement"), Employee knowingly and voluntarily, unconditionally and forever, releases and forever discharges the Company, all of its current and former parents, affiliates, subsidiaries, divisions, predecessors, insurers, successors and assigns, and all of their current and former employees, attorneys, officers, directors, shareholders and agents thereof, both individually and in their business capacities, and their employee benefit plans and programs and their administrators and fiduciaries (all collectively referred to throughout the remainder of this Agreement as "Releasees"), of and from any and all claims, known and unknown, asserted or unasserted, which the Employee has or may have against Releasees, including, but not limited to:

- i. Any and all claims for wrongful discharge, constructive discharge, or wrongful demotion;
- ii. Any and all claims relating to any contracts of employment, oral or written, express or implied, or breach of the covenant of good faith and fair dealing, oral or written, express or implied;
- iii. Any and all tort claims of any nature, including but not limited to any claims for negligence, defamation, misrepresentation, fraud, or negligent or intentional infliction of emotional distress;
- iv. Any and all claims for discrimination, harassment, whistle blowing or retaliation;
- v. Any and all claims for alleged violation of Title VII of the Civil Rights Act of 1964, the

Civil Rights Act of 1991, 42 U.S.C. Section 1981, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Americans With Disabilities Act, the Employee Retirement Income Security Act, the Federal Rehabilitation Act of 1973, the Federal Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Labor Management Relations Act, the Equal Pay Act, the Fair Credit Reporting Act, the Immigration Reform and Control Act, the Uniform Services Employment and Reemployment Rights Act, the Conscientious Employee Protection Act and any and all claims for violation of any other federal, state or local law, rule, regulation or ordinances, public policy or common law;

i. Any and all claims for unpaid or disputed wages, bonuses, profit sharing units, commissions or other compensation;

ii. Any and all claims for attorneys' fees or costs;

iii. Provided however nothing herein is intended to release Employee's rights under the Company's 401(k) plan as prescribed by law, or any other claims that may not be released by agreement pursuant to applicable law; and

iv. Further, nothing herein shall release Employee's rights of indemnification under the Company's organizational documents for acts committed in the ordinary course of business and within the scope of his employment, including any such rights under any insurance policy.

Employee understands this Release includes all claims related in any manner to Employee's employment up until the date of this Agreement. Employee further understands that Employee is hereby releasing any known or unknown claim for alleged right to discovery of information or documents of Releasees. Employee is granting this Release even though Employee understands that Employee may not, as of this date, know all of the claims Employee may lawfully have against the Releasees. This release is intended to be as broad as the law allows and includes, without limitation, any claims pursuant to statute or otherwise for attorneys' fees and costs.

THREE: Acknowledgments of Employee

Employee acknowledges that the severance benefits specified in the Employment Agreement represent sufficient consideration for Employee's release of claims and the other covenants contained in this Agreement that pertain to Employee. Employee further acknowledges that in the event Employee does not execute this Agreement, or fails to execute and deliver this Agreement to Company within the 60 day period following his Separation Date, Employee will not be entitled to, among other things, the severance benefits specified in the Employment Agreement.

Employee acknowledges that Employee has not suffered any on-the-job injury or illness for which Employee has not already filed a claim.

Employee acknowledges and represents that as of the date of the execution of this Agreement, Employee has not filed any complaints or charges with any administrative agency, or brought a claim in any court, and is not a party to any claim against the Company, and has not assigned any claim against the Company to any third party. Employee further agrees not to affirmatively seek to file any claims against

the Company and that if any such claim is prosecuted in Employee's name before any court or administrative agency, Employee waives and agrees not to take any award of money or other damages from such action.

The Company has granted Employee any leave to which Employee was entitled from the Company under the Family and Medical Leave Act or related state or local leave or disability accommodation laws.

Employee has not divulged any proprietary or confidential information of the Company and will continue to maintain the confidentiality of such information consistent with the Company's policies, Employee's agreement(s) with the Company and/or any applicable common law.

Employee has not been retaliated against for reporting any allegations of wrongdoing by the Company, its officers or any other Releasee described in this Agreement, including any allegations of corporate fraud. Both the Company and Employee acknowledge that this Agreement does not limit either party's right, where applicable, to file or to participate in an investigative proceeding of any federal, state or local governmental agency. To the extent permitted by law, Employee agrees that if such an administrative claim is made, Employee shall not be entitled to recover, and waives any right to recover monetary damages or other individual remedies in connection with any such claim.

FOUR: Non-Admission of Liability

This Agreement and benefits provided hereunder are not intended to be, shall not be construed as, and are not an admission, concession by the Company or any other Releasees, or evidence of any wrongdoing or illegal or actionable acts or omissions, and the Company expressly denies that it engaged in any wrongdoing or illegal or actionable acts or omissions.

FIVE: Period for Review and Eligibility Criteria

Employee understands that he has been given a period of twenty-one (21) calendar days to review and consider this Agreement. Employee further understands that he may take as much or as little of this 21-day period of time to consider this Agreement as he wishes, before signing this Agreement.

SIX: Revocation Period

EMPLOYEE MAY REVOKE HIS ACCEPTANCE OF THIS AGREEMENT WITHIN THE SEVEN (7) DAY PERIOD AFTER HE HAS SIGNED IT IF HE SO DESIRES. ANY REVOCATION MUST BE IN WRITING AND SUBMITTED TO THE COMPANY'S GENERAL COUNSEL, 1550 MARKET STREET, SUITE 425, DENVER, CO 80202 . THE REVOCATION MUST BE EITHER: (A) PERSONALLY DELIVERED TO THE GENERAL COUNSEL WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNS THE AGREEMENT; (B) MAILED TO THE GENERAL COUNSEL AT THE ADDRESS SPECIFIED ABOVE BY FIRST CLASS UNITED STATES MAIL AND POSTMARKED WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNS THE AGREEMENT; OR (C) DELIVERED TO THE GENERAL COUNSEL

AT THE ADDRESS SPECIFIED ABOVE THROUGH A REPUTABLE OVERNIGHT DELIVERY SERVICE WITH DOCUMENTED EVIDENCE THAT IT WAS SENT WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNED THE AGREEMENT. THIS AGREEMENT WILL BECOME EFFECTIVE AND BINDING ON THE PARTIES ON THE EIGHTH (8) DAY AFTER IT IS SIGNED, PROVIDED THAT EMPLOYEE HAS NOT REVOKED HIS ACCEPTANCE OF IT DURING THE REVOCATION PERIOD.

SEVEN: Advised to Consult with Attorney

Employee is hereby advised to consult with an attorney of his own choosing before signing this Agreement. Employee understands that whether to do so is his decision.

EIGHT: Binding Agreement

This Agreement shall be binding upon and inure to the benefit of the parties, as well as their heirs, administrators, representatives, agents, executors, successors and assigns.

NINE: Arbitration

Except as stated in Paragraph SIXTEEN, any controversy, dispute or claim arising out of or related to this Agreement or its enforceability shall be finally settled by final and binding arbitration conducted by a single arbitrator selected by the parties in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association.

If Employee breaches any provision of this Agreement pertaining to Employee, the arbitrator will be empowered: (a) to specifically enforce any term or terms of this Agreement; (b) to award the Company monetary damages resulting from such breach; and/or (c) to terminate the Company's obligations to provide future monetary payments and benefits to Employee under this Agreement.

TEN: Confidentiality

Employee represents and agrees that he will not disclose any non-public terms of this Agreement, the facts leading up to this Agreement, any allegations of wrongdoing or the terms of the negotiations leading up to this Agreement, to any persons, except (a) to members of Employee's immediate family, Employee's attorneys, accountants, tax advisors or financial advisors, provided that: (i) Employee informs each such person of this confidentiality obligation, (ii) each such person agrees to be bound to its terms, and (iii) Employee shall be responsible for any violation of the terms of this Paragraph by any of those persons; and (b) to the extent required by a subpoena or court order or otherwise required by law.

ELEVEN: Confidential Information

Employee acknowledges that he received and had access to Confidential Information (as defined below) of the Company and/or its affiliates throughout his employment, and that such Confidential Information is a special, valuable and unique asset belonging to the Company. Without limiting

Employee's continuing obligations wider any existing confidentiality agreement, and in recognition of Employee's legal obligations and the consideration set forth in this Agreement, Employee agrees not to disclose to any third person or to use for the direct or indirect benefit of any person or entity other than the Company or its affiliates any Confidential Information without the Company's express written consent, unless such Confidential Information has been previously disclosed to the public by the Company or is in the public domain (other than by reason of Employee's breach of this Paragraph).

"Confidential Information" includes, but is not limited to, privileged information exchanged with the Company's legal counsel, trade secrets, customer lists and details of contracts with or requirements of customers, the identity of any owner of a managed hotel, information relating to any current, past or prospective management agreement or joint venture, information pertaining to business methods, sales plans, design plans and strategies, management organization, computer systems or software, operating policies or manuals, personnel records or information, information relating to current, past or contemplated employee benefits or compensation data or strategies, business, financial, development or marketing plans, or manpower strategies or plans, privileged information exchanged with the Company's legal counsel, financial records or other financial, commercial, business or technical information relating to the Company or its affiliates provided, however, that "Confidential Information" shall not include any information that demonstrably (a) is or becomes available to the public other than as a consequence of a breach of Employee of any fiduciary duty or obligation of confidentiality, (b) Employee received from a source not bound, to his knowledge, by obligations of confidentiality, or (c) was already in Employee's possession on a non-confidential basis prior to the commencement of his employment by the Company.

Employee hereby represents that as of this Agreement that Employee has not disclosed any Confidential Information or Confidential Materials to any person or entity (other than the Company) without the express written authorization of an authorized officer of the Company.

Nothing in this Paragraph prohibits the Employee from disclosing Confidential Information or Confidential Materials to the extent required by a court or governmental agency or by applicable law or under compulsion of legal process, provided, however, that if Employee receives a subpoena or any other written or oral request for disclosure or release of any Confidential Information, Confidential Materials or any other information concerning the Company or any other Releasee described in this Agreement, including but not limited to this Agreement and any information concerning this Agreement, Employee shall (a) within two (2) business days of the service or receipt of such subpoena or other request notify the Company in writing directed to the Company's General Counsel, 1550 Market Street, Suite 425, Denver, Colorado 80202 and provide the Company with a copy of any subpoena or other written request, or disclose the nature of the request for information, if oral, and (b) prior to making any such disclosure Employee will take all reasonable steps to afford the Company the opportunity to attempt to obtain a court order to assure the confidential treatment of the Confidential Information, Confidential Materials or other information concerning the Company or any other Releasee described in this Agreement or to prohibit or limit such disclosure.

TWELVE: Non-Competition; Non-Solicitation

Employee acknowledges he is bound by and agrees to comply with the Non-Competition and Non-Solicitation provisions set forth the Employment Agreement.

THIRTEEN: Return of Company Property

Employee represents that as of the Separation Date, he will return to the Company all Company property in his possession, custody or control, including, without limitation, computers, laptops, printers, scanners and accessories, disks, keys, cell phones, smart technology, credit cards, access cards, Company records, documents and files and all copies and recordings thereof, whether written or electronically created or stored.

FOURTEEN: Future Cooperation

Employee will comply with all reasonable requests from any Releasee for assistance and/or information in connection with any matters relating to the duties and responsibilities of Employee's employment with the Company, including without limitation, consulting with any of the employees in connection with the transition of on-going matters, consulting with attorneys of any Releasee and/or appearing as a witness in connection with any dispute, controversy, action or proceeding of any kind, and making himself available to attorneys of Releasees in advance of witness appearances for purposes of preparation upon the request of the Company and with reasonable advance notification without the need for the Company to issue a subpoena.

FIFTEEN: Public Announcement and Non-Disparagement

Employee shall not make any statements, whether oral or written, to the press or other media outlets regarding the Employee's employment or separation of employment with the Company, without express written consent and approval of the Company, except that this Paragraph shall not apply to any statements required to be made by reason of law, regulation, or any judicial or other similar proceeding or order, and provided further that nothing in this paragraph shall restrict Employee's new employer from issuing a press release that states Employee was formerly employed at Company.

Employee expressly agrees that he will not make any disparaging, malicious, and/or false comments, whether oral or written, about the Releasees in any way, now or in the future. Employee understands that any proven breach of this paragraph is a material breach of this Agreement.

SIXTEEN: Injunctive Relief

Employee acknowledges and agrees that Paragraphs TEN, ELEVEN, TWELVE, FOURTEEN and FIFTEEN hereof relate to special, unique and extraordinary matters and that a violation of any of the terms of such Paragraphs will cause the Company irreparable injury for which adequate remedies are not available at law. Therefore, Employee agrees that the Company shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) in a court of law

restraining Employee from committing any violation of the covenants and obligations contained in Paragraphs TEN, ELEVEN, TWELVE, FOURTEEN and FIFTEEN. These remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.

Employee further agrees to submit to personal jurisdiction of the federal and state courts of the State of Washington in regard to this Paragraph SIXTEEN, if the Company seeks to enjoin Employee from any actions or activities which are alleged to be violative of Paragraph TEN, ELEVEN, TWELVE, FOURTEEN and FIFTEEN of this Agreement.

SEVENTEEN: Waiver and Amendment

No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that right or any other right. A waiver or consent given by the Company on one occasion shall be effective only in that instance and shall not be construed as a waiver or bar of any right on any other occasion. This Agreement may not be modified, altered or changed in any manner, except by an instrument in writing signed by duly authorized representatives of the parties that specifically refers to this Agreement.

EIGHTEEN: Choice of Law

This Agreement shall be governed by the laws of the State of Washington without giving effect to the conflict of law principles thereof and except that the interpretation and enforceability of the arbitration clause herein shall be governed by the Federal Arbitration Act.

NINETEEN: Severability

If any portion of this Agreement is declared unlawful or unenforceable, the remaining parts will remain enforceable. In the event that Paragraph TWO is held invalid or unenforceable, in whole or in part, this Agreement shall be voidable in the sole discretion of the Company.

TWENTY: Entire Agreement

This Agreement is the entire Agreement between Employee and the Company regarding the subjects addressed in this document, and this Agreement supersedes and cancels any other agreements, arrangements, obligations or understandings between the Company and the Employee pertaining to the subjects addressed herein, provided, however, that: (i) Company's obligation to pay to Employee severance benefits under his Employment Agreement, (ii) Employees obligations under his Employment Agreement that are intended to survive his termination, (iii) any confidentiality, non-disclosure, non solicitation, intellectual property or similar agreement between Employee and the Company; (iv) any arbitration agreement between Employee and the Company; and (v) any vested rights under applicable stock option, restricted stock or restricted stock unit agreement or plan pertaining to Employee, shall each survive this Agreement in accordance with its terms.

EMPLOYEE ACKNOWLEDGES THAT:

- EMPLOYEE HAS READ THIS AGREEMENT;
- EMPLOYEE FULLY UNDERSTANDS THE TERMS OF THIS AGREEMENT;
- EMPLOYEE HAS TAKEN SUFFICIENT TIME TO CONSIDER THIS AGREEMENT;
- EMPLOYEE IS VOLUNTARILY ENTERING INTO THIS AGREEMENT;
- EMPLOYEE HAS BEEN ADVISED TO CONSULT WITH AN ATTORNEY OF HIS OWN CHOOSING REGARDING HIS CONSIDERATION OF, AND ENTERING INTO, THIS AGREEMENT;
- THIS AGREEMENT CONTAINS A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS AS OF THE DATE EMPLOYEE SIGNS THIS AGREEMENT AND A RESTRICTION ON RELEASE OF CONFIDENTIAL INFORMATION AND CONFIDENTIAL MATERIALS;
- NO PROMISES OR AGREEMENTS OF ANY KIND HAVE BEEN MADE TO OR WITH EMPLOYEE, OTHER THAN THOSE SET FORTH IN THIS AGREEMENT, TO CAUSE EMPLOYEE TO SIGN THIS AGREEMENT.

Signature: _____

Dated: _____

Red Lion Hotels Corporation

By: _____

Dated: _____

April 1, 2020

Mr. Harry Sladich

RE: Amendment to February 27, 2015 Offer Letter between Red Lion Hotels Corporation and Harry Sladich ("Existing Employment Agreement")

Dear Harry:

This letter (the "Amendment") is intended to clarify certain terms in your Existing Employment Agreement. Unless otherwise defined herein, all capitalized terms shall have the meaning set forth in the Existing Employment Agreement.

With respect to any severance benefits to which you may become entitled that are based upon your "annual base salary" for the current fiscal year, any temporary reduction to your annual base salary that has been approved by the Company as part of its response to the COVID-19 crisis will not be taken into account for purposes of calculating any severance amount due.

Other than as modified above, the Existing Employment Agreement will remain in full force and effect. This Amendment is effective as of the first date set forth above.

Please execute below to indicate your agreement to the terms of this Amendment. Sincerely,

/s/ John Russell

John Russell
Interim President & CEO

Accepted as of the date first set forth above

/s/ Harry Sladich

Harry Sladich

RED LION HOTELS CORPORATION
CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, John J. Russell, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Red Lion Hotels Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ John J. Russell, Jr.

John J. Russell, Jr.

President and Chief Executive Officer

(Principal Executive Officer)

RED LION HOTELS CORPORATION
CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, Gary Kohn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Red Lion Hotels Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - i. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - ii. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - iii. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - iv. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - i. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - ii. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ Gary Kohn

Gary Kohn

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

RED LION HOTELS CORPORATION
CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(b)

In connection with the quarterly report of Red Lion Hotels Corporation (the "Company") on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Russell, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 6, 2020

/s/ John J. Russell, Jr.

John J. Russell, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

RED LION HOTELS CORPORATION
CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(b)

In connection with the quarterly report of Red Lion Hotels Corporation (the "Company") on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary Kohn, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 6, 2020

/s/ **Gary Kohn**

Gary Kohn

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)