

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

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

WESTCOAST HOSPITALITY 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.)

201 W. NORTH RIVER DRIVE, SUITE 100
SPOKANE WASHINGTON
(Address of Principal Executive Offices)

99201-2293
(Zip Code)

Registrant's Telephone Number, Including Area Code: (509) 459-6100

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS ----- -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value \$.01 per share Exchange	New York Stock

Securities registered under Section 12(g) of the Exchange Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form

10-K or any amendment to this Form 10-K.

The aggregate market value of the Registrant's voting common stock held by non-affiliates was \$62,150,047 as of March 15, 2002. There were 12,970,473 of the Registrant's common stock outstanding as of March 15, 2002.

DOCUMENTS INCORPORATED BY REFERENCE.

Documents incorporated by reference herein: Portions of the Registrant's Proxy Statement for its 2002 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the end of the Registrant's 2001 fiscal year is incorporated by reference herein in Part III.

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PART I

ITEM 1. BUSINESS **THE COMPANY**

WestCoast Hospitality Corporation ("WestCoast" or the "Company") is a hotel operating company that owns, operates, franchises, acquires, develops, renovates and repositions hotels in the Western United States under its proprietary brand names, "WestCoast(R)", "Red Lion(R)", and related derivative usages.

Effective at the end of 2001, WestCoast acquired all of the capital stock of Red Lion Hotels, Inc. The Red Lion acquisition included 47 owned, leased, licensed or franchised hotels (see "Recent Events").

Substantially all of WestCoast's assets, including the hotels, are owned by or for the benefit of WestCoast Hospitality Limited Partnership, a Delaware limited partnership, ("the Operating Partnership" or "WHLP"). WestCoast manages the day to day operations of the Operating Partnership in its capacity as sole general partner.

As of the end of 2001, including the Red Lion acquisition, the Company has ownership interests and operates 44 hotel properties, manages an additional 10 properties and franchises an additional 39 properties, totaling 93 hotels in 16 states, including Alaska, Arizona, California, Colorado, Hawaii, Idaho, Minnesota, Missouri, Montana, Nebraska, Nevada, Oregon, Texas, Utah, Washington and Wyoming.

The Company re-branded five properties formerly operated under other brands to the WestCoast brand during 2001 (see "Recent Events"). The Company continues to operate properties acquired in the Red Lion transaction under the Red Lion(R) brand.

Additionally, the Company provides computerized ticketing for entertainment events and arranges Broadway and other entertainment event productions under its TicketsWest(R) division, including www.TicketsWest.com(TM), its Internet ticketing service offering consumers up-to-the-minute information on live entertainment and the ability to make real-time ticket purchases of the best available seats to events through the website. The Company owns and manages ticketing operations in British Columbia, California, Colorado, Idaho, Kansas, Montana, Nebraska, Oregon, Washington and Wisconsin.

The Company also leases retail and office space in buildings owned by the Company and manages residential and commercial properties in Idaho, Montana and Washington through its G&B(R) Real Estate Services division.

The Company is seeking to become the dominant Hotel company in the Western United States and expansion into Canada and Mexico by providing customers with access to a WestCoast(R) or Red Lion(R) brand hotel in multiple locations throughout the region. Our growth strategy focuses on:

- o franchising of the WestCoast(R) and Red Lion(R) brands to third party hotel owners and operators;
- o the management of third party owned hotels under our brands;
- o the acquisition and re-branding of full service hotels with predominately the WestCoast(R) name, including some acquisitions utilizing ownership entities in which the Company has a fractional interest;

o the acquisition and re-branding of limited service hotels with predominately the Red Lion(R) name, including some acquisitions utilizing ownership entities in which the Company has a fractional interest;

o the construction of new full service WestCoast(R) hotels and limited service Red Lion(R) hotels including some utilizing ownership entities in which the Company has a fractional interest and

o the expansion of existing owned hotels;

Our operating strategy is designed to enhance our revenue and operating margins by increasing revenue per available room, average daily rate, occupancy and operating efficiencies at our hotels. This strategy includes:

o building brand name recognition by maintaining our strategic focus on the Western United States, Canada and Mexico;

o promoting coordinated franchise, marketing, and development programs utilizing corporate level departments in conjunction with local hotel-based personnel;

o controlling operating expenses and achieving cost reductions through operating efficiencies and economies of scale;

o enhancing guest satisfaction and loyalty by providing high quality service;

o utilizing our yield management and proprietary management information systems to enable the general managers of each hotel to optimize revenue per available room (REVPAR), average daily rates (ADR), occupancy and net income;

o maintaining a consistent level of quality at the hotels through our maintenance and capital expenditure programs;

o emphasizing the quality of our food and beverage services to attract convention, group and special event business and to create local awareness of the hotels;

o providing valuable guest benefit programs that promote customer loyalty, including our WestAwards(R) mileage/points program and other repeat guest programs; and

o attracting and retaining qualified employees by providing ongoing training and incentive programs at all levels of employment to enhance productivity and align the efforts of employees with our objectives.

For the year ended December 31, 2001, the Company's revenues were \$120.6 million, operating income was \$19.0 million, net income was \$7.6 million, REVPAR for combined Hotels (owned, managed and franchised) was \$53.26 and ADR was \$88.08.

The Company has an \$70 million Revolving Credit facility provided by U.S. Bank N.A., as agent, which is used by the Company to finance property acquisitions, development and capital improvements and for general corporate purposes.

In addition to the Hotel and Restaurant division, the Company operates three other divisions: (i) Franchise, Central Services and Development; (ii) TicketsWest and (iii) Real Estate Division. The Franchise, Central Service and Development division focuses on franchising the WestCoast brand to third party hotel owners and providing centralized purchasing and support services to these properties. The Franchise Division focuses on franchising the WestCoast(R) and Red Lion(R) brands to third party hotel owners. A Marketing department supports

all owned and franchised hotels and develops and implements brand awareness programs. The Call Center manages internet, Global Distribution Systems, and voice reservations and phone orders for hotels. A Central Services department supports all divisions with centralized purchasing and specialized personnel.

The TicketsWest division includes computerized event ticketing through G&B(R) Select A Seat, Fastixx, Colorado Neighborhood Box Office (CNBO), the WWW.TICKETSWEST.COM website and presentation of entertainment events. Ticket sales, through TicketsWest, one of the largest independent regional ticketing system in the United States, providing ticket distribution in nine states, plus British Columbia, together with website sales, resulted in a combined distribution in 2001 of over 3.1 million tickets. The division also presented 45 event performances. These services generate income from ticket sales and handling fees as well as additional room occupancy at the Hotels.

The Company's Real Estate Division includes ownership of four office properties and one retail property containing in excess of 590,000 square feet of leasable space, the majority of which are located near the Hotels. In addition, it is the leasing agent and manager of more than 2.8 million square feet of retail and office properties (including owned properties) and approximately 2,748 residential units in the Northwest.

STRUCTURE OF THE COMPANY

The Company is the sole general partner of the Operating Partnership. As sole general partner of the Operating Partnership, the Company has exclusive power to manage and conduct the operations of the Operating Partnership. The Company owned 97.8% of the Operating Partnership as of December 31, 2001. Subject to certain holding period requirements, the ownership interest of the remaining 2.2% is exchangeable, at the option of the third party holders thereof, for cash in an amount equal to the market value of an equivalent number of shares of Common Stock. The Company has the right, however, if such third party interests are tendered, to deliver to the holder, in lieu of cash, shares of Common Stock, on a one-for-one basis (subject to adjustment in the event of stock splits, stock dividends, combinations and reorganizations). As general partner of the Operating Partnership, whenever the Company shall issue shares of capital stock, the Company will contribute the net proceeds therefrom to the Operating Partnership and the Operating Partnership will issue to the Company an equivalent number of OP Units with rights corresponding to the shares of capital stock issued by the Company.

The Company also holds assets directly or through wholly owned subsidiaries (such as WestCoast Hotels, Inc. and Red Lion Hotels, Inc.) or through subsidiaries in which it has a partial ownership interest. Through the exchange feature described above, these additional assets are also held for the benefit of the third party owners of interests in the Operating Partnership.

RECENT EVENTS

In December, 2001, WestCoast acquired all of the capital stock of Red Lion Hotels, Inc. Red Lion's hotel portfolio consists of eight owned Red Lion hotel properties, 11 leased Red Lion hotel properties, 22 franchised Red Lion hotel properties, four licensed Red Lion Hotels, one owned Doubletree hotel property located in Pasco, Washington and one leased Doubletree hotel property located in Boise, Idaho. The Red Lion hotels total 7,016 rooms, and are located primarily in the Western U.S., including Arizona, California, Colorado, Idaho, Montana, Minnesota, Missouri, Nebraska, Nevada, Oregon, Washington, and Wyoming.

As a result of that acquisition, and taking into account all other increases and losses in franchised or managed properties, WestCoast(R) increased the portfolio of the WestCoast(R) family of hotels from 8,704 rooms in 46 hotels located in 9 states to 16,095 rooms in more than 93 hotels located in 16 states. Of those hotels: 41 full service hotels are operated under the WestCoast(R) brand, 45 hotels are operated under the Red Lion(R) brand, and seven hotels are operated under other names.

In the first quarter of 2002, the Company entered into an agreement for the sale of an 80.1% interest in its headquarters building in Spokane, Washington, while retaining the management of the building and the remaining ownership interest. The sale of the property is part of a previously announced strategy of the Company to sell non-core assets while maintaining sliver ownership interests and management responsibilities, with proceeds of the sales used for debt repayment and further growth of the Company. The sale is not reflected in the financial tables described below.

WestCoast's principal executive offices are located at 201 W. North River Drive, Suite 100, Spokane, Washington 99201 and its telephone number is (509) 459-6100. Our website addresses are WWW.WESTCOASTHOTELS.COM and WWW.TICKETSWEST.COM.

INDUSTRY OVERVIEW

The September 11 terror attack and the economic recession which it exacerbated dramatically impacted the domestic lodging industry, along with other segments of the economy dependent upon business activity and travel. The domestic lodging industry produced an estimated profit of \$16.7 billion during 2001, down 31% from its record profitability in 2000. Smith Travel Research indicated that the average U.S. hotel occupancy ended in 2001 down 5.7% from 2000. ADR growth ended 2001 with 1.3% decline over 2000, while REVPAR declined by 6.9%. With the additional impact of the net addition of 79,794 rooms to the existing inventory, the industry had an overall revenue decline of 4.6% in 2001.

The following table compares the percentage changes in REVPAR, ADR and occupancy for the years ended December 31, 2001 and 2000 of (i) hotels owned, operated and franchised by WestCoast Hospitality Corporation to (ii) U.S. full service hotels and (iii) all U.S. hotels.

	PERCENTAGE CHANGE VERSUS PRIOR PERIOD					
	REVPAR (1)		ADR		OCCUPANCY	
	2001	2000	2001	2000	2001	2000
WestCoast Hotels (2)	(3.0)%	3.4%	0.7%	2.9%	(2.3)%	0.3%
U.S. Full Service Hotels (3)	(9.0)%	6.6%	(1.2)%	6.0%	(7.9)%	0.5%
U.S. Hotels (3) (4)	(6.9)%	5.7%	(1.3)%	4.9%	(5.7)%	0.8%

(1) Determined by dividing annual room revenue by annual available rooms.

(2) Includes Comparable Hotels (hotels owned, managed and franchised by the company for more than one year).

(3) Source: Smith Travel Research.

(4) Included both full service and limited service hotels.

COMPETITION IN LODGING INDUSTRY

The lodging industry is highly competitive. The Company competes with other national limited and full service hotel companies, as well as with various regional and local hotels. Many of the Company's competitors have a larger network of locations and greater financial resources than the Company. Competition in the United States lodging industry is based generally on brand name recognition, convenience of location, price, range of services and guest amenities offered, quality of customer service and overall product. We believe our brand recognition is good in the markets we serve and should be enhanced by the integration of the Red Lion(R) properties into the WestCoast(R) family of hotels. We also believe the continued refinement of our guest affinity programs, such as the Company's WestAwards program, will enhance guest loyalty. We have an advantage of having good locations, care, comfort, service and value. We believe our combination of first, second and third tier size cities and our combination of full and limited service properties enhances our opportunities. Nevertheless, demographic or other changes in one or more of the Company's markets could

impact the convenience or desirability of the sites of certain of the hotels which would adversely affect the operations of those hotels. Further, there can be no assurance that new or existing competitors will not offer significantly lower rates or greater convenience, services or amenities or significantly expand or improve facilities in a market in which the hotels compete, thereby adversely affecting the Company's operations.

RISK FACTORS

This document and the documents we incorporate by reference contain forward-looking statements that involve risks and uncertainties. The statements in this document that are not purely historical are forward-looking statements. These statements may include, among others, statements regarding (i) the acquisition and re-branding of hotels with the WestCoast(R) name and Red Lion(R) name, (ii) the construction of new WestCoast(R) and Red Lion(R) hotels and (iii) the expansion of our TicketsWest(R) entertainment and ticketing activities. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions also identify forward-looking statements, but the absence of these words does not mean a statement is not forward-looking. We cannot guarantee the accuracy of these statements, which are subject to risks, uncertainties and assumptions that are difficult to predict. Our actual results may differ materially from those we forecast in forward-looking statements due to a variety of factors, including those set forth in the following risk factors, elsewhere in this document and in the documents we have incorporated by reference. Before investing in the common stock, you should consider carefully the following factors, as well as the information contained in the rest of this document and in the documents we incorporate by reference.

WE ARE SUBJECT TO CONDITIONS AFFECTING THE LODGING INDUSTRY.

Our revenues and our operating results are subject to conditions affecting the lodging industry. These include:

- o changes in the national, regional and local economic climate;
- o local conditions such as an oversupply of, or a reduction in demand for, hotel rooms;
- o the attractiveness of our hotels to consumers and competition from comparable hotels;
- o the quality philosophy and performance of the managers of our hotels;
- o changes in room rates and increases in operating costs due to inflation and other factors;
- o changes in travel patterns, extreme weather conditions, cancellation of or changes in, events scheduled to occur in our markets; and
- o the need to periodically repair and renovate our hotels.

As demonstrated by the recession and terrorist attack of 2001, adverse changes in these conditions could adversely affect our financial performance.

DUE TO THE GEOGRAPHIC CONCENTRATION OF OUR HOTELS, OUR RESULTS OF OPERATIONS ARE SUBJECT TO FLUCTUATIONS IN REGIONAL ECONOMIC CONDITIONS.

Although our growth has diversified our geographic coverage, many of our hotels are located in the Pacific Northwest, 62 of 93 hotels are located in Oregon, Washington, Idaho and Montana. As a result, our results of operations and financial condition are significantly dependent on the economy of the Pacific Northwest. The Pacific Northwest economy is dependent in large part on a

number of major industries, including agriculture, tourism, technology, timber and aerospace. These industries may be affected by:

- o changes in governmental regulations and economic conditions;
- o the relative strength of national and local economy; and
- o the rate of national and local unemployment.

In addition, participants in these industries may decide to relocate all or part of their businesses outside the Pacific Northwest. Any of these factors could materially affect the local economies in which these industries operate.

To the extent that general economic or other conditions in the Pacific Northwest decline and result in a decrease in customer demand in this region, our performance and results of operations will be adversely affected.

Although our growth has increased the number of significant markets in which we participate, we operate or market multiple hotels within several cities including Bend, Eugene and Portland, Oregon; Seattle, Spokane, Wentachee and Yakima, Washington; Kalispell, Montana; San Diego, California; Denver, Colorado; Springfield Missouri and Boise, Idaho. A downturn in general economic or other relevant conditions in these specific markets or in any other market in which we operate could adversely impact our results of operations and financial condition.

OUR EXPENSES MAY REMAIN CONSTANT EVEN IF OUR REVENUES DROP.

Our growth has increased the percentage of our hotels which are franchised or managed rather than owned from 48.8% at the end of 2000 to 52.7% at the end of 2001. Nevertheless, a significant number of our hotels are owned, and the expenses of owning property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from a hotel. Our financial condition and ability to service debt could be adversely affected by:

- o interest rate levels;
- o the availability of financing;
- o the cost of compliance with government regulations, including zoning and tax laws; and
- o changes in government regulations, including those governing usage, zoning and taxes.

WE MAY BE UNABLE TO SELL HOTEL PROPERTIES WHEN APPROPRIATE.

Real estate investments generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to economic or other conditions. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and ability to service debt. In addition, sales of appreciated real property could generate material adverse tax consequences, which may make it disadvantageous for us to sell hotels.

OUR GROWTH IS DEPENDENT ON OUR ABILITY TO INCREASE THE NUMBER OF OUR HOTELS.

We intend to continue to pursue an aggressive growth strategy for the foreseeable future. Our ability to successfully pursue new growth opportunities will depend on a number of factors. These include our ability to:

- o identify suitable hotels for acquisition, development, management or franchise;
- o finance acquisitions and renovations; and
- o successfully integrate new hotels into our operations.

There is no assurance that suitable hotels for acquisition, development, management or franchise will be available or, if available, will be on acceptable terms or that capital will be available on acceptable terms. While we believe that we have sufficient capital to fund our growth strategy in the near term, this belief is based on adequate cash being generated from operations and the availability of a revolving credit facility. There is no assurance that we will generate adequate cash from operations. Even if we generate anticipated cash from operations, we may seek to obtain additional debt or equity financing, depending upon the amount of capital required to pursue future growth opportunities or address other liquidity needs.

WE MAY NOT BE ABLE TO EFFECTIVELY INTEGRATE NEW HOTELS INTO OUR OPERATIONS.

We cannot assure you that:

- o we will be able to successfully integrate new hotels or new hotel products into our operations;
- o new hotels or new hotel products will achieve revenue and profitability levels comparable to our existing hotels; or
- o the combined business will be profitable. Newly acquired, developed or converted hotels typically begin with lower occupancy and room rates.

Furthermore, our expansion within our existing markets could adversely affect the financial performance of our existing hotels in those markets or our overall results of operations. Expansion into new markets may present operating and marketing challenges that are different from those we currently encounter in our existing markets. There is no assurance that we will be able to anticipate all of the changing demands that expanding operations will impose on our management and management information and reservation systems. The failure to adapt our systems and procedures could have a material adverse effect on our business.

WE MAY NOT BE ABLE TO IMPLEMENT OUR GROWTH STRATEGY.

We intend to pursue a full range of growth opportunities, including acquisitions, new construction, management for third party owners and franchise agreements. We compete for growth opportunities with national and regional hospitality companies, some of which have greater name recognition, marketing support, reservation system capacity and financial resources than we do. Our ability to make acquisitions is dependent upon our relationships with owners of existing hotels and certain major hotel investors. Our failure to compete successfully for acquisitions or to attract or maintain relationships with hotel owners and major hotel investors could adversely affect our ability to expand our portfolio of hotels. Our inability to implement our external growth strategy would limit our ability to grow our revenue base.

OUR GROWTH IS DEPENDENT ON OUR ABILITY TO EXPAND OUR OPERATIONS.

We intend to acquire additional hotels, ticket, and entertainment operations in the future. Acquisitions entail the risk that investments will fail to perform in accordance with our expectations. We also intend to continue the redevelopment and re-branding of other acquired hotels into "WestCoast" and "Red Lion" hotels. In addition, we expect to develop new hotels in the future, depending on market conditions. Hotel redevelopment and new project development is subject to a number of risks, including:

- o construction delays or cost overruns;
- o risks that the hotels will not achieve anticipated performance levels; and
- o new project commencement risks such as receipt of zoning, occupancy and other required governmental permits and authorizations.

As a result, we could incur substantial costs for a project that is never completed. There is no assurance that financing for these projects will be available or, if available, will be on acceptable terms. In addition, the renovation of our hotels is subject to a number of risks, including, without limitation, construction delays or cost overruns due to various factors. Any unanticipated delays or expenses in connection with the renovation of our hotels could have an adverse effect on our results of operations and financial condition.

WE ARE SUBJECT TO REAL ESTATE OWNERSHIP RISKS.

Our ownership portfolio at December 31, 2001, contained 49 properties, including 44 hotels, 2 office properties, 1 retail property and 2 mixed-use office and retail properties. Accordingly, we are subject to varying degrees of risk generally related to owning real estate. These risks, many of which are beyond our control, include:

- o changes in national, regional and local economic conditions; local real estate market conditions;
- o changes in interest rates, and the availability, cost and terms of financing and lease obligations;
- o the impact of present or future environmental legislation and adverse changes in zoning laws and other regulations; and
- o compliance with environmental laws.

WE HAVE OUTSTANDING PREFERRED STOCK AND HAVE THE ABILITY TO ISSUE MORE.

Our common stock is subordinate to all outstanding classes of preferred stock in the payment of dividends and other distributions made with respect to the common stock, including distributions upon liquidation or dissolution. Our board of directors is authorized to issue up to 5,000,000 shares of preferred stock without first obtaining shareholder approval. We have outstanding 303,771 shares of our Series A Preferred Stock and 303,771 shares of our Series B Preferred Stock, which have the right to significant dividends, an aggregate liquidation preference of over \$30 million, and the right under certain circumstances to designate two individuals to serve on our board of directors. If we designate or issue other series of preferred stock, it will create additional securities that will have dividend and liquidation preferences over the common stock. If we issue convertible preferred stock, a subsequent conversion may dilute the interest of common shareholders'.

MANAGEMENT'S CONTROL OF THE COMPANY MAY LIMIT YOUR ABILITY TO CHANGE THE COMPOSITION OF THE BOARD OF DIRECTORS, AND MAY DETER A CHANGE IN CONTROL.

Donald K. Barbieri, our Chairman, President and Chief Executive Officer, has sole voting and investment power with respect to 27.7% of our outstanding shares of common stock. Our directors and executive officers of the Company own or control a total of 40.0% of our outstanding shares of common stock. As long as management owns a substantial portion of the outstanding common stock, it will have the ability to control our management and affairs and will have the power to approve or block most actions requiring the approval of our shareholders, including a merger, or a sale of all the assets of the Company.

COMPLIANCE WITH GOVERNMENTAL REGULATIONS COULD AFFECT OUR RESULTS OF OPERATIONS.

The lodging industry is subject to numerous federal, state and local government regulations, including building and zoning requirements. Also, the Company is subject to laws governing its relationship with employees, including minimum wage requirements, overtime, working conditions and work permit requirements. An increase in the minimum wage rate, employee benefit costs or other costs associated with employees could adversely affect the company. Under the Americans with Disabilities Act of 1990, all public accommodations are required to meet certain federal requirements related to access and use by disabled persons. Although we believe we are in compliance with the ADA, there is no assurance that a material ADA claim will not be asserted against us.

WE COULD EXPERIENCE SEASONAL FLUCTUATIONS IN OUR RESULTS OF OPERATIONS.

The lodging industry is seasonal in nature. For example, in many of our markets, the months from May through October generally account for a greater portion of annual revenues than the months from November through April. For the year ended December 31, 2001, our revenues in the first through fourth quarters were 23.3%, 26.9%, 28.1% and 21.7%, respectively, of our total revenue for such year and our net income (loss) for the first through fourth quarters was 8.9%, 59.8%, 38.6% and (7.3)%, respectively, of our total net income for that year. As demonstrated by the September 11 tragedy, quarterly earnings also may be adversely affected by events beyond our control, such as extreme weather conditions, economic factors and other considerations affecting travel.

WE ARE DEPENDENT ON OUR SENIOR MANAGEMENT.

We place substantial reliance on the lodging industry experience and the continued availability of our senior management. That management has been enhanced by the addition of experienced executives who have joined us from Red Lion Hotels, Inc. Our operations and strategic planning are led by: Donald K. Barbieri, Chairman, President and Chief Executive Officer; Arthur M. Coffey, Executive Vice President/Chief Financial Officer and President, WestCoast Hotels; Sharon Sanchez, Executive Vice President of the Hotel Division; and Richard L. Barbieri, Executive Vice President and General Counsel. We believe that our future success and our ability to manage future growth depend in large part upon the efforts of the senior management and on our ability to attract and retain other highly qualified personnel. Competition for such personnel is intense, and there can be no assurance that we will be successful in attracting and retaining such personnel. The Company does not carry key man insurance on any of its senior management.

WE MAY BE UNABLE TO LOCATE LESSEES FOR OUR RENTAL PROPERTY.

We own approximately 590,000 square feet of office and retail space in Spokane, Washington and Kalispell, Montana. We are subject to the risk that upon expiration, leases may not be renewed, the space may not be relet or the terms of renewal or reletting (including the cost of required renovations) may be less favorable than current lease terms. There is no assurance that we will be able to locate tenants for rental spaces vacated in the future or receive satisfactory rents from tenants. Delays or difficulties in attracting tenants and costs incurred in preparing for tenants could reduce cash flow, decrease the value of a property or jeopardize our ability to pay our expenses. Vacancies could subsequently result due to termination of a tenant's tenancy, the tenant's financial failure or a breach of the tenant's obligations.

WE ARE SUBJECT TO RISKS ASSOCIATED WITH MANAGING AND LEASING PROPERTIES OWNED BY THIRD PARTIES.

We plan to continue to manage and lease properties owned by third parties. Risks associated with these activities include the risk that the related

contracts (which are typically cancelable upon 30-days' notice or upon certain events, including sale of the property) will be terminated by the property owner or will be lost in connection with a sale of such property, that contracts may not be renewed upon expiration or may not be renewed on terms consistent with current terms and that the rental revenues upon which management and leasing fees are based will decline as a result of general real estate market conditions or specific market factors affecting properties managed or leased by WestCoast(R), resulting in decreased management or leasing fee income.

THE PERFORMANCE OF OUR TICKETSWEST(R) DIVISION IS PARTICULARLY SUBJECT TO FLUCTUATIONS IN ECONOMIC CONDITIONS.

Our entertainment services include computerized event ticketing and the presentation of touring Broadway shows. In addition, we attract additional hotel guests through cross-selling the products of our TicketsWest division. This division is vulnerable to risks associated with changes in general regional and economic conditions, the potential for significant competition and a change in consumer trends, among others. In addition, there is no assurance that Broadway shows will continue to tour the Northwest or that such productions will use the Company as a promoter.

CERTAIN TYPES OF LOSSES MAY EXCEED INSURANCE COVERAGE.

We carry comprehensive liability, public area liability, fire, flood, boiler and machinery, extended coverage and rental loss insurance covering our properties. There are, however, certain types of losses that are not generally insured because it is not economically feasible to insure against such losses. Should an uninsured loss or a loss in excess of insured limits occur with respect to any particular property, we could lose our capital invested in the property, as well as the anticipated future revenue from the property and, in the case of debt which is with recourse to the Company would remain obligated for any mortgage debt or other financial obligations related to the property. Although we believe that our properties are adequately insured, any such loss would adversely affect us. There is no assurance that material losses in excess of insurance proceeds will not occur in the future.

WE ARE SUBJECT TO ENVIRONMENTAL RISKS WHICH COULD BE COSTLY.

Our operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of compliance with future legislation. Under current federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of contamination from hazardous or toxic substances, or the failure to remediate such contaminated property properly, may adversely affect the ability of the owner of the property to borrow using such property as collateral for a loan or to sell such property. Environmental laws also may impose restrictions on the manner in which a property may be used or transferred or in which businesses may be operated, and may impose remedial or compliance costs. The costs of defending against claims of liability or remediating contaminated property and the cost of complying with environmental laws could materially adversely affect our results of operations and financial condition.

In connection with our acquisition of a property, a Phase I environmental assessment is conducted by a qualified independent environmental engineer. Phase I environmental assessments have been performed on all of our owned properties, but not all leased properties, and we expect that all of our future hotel acquisitions will be subject to a Phase I environmental assessment. A Phase I environmental assessment involves researching historical usage's of a property, databases containing registered underground storage tanks and other matters, including an on-site inspection, to determine whether an environmental issue exists with respect to the property which needs to be addressed. If the results of a Phase I environmental assessment reveal potential issues, a Phase II

environmental assessment, which may include soil testing, ground water monitoring or borings to locate underground storage tanks, may, depending upon the circumstances, be ordered for further evaluation.

It is possible that Phase I environmental assessments will not reveal all environmental liabilities or compliance concerns or that there will be material environmental liabilities or compliance concerns of which WestCoast will not be aware. While we have not been notified by any governmental authority and we have no other knowledge of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental substances in connection with any of our properties, no assurances can be given that future laws, ordinances or regulations will not impose any material environmental liability or the current environmental condition of our existing and future properties will not be affected by the condition of neighboring properties (such as the presence of leaking underground storage tanks) or by third parties (whether neighbors such as dry cleaners or others) unrelated to WestCoast.

WE HAVE INCURRED DEBT FINANCING AND MAY INCUR INCREASED INDEBTEDNESS IN CONNECTION WITH ACQUISITIONS.

Our outstanding indebtedness as of December 31, 2001 was approximately \$171.9 million. Substantially all of our outstanding indebtedness is secured by individual properties, including our hotels. Borrowings under the Revolving Credit Facility are used by us to repay existing indebtedness, to fund the acquisition of hotels, to fund renovations and capital improvements to hotels and for general working capital needs. The Revolving Credit Facility is secured by deeds of trust on certain of our properties. At December 31, 2001, our outstanding indebtedness had a weighted average annual interest rate of 7.73%. At December 31, 2001, our ratio of long-term debt (including capital lease obligations) to equity was 1.13 to 1.

Neither our Articles of Incorporation nor our Bylaws limit the amount of indebtedness that we may incur. Subject to limitations in our debt instruments, we expect to incur additional debt in the future to finance acquisitions and renovations and for general corporate purposes. Our continuing indebtedness could increase our vulnerability to general economic and lodging industry conditions (including increases in interest rates) and could impair our ability to obtain additional financing in the future and to take advantage of significant business opportunities that may arise. Our indebtedness is, and will likely continue to be, secured by mortgages on our hotels. There is no assurance that we will be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our assets, including our hotels, to foreclosure. Adverse economic conditions could cause the terms on which borrowings become available to be unfavorable. In such circumstances, if we are in need of capital to repay indebtedness in accordance with its terms or otherwise, we could be required to liquidate one or more investments in our hotels at times which may not permit realization of the maximum return on such investments.

A portion of our outstanding indebtedness bears interest at a variable rate. Economic conditions could result in higher interest rates, which would increase debt service requirements on variable rate debt and could reduce the amount of cash available for various corporate purposes.

TRADEMARKS

"WestCoast (R)" "Red Lion(R)", "TicketsWest(R)", "WestAwards(R)" and "G&B(R)" and various derivatives of those usages are registered trademarks of the Company or its subsidiaries.

SEGMENT REVENUES

The information required by this item is contained in, and incorporated by reference from the Financial Statements and supplementary data, Note 17, contained herein.

ITEM 2. PROPERTIES
HOTEL PROPERTIES

The Company's hotel portfolio currently contains 93 Hotels, with 16,095 guestrooms and approximately 684,425 square feet of meeting space, located in the Western United States. The following table sets forth certain information regarding the Company's hotel portfolio at December 31, 2001.

OWNED: (1)	LOCATION	YEAR BUILT/ ACQUIRED	YEAR RENOVATED	GUEST ROOMS	MEETING SPACE (SQ. FT.)
WestCoast Park Center Suites	Boise, ID	1998	2000	238	2,200
WestCoast Idaho Falls Hotel	Idaho Falls, ID	1998	1994	138	8,800
WestCoast Pocatello Hotel	Pocatello, ID	1998	2000	150	13,000
WestCoast Templins Resort	Post Falls, ID	1998	2000	167	11,000
WestCoast Twin Falls Hotel	Twin Falls, ID	1998	1999	112	5,085
WestCoast Colonial Hotel	Helena, MT	1998	2000	149	15,000
WestCoast Kalispell Center Hotel	Kalispell, MT	1986	1999	132	10,500
WestCoast Outlaw Hotel	Kalispell, MT	1998	2000	220	11,000
WestCoast Hillsboro Hotel	Hillsboro, OR	1998	1997	123	3,500
WestCoast Kennewick Hotel	Kennewick, WA	1978	1997	162	9,700
WestCoast Olympia Hotel	Olympia, WA	1998	1998	190	16,500
WestCoast Grand Hotel on Fifth Avenue	Seattle, WA	1996	1996	297	13,800
WestCoast Sea-Tac Hotel	Seattle, WA	1999	1997	146	4,500
WestCoast Vance Hotel	Seattle, WA	1999	1990	165	N/A
WestCoast Grand Hotel at the Park	Spokane, WA	1983	1999	402	26,300
WestCoast Ridpath Hotel	Spokane, WA	1998	2000	342	16,000
WestCoast River Inn	Spokane, WA	1976	1999	245	2,800
WestCoast Yakima Center Hotel	Yakima, WA	1991	1997	154	11,000
WestCoast Yakima Gateway Hotel	Yakima, WA	1997	2000	172	8,000
WestCoast Salt Lake Hotel	Salt Lake City, UT	1998	1998	393	12,000
Red Lion Hotel Eureka	Eureka, CA	2001	1998	178	4,890
Red Lion Hotel Redding	Redding, CA	2001	1999	192	7,433
Red Lion Hotel Sacramento	Sacramento, CA	2001	2001	376	19,644
Red Lion Inn Kalispell	Kalispell, MT	2001	1997	64	--
Red Lion Inn Missoula	Missoula, MT	2001	1997	76	700
Red Lion Hotel Astoria	Astoria, OR	2001	1996	124	5,100
Red Lion Inn Bend North	Bend, OR	2001	1999	75	1,266
Red Lion Inn Bend South	Bend, OR	2001	1997	75	--
Red Lion Hotel Coos Bay	Coos Bay, OR	2001	2001	143	4,972
Red Lion Hotel Eugene	Eugene, OR	2001	2001	137	5,600
Red Lion Klamath Falls	Klamath Falls, OR	2001	1995	108	1,200
Red Lion Hotel Medford	Medford, OR	2001	2001	185	9,552
Red Lion Hotel Pendleton	Pendleton, OR	2001	1999	170	9,800
Red Lion Inn Aberdeen	Aberdeen, WA	2001	1997	66	--
Red Lion Hotel Kelso	Kelso, WA	2001	1999	162	8,700
Red Lion Hotel Port Angeles	Port Angeles, WA	2001	1997	186	3,010
Red Lion Hotel Richland	Richland, WA	2001	1999	149	9,247
Red Lion Hotel Vancouver at the Quay	Vancouver, WA	2001	1999	160	14,785
Red Lion Hotel Wenatchee	Wenatchee, WA	2001	1999	149	7,678
Best Western Bellevue Inn	Bellevue, WA	1999	1998	181	5,750
Best Western Executive Park Hotel	Phoenix, AZ	1999	1993	107	3,000
Budget Inn	Spokane, WA	1991	1997	153	2,600
Doubletree Hotel Boise Downtown	Boise, ID	2001	1993	182	8,600
Doubletree Hotel Pasco	Pasco, WA	2001	2000	279	17,240
TOTAL OWNED:				7,774	351,452

(1) Listings under "owned" incorporate: owned and leased properties and properties owned by a partnership in which the Company holds interests.

MANAGED:	LOCATION	YEAR BUILT/ ACQUIRED	YEAR RENOVATED	GUEST ROOMS	MEETING SPACE (SQ. FT.)
WestCoast International Inn	Anchorage, AK	1999	1992	141	5,700
WestCoast Cape Fox Lodge	Ketchikan, AK	2000	1999	72	1,800
WestCoast Long Beach Hotel & Resort	Long Beach, CA	1999	1997	195	7,400
WestCoast Silverdale Hotel	Silverdale, WA	1999	1999	150	5,234
Ashland Springs Hotel/a WestCoast Hotel	Ashland, OR	2000	2000	70	4,500
The Grove Hotel/a WestCoast Grand Hotel	Boise, ID	1999	1997	250	36,000
The River Place Hotel/a WestCoast Grand Hotel	Portland, OR	1999	1998	84	2,800
Valley River Inn/a WestCoast Hotel	Eugene, OR	1999	2000	257	15,000
Camlin Hotel	Seattle, WA	1999	1991	146	500
Cathedral Hill Hotel	San Francisco, CA	1999	2000	400	30,000
TOTAL MANAGED:				1,765	108,934
FRANCHISED:					
WestCoast Anaheim Hotel	Anaheim, CA	1999	2000	498	30,000
WestCoast Anabelle Hotel	Burbank, CA	1999	1998	47	500
WestCoast Santa Cruz Hotel	Santa Cruz, CA	1999	1999	163	4,548
WestCoast Bellevue Hotel	Bellevue, WA	1999	1999	176	6,400
WestCoast Gateway Hotel	Seattle, WA	1999	1999	145	625
WestCoast Wenatchee Center Hotel	Wenatchee, WA	1999	1994	147	51,000
Maui Coast Hotel/a WestCoast Hotel	Maui, HI	1999	1999	260	900
The Selkirk Lodge/a WestCoast Hotel	Schweitzer, ID	2001	2001	82	8,800
White Pines Lodge/a WestCoast Hotel	Schweitzer, ID	Opening 2002	Opening 2002	48	8,800
The Benson Hotel/a WestCoast Grand Hotel	Portland, OR	1999	1991	287	16,000
The Paramount Hotel, Portland/a WestCoast Hotel	Portland, OR	1999	1999	154	1,500
The Roosevelt Hotel/a WestCoast Hotel	Seattle, WA	1999	1993	151	2,400
The Paramount Hotel, Seattle/a WestCoast Hotel	Seattle, WA	1999	1996	146	1,300
Red Lion Hotel Phoenix	Phoenix, AZ	2001	1997	171	2,400
Red Lion Hotel Bakersfield	Bakersfield, CA	2001	2001	165	--
Red Lion Hotel Modesto	Modesto, CA	2001	1994	186	--
Red Lion Inns & Suites LA Warner Center	Los Angeles, CA	2001	n/a	98	600
Red Lion Hanalei Hotel	San Diego, CA	2001	2001	416	16,000
Red Lion Hotel San Diego South Bay	San Diego, CA	2001	1991	170	2,300
Red Lion Hotel Colorado Springs	Colorado Springs, CO	2001	2000	202	--
Red Lion Hotel Denver Downtown	Denver, CO	2001	1999	171	1,860
Red Lion Hotel Denver Central	Denver, CO	2001	2001	303	15,206
Red Lion Inn & Suites Pagosa Springs	Pagosa Springs, CO	2001	1996	97	--
Red Lion Hotel Lewiston	Lewiston, ID	2001	2001	134	11,500
Red Lion Inn Springfield North	Springfield, MO	2001	1999	103	--
Red Lion Inn Springfield South	Springfield, MO	2001	1996	121	--
Red Lion Hotel St. Paul	St. Paul, MN	2001	1998	143	--
Red Lion Hotel Butte	Butte, MT	2001	2001	131	4,240
Red Lion Hotel Omaha	Omaha, NE	2001	1997	215	--
Red Lion Hotel & Casino Elko	Elko, NV	2001	1999	223	3,600
Red Lion Hotel & Casino Winnemucca	Winnemucca, NV	2001	1999	170	--
Red Lion Hotel & Suites McMinnville	McMinnville, OR	2001	1998	67	960
Red Lion Inn & Suites Portland Airport	Portland, OR	2001	1999	69	700
Red Lion Hotel Salem	Salem, OR	2001	1999	150	10,000
Red Lion Hotel Austin	Austin, TX	2001	2000	300	12,000
Red Lion Hotel Seattle South	Seattle, WA	2001	2000	118	3,900
Red Lion Hotel Seattle Airport	Seattle, WA	2001	1995	198	6,000
Red Lion Inn Yakima	Yakima, WA	2201	1996	58	--
Red Lion Inn Jackson	Jackson, WY	2001	1992	73	--
TOTAL FRANCHISED:				6,556	224,039
TOTAL:				16,095	684,425

FRANCHISE, CENTRAL SERVICES AND DEVELOPMENT

The Franchise, Central Services and Development Division oversees the franchise operations of the Company and provides the marketing and management coordination of the WestCoast and Red Lion brands. Franchise royalty fees are recorded as revenue in this division along with development fees and net discounts retained at the corporate level for central purchasing programs. Franchise revenues are collected for all WestCoast and Red Lion branded owned, managed and franchised hotels. Due to intercompany consolidation eliminations, only those revenues for the managed and franchised hotels are reported.

TICKETSWEST

The TicketsWest division of the Company is comprised of: (i) G&B Select A Seat, Fastixx, CNBO theatrical, ski lift tickets and event ticketing agencies,

(ii) WestCoast Entertainment, a promoter of touring Broadway shows and other special events, (iii) the 800 Reservations Center for entertainment events and hotel information, and (iv) WWW.TICKETSWEST.COM the Company's internet portal that provides international leisure, entertainment, and ticketing services. The combination of event ticketing, presentation of Broadway shows, hotel event packages and a centralized reservations system enables the Company to offer packages for hotel guests, generating additional room night occupancy and income from ticket distribution service fees.

During 1999, the TicketsWest division's acquisitions increased its geographic coverage into markets including Portland, Oregon; Seattle, Washington; Colorado Springs and Denver, Colorado. These acquisitions increased the content available for sale via the Company's website, which allows ticket purchases to be transacted in real-time, a functionality that was developed and launched by the Company in 1999.

The selected financial data set forth below reflects operating results for the Company's TicketsWest division for the fiscal years ended December 31, 2001, 2000, and 1999. Revenues and direct operating expenses in this chart do not eliminate inter-company revenues and charges, primarily related to reservation services provided to the Hotels. Please see Note 17 - Business Segments in the consolidated financial statements, included herein, for further detail of eliminations of inter-company charges.

YEAR ENDED DECEMBER 31,

	2001	2000	1999

INCOME STATEMENT:			
Revenue	\$ 8,539	\$ 6,908	\$
7,959			
Direct operating expenses	8,300	6,905	
7,461			
Depreciation and amortization	476	410	
110			

Total direct expenses	8,776	7,315	
7,571			

Operating income (loss)	\$ (237)	\$ (407)	\$
388			
=====			

REAL ESTATE DIVISION

At the end of 2001, the Company was the owner and manager of approximately 590,000 square feet of leasable office and retail space located in Spokane, Washington and Kalispell, Montana, and third-party management and/or leasing agent of more than 3.4 million square feet of retail and office properties and approximately 2,748 residential units in the Northwest. The Company's corporate

headquarters is located in the WHC Building and occupies 27,779 square feet of this 100,350 square foot building. In the first quarter of 2002, the Company entered into an agreement for the sale of an 80.1% interest in the WHC Building, while retaining the management of the building, its lease of space, and the remaining ownership interest. The sale of the property is part of a previously announced strategy of the Company to sell non-core assets while maintaining sliver ownership interests and management responsibilities, with proceeds of the sales used for debt repayment and further growth of the Company.

ITEM 3. LEGAL PROCEEDINGS

At any given time, the Company is subject to claims and actions incident to the operation of its 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 the Company's business, financial condition, cash flow or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF THE SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2001.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Donald K. Barbieri has been President and Chief Executive Officer and a director of the Company since 1978 and Chairman of the Board since 1996. Mr. Barbieri joined the Company in 1969 and is responsible for the Company's development activities in hotel, entertainment and real estate areas. Mr. Barbieri is currently Chair of the Spokane Regional Chamber of Commerce. Mr. Barbieri served as president of the Spokane Chapter of the Building Owners and Managers Association from 1974 to 1975 and served as president of the Spokane Regional Convention and Visitors Bureau from 1977 to 1979. He also served on the Washington Tourism Development Council from 1983 to 1985 and the Washington Economic Development Board while chairing the State of Washington's Quality of Life Task Force from 1985 to 1989.

Arthur M. Coffey has been Chief Financial Officer and Executive Vice President of the Company since June 1997 and a director of the Company since 1990. Mr. Coffey is also President of the WestCoast Hotels division of the Company. Mr. Coffey served as Chief Operating Officer of the Company from 1990 to June 1997. Mr. Coffey has been in the hotel business since 1971 and joined the Company in 1981. Mr. Coffey is currently a director of the Association of Washington Business, served as a trustee of the Spokane Area Chamber of Commerce, served as a director of the Washington State Hotel Association from 1996 to 1997, served as director of the Spokane Regional Convention and Visitors Bureau from 1982 to 1985 and served as president of the Spokane Hotel Association from 1989 to 1990.

Sharon Sanchez joined the Company in December, 2001, as Executive Vice President of the Hotel Division. Ms. Sanchez comes to the Company from Red Lion Hotels and Inns where she helped guide the Red Lion Hotel chain through its successful growth as Vice President of Operations and Brand Management. With over 25 years of hospitality experience, she has held hotel operations and sales management positions in convention, leisure and corporate based hotels, corporate positions in operations and brand management, and marketing leadership in the residential property management sector.

Richard L. Barbieri has been an Executive Vice President since January 2002 and Senior Vice President of the Company since September 1997, full-time General Counsel of the Company since 1995 and a Director of the Company since 1978. From 1994 to 1997, Mr. Barbieri served as a Vice President of the Company. From 1978 to 1995, Mr. Barbieri served as outside counsel and Secretary of the Company, during which time he was engaged in the practice of law at Edwards and Barbieri, a Seattle law firm, and then at Riddell Williams, a Seattle law firm, where he chaired the real estate practice group. Mr. Barbieri has also served as chairman of various committees of the State and County Bar Association and as a member of the governing board of the County Bar Association. He also served as vice

chairman of the Citizens' Advisory Committee to the Major League Baseball Stadium Public Facilities District in Seattle in 1996 and 1997. Mr. Barbieri is the brother of Donald K. Barbieri.

Shannon E. Kapek has been the Vice President, Financial Reporting since June, 1997, and has been a Vice President since September 1988. Ms. Kapek is responsible for directing the Company's financial reporting activities. Ms. Kapek joined the Company in 1975 and has held several positions within the Company including Residential Division Manager from 1980 to 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is listed on the New York Stock Exchange ("NYSE") under the symbol "WEH". From April 3, 1998 to February 29, 2000 the Company was traded under the symbol CVH on the NYSE. The following table sets forth for the periods indicated the high and low closing sale prices for the Common Stock on the NYSE.

	High	Low
2001:	-----	
5.93 6.00 5.08 4.95	Fourth Quarter (ended December 31, 2001)..... \$ 6.49 Third Quarter (ended September 30, 2001)..... \$ 7.98 Second Quarter (ended June 30, 2001)..... \$ 7.48 First Quarter (ended March 31, 2001)..... \$ 5.56	\$ \$ \$ \$
2000:		
5.00 6.00 6.69 6.69	Fourth Quarter (ended December 31, 2000)..... \$ 5.81 Third Quarter (ended September 30, 2000)..... \$ 7.19 Second Quarter (ended June 30, 2000)..... \$ 8.38 First Quarter (ended March 31, 2000)..... \$ 8.31	\$ \$ \$ \$

The last reported sale price of the Common Stock on the NYSE on March 13, 2002 was \$7.95. As of March 13, 2002, there were approximately 91 shareholders of record of the Common Stock.

The Company does not anticipate paying any cash dividends on the Common Stock in the foreseeable future. The Company intends to retain earnings to provide funds for the continued growth and development of its business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." Any determination to pay cash dividends in the future will be at the discretion of the Board of Directors and will depend upon, among other things, the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Board. In addition, the Revolving Credit Facility includes restrictions on the payment of dividends. As of December 31, 2001, the Company was restricted from paying dividends on its common stock under the terms and conditions of the Revolving Credit Facility.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected combined financial data of the Company as of and for the years ended October 31, 1997, December 31, 1998, 1999, 2000 and 2001, and the two months ended December 31, 1997. The selected combined statement of operations and balance sheet data are derived from the Company's audited financial statements. The audited consolidated financial statements for certain of these periods are included elsewhere in this Report.

The selected combined financial data set forth below should be read in conjunction with, and are qualified in their entirety by, the Consolidated Financial Statements and related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included elsewhere in this Report.

	FISCAL YEAR ENDED	TWO MONTHS ENDED	FISCAL YEAR ENDED DECEMBER 31			
	OCTOBER 31, (1)	DECEMBER 31,	1998	1999	2000	2001
	1997	1997	1998	1999	2000	2001
STATEMENTS OF OPERATIONS DATA:						
Total revenues	\$ 52,043	\$ 8,838	\$ 86,333	\$ 110,055	\$ 125,806	\$ 120,633
Operating income (2)	10,635	1,343	20,310	21,035	23,548	19,028
Net income (2)(3)	1,709	6	7,508	8,029	5,821	7,579
Dividends per share (4)	--	--	--	--	--	--
Net income per share- basic and diluted (5)	--	--	0.66	0.63	0.45	0.59
Pro forma net income per share	0.24	--	--	--	--	--
BALANCE SHEET DATA(6):						
Total assets	124,104	125,117	244,903	309,132	304,834	359,649
Long-term debt and capital leases	100,810	100,650	130,550	167,950	162,940	171,932
OTHER DATA:						
EBITDA (2)(7)	15,410	2,141	26,425	28,967	34,000	30,206
Net cash provided by operating activities	6,610	1,094	14,271	19,067	11,954	17,490
Cash Flow (8)	7,051	773	15,452	18,793	18,019	15,982

(1) The summary combined financial and other data has been presented as though

(i) the predecessor businesses of WestCoast Hospitality Corporation, Barbieri Investment Company, G&B: Lincoln Building Partnership and their respective subsidiaries and partnerships which they controlled had been combined as of October 31, 1997 and (ii) the spin-off of certain subsidiaries engaged in businesses not related to the core hospitality business of the Company had occurred as of October 31, 1997.

(2) Operating income, net income (loss), and EBITDA reflect a nonrecurring charge of \$422,000 related to final settlement of litigation in 1997.

(3) The Company incurred \$23,000 in 2001, \$10,000 in 1999 and \$546,378 in 1998 in extraordinary expense net of income taxes for the write-off of prepayment penalties and deferred loan fees in connection with the repayment of indebtedness.

(4) Due to the Merger in November 1997, historical dividends per share are not relevant or meaningful and therefore are not presented.

(5) Due to the Merger, which was consummated in November 1997, the historical earnings per share is not relevant or meaningful. Therefore, pro forma earnings per share for the year ended October 31, 1997 has been presented based upon the number of shares of Common Stock of the Company, which were outstanding after the Merger.

(6) The balance sheet data as of December 31, 1999 and 2001 reflects the acquisitions of WestCoast Hotels, Inc. and Red Lion Hotels, Inc. which were acquired on December 31, 1999 and December 31, 2001, respectively. However due to the timing of these acquisitions the results of operations of these acquired entities are not included in operations until the year after the acquisition.

(7) EBITDA represents income before income taxes, extraordinary item, cumulative effect of accounting changes, interest expense (net of interest income), depreciation, amortization, minority interests, and other income/expenses. EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles and such information should not be considered as an alternative to net income, cash flow from operations or any other measure of performance prescribed by generally accepted accounting principles. While not all companies calculate EBITDA in the same fashion and therefore EBITDA as presented may not be comparable to similarly titled measures of other companies, EBITDA is included herein because management believes that certain investors find it to be a useful tool for measuring the Company's ability to service debt. EBITDA is not necessarily available for management's discretionary use due to restrictions included in the Revolving Credit Facility and other considerations.

(8) Net cash provided by operating activities excluding changes in current assets and liabilities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

GENERAL

The following discussion and analysis addresses the results of operations for the Company for the years ended December 31, 2001, 2000, and 1999. The following should be read in conjunction with the Consolidated Financial Statements and the notes thereto and "Selected Financial Data" included elsewhere in this report. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from those anticipated in these forward-looking statements as a result of certain factors, including those discussed in "Risk Factors."

The Company's revenues are derived primarily from the Hotels and reflect revenue from rooms, food and beverage, third party management contracts, and other sources, including telephone, guest services, banquet room rentals, gift shops and other amenities. Hotel revenues accounted for 82.5% of total revenue in 2001 and decreased at an annual rate of 6.6% from \$106.5 million in 2000 to \$99.5 million in 2001. This decrease was primarily the result of the slowing economy and the events of September 11. The balance of the Company's revenues is derived from its Franchise, Central Services and Development, TicketsWest, Real Estate, and Corporate Services divisions. These revenues are generated from franchise fees, ticket distribution handling fees, real estate management fees, sales commissions and rents. Franchise, Central Services and Development produced 2.7% of the revenue, TicketsWest accounted for 6.2% of total revenues and rental operations accounted for 8.4% of total revenues.

As is typical in the hospitality industry, REVPAR, ADR and occupancy levels are important performance measures. The Company's operating strategy is focused on enhancing revenue and operating margins by increasing REVPAR, ADR, occupancy and operating efficiencies of the Hotels. These performance measures are impacted by a variety of factors including national, regional and local economic conditions, degree of competition with other hotels in their respective market areas and, in the case of occupancy levels, changes in travel patterns.

The Company's operating segments are (1) Hotels and Restaurants; (2) TicketsWest; (3) Real Estate Division, and (4) Franchise, Central Services and Development. The Franchise, Central Services and Development segment represents the franchise and marketing division of the Company, which was acquired with the WestCoast Hotels, Inc. purchase in December 31, 1999. Due to the timing of the WestCoast Hotels, Inc. acquisition, this segment had identifiable assets and capital expenditures at December 31, 1999, but no operations were reported until 2000.

On December 31, 2001, the Company completed the purchase of Red Lion Hotels, Inc. (Red Lion) including 9 owned hotels, 12 leased hotels, 4 licensed hotels and 22 franchised operating hotels. The acquisition was accounted for under the purchase method of accounting and therefore the results of operations of Red Lion are included in the consolidated results of operations of the Company after the date of the acquisition. Therefore, the Red Lion operating results are not reflected in the consolidated financial statements for the year ended December 31, 2001 and are not included in the following discussion of operating results. However, the assets and liabilities acquired are included in the balance sheet at December 31, 2001.

The following table sets forth selected items from the consolidated statements of operations as a percent of total revenues and certain other selected data:

YEAR ENDED DECEMBER 31,

	2001	2000	1999
<hr/>			
Revenues			
Hotels and Restaurants	82.5%	84.7%	84.3%
Franchise, Central Services and Development	2.7	2.9	--
TicketsWest	6.2	4.5	6.5
Real Estate Division	8.4	7.6	8.8
Corporate Services and Other	0.2	0.3	0.4
<hr/>			
Total Revenues	100.0%	100.0%	100.0%
<hr/>			
Direct Operating Expenses	82.7%	79.96%	79.4%
Undistributed Corporate Operating Expense	1.6	1.3	1.5
Operating Income	15.8	18.7	19.1
Interest Expense	10.0	11.7	8.5
Income Tax Provision	3.7	2.6	3.4
Net Income	6.3%	4.6%	7.3%
Hotel Statistics (1)			
Hotels open at end of period ..	93	45	46
Available Rooms	16,095	8,704	8,749
REVPAR (2)(3)	\$ 53.26	\$ 54.94	\$ 44.86
ADR (4)	\$ 88.08	\$ 86.98	\$ 80.80
Occupancy (5)	60.5%	63.2%	55.5%

(1) The hotel statistics include actual hotels and available rooms at December 31st of each year. Therefore, the 2001 and 1999 number of hotels and available rooms include the hotels which the Company acquired from Red Lion Hotels, Inc. on December 31, 2001 and the hotels acquired from West Coast Hotels, Inc. on December 31, 1999. However, the REVPAR, ADR and Occupancy statistics do not include the Red Lion hotels in 2001 or the West Coast hotels in 1999 as these acquisitions were completed on December 31st of the respective years and their results of operations are not included in the consolidated revenues and hotel operating statistics until the following year. REVPAR, ADR and Occupancy statistics in each year are presented for comparable hotels (hotels owned, managed and franchised by the Company for more than one year).

(2) REVPAR represents the total room revenues divided by total available rooms, net of rooms out of service due to significant renovations.

(3) Rooms, which were under renovation, were excluded from REVPAR and average occupancy percentage. Due to the short duration of renovation, in the opinion of management, excluding these rooms did not have a material impact on REVPAR and average occupancy percentage.

(4) ADR represents total room revenues divided by the total number of rooms occupied by hotel guests on a paid basis.

(5) Average occupancy percentage represents total rooms occupied divided by total available rooms. Total available rooms represents the number of rooms available multiplied by the number of days in the reported period.

RESULTS OF OPERATIONS

COMPARISON OF YEAR ENDED DECEMBER 31, 2001 TO THE YEAR ENDED DECEMBER 31, 2000

Total revenues decreased \$5.2 million, or 4.1%, from \$125.8 million in 2000 to \$120.6 million in 2001. This decrease is attributed primarily to general economic conditions following the September 11 terrorist attacks, decreases in total rooms occupied and REVPAR decreases at the Comparable Hotels (Hotels owned, managed and franchised by the company for more than one year). REVPAR decreased due to the decrease in occupied paid rooms.

Total hotel and restaurant revenues decreased \$7.0 million, or 6.6% to \$99.5 million in 2001 from \$106.5 million in 2000. Comparable Hotel ADR increased \$0.61 or 0.7% to \$88.08 in 2001 from \$87.47 in 2000. Comparable Hotel REVPAR decreased \$1.67 or 3.0% to \$53.26 in 2001 from \$54.93 in 2000.

The Company completed the acquisition of Red Lion Hotels, Inc. effective December 31, 2001 which adds annually 1,180,775 room nights under ownership and 1,516,210 room nights which the Company has management or franchise contracts. Due to the timing of the Red Lion Hotels, Inc. acquisition, it did not affect 2001 operating results. On a pro-forma basis including the Red Lion hotels, comparable hotel ADR increased \$1.53 or 1.9% to \$81.26 in 2001 from \$79.73 in 2000. Comparable hotel pro forma REVPAR decreased \$1.16 or 2.3% to \$49.50 in 2001 from \$50.66 in 2000.

The Franchise, Central Services and Development division revenue decreased 0.4 million, or 11.8% to \$3.2 million in 2001 from \$3.6 million in 2000. The revenue decline is primarily related to a decrease in fee income from central purchasing services for franchised and third party owned hotels.

TicketsWest revenues increased \$1.8 million, or 31.4%, to \$7.5 million in 2001 from \$5.7 million in 2000. TicketsWest revenue increased primarily due to the expanded venues the Company services with its expansion into Colorado and the increased shows presented by the Company and increased attendance at entertainment events.

Real Estate Division revenue increased \$0.6 million, or 6.0%, to \$10.1 million in 2001 from \$9.5 million in 2000 primarily due to increases in leasing income at the company owned office buildings, and management income from additional third party management contracts.

Direct operating expenses decreased \$0.9 million, or 0.9%, to \$99.7 million in 2001 from \$100.6 million in 2000, primarily due to the decrease in the number of hotel guests served and enhanced cost controls in the company owned hotels, partially offset by the increased costs of increased transaction and sales by the TicketsWest division. This represents an increase in direct operating expenses as a percentage of total revenues to 82.7% in 2001 from 80.0% in 2000. The increase in direct operating expense percentages is primarily attributed to decreased hotel revenues and increased depreciation for improvements placed in service during 2001.

Total undistributed corporate operating expenses increased \$0.2 million or 13.8%, to \$1.9 million in 2001 from \$1.7 million in 2000. Total undistributed corporate operating expenses as a percentage of total revenues increased 0.3% to 1.6% in 2001 from 1.3% in 2000.

Operating income decreased \$4.5 million, or 19.2%, to \$19.0 million in 2001 from \$23.5 million in 2000. As a percentage of total revenues, operating income decreased to 15.8% in 2001 from 18.7% in 2000. This decrease is primarily due to the decrease in revenue from the hotel and restaurant division as a result of the economic slowdown following the events of September 11.

Other income increased to \$5.1 million in 2001 from \$0.2 million in 2000. The increase is primarily related to a \$3.8 million gain realized from insurance settlement and the \$1.3 million gain from the sale of non-core assets. The insurance settlement related to the insurance recoveries in excess of the net book value of the assets which were destroyed in the fire at one of the Company's commercial office buildings.

Interest expense decreased \$2.6 million, or 17.5%, to \$12.1 million in 2001 from \$14.7 million in 2000. This decrease is primarily related to lower interest rates charged on the Company's variable rate debt, reduced borrowing due to debt repayments made by the Company, and the lower borrowing cost of long term fixed rate debt implemented during 2001.

Income tax provision increased 36.2%, to \$4.5 million in 2001 from \$3.3 million in 2000, due to the increase in income before taxes. The effective income tax provision rate was 37.2% for 2001 and 36.2% for 2000.

Net income increased \$1.7 million, or 30.2%, to \$7.6 million in 2001 from \$5.8 million in 2000.

Earnings per share increased 31.1% to \$0.59 in 2001 from \$0.45 in 2000.

COMPARISON OF YEAR ENDED DECEMBER 31, 2000 TO THE YEAR ENDED DECEMBER 31, 1999

Total revenues increased \$15.8 million, or 14.3%, from \$110.1 million in 1999 to \$125.8 million in 2000. This increase is attributed primarily to revenue generated from the acquisition of WestCoast Hotels, Inc. which was effective December 31, 1999, increases in total rooms occupied and REVPAR increases at the Combined Hotels (Hotels owned, managed and franchised). REVPAR increased due to the increase of average daily rate.

Total hotel and restaurant revenues increased \$13.7 million, or 14.8%, to \$106.5 million in 2000 from \$92.8 million in 1999. Comparable Hotel ADR increased \$2.46, or 2.9%, to \$86.98 in 2000 from \$84.52 in 1999. Combined Hotel REVPAR increased \$1.82, or 3.4%, to \$54.94 in 2000 from \$53.12 in 1999. The Company completed the acquisition of WestCoast Hotels, Inc., effective December 31, 1999. In 2000, there were 160,050 actual room nights under ownership, and 1,014,655 room nights for which the Company had management or franchise contracts. Due to the timing of the WestCoast Hotels, Inc. acquisition, it did not affect 1999 operating results.

The Franchise, Central Services and Development division was acquired with the WestCoast Hotels Inc. acquisition, therefore no operations were reported in 1999. The year 2000 revenue was \$3.6 million.

TicketsWest revenues decreased \$1.5 million, or 20.6%, to \$5.7 million in 2000 from \$7.2 million in 1999. TicketsWest revenue decreased primarily due to decreased shows presented by the Company and decreased attendance at entertainment events.

Real Estate Division revenue decreased \$0.1 million, or 1.1%, to \$9.5 million in 2000 from \$9.6 million in 1999 primarily due to a one time lease payment of \$150,000 in 1999.

Direct operating expenses increased \$13.2 million, or 15.1%, to \$100.6 million in 2000 from \$87.4 million in 1999, primarily due to the increase in the number of hotel guests served and the full year's cost effect of the WestCoast Hotels, Inc. acquisition, partially offset by the reduced costs of entertainment presented by the TicketsWest division. This represents an increase in direct operating expenses as a percentage of total revenues to 80.0% in 2000 from 79.4% in 1999. The increase in direct operating expense percentages is primarily attributed to increased hotel operating expenses and depreciation for operating the acquired hotels associated with the WestCoast Hotels, Inc. acquisition.

Total undistributed corporate operating expenses increased \$0.1 million or 3.8%, to \$1.7 million in 2000 from \$1.6 million in 1999. Total undistributed corporate operating expenses as a percentage of total revenues decreased 0.2% to 1.3% in 2000 from 1.5% in 1999.

Operating income increased \$2.5 million, or 11.9%, to \$23.5 million in 2000 from \$21.0 million in 1999. As a percentage of total revenues, operating income decreased to 18.7% in 2000 from 19.1% in 1999. This decrease is primarily due to the increase in direct operating expenses of TicketsWest and the increased costs associated with WestCoast Hotels, Inc. operations.

Interest expense increased \$5.3 million, or 56.2%, to \$14.7 million in 2000 from \$9.4 million in 1999. This increase is primarily related to borrowings associated with the acquisition of WestCoast Hotels Inc. and an increase in the weighted average interest rate charged the Company for its variable interest debt.

Income tax provision declined 11.5%, to \$3.3 million in 2000 from \$3.7 million in 1999, due to the decrease in income before taxes. The effective income tax provision rate was 36.2% for 2000 and 31.4% for 1999. The increase in the effective tax rate in 2000 is primarily due to goodwill amortization associated with the WestCoast Hotels, Inc. acquisition which is not deductible for federal income tax purposes.

Net income decreased \$2.2 million, or 27.5%, to \$5.8 million in 2000 from \$8.0 million in 1999.

Earnings per share decreased to \$0.45 in 2000 from \$0.63 in 1999.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's principal sources of liquidity have been cash on hand, cash generated by operations and borrowings under a \$120.0 million revolving credit facility. In 2001 the Company obtained approximately \$74.4 million of long term fixed rate financing which was used to refinance various mortgages and pay down the revolving credit facility. Upon completion of this refinancing the revolving credit facility commitment was reduced to \$70 million. As of December 31, 2001 the outstanding balance of the revolving credit facility was \$54.3 million leaving \$15.7 million available to the Company. Cash generated by operations in excess of operating expenses is used for capital expenditures and to reduce amounts outstanding under the Revolving Credit Facility. Hotel acquisitions, development and expansion have been and will be financed through a combination of internally generated cash, borrowing under credit facilities, and the issuance of Common Stock or OP Units.

The Company's short-term capital needs include food and beverage inventory, payroll and the repayment of interest expense on outstanding mortgage indebtedness. Historically, the Company has met these needs through internally generated cash. The Company's long-term capital needs include funds for property acquisitions, scheduled debt maturities and renovations and other non-recurring capital improvements. The Company anticipates meeting its future long-term capital needs through additional debt financing secured by the Hotels, by unsecured private or public debt offerings or by additional equity offerings, along with cash generated from internal operations.

At December 31, 2001, the Company had \$5.7 million in cash and cash equivalents. The Company has made extensive capital expenditures to existing hotels and the acquisition of hotel properties over the last three years, \$55.0 million, \$8.5 million, and \$63.3 million in owned and joint venture properties in 2001, 2000, and 1999, respectively. These expenditures included guest room, lounge and restaurant renovations, public area refurbishment, telephone and computer system upgrades, tenant improvements, property acquisitions, construction, and corporate expenditures and were funded from common and preferred stock issuance, operating cash flow and debt. The Company establishes reserves for capital replacement in the amount of 4.0% of the prior year's actual gross hotel income to maintain the Hotels at acceptable levels. Acquired hotel properties have a separate capital budget for purchase, construction, renovation, and branding costs. Capital expenditures planned for Hotels in 2002 are expected to be approximately \$7.7 million. Management believes the consistent renovation and upgrading of the Hotels and other properties is imperative to its long-term reputation and customer satisfaction.

To fund its acquisition program and meet its working capital needs, the Company has a Revolving Credit Facility. The Revolving Credit Facility has a term ending May 2003 and an annualized fee for the unutilized portion of the facility. The Company selects from four different interest rates when it draws funds: the lender's prime rate or one, three, or six month LIBOR plus the applicable margin of 180 to 325 basis points, depending on the Company's ratio of EBITDA-to-total funded debt. The Revolving Credit Facility allows for the Company to draw funds based on the trailing 12 months performance on a pro forma basis for both acquired and owned properties. Funds from the Revolving Credit Facility may be used for acquisitions, renovations, construction and general corporate purposes. The Company believes the funds available under the Revolving Credit Facility and additional debt instruments will be sufficient to meet the Company's near term growth plans. The Operating Partnership is the borrower under the Revolving Credit Facility. The obligations of the Operating Partnership under the Revolving Credit Facility are fully guaranteed by the Company. Under the Revolving Credit Facility, the Company is permitted to grant new deeds of trust on any future acquired properties. Mandatory prepayments are required to be made in various circumstances including the disposition of any property, or future acquired property, by the Operating Partnership.

The Revolving Credit Facility contains various representations, warranties, covenants and events of default deemed appropriate for a Credit Facility of similar size and nature. Covenants and provisions in the definitive credit agreement governing the Revolving Credit Facility include, among other things, limitations on: (i) substantive changes in the Company's and Operating Partnership's current business activities, (ii) liquidation, dissolution, mergers, consolidations, dispositions of material property or assets involving the Company and its affiliates or their assets, as the case may be, and acquisitions of property or assets of others, (iii) the creation or existence of deeds of trust or other liens on property or assets, (iv) the addition or existence of indebtedness, including guarantees and other contingent obligations, (v) loans and advances to others and investments in others, (vi) redemption of subordinated debt, (vii) amendment or modification of certain

material documents or of the Company's Articles of Incorporation in a manner adverse to the interests of the lenders under the Revolving Credit Facility,

(viii) payment of dividends or distributions on the Company's capital stock, and

(ix) maintenance of certain financial ratios. Each of the covenants described above provide for certain ordinary course of business and other exceptions. If the Company breaches any of these covenants and does not obtain a waiver of that breach, the breach will constitute an event of default under the Revolving Credit Facility. At December 31, 2001, the Company had \$54.3 million outstanding under the Revolving Credit Facility and was in compliance with all required covenants. The Revolving Credit Facility restricted the Company from paying dividends on its common stock as of December 31, 2001.

In addition to the Revolving Credit Facility, as of December 31, 2002, the Company had debt and capital leases outstanding of approximately \$117.7 million consisting of primarily variable and fixed rate debt secured by individual properties.

In December 2001 the Company acquired Red Lion Hotels, Inc. for \$50.6 million which was paid at closing as follows: Forty percent (40%) (\$20,251,539) in cash; thirty percent (30%) by issuance to Seller of 303,771 shares of the Company's Series A Preferred Stock; and thirty percent (30%) by issuance to Seller of 303,771 shares of the Company's Series B Preferred Stock. The source of funds for the cash portion of the purchase price was loan proceeds from the Company's credit facility with U.S. Bank National Association and the other financial institutions party thereto.

The Company has identified approximately \$60 million of its non-core real estate assets that are targeted for sale. We expect that some of these assets will be sold during 2002. Proceeds from the sale of these assets may be utilized to reduce the outstanding debt balance under the Company's Revolving Credit Facility, acquisition of hotels, repurchase of the Company's stock, and other corporate purposes.

In March 2002 the Company executed an agreement to sell an 80.1% interest in the WHC Building for \$10.6 million. The purchasers, an investment group, are located in Oregon and California. The Company will retain ownership of the remaining 19.9% interest and will continue management and leasing services for the property through its G&B Real Estate Services Division. The transaction is expected to close by the end of March 2002 and remains contingent upon completion of the normal approval processing of the transaction by the existing lender.

The Company believes that cash generated by operations will be sufficient to fund the Company's operating strategy for the foreseeable future, and that any remaining cash generated by operations, together with capital available under the Revolving Credit Facility (subject to the terms and covenants to be included therein) and additional debt financing, will be adequate to fund the Company's growth strategy in the near term. Thereafter, the Company expects that future capital needs, including those for property acquisitions, will be met through a combination of net cash provided by operations, borrowings and additional issuances of Common Stock or Preferred Stock.

CRITICAL ACCOUNTING POLICIES

In December 2001, the SEC requested that all registrants include disclosure of their "critical accounting policies" in MD&A. A critical accounting policy is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. All of the Company's

significant accounting policies are described in Note 2 of our consolidated financial statements. The following is a brief discussion of the more critical accounting policies and estimates used by us.

VALUATION OF LONG-LIVED ASSETS. Long lived assets consist primarily of (1) hotel and commercial office buildings and (2) intangible assets consisting of brand name and goodwill. We assess the impairment of these assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- o significant underperformance relative to expected historical or projected future operating results;
- o significant changes in our use of the acquired assets or the strategy for our overall business;
- o significant negative industry or economic trends

If we determine that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method. The carrying value of property and equipment at December 31, 2001 was \$257.7 million. The carrying value of intangible assets was \$34.9 million as of December 31, 2001. In January 2002, the Company implemented Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" and as a result, the Company will cease amortizing the brand name and goodwill. This change will increase pre-tax income by \$855,000 annually. In lieu of amortization, we are required to perform an initial impairment review of our goodwill in 2002 and an annual impairment review thereafter. We expect to complete our initial review during the second quarter of 2002. We currently do not expect to record an impairment charge upon completion of the initial impairment review. However, there can be no assurance that at the time the review is completed a material impairment charge will not be recorded.

ALLOCATION OF THE PURCHASE PRICE OF ACQUISITIONS. As described in Note 3 to the consolidated financial statements, the Company has made certain acquisitions of hotel and entertainment ticketing companies. The purchase price of these acquisitions was determined at arms length between the Company and the sellers, unrelated parties and consisted of cash, stock and the assumption or issuance of debt. Common stock issued for the acquisitions was valued based on the quoted market price of the stock. Preferred stock issued for the acquisition was based on the stated redemption value. The purchase prices of the acquisitions have been allocated to the assets acquired and liabilities assumed based on the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed. The purchase price in excess of the fair value of the net assets acquired has been allocated to brand name and goodwill. Management believes that the estimate of fair values used in the allocation are reasonable estimates of the assets acquired and liabilities assumed.

REVENUE RECOGNITION. Revenue is generally recognized as services are performed. However, the Company records rental income from operating leases which contain fixed escalation clauses on the straight-line method. The difference between income earned and lease payments received from the tenants is included in other assets on the consolidated balance sheets.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No.133 was amended in June 2000 with the issuance of SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS 133, which WestCoast adopted effective January 1, 2001, requires that derivatives be recognized as assets or liabilities and be measured at fair value. Gains or losses resulting from changes in the fair value of derivatives in each period are to be accounted for either in current earnings or other comprehensive income depending on the use of the derivatives and whether they qualify for special hedge accounting treatment. The adoption of SFAS 133 had no effect on the Company's financial statements.

In September 2000, the FASB issued SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." which replaces SFAS No. 125 and revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. This statement continues to use a "financial-components approach" that focuses on control to determine if assets are sold or liabilities extinguished. The statement is generally applied prospectively. The statement is effective for transactions occurring after March 31, 2001. Adoption of this standard had no effect on the Company's financial statements.

In June 2001, the FASB issued SFAS No. 141 "Business Combinations" which supersedes APB Opinion No. 16 "Business Combinations" and FASB Statement No. 38 "Accounting for Preacquisition Contingencies of Purchased Enterprises." The provisions of this statement require that all business combinations be accounted for using "purchase accounting" and it disallows the use of "pooling of interests" as previously allowed under APB Opinion No. 16 and FASB Statement No. 38. This statement is effective for all business combinations subsequent to June 30, 2001. The acquisition of Red Lion was accounted for using SFAS No. 141.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Intangible Assets", which revises the accounting for purchased goodwill and intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized, but will be tested for impairment annually and also in the event of an impairment indicator. The Company expects that adoption of SFAS 142 on January 1, 2002 will increase annual pre-tax operating income by approximately \$855 thousand.

In June 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations," which amends SFAS No. 19. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The requirements of this statement must be implemented for fiscal years beginning after June 15, 2002; however, early adoption is encouraged. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

The FASB also issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting

provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

SEASONALITY

The lodging industry is seasonal in nature, with the months from May through October generally accounting for a greater portion of annual revenues than the months from November through April. For example, for the year ended December 31, 2001, our revenues in the first through fourth quarters were 23.3%, 26.9%, 28.1% and 21.7%, respectively, of our total revenue for such year and our net income (loss) for the first through fourth quarters was 8.9%, 59.8%, 38.6%, and (7.3)% respectively, of our total net income for that year. Quarterly earnings also may be adversely affected by events beyond our control, such as extreme weather conditions, economic factors and other considerations affecting travel.

INFLATION

The effect of inflation, as measured by fluctuations in the Consumer Price Index, has not had a material impact on the Company's revenues or net income during the periods under review.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following tables summarize the financial instruments held by the Company at December 31, 2001 and 2000, which are sensitive to changes in interest rates. At December 31, 2001, approximately 41.2% of the Company's debt and capital lease obligations are subject to changes in market interest rates and are sensitive to those changes. The Company purchased an interest rate cap agreement to offset the risk of interest rate changes which limits the interest charges on \$36.0 million of the Revolving Credit Facility when the 30 day LIBOR exceeds 9.0% plus the applicable margin. This agreement expires in December 2002. In the future, the Company may choose to use additional derivative instruments, such as interest rate swaps to manage the risk associated with interest rate changes.

The following table presents principal cash flows for debt and capital leases outstanding at December 31, 2001, by maturity date and the related average interest rate.

	OUTSTANDING DEBT AND CAPITAL LEASE OBLIGATIONS (IN THOUSANDS)							
	2002	2003	2004	2005	2006	THERE-AFTER	TOTAL	FAIR VALUE
Note payable to bank (a)	\$ --	\$ 54,250	\$ --	\$ --	\$ --	\$ --	\$ 54,250	\$ 54,250
Long-term debt:								
Fixed rate	2,861	4,586	2,869	6,742	2,967	80,365	100,390	100,390
Weighted-average interest rate	7.66%	7.67%	7.69%	7.70%	7.71%	7.73%		
Variable rate	892	953	1,032	1,113	1,202	11,448	16,640	16,640
Weighted-average interest rate	6.99%	7.02%	7.04%	7.06%	7.09%	7.13%		
Capital lease obligations	384	268	--	--	--	--	652	652
Weighted-average interest rate	8.21%	8.34%	--%	--%	--%	--%		

(a) The interest rate on the note payable is based on LIBOR plus a variable interest margin based on the Company's funded debt ratio. The interest margin can vary from 180 - 325 basis points. At December 31, 2001, the interest margin was 250 basis points.

The following table presents principal cash flows for debt and capital leases outstanding at December 31, 2000, by maturity date and the related average interest rate.

	OUTSTANDING DEBT AND CAPITAL LEASE OBLIGATIONS (IN THOUSANDS)							
	2001	2002	2003	2004	2005	THERE-AFTER	TOTAL	FAIR VALUE
Note payable to bank(a)	\$ --	\$ --	\$106,500	\$ --	\$ --	\$ --	\$106,500	\$106,500
Long-term debt:								
Fixed rate	1,616	2,214	3,883	2,119	5,913	22,052	37,797	37,797
Weighted-average interest rate	7.10%	7.11%	7.12%	7.12%	7.13%	7.00%		
Variable rate	777	843	912	985	1,069	12,871	17,457	17,457
Weighted-average interest rate	7.93%	7.74%	7.78%	7.82%	7.87%	7.94%		
Capital lease obligations	529	389	268	--	--	--	1,186	1,186
Weighted-average interest rate	7.89%	8.23%	8.34%	--%	--%	--%		

(a) The interest rate on the note payable is based on LIBOR plus a variable interest margin based on the Company's funded debt ratio. The interest margin can vary from 180 - 325 basis points. At December 31, 2000, the interest margin was 290 basis points.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 14 of this Report for information with respect to the financial statements filed as a part hereof, including financial statements filed pursuant to the requirements of this Item 8.

SELECTED QUARTERLY DATA

UNAUDITED - DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
2001				
Revenues	\$ 28,152	\$ 32,418	\$ 33,844	\$ 26,219
Operating income	3,307	6,495	7,263	1,963
Income before extraordinary item and cumulative effect of change in accounting principle	676	4,555	2,924	(553)
Net income (loss)	676	4,532	2,924	(553)
Income per share before extraordinary item and cumulative effect of change in accounting principle	0.05	0.35	0.23	(0.04)
2000				
Revenues	\$ 27,209	\$ 33,031	\$ 36,910	\$ 28,656
Operating income	3,164	6,754	9,591	4,040
Income before extraordinary item and cumulative effect of change in accounting principle	(147)	1,939	3,684	345
Net income	(147)	1,939	3,684	345
Income per share before extraordinary item and cumulative effect of change in accounting principle	(0.01)	0.15	0.28	0.03

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
WestCoast Hospitality Corporation
Spokane, Washington

We have audited the accompanying consolidated balance sheet of WestCoast Hospitality Corporation as of December 31, 2001 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WestCoast Hospitality Corporation at December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

February 13, 2002, except for the last paragraph of Note 5 as to which the date is
March 28, 2002
Spokane, Washington

BDO Seidman, LLP

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders
WestCoast Hospitality Corporation

In our opinion, the consolidated balance sheet as of December 31, 2000 and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for each of the two years in the period ended December 31, 2000 present fairly, in all material respects, the financial position, results of operations and cash flows of WestCoast Hospitality Corporation and its subsidiaries at December 31, 2000 and for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for start-up activities in 1999 as required by a Statement of Position issued by the American Institute of Certified Public Accountants.

PricewaterhouseCoopers LLP

Portland, Oregon
February 1, 2001

WESTCOAST HOSPITALITY CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 AND 2000
(IN THOUSANDS, EXCEPT SHARE DATA)

	2001	2000
	-----	-----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,735	\$ 3,476
Accounts receivable	9,101	6,232
Income taxes refundable	--	5
Inventories	2,380	1,130
Assets held for sale	21,403	--
Prepaid expenses and deposits	1,410	733
	-----	-----
Total current assets	40,029	11,576
	-----	-----
Property and equipment, net	257,656	242,548
Intangible assets, net	34,920	28,897
Other assets, net	27,044	21,813
	-----	-----
Total assets	\$ 359,649	\$ 304,834
	=====	=====
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 4,756	\$ 3,432
Accrued payroll and related benefits	6,866	2,453
Accrued interest payable	777	708
Income taxes payable	822	--
Advanced deposits	1,542	143
Other accrued expenses	7,039	4,909
Long-term debt, due within one year	3,753	2,393
Capital lease obligations, due within one year	384	529
	-----	-----
Total current liabilities	25,939	14,567
	-----	-----
Long-term debt, due after one year	113,277	52,861
Notes payable to bank	54,250	106,500
Capital lease obligations, due after one year	268	657
Deferred income taxes	14,160	16,631
Minority interest in partnerships	2,940	2,881
	-----	-----
Total liabilities	210,834	194,097
	-----	-----
Commitments and contingencies (Notes 13 and 14)		
STOCKHOLDERS' EQUITY:		
Preferred stock - 5,000,000 shares authorized; \$0.01 par value;		
Class A - 303,771 shares issued and outstanding in 2001	3	--
Class B - 303,771 shares issued and outstanding in 2001	3	--
Additional paid-in capital, preferred stock	30,371	--
Common stock - 50,000,000 shares authorized; \$0.01 par value;		
12,959,700 and 12,933,106 shares issued and outstanding	130	129
Additional paid-in capital, common stock	83,966	83,845
Retained earnings	34,342	26,763
	-----	-----
Total stockholders' equity	148,815	110,737
	-----	-----
Total liabilities and stockholders' equity	\$ 359,649	\$ 304,834
	=====	=====

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THE CONSOLIDATED FINANCIAL STATEMENTS.**

WESTCOAST HOSPITALITY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2001	2000	1999
	-----	-----	-----
REVENUES:			
Hotels and Restaurants	\$ 99,495	\$ 106,540	\$ 92,808
Franchise, Central Services and Development	3,213	3,643	--
TicketsWest	7,497	5,705	7,181
Real Estate Division	10,114	9,540	9,649
Corporate Services	314	378	417
	-----	-----	-----
Total revenues	120,633	125,806	110,055
	-----	-----	-----
OPERATING EXPENSES:			
Direct:			
Hotels and Restaurants	74,560	78,626	68,150
Franchise, Central Services and Development	1,796	1,207	--
TicketsWest	7,258	5,702	6,683
Real Estate Division	4,734	4,378	4,469
Corporate Services	183	227	181
Depreciation and amortization	10,323	9,578	7,904
Amortization of goodwill	855	874	28
	-----	-----	-----
Total direct expenses	99,709	100,592	87,415
Undistributed corporate expenses	1,896	1,666	1,605
	-----	-----	-----
Total expenses	101,605	102,258	89,020
	-----	-----	-----
Operating income	19,028	23,548	21,035
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest expense, net of amounts capitalized	(12,092)	(14,660)	(9,384)
Interest income	247	315	367
Other income	5,103	186	21
Conversion expenses	(85)	(246)	--
Equity in investments	92	100	--
Minority interest in partnerships	(188)	(116)	(130)
	-----	-----	-----
Income before income taxes	12,105	9,127	11,909
Income tax provision	4,503	3,306	3,737
	-----	-----	-----
Income before extraordinary item and cumulative effect of change in accounting principle	7,602	5,821	8,172
Extraordinary item, net of tax benefit	(23)	--	(10)
Cumulative effect of change in accounting principle, net of tax benefit	--	--	(133)
	-----	-----	-----
Net income	\$ 7,579	\$ 5,821	\$ 8,029
	=====	=====	=====

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THE CONSOLIDATED FINANCIAL STATEMENTS.**

WESTCOAST HOSPITALITY CORPORATIONCONSOLIDATED STATEMENTS OF INCOME, CONTINUED FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2001	2000	1999
	-----	-----	-----
Income per share:			
Income per share before extraordinary item and cumulative effect of change in accounting principle	\$ 0.59	\$ 0.45	\$ 0.64
Extraordinary item	--	--	--
Cumulative effect of change in accounting principle	--	--	(0.01)
	-----	-----	-----
Net income per share - basic and diluted	\$ 0.59	\$ 0.45	\$ 0.63
	=====	=====	=====
Weighted-average shares outstanding - basic	12,953	12,941	12,755
	=====	=====	=====
Weighted-average shares outstanding - diluted	13,239	13,237	13,096
	=====	=====	=====

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THE CONSOLIDATED FINANCIAL STATEMENTS.**

WESTCOAST HOSPITALITY CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(IN THOUSANDS, EXCEPT SHARE DATA)

	PREFERRED STOCK			COMMON STOCK			RETAINED EARNINGS
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	
BALANCES, JANUARY 1, 1999	--	\$ --	\$ --	12,660,847	\$ 126	\$ 80,892	\$ 12,913,809
Net income							
Stock issued under employee stock purchase plan				14,245		101	
Stock issued for acquisition of subsidiaries				138,884	2	1,050	
Stock issued to directors and certain senior management				11,300		167	
Income tax effect of stock grants						(26)	
Stock issued for redemption of operating partnership units				100,000	1	1,577	
BALANCES, DECEMBER 31, 1999	--	--	--	12,925,276	129	83,761	20,942,581
Net income							
Stock issued under employee stock purchase plan				26,429		175	
Stock issued to directors and certain senior management				1,578		12	
Retirement of stock				(20,177)		(103)	
BALANCES, DECEMBER 31, 2000	--	--	--	12,933,106	129	83,845	26,763,759
Net income							
Stock issued under employee stock purchase plan				24,139	1	106	
Stock issued for acquisition of subsidiaries	607,542	6	30,371				
Stock issued to directors and certain senior management				2,455		15	
BALANCES, DECEMBER 31, 2001	607,542	\$ 6	\$ 30,371	12,959,700	\$ 130	\$ 83,966	\$ 34,342,800

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

WESTCOAST HOSPITALITY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(IN THOUSANDS)

	2001	2000	1999
	-----	-----	-----
Operating activities:			
Net income	\$ 7,579	\$ 5,821	\$ 8,029
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,178	10,452	7,932
(Gain) loss on disposition of property and equipment	(1,353)	194	--
Gain on insurance settlement	(3,782)	--	--
Deferred income tax provision	2,240	1,524	2,392
Minority interest in partnerships	188	116	130
Equity in investments	(92)	(100)	--
Extraordinary item, write-off of deferred loan fees	9	--	10
Cumulative effect of change in accounting principle	--	--	133
Compensation expense related to stock issuance	15	12	167
Change in assets and liabilities, net of effects of purchase of subsidiaries:			
Accounts receivable	326	1,316	(524)
Inventories	(7)	(20)	(158)
Prepaid expenses, deposits and income taxes refundable	(393)	145	(1,559)
Accounts payable and income taxes payable	129	(2,275)	875
Accrued payroll and related benefits	1,448	(571)	(51)
Accrued interest payable	69	(13)	(896)
Other accrued expenses	(64)	(4,647)	2,587
Net cash provided by operating activities	----- 17,490	----- 11,954	----- 19,067
INVESTING ACTIVITIES:			
Additions to property and equipment	(6,769)	(7,739)	(10,829)
Proceeds from disposition of property and equipment	1,792	--	--
Cash paid for acquisition of property and equipment or subsidiaries, net of cash received	(17,816)	--	(1,079)
Issuance of note receivable	--	--	(358)
Payment received on note receivable	67	--	--
Other, net	(202)	257	(1,306)
Net cash used in investing activities	----- (22,928)	----- (7,482)	----- (13,572)
FINANCING ACTIVITIES:			
Distributions to minority owners	(129)	(33)	(118)
Proceeds from note payable to bank	21,150	15,137	8,680
Repayment of note payable to bank	(73,400)	(9,900)	(11,260)
Proceeds from long-term debt	74,400	--	--
Repayment of long-term debt	(12,624)	(9,707)	(1,633)
Proceeds from issuance of common stock under employee stock purchase plan	107	175	101
Principal payments on capital lease obligations	(534)	(648)	(656)
Additions to deferred financing costs	(1,273)	(377)	(519)
Net cash provided by (used in) financing activities	----- 7,697	----- (5,353)	----- (5,405)
CHANGE IN CASH AND CASH EQUIVALENTS:			
Net increase (decrease) in cash and cash equivalents	2,259	(881)	90
Cash and cash equivalents at beginning of year	3,476	4,357	4,267
Cash and cash equivalents at end of year	=====	=====	=====
	\$ 5,735	\$ 3,476	\$ 4,357

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THE CONSOLIDATED FINANCIAL STATEMENTS.**

WESTCOAST HOSPITALITY CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999
(IN THOUSANDS)**

	2001 -----	2000 -----	1999 -----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during year for:			
Interest (net of amount capitalized)	\$ 12,023	\$ 14,673	\$ 10,280
Income taxes	1,424	1,791	2,043
Noncash investing and financing activities:			
Assumption of capital leases	\$ --	\$ 108	\$ --
Acquisitions of property through debt, liabilities or reduction of note receivable	--	602	43,896
Issuance of stock for acquisition of subsidiaries	30,377	--	1,052
Issuance of stock for operating partnership units	--	--	1,578
Redemption of stock for satisfaction of receivable	--	103	--

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART
OF THE CONSOLIDATED FINANCIAL STATEMENTS.**

1. ORGANIZATION

Effective December 31, 1999, Cavanaugh's Hospitality Corporation acquired all of the outstanding stock of WestCoast Hotels, Inc. In February 2000, the Company changed its name to WestCoast Hospitality Corporation. All references herein to WestCoast Hospitality Corporation or WestCoast refer to the consolidated entity including Cavanaugh's Hospitality Corporation as the predecessor entity. On December 31, 2001, WestCoast acquired all of the outstanding stock of Red Lion Hotels, Inc. (Red Lion) (see note 3). WestCoast is a hotel operating company that owns, operates, franchises, acquires, develops, renovates and repositions hotels in the Western United States under its proprietary brand names, "WestCoast (R)" and "Red Lion (R)". Substantially all of WestCoast's assets, including the hotels, are owned by or for the benefit of WestCoast Hospitality Limited Partnership (WHLP), a Delaware limited partnership. WestCoast Hospitality Corporation manages the day to day operations of the partnership in its capacity as sole general partner and also owns limited partnership interests of WHLP.

After the acquisition of Red Lion, as of December 31, 2001, the Company has ownership interests and operates 44 hotel properties, manages an additional 10 properties and franchises an additional 39 properties, totaling 93 hotels in 16 states, including Alaska, Arizona, California, Colorado, Hawaii, Idaho, Minnesota, Missouri, Montana, Nebraska, Nevada, Oregon, Texas, Utah, Washington and Wyoming. Additionally, the Company provides computerized ticketing for entertainment events and arranges Broadway and other entertainment event productions under its TicketsWest division, including its Internet ticketing service offering consumers up-to-the-minute information on live entertainment and the ability to make real-time ticket purchases to events through the website. The Company owns and manages ticketing operations in British Columbia, California, Colorado, Kansas, Idaho, Montana, Nebraska, Oregon and Washington. The Company also leases retail and office space in buildings owned by the Company and manages residential and commercial properties for others in Idaho, Montana and Washington.

The consolidated financial statements include the accounts of WestCoast Hospitality Corporation, its wholly owned subsidiaries, its general and limited partnership interest in WHLP, a 50% interest in a limited partnership and its equity basis investment in two limited partnerships. All of these entities are collectively referred to as "the Company" or "WestCoast". All significant intercompany transactions and accounts have been eliminated in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash equivalents consist of short-term, highly liquid investments with remaining maturities at time of purchase of three months or less. The Company places its cash with high credit quality institutions. At times, cash balances may be in excess of federal insurance limits.

The Company maintains several trust accounts for owners of real properties which it manages. These cash accounts are not owned by the Company and therefore, are not included in the consolidated financial statements. At December 31, 2001 and 2000, these accounts totaled approximately \$1,753,000 and \$1,652,000 respectively.

INVENTORIES

Inventories consist primarily of food and beverage products held for sale at the restaurants operated by the Company. Inventories are valued at the lower of cost, determined on a first-in, first-out basis, or net realizable value.

ASSETS HELD FOR SALE

The Company's buildings which are held for sale are recorded at the lower of their historical carrying value (cost less accumulated depreciation) or market value. Depreciation is terminated when the asset is determined to be held for sale.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is provided using the straight-line method over the lesser of the estimated useful lives of the related assets or the lease term as follows:

Buildings	25-40
years	
Equipment	3-20 years
Furniture and fixtures	15 years
Landscaping and land improvements	15 years

Major additions and betterments are capitalized. Costs of maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. When items are disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in operations. Management of the Company periodically reviews the net carrying value of all properties to determine whether there has been a permanent impairment of value and assesses the need for any write-downs in carrying value.

INTEREST CAPITALIZATION

The Company capitalizes interest costs during the construction period for qualifying assets. During the years ended December 31, 2001, 2000, and 1999, the Company capitalized approximately \$253,000, \$468,000 and \$550,000 of interest costs, respectively.

INTANGIBLE ASSETS

Intangible assets consist of brand name and goodwill attributable to the purchase prices of acquisitions which were in excess of the estimated fair values of net tangible and identifiable intangible assets acquired. These assets have been amortized over 20 to 40 years. Accumulated amortization at December 31, 2001 and 2000 was approximately \$2,079,000 and \$1,213,000, respectively.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Intangible Assets", which revises the accounting for purchased goodwill and intangible assets. Under SFAS 142, goodwill and intangible assets with indefinite lives will no longer be amortized, but will be tested for impairment annually and also in the event of an impairment indicator. The Company expects that adoption of SFAS 142 on January 1, 2002 will increase annual pre-tax operating income by approximately \$855,000.

VALUATION OF LONG-LIVED ASSETS

The carrying value of the Company's long-lived assets are reviewed when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment loss has occurred based on expected net future cash flows of the asset, then an impairment loss is recognized in the income statement using a fair value based method.

OTHER ASSETS

Other assets primarily include amounts expended for management and marketing contracts, deferred loan fees, purchase option payments, straight-line rental income, a minority interest in a limited liability company and investments in partnerships. The cost of management and marketing contracts are amortized over the weighted-average remaining term of the contracts. Deferred loan fees are amortized using the interest method over the term of the related loan agreement. The Company has deferred purchase option payments made pursuant to purchase agreements for hotel properties which are currently being leased and operated by the Company. If the options are exercised, the option payments will be amortized as part of the purchase price of the hotels. If the options are not exercised, the option payments will be charged to operations.

The Company's investment in the limited liability company is accounted for under the cost method. Investment in a partnership over which the Company can exercise significant influence is accounted for by the equity method, under which the Company recognizes its proportionate share of partnership earnings and treats distributions as a reduction in its investment.

INCOME TAXES

WestCoast Hospitality Corporation is a tax paying entity and accounts for income taxes using the liability method, which requires that deferred tax assets and liabilities be determined based on the temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities and tax attributes using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

WHLP and the other partnerships which are partially or wholly owned by WestCoast Hospitality Corporation are not tax paying entities. However, the income tax attributes of these partnerships flow through to the respective partners of the partnerships.

REVENUE RECOGNITION

Revenue is generally recognized as services are performed. Hotel and restaurant revenue primarily represent room rental and food and beverage sales from owned, leased and consolidated joint venture hotels and are recognized at the time of the hotel stay or sale of the restaurant services. Hotel and restaurant revenues also include management fees the Company earns from managing third party owned hotels. These fees totaled \$2.3 million, \$2.2 million and \$0 for the years ended December 31, 2001, 2000 and 1999, respectively. Franchise, Central Services and Development fees represent fees received in connection with the franchise of the Company's brand name as well as central purchasing, development and other fees. Franchise fees are recognized as earned in accordance with the contractual terms of the franchise agreements. Other fees are recognized when the services are provided.

Real Estate Division income represents both lease income on owned commercial and retail properties as well as property management income and leasing and sales commissions from residential and commercial properties managed by the Company, typically under long-term contracts with the property owner. Lease revenues are recognized over the period of the leases. The Company records rental income from operating leases which contain fixed escalation clauses on the straight-line method. The difference between income earned and lease payments received from the tenants is included in other assets on the consolidated balance sheets. Rental income from retail leases which is contingent upon the lessees' revenues is recorded as income in the period earned. Management fees and leasing and sales commissions are recognized as these services are performed.

TicketsWest income includes primarily earnings from ticketing and entertainment operations. Where the Company acts as an agent and receives a net fee or commission, it is recognized as revenue in the

period the services are performed. When the Company is the promoter of an event and is at risk for the production, revenues and expenses are recorded in the period of the event performance.

EARNINGS PER SHARE

Net income per share-basic is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Net income per share-diluted is computed by adjusting net income by the effect of the minority interest related to Operating Partnership Units (OP Units) and increasing the weighted-average number of common shares outstanding by the effect of the OP Units and the additional common shares that would have been outstanding if the dilutive potential common shares (stock options and convertible notes) had been issued, to the extent that such issuance would be dilutive.

STOCK OPTIONS

As permitted by Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation", the Company has chosen to measure compensation cost for stock-based employee compensation plans using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and to provide the disclosure only requirements of SFAS 123.

ADVERTISING AND PROMOTION

The Company generally expenses all costs associated with its advertising and promotional efforts as incurred. During the years ending December 31, 2001, 2000 and 1999 the Company incurred \$2.4 million, \$2.2 million, and \$1.5million, respectively of advertising expenses.

NEW ACCOUNTING PRONOUNCEMENTS

In April 1998, Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-up Activities" was issued. The SOP requires that all costs of start-up activities and organization costs be expensed as incurred. The Company adopted the provisions of SOP 98-5 on January 1, 1999 and reported the change as a cumulative effect of an accounting change in the consolidated statement of income. The adoption of SOP 98-5 resulted in a charge to operations of \$133,000, which is net of \$68,000 of income taxes.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No.133 was amended in June 2000 with the issuance of SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS 133, which WestCoast adopted effective January 1, 2001, requires that derivatives be recognized as assets or liabilities and be measured at fair value. Gains or losses resulting from changes in the fair value of derivatives in each period are to be accounted for either in current earnings or other comprehensive income depending on the use of the derivatives and whether they qualify for special hedge accounting treatment. The adoption of SFAS 133 had no effect on the Company's financial statements.

In September 2000, the FASB issued SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." which replaces SFAS No. 125 and revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. This statement continues to use a "financial-components approach" that focuses on control to determine if assets are sold or liabilities extinguished. The statement is generally applied prospectively. The statement is effective for transactions occurring after March 31, 2001. Adoption of this standard had no effect on the Company's financial statements.

In June 2001, the FASB issued SFAS No. 141 "Business Combinations" which supersedes APB Opinion No. 16 "Business Combinations" and FASB Statement No. 38 "Accounting for Preacquisition

Contingencies of Purchased Enterprises." The provisions of this statement require that all business combinations be accounted for using "purchase accounting" and it disallows the use of "pooling of interests" as previously allowed under APB Opinion No. 16 and FASB Statement No. 38. This statement is effective for all business combinations subsequent to June 30, 2001. The acquisition of Red Lion was accounted for using SFAS No. 141.

The new accounting pronouncement, SFAS No. 142 "Goodwill and Other Intangible Assets," which supersedes APB Opinion No. 17 "Intangible Assets" is discussed under "Intangible Assets".

In June 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations," which amends SFAS No. 19. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The requirements of this statement must be implemented for fiscal years beginning after June 15, 2002; however, early adoption is encouraged. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

The FASB also issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. It supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, with early application encouraged. The provisions of this statement generally are to be applied prospectively. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the 2001 presentation. These reclassifications had no effect on net income or retained earnings as previously reported.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. ACQUISITIONS

YEAR ENDED DECEMBER 31, 2001

Effective December 31, 2001, the Company completed the purchase of Red Lion Hotels, Inc. (Red Lion) from Hilton Hotels Corporation (Hilton) including 9 owned hotels, 12 leased hotels, 4 licensed hotels and 22 franchised operating hotels. The acquisition was made to add critical mass to the Company's hotel portfolio and expand the Company's presence in additional markets. The hotels were acquired for \$20,252,000 in cash, 303,771 Class A preferred shares and 303,771 Class B preferred shares for total consideration estimated at \$52,600,000 including the cost of acquisition. The source of cash consideration for the transaction was the Company's available cash and advances under the Company's existing credit facility. The value of the preferred shares was determined based on its stated redemption value, as discussed in Note 10.

The acquisition of Red Lion was accounted for using the purchase method of accounting. As the acquisition occurred on the last day of the year ended December 31, 2001, the results of operations of the acquired entity are not included in the consolidated statements of income or cash flows.

The following table presents the allocation of the purchase price to the acquired assets and liabilities (in thousands):

Cash	\$ 2,640
Accounts receivable	3,195
Prepaid expenses	284
Inventory	1,243

Total current assets	7,362

Property and equipment	35,328
Brand name	6,879
Lease value	4,332
Franchise value	809
Deferred tax asset	4,711

Total assets	59,421

Accounts payable (1,932)	
Other current liabilities (4,960)	

Total liabilities (6,892)	

Net assets acquired	\$52,529
	=====

The allocation of the purchase price between asset categories is based on preliminary data and could change when a final evaluation is performed. The lease and franchise values will be amortized over the terms of the respective agreements of 30 years and nine years.

The following unaudited pro forma consolidated results of operations have been prepared as if the acquisition of Red Lion Hotels, Inc. had occurred at January 1, 2000 (in thousands except per share data):

2000	December 31, 2001	December 31,
	-----	-----
Revenues	\$ 203,687	\$ 210,451
Net income	\$ 11,488	\$ 11,895
Preferred stock dividend	\$ (2,582)	\$ (2,582)
Net income to common shareholders	\$ 8,906	\$ 9,313
Net income per share - basic and diluted	\$ 0.69	\$ 0.70

The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time, nor is it intended to be a projection of future results.

YEAR ENDED DECEMBER 31, 1999

During 1999, the Company made the following acquisitions, all of which have been accounted for using the purchase method of accounting.

Accordingly, the results of operations of these entities have been included in the consolidated statements of income since their respective dates of acquisition.

On October 26, 1999, WestCoast acquired substantially all of the assets of The Show Terminal, LLC (d.b.a. Colorado Neighborhood Box Office), headquartered in Colorado Springs, Colorado. Colorado Neighborhood Box Office sells tickets to entertainment events throughout the Colorado Springs area. On November 1, 1999, WestCoast acquired Oregon Ticket Company, Inc. (d.b.a. Fastixx), headquartered in Portland, Oregon. The acquisition increased the number of TicketsWest (TM) outlets from 23 to 116 and expanded the entertainment division's geographic presence into Oregon and Western Washington.

The total purchase price of Colorado Neighborhood Box Office and Fastixx of \$3,456,000 was comprised of \$2,149,000 cash, the issuance of a \$255,000 note payable, and the issuance of 138,884 shares of the Company's common stock which was recorded at its fair value based on quoted market price of \$1,052,000. Goodwill related to these acquisitions of approximately \$3,282,000 is being amortized over 20 years. However, with the implementation of SFAS No. 142 on January 1, 2002, amortization of this goodwill will be terminated and the asset will be subject to impairment evaluation.

Effective December 31, 1999, the Company acquired all of the outstanding stock of WestCoast Hotels, Inc. This acquisition resulted in the Company acquiring the following property interests and contracts:

- o 100% interests in two hotels in the Seattle, Washington area
- o Limited or co-general partnership interests and management agreements for three hotels in Seattle, Washington; La Jolla, California and Phoenix, Arizona
- o Management contracts for 9 hotel properties
- o Franchise agreements for 13 hotel properties

The total purchase price of approximately \$45.5 million consisted of \$21.4 million cash, issuance of \$7 million bonds payable and the assumption of \$17.2 million outstanding debt and other liabilities of WestCoast Hotels, Inc. The \$7 million bonds payable are convertible into common stock of the Company at \$15 per share. The purchase price has been allocated to the estimated fair values of assets acquired and liabilities assumed. Assets acquired consist of working capital accounts, management and franchise contracts of \$5.1 million, property and equipment of \$11.8 million and partnership interests and purchase option contracts of \$10.9 million. The purchase price in excess of the fair value of the net assets acquired has been allocated to brand name and goodwill, which is amortized over 40 years using the straight-line method. However, with the implementation of SFAS No. 142 on January 1, 2002, amortization of this goodwill will be terminated and the asset will be subject to impairment evaluation. Losses on rebranding the hotels to the WestCoast name are included in the statement of income as "conversion expenses."

4. ASSETS HELD FOR SALE

In connection with the Company's decision in 2001 to sell non-core assets, three office buildings owned by the Company have been listed for sale. The total net book value of these buildings as of December 31, 2001 of \$21.4 million is classified as assets held for sale.

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2001 and 2000 is summarized as follows (in thousands):

	2001	2000

Buildings and equipment	\$ 219,729	\$ 215,548
Furniture and fixtures	21,413	17,561
Equipment acquired under capital leases	2,796	4,052
Landscaping and land improvements	2,216	1,995

	246,154	239,156
Less accumulated depreciation and amortization (55,849)	(56,368)	

	189,786	183,307
Land	64,387	54,056
Construction in progress	3,483	5,185

	\$ 257,656	\$ 242,548
=====		

Depreciation expense for the years ended December 31, 2001, 2000 and 1999 was approximately \$8,928,000, \$8,301,000, and \$7,336,000, respectively. During the year ended December 31, 2001, the Company recorded a \$3.8 million gain from the settlement of an insurance claim related to property which was destroyed by a fire at one of the Company's commercial office buildings.

The Company's corporate headquarters building is included in buildings and equipment above. At December 31, 2001, the cost and accumulated depreciation of this building was \$10.6 million and \$4.0 million, respectively. In March 2002, the Company entered into an agreement to sell the building at a total pre-tax gain of \$4.9 million. The Company will continue to lease a portion of this building, therefore, \$1.7 million of the gain will be deferred over the six year lease term.

6. OTHER INVESTMENTS

The Company has a 0.3% general partnership interest in two separate hotel properties which are accounted for under the equity method of accounting. Therefore, the Company records its proportionate share of the earnings and losses of these partnerships in the consolidated statements of income. The Company also has a 6% interest in a limited liability company which is accounted for under the cost method. Accordingly the Company's investment is increased or decreased by contributions, distributions, or impairments only. At December 31, 2001, the Company's recorded investments in these three entities was \$1.3 million. The underlying assets, liabilities and operations of these entities are not recorded in the consolidated financial statements. The Company does not share in any non-recourse debt that may be held by these companies in which equity interests are held. Summarized unaudited financial information with respect to these separate entities as of and for the year ended December 31, 2001 are as follows (in thousands):

Current assets	\$ 5,768
Total assets	15,852
Current liabilities	4,692
Total liabilities	20,747
Total equity (deficit)	
(4,895)	
Revenues	8,764
Net income	1,427

The Company has recorded income from these investments during the years ended December 31, 2001, 2000, and 1999 of \$92,000, \$100,000, and \$0 respectively. Additionally the Company has recorded revenues from managing and franchising the two hotel properties of \$296,000, \$317,000 and \$0 during the years ended December 31, 2001, 2000 and 1999 respectively.

7. LONG-TERM DEBT

Long-term debt consists of mortgage notes payable and notes and contracts payable, collateralized by real property, equipment and the assignment of certain rental income. Long-term debt as of December 31, 2001 and 2000 is as follows (amounts outstanding in thousands):

	2001	2000
Note payable in monthly installments of \$276,570, including interest at 7.93%, through June 2011, collateralized by real property	\$ 35,880	\$ --
Note payable in monthly installments of \$108,797, including interest at 8.08%, through September 2011, collateralized by real property	13,959	--
Note payable in monthly installments of \$91,871 including interest at 7.39%, through June 2011, collateralized by real property	11,372	10,191
Note payable in monthly installments of \$55,817 including interest at 7.36%, through August 2007, collateralized by assignment of certain rental income	7,233	7,365
Note payable in monthly installments of \$52,844, including interest at 8.08%, through September 2011, collateralized by real property	6,780	--
Note payable in monthly installments of principal and interest at 7.00%, through January 2010 convertible into common stock of the Company at \$15 per share	6,362	6,706
Note payable in monthly installments of \$52,925, including interest at a variable rate (6.375% at December 31, 2001 and 8.75% at December 31, 2000), through May 2008, collateralized by real property	6,454	6,651
Note payable in monthly installments of \$46,695, including interest at 8.00%, through October 2011, collateralized by real property	6,039	--
Industrial revenue bonds payable in monthly installments of \$66,560 including interest at 5.90%, through October 2011, collateralized by real property	5,980	6,412
Note payable in monthly installments of \$53,517, including interest at 8.00%, through July 2005, collateralized by real property	4,840	5,084
Note payable in monthly installments of \$45,407, including interest at a variable rate (9.00% at December 31, 2001 and 2000), through April 2010, collateralized by real property	4,222	4,380
Note payable in monthly installments of \$22,904, including interest at a variable rate (8.25% at December 31, 2001 and 8.75% at December 31, 2000), through January 2008, collateralized by real property	2,444	2,513
Industrial revenue bonds payable in monthly installments of \$21,250 including interest at a variable rate (4.75% at December 31, 2001 and 4.60% at December 31, 2000), through January 2007, collateralized by real property	1,535	1,795

	2001	2000
Note payable in monthly installments of \$18,462 including interest at an index rate plus 1.50%, subject to a minimum of 9.50% and a maximum of 12.00% (9.50% at December 31, 2001 and 10.50% at December 31, 2000), through December 2011, collateralized by real property	1,419	1,494
Note payable in monthly installments of \$10,430, including interest at 7.42%, through December 2003	1,353	1,375
Note payable in monthly installments of \$8,373, including interest at a variable rate (6.57% at December 31, 2001 and 8.64% at December 31, 2000), through November 2009, collateralized by certain equipment and furniture and fixtures	566	623
Note payable of interest only at 8.00% until maturity in October 2002, collateralized by letter of credit	500	500
Other	92	165
	-----	-----
Less current portion	\$ 117,030 (3,753)	\$ 55,254 (2,393)
Non current portion	----- \$ 113,277 =====	----- \$ 52,861 =====

Some of the above debt agreements require the Company maintain a cash reserve account for insurance, taxes, and furniture and fixture replacement. At December 31, 2001, this reserve was \$1.1 million.

During the year ended December 31, 2001, the Company refinanced some of its real property by obtaining long-term debt and paying down the Company's revolving line of credit agreement (see note 9). During the years ended December 31, 2001 and 1999, deferred loan fees associated with the debt repayments were charged to operations as an extraordinary item on the consolidated statements of income.

Contractual maturities for long-term debt outstanding at December 31, 2001 are summarized by year as follows (in thousands):

Years Ending December 31,	

2002	\$
3,753	
2003	
5,539	
2004	
3,901	
2005	
7,855	
2006	
4,169	
Thereafter	
91,813	

117,030	\$
=====	

8. CAPITAL LEASE OBLIGATIONS

The Company leases certain equipment under capital leases. The imputed interest rates on the leases range from 8.0% to 8.6%. Cost and accumulated amortization of this equipment as of December 31, 2001 are approximately \$2,796,000 and \$1,813,000, respectively. Cost and accumulated amortization of the equipment as of December 31, 2000 are approximately \$4,052,000 and \$2,069,000, respectively.

Future minimum lease payments due under capital leases at December 31, 2001 are as follows (in thousands):

Years Ending December 31, -----	
2002	\$ 424
2003	277

Total minimum lease payments	701
Less amounts representing interest (49)	

Total obligations under capital lease	652
Less current portion (384)	

	\$ 268
=====	

9. NOTES PAYABLE TO BANK

At December 31, 2000, the Company had a \$120 million revolving credit facility with a consortium of banks. During 2001, in connection with the refinancing of certain properties under long-term debt facilities the revolving credit facility was amended and reduced to \$70 million. At December 31, 2001 and 2000, \$54.3 million and \$106.5 million, respectively was outstanding under the credit facility. The credit facility is collateralized by certain properties and requires that the Company maintain certain financial ratios, minimum levels of cash flows and restricts the payment of dividends. Any outstanding borrowings bear interest based on the prime rate or LIBOR. At December 31, 2001, the interest rate on outstanding borrowings was 4.84%. The weighted-average interest rate on outstanding borrowings was 4.87% and 9.61% at December 31, 2001 and 2000, respectively. Interest only payments are due monthly. The credit facility matures in 2003. The credit facility requires the initial payment of a 1% fee plus an annual standby fee ranging from 0.25% to 0.50% in 2001 (0.50% in 2000). The Company was in compliance with all required financial covenants at December 31, 2001. The debt agreement allows the Company to pay dividends as long as certain minimum financial ratios are maintained. At December 31, 2001 and 2000, the Company was restricted from paying any dividends.

10. STOCKHOLDERS' EQUITY

The Articles of Incorporation of the Company authorize 50 million common shares and 5 million preferred shares. The preferred stock rights, preferences and privileges will be determined by the Board of Directors.

As discussed in Note 3, as part of the Red Lion acquisition WestCoast issued 303,771 shares of Class A Preferred Stock and 303,771 of Class B Preferred Stock on December 31, 2001. Both the Class A and

Class B preferred shares have \$0.01 par, a \$50 stated value, and give the holder certain preferences upon any liquidation of the Company.

In addition, the Class A shares include a quarterly dividend requirement, cumulative at 7%, and are redeemable at WestCoast's option for \$50 per share plus unpaid dividends. The dividend requirement increases to 12% if the Company misses two dividend payments, or to 14% upon the violation of certain restrictive covenants or after January 30, 2005, if they have not been redeemed.

The Class B shares include a quarterly dividend requirement, cumulative at 10%, and are redeemable at WestCoast's option for \$50 per share plus unpaid dividends. The dividend requirement increases to 15% if the Company misses two dividend payments, or to 20% upon the violation of certain restrictive covenants or after January 30, 2008, if they have not been redeemed.

11. INCOME TAXES

Major components of the Company's income tax provision for the years ended December 31, 2001, 2000 and 1999 are as follows (in thousands):

	2001 -----	2000 -----	1999

Current:			
Federal	\$ 2,118	\$ 1,677	\$
1,175			
State	145	105	
170			
Deferred	2,240	1,524	
2,392			

	\$ 4,503	\$ 3,306	\$
3,737			
-----	=====	=====	
=====			

The income tax provisions shown in the consolidated statements of income differ from the amounts calculated using the federal statutory rate applied to income before income taxes as follows (in thousands):

	2001 -----		2000 -----		1999 -----	
	Amount	%	Amount	%	Amount	%
	-----	-----	-----	-----	-----	-----
Provision at federal						
statutory rate	\$ 4,116	34.0	\$ 3,103	34.0	\$ 4,049	34.0
Effect of tax credits	(68)	(0.6)	(77)	(0.9)	(671)	(5.6)
State taxes, net of						
federal benefit	96	0.8	69	0.8	113	0.9
Goodwill amortization	261	2.2	262	2.9	--	--
Other	98	0.8	(51)	(0.6)	246	2.1
	-----	-----	-----	-----	-----	-----
	\$ 4,503	37.2	\$ 3,306	36.2	\$ 3,737	31.4
	=====	=====	=====	=====	=====	=====

Components of the net deferred tax assets and liabilities at December 31, 2001 and 2000 are as follows (in thousands):

	2001		2000	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
LIABILITIES				
Property and equipment	\$ --	\$ 12,625	\$ --	\$ 14,830
Rental income	--	660	--	604
Management contracts	--	1,536	--	1,641
Other	661	--	444	--
	\$ 661	\$ 14,821	\$ 444	\$ 17,075

12. OPERATING LEASE INCOME

The Company leases shopping mall space to various tenants over terms ranging from one to ten years. The leases generally provide for fixed minimum monthly rent as well as tenants' payments for their pro rata share of taxes and insurance, common area maintenance and expenses associated with the shopping mall. In addition, the Company leases commercial office space over terms ranging from one to eighteen years. The cost and accumulated depreciation of these properties at December 31, 2001 was approximately \$29,635,000 and \$8,313,000, respectively. The cost and accumulated depreciation of the commercial office properties at December 31, 2000 was approximately \$34,682,000 and \$11,274,000, respectively. In March 2002, the Company entered into an agreement to sell one of these properties with a cost and accumulated depreciation of \$10.6 million and \$4.0 million, respectively (see note 5). Lease income related to this building is only included in the following table for the first three months of 2002.

Future minimum lease income under existing noncancellable leases at December 31, 2001, excluding lease income from the property which was sold in March 2002, is as follows (in thousands):

Years Ending December 31, -----	
2002	\$
6,777	
2003	
6,074	
2004	
5,878	
2005	
4,700	
2006	
3,817	
Thereafter	
10,180	

37,426	\$
=====	

Rental income for the years ended December 31, 2001, 2000 and 1999 was approximately \$9,301,000, \$8,896,000 and \$7,594,000 respectively, which included contingent rents of approximately \$174,000, \$200,000 and \$149,000, respectively.

13. OPERATING LEASE COMMITMENTS

The Company leases building space under an operating lease agreement which requires monthly payments of \$4,500 through March 2009. The monthly payments can be increased yearly for inflation.

In 1998, the Company began leasing land at one of its hotel properties which requires monthly payments based on either gross receipts from the hotel or a monthly minimum, whichever is greater, through July 2014, with two 10-year renewal options. At December 31, 2001, monthly minimum lease payments were \$5,617. The monthly minimum payments can be adjusted every three years based on the average monthly payments. In 1998, the Company began leasing land at one of its hotel properties, which requires monthly payments of \$5,454 through May 2062. The monthly payments are subject to adjustment every five years.

As part of the Red Lion acquisition, the Company acquired land leases for four hotel properties. One of the leases requires a monthly minimum payment of \$3,000 through 2013 plus contingent rents based on gross receipts from the hotel. Another lease requires a monthly payment of \$5,110 through 2020. The last two leases require combined monthly payments of \$14,328 through mid 2003.

In October 1997, the Company began operating a hotel in Yakima, Washington under an operating lease and purchase option agreement. The lease agreement is for a period of 15 years with two five-year renewal options. The Company pays all operating costs of the hotel plus monthly lease payments of \$35,000 through September 2003. Commencing October 2003, the monthly lease requirement will be \$52,083 and monthly payments shall increase by \$5,208 each year thereafter. The Company agreed to a \$1.0 million option payment which allows the purchase of this hotel at a fixed price. One-half of this option payment was paid in cash and the remaining \$500,000 is payable in October 2002. The option is exercisable by the Company between March and September 2003 for a total purchase price of \$6,250,000. If the Company exercises its purchase option, the option payments made by the Company will be applied against the total purchase price.

The Company began operating a hotel in Bellevue, Washington in January 2000 with an operating lease and purchase option agreement. The lease agreement expires on December 31, 2003. The Company pays monthly lease payments of \$27,951 plus "additional rent" as defined in the agreement. Additional rent includes hotel operating and other costs. The purchase option is exercisable from January 1, 2000 through July 1, 2002 at the lessor's option and the Company's mutual consent and from July 2002 through December 2003 solely at the Company's option. The total purchase price of the hotel under option is \$12 million.

At December 31, 2001, the Company assumed a master lease agreement which covered 17 hotel properties including 12 which were part of the Red Lion acquisition. The Company has entered into a sublease with Hilton whereby Hilton will sublease 5 of these hotel properties from the Company. The master lease agreement requires minimum monthly payments of \$1.25 million plus contingent rents based on gross receipts from the 17 hotels. The lease agreement expires in December 2020, but the Company has the option to extend the term for three additional 5 year terms.

Assuming the Company exercises its purchase options for the Bellevue hotel in July 2002 and the Yakima hotel in March 2003, total payments due under all of the Company's leases at December 31, 2001 are as follows (in thousands):

Years Ending December 31, -----	
2002	\$
7,009	
2003	
6,408	
2004	
5,481	
2005	
5,481	
2006	
5,481	
Thereafter	
78,562	

\$108,422	
=====	

The above amounts are net of \$9.9 million of sublease income annually through 2020.

Total rent expense under the leases for the years ended December 31, 2001, 2000, and 1999 was \$1,816,000, \$1,816,000 and \$675,000, respectively.

14. RELATED-PARTY TRANSACTIONS

The Company had the following transactions with related parties:

- o The Company recorded management fee and other income of approximately \$154,000, \$145,000 and \$109,000 during the years ended December 31, 2001, 2000 and 1999, respectively, for performing management and administrative functions for entities which are owned by key stockholders and management of the Company, but are excluded from the consolidated financial statements.
- o The Company received commissions for real estate sales from entities which are owned or partially owned by key stockholders and management of the Company, but are excluded from the consolidated financial statements of \$109,000, \$110,000 and \$114,000 for the years ended December 31, 2001, 2000 and 1999, respectively.
- o During 2001, 2000, and 1999, the Company held certain cash and investment accounts in a bank and had notes payable to the same bank. The bank's chairman and chief executive officer is a director of the Company. At December 31, 2001 and 2000, total cash and investments of approximately \$466,000 and \$1,202,000, respectively, and a note payable totaling approximately \$5,980,000 and \$6,412,000, respectively, were outstanding with this bank. Total interest income of \$18,000, \$41,000 and \$75,000, respectively, and interest expense of \$367,000, \$391,000 and \$206,000, respectively, was recorded related to this bank during the years ended December 31, 2001, 2000 and 1999. Additionally, the Company is the real estate manager for the bank's corporate office building. During the years ended December 31, 2001, 2000 and 1999, the Company recognized management fee income of \$114,000, \$111,000 and \$109,000, respectively.
- o At December 31, 2001 and 2000, the Company guaranteed \$235,000 of a note which is payable by a limited liability company, in which the Company holds a minority interest.

15. EMPLOYEE BENEFIT AND STOCK PLANS

1998 STOCK INCENTIVE PLAN

The 1998 Stock Incentive Plan (the Plan) was adopted by the Board of Directors in 1998. The Plan authorizes the grant or issuance of various option or other awards. The Company amended the Plan in 2000 to increase the maximum number of shares which may be awarded under the Plan from 1,200,000 to 1,400,000 shares, subject to adjustment for stock splits, stock dividends and similar events. The Compensation Committee of the Board of Directors administers the Plan and establishes to whom, the type and the terms and conditions, including the exercise period, the awards are granted.

Nonqualified stock options may be granted for any term specified by the Compensation Committee and may be granted at less than fair market value, but not less than par value on the date of grant. Incentive stock options may be granted only to employees and must be granted at an exercise price at least equal to fair market value on the date of grant and have a ten year exercise period. The maximum fair market value of shares which may be issued pursuant to incentive stock options granted under the Plan to any individual in any calendar year may not exceed \$100,000. Stock Appreciation Rights (SARs) may also be granted in connection with stock options or other awards. SARs typically will provide for payments to the holder based upon increases in the price of the common stock over the exercise price of the related option or award, but alternatively may be based upon other criteria such as book value. Other awards such as restricted stock awards, dividend equivalent awards, performance awards or deferred stock awards may also be granted under the Plan by the Compensation Committee.

All options granted have been designated as nonqualified options, with an exercise price equal to or in excess of fair market value on the date of grant and for a term of ten years. For substantially all options granted, fifty percent of each recipients' options will vest on the fourth anniversary of the date of grant and the remaining 50% will vest on the fifth anniversary of the date of grant. The vesting schedule will change if, beginning one year after the option grant date, the stock price of the common stock reaches the following target levels (measured as a percentage increase over the exercise price) for 60 consecutive trading days:

STOCK PRICE OPTION INCREASE ----- -----	PERCENT OF SHARES VESTED
25%	25%
50%	50%
75%	75%
100%	100%

Stock option transactions are summarized as follows:

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	EXERCISE PRICE PER SHARE	EXPIRATION DATE
Balance, January 1, 1999	835,869	\$ 15.00	\$ 15.00	2008
Options granted	263,915	12.02	7.50-15.00	2009
Options forfeited	(122,035)	14.16	10.94-15.00	

Balance, December 31, 1999	977,749	14.30	7.50-15.00	2008-2009
Options granted	109,395	9.18	8.31-15.00	2010
Options forfeited	(89,319)	14.21	10.94-15.00	

Balance, December 31, 2000	997,825	13.75	7.50-15.00	2008-2010
Options granted	360,785	6.07	6.07	2011
Options forfeited	(81,991)	13.89	8.31-15.00	

Balance, December 31, 2001	1,276,619	\$ 11.57	\$6.07-15.00	2008-2011
=====				

Remaining options available for grant at December 31, 2001 were 123,381. At December 31, 2001 and 2000, options totaling 27,000 and 19,000 respectively are exercisable at a weighted average exercise price of \$15.00.

The Company uses the intrinsic value method versus the fair value method of recording compensation expense associated with its stock options. Accordingly, since all options were granted at exercise prices equal to or greater than the fair market value of the common stock on the grant date, no compensation expense has been recognized in the consolidated statement of income. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date consistent with the provisions of SFAS 123, the Company's net income and income per share for the years ended December 31, 2001, 2000 and 1999 would have been decreased to the pro forma amounts indicated below (in thousands, except per share amounts):

	2001		2000		1999	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
Income before extraordinary item and cumulative effect of change in accounting principle	\$7,602	\$ 6,919	\$5,821	\$5,005	\$8,172	\$7,232
Extraordinary item	(23)	(23)	-	-	(10)	(10)
Cumulative effect of change in accounting principle	-	-	-	-	(133)	(133)
Net income	\$7,579	\$ 6,896	\$5,821	\$5,005	\$8,029	\$7,089
Income per share:						
Before extraordinary item and cumulative effect of change in accounting principle	\$.59	\$.53	\$.45	\$.39	\$.64	\$.57
Extraordinary item	-	-	-	-	-	-
Cumulative effect of change in accounting principle	-	-	-	-	(.01)	(.01)
Net income per share - basic and diluted	\$.59	\$.53	\$.45	\$.39	\$.63	\$.56

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999:

	2001	2000	1999
Dividend yield	0%	0%	
Expected volatility	22%	33%	
Risk free interest rates	4.07%	5.71%	
Expected option lives	4 years	4 years	4

The weighted-average life of options outstanding at December 31, 2001 was 7.43 years. The weighted-average fair value of all options granted during 2001, 2000 and 1999 was \$1.37, \$4.12 and \$4.43 per share, respectively. The weighted-average fair value and exercise price for options granted at market value and for those options granted above market value on the date of grant in 2001, 2000 and 1999 are as follows:

	WEIGHTED-AVERAGE FAIR VALUE			WEIGHTED-AVERAGE EXERCISE PRICE		
	2001	2000	1999	2001	2000	1999
Options granted at market price	\$1.37	\$4.32	\$5.61	\$6.07	\$ 8.31	\$10.94
Options granted above market price	\$ -	\$2.76	\$2.49	\$ -	\$15.00	\$12.98

In connection with the Company's initial public offering in 1998, the Company also granted 55,000 restricted shares of common stock to certain members of senior management. Twenty percent of these shares were issued in 1998 and 1999. Twenty percent will be issued in each subsequent year provided such employee is an employee of the Company at that time. Management stock grants in 2001 and 2000 were canceled and paid in cash. The Company recorded compensation expense of approximately \$56,000, \$55,000 and \$165,000 during the years ended December 31, 2001, 2000 and 1999, respectively, associated with these grants.

EMPLOYEE STOCK PURCHASE PLAN

In 1998, the Company adopted the Employee Stock Purchase Plan to assist employees of the Company in acquiring a stock ownership interest in the Company. A maximum of 300,000 shares of common stock is reserved for issuance under this plan. The Employee Stock Purchase Plan permits eligible employees to purchase common stock at a discount through payroll deductions. No employee may purchase more than \$25,000 worth of common stock under this plan in any calendar year. During the years ended December 31, 2001, 2000 and 1999, 24,139, 26,429 and 14,245 shares were purchased under this plan for approximately \$107,000, \$175,000 and \$101,000, respectively.

DEFINED CONTRIBUTION PLAN

The Company and employees contribute to the WestCoast Hospitality Corporation Amended and Restated Retirement and Savings Plan. The defined contribution plan was created for the benefit of substantially all employees of the Company. The Company makes contributions of up to 3% of an employee's compensation based on a vesting schedule and eligibility requirements set forth in the plan document. Company contributions to the plan for the years ended December 31, 2001, 2000 and 1999 were approximately \$225,000, \$240,000 and \$204,000, respectively.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data and to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value. Potential income tax ramifications related

to the realization of unrealized gains and losses that would be incurred in an actual sale or settlement have not been taken into consideration.

The carrying amounts for cash and cash equivalents, accounts receivable, current liabilities and variable rate long-term debt are reasonable estimates of their fair values. The fair values of fixed-rate long-term debt and capital lease obligations are based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for debt or capital lease obligations with similar remaining maturities.

The estimated fair values of financial instruments at December 31, 2001 and 2000 are as follows (in thousands):

	2001		2000	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:				
Cash and cash equivalents	\$ 5,735	\$ 5,735	\$ 3,476	\$ 3,476
Accounts receivable	9,101	9,101	6,232	6,232
Financial liabilities:				
Current liabilities, excluding debt	21,802	21,802	11,645	11,645
Notes payable to bank	54,250	54,250	106,500	106,500
Long-term debt	117,030	117,030	55,254	55,254
Capital lease obligations	652	652	1,186	1,186

17. BUSINESS SEGMENTS

The Company has four operating segments: (1) Hotels and Restaurants; (2) TicketsWest; (3) Real Estate Division and (4) Franchise, Central Services and Development. The Franchise, Central Services and Development segment represents the franchise and marketing division of the Company which was acquired with the WestCoast Hotels, Inc. purchase. Due to the timing of the WestCoast Hotels, Inc. acquisition, this segment had identifiable assets and capital expenditures at December 31, 1999, but no operations were reported until 2000. Due to the timing of the Red Lion acquisition on December 31, 2001, identifiable assets and capital expenditures related to this acquisition are reported at December 31, 2001. However, no operations will be reported until 2002. Corporate services and other consists primarily of miscellaneous revenues and expenses, cash and cash equivalents, certain receivables and certain property and equipment which are not specifically associated with an operating segment.

TicketsWest has significant inter-segment revenues which are eliminated in the consolidated financial statements. Management reviews and evaluates the operations of TicketsWest including the inter-segment revenues. Therefore, the total revenues, including inter-segment revenues are included in the segment information below. Management reviews and evaluates the operating segments exclusive of interest expense. Therefore, interest expense is not allocated to the segments.

Selected information with respect to the segments is as follows for the years ended December 31, 2001, 2000 and 1999 (in thousands):

	2001	2000	1999
	-----	-----	-----
Revenues:			
Hotels and Restaurants	\$ 99,495	\$ 106,540	\$ 92,808
Franchise, Central Services and Development	3,213	3,643	--
TicketsWest	8,539	6,908	7,959
Less: inter-segment revenues	(1,042)	(1,203)	(778)
Real Estate Division	10,114	9,540	9,649
Corporate Services and other	314	378	417
	-----	-----	-----
	\$ 120,633	\$ 125,806	\$ 110,055
	=====	=====	=====
Operating income (loss):			
Hotels and Restaurants	\$ 16,823	\$ 20,299	\$ 18,707
Franchise, Central Services and Development	1,012	2,035	--
TicketsWest	(237)	(407)	388
Real Estate Division	3,954	3,845	3,852
Corporate Services and other	(2,524)	(2,224)	(1,912)
	-----	-----	-----
	\$ 19,028	\$ 23,548	\$ 21,035
	=====	=====	=====
Capital expenditures:			
Hotels and Restaurants	\$ 48,634	\$ 6,623	\$ 49,580
Franchise, Central Services and Development	2,672	299	7,428
TicketsWest	542	912	4,766
Real Estate Division	2,910	310	442
Corporate Services and other	203	316	1,064
	-----	-----	-----
	\$ 54,961	\$ 8,460	\$ 63,280
	=====	=====	=====
Depreciation and amortization:			
Hotels and Restaurants	\$ 8,112	\$ 7,615	\$ 5,951
Franchise, Central Services and Development	405	401	--
TicketsWest	476	410	110
Real Estate Division	1,426	1,317	1,328
Corporate Services and other	759	709	543
	-----	-----	-----
	\$ 11,178	\$ 10,452	\$ 7,932
	=====	=====	=====
Identifiable assets:			
Hotels and Restaurants	\$ 276,297	\$ 232,762	\$ 234,397
Franchise, Central Services and Development	39,474	32,577	33,573
TicketsWest	6,403	6,239	4,936
Real Estate Division	29,941	25,216	25,765
Corporate Services and other	7,534	8,040	10,461
	-----	-----	-----
	\$ 359,649	\$ 304,834	\$ 309,132
	=====	=====	=====

18. EARNINGS PER SHARE

The following table presents a reconciliation of the numerators and denominators used in the basic and diluted EPS computations for the years ended December 31, 2001, 2000 and 1999 (in thousands, except per share amounts). Also shown is the number of dilutive securities (stock options and convertible notes) that would have been included in the diluted EPS computation if they were not anti-dilutive.

	2001	2000	1999
	-----	-----	-----
Numerator:			
Income before extraordinary item and cumulative effect of change in accounting principle	\$ 7,602	\$ 5,821	\$ 8,172
Extraordinary item	(23)	--	(10)
Cumulative effect of change in accounting principle	--	--	(133)
	-----	-----	-----
Net income-basic	7,579	5,821	8,029
Income effect of dilutive OP Units	232	71	208
	-----	-----	-----
Net income-diluted	\$ 7,811	\$ 5,892	\$ 8,237
	=====	=====	=====
Denominator:			
Weighted-average shares outstanding - basic	12,953	12,941	12,755
Effect of dilutive OP Units	286	296	341
Effect of dilutive common stock options and convertible notes	(A)	(A)	(A)
	-----	-----	-----
Weighted-average shares outstanding - diluted	13,239	13,237	13,096
	=====	=====	=====
Earnings per share - basic and diluted:			
Income per share before extraordinary item and cumulative effect of change in accounting principle	\$.59	\$.45	\$.64
Extraordinary item	--	--	--
Cumulative effect of change in accounting principle	--	--	(.01)
	-----	-----	-----
Net income per share - basic and diluted	\$.59	\$.45	\$.63
	=====	=====	=====

(A) At December 31, 2001, 2000 and 1999 1,276,619, 997,825, and 977,749 stock options are outstanding, respectively. The effects of the shares which would be issued upon the exercise of these options have been excluded from the calculation of diluted earnings per share because they are anti-dilutive.

The effects of the shares which would be issued upon conversion of the convertible notes have been excluded from the calculation of diluted earnings per share because they are anti-dilutive.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Reference is made to the information set forth in the Form 8-K filed June 29, 2001, "Change in Registrant's Certifying Accountant."

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS AND EXECUTIVE OFFICERS

The information required by this item is contained in, and incorporated by reference from, the Proxy Statement for the Company's 2002 Annual Meeting of Shareholders under the caption "Directors and Officers of the Registrant."

COMPENSATION OF DIRECTORS

The information required by this item is contained in, and incorporated by reference from, the Proxy Statement for the Company's 2002 Annual Meeting of Shareholders under the caption "Compensation of Directors."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is contained in, and incorporated by reference from, the Proxy Statement for the Company's 2002 Annual Meeting of Shareholders under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is contained in, and incorporated by reference from, the Proxy Statement for the Company's 2002 Annual Meeting of Shareholders under the caption "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is contained, and incorporated by reference from, the Proxy Statement for the Company's 2002 Annual Meeting of Shareholders under the caption "Certain Relationships and Related Transactions."

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

A. LIST OF DOCUMENTS FILED AS PART OF THIS REPORT.

1. Index to financial statements:

Page

34	a. WestCoast Hospitality Corporation - Consolidated Balance Sheets	
36	b. WestCoast Hospitality Corporation - Consolidated Statements of Income	35 &
37	c. WestCoast Hospitality Corporation - Consolidated Statements of Changes in Stockholders' Equity	
39	d. WestCoast Hospitality Corporation - Consolidated Statements of Cash Flows	38 &
62	e. WestCoast Hospitality Corporation - Notes to Consolidated Financial Statements	40 -

2. Index to financial statement schedules:

All schedules for which provisions are made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable or the information is contained in the Financial Statements and therefore has been omitted.

3. Index to exhibits:

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Articles of Incorporation of the Company
3.2(1)	Amended and Restated By-Laws of the Company
4.1(1)	Specimen Common Stock Certificate
EXECUTIVE COMPENSATION PLANS AND AGREEMENTS	
10.1(3)	Employment Agreement between the Company and Arthur M. Coffey
10.2(3)	Employment Agreement between the Company and Richard Barbieri
10.3(3)	Employment Agreement between the Company and David M. Bell
10.4(3)	Employment Agreement between the Company and Thomas M. Barbieri
10.5(1)	Employee Stock Purchase Plan of Cavanaugh's Hospitality Corporation
10.6(6)	1998 Stock Incentive Plan
10.7(1)	Form of Stock Option Award Agreement
10.8(1)	Form of Restricted Stock Award Agreement
OTHER MATERIAL CONTRACTS	
10.9(1)	Amended and Restated Agreement of Limited Partnership of Cavanaugh's Hospitality Limited Partnership
10.10(1)	Gateway Property Lease Agreement
10.11(1)	Gateway Property Option Agreement
10.12(1)	Ridpath Property Lease Agreement
10.13(4)	Form of Indemnification Agreement
10.14(2)	Purchase and Sale Agreement re: WC Holdings, Inc.
10.15(2)	Membership Interest Purchase Agreement re: October Hotel Investors, LLC
10.16(2)	First Amendment to Membership Interest Purchase Agreement re: October Hotel Investors, LLC
10.17(5)	Amended and Restated Credit Agreement
10.18(7)	Second Amendment to the Amended and Restated Credit Agreement
10.19(7)	Amendment and Restatement of Deed of Trust and Agreement dated May 21, 2001, with WestCoast Hospitality Limited Partnership, as grantor, and IDS Life Insurance Company, as beneficiary
10.20(7)	Deed Of Trust and Security Agreement dated as of June 14, 2001, with WHC809, LLC, as grantor, and Morgan Guaranty Trust Company of New York, as beneficiary
10.21(8)	Deed of Trust and Security Agreement dated as of September 18, 2001, with WHC820, LLC, as grantor, and Column Financial, Inc., as beneficiary
10.22(8)	Deed of Trust, Assignment of Leases and Rents, Agreement and Fixture Filing dated as of August 16, 2001, with WHC821, LLC, as grantor, and Column Financial, Inc., as beneficiary
10.23(8)	Deed of Trust, Assignment of Leases and Rents, Agreement and Fixture Filing dated as of August 16, 2001, with WHC804, LLC, as grantor, and Column Financial, Inc., as beneficiary
21(3)	List of Subsidiaries of the Company
23.1	Consent of BDO Seidman LLP
23.2	Consent of PricewaterhouseCoopers LLP

L.

Security

Security

Security

- (1) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form S-1, dated January 20, 1998.
- (2) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form 8-K, dated January 4, 2000.
- (3) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form S-1/A, dated March 10, 1998.
- (4) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form S-1/A, dated March 27, 1998.
- (5) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form 10-K, dated March 30, 2000.
- (6) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form 10-Q, dated March 31, 2001.
- (7) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form 10-Q, dated June 30, 2001.
- (8) Previously filed with the Securities and Exchange Commission as an exhibit to the Company's Form 10-Q, dated September 30, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WESTCOAST HOSPITALITY CORPORATION
REGISTRANT

BY: /s/ DONALD K. BARBIERI

DONALD K. BARBIERI
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE
OFFICER

MARCH 29, 2002
DATE

BY: /s/ ARTHUR M. COFFEY

ARTHUR M. COFFEY
EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL
OFFICER AND DIRECTOR

MARCH 29, 2002
DATE

BY: /s/ SHARON SANCHEZ

SHARON SANCHEZ
EXECUTIVE VICE PRESIDENT HOTEL DIVISION

MARCH 29, 2002
DATE

BY: /s/ RICHARD L. BARBIERI

RICHARD L. BARBIERI
EXECUTIVE VICE PRESIDENT, GENERAL
COUNSEL AND DIRECTOR

MARCH 29, 2002
DATE

66

BY: /s/ TOM BARBIERI

TOM BARBIERI
SENIOR VICE PRESIDENT, PROJECT
DEVELOPMENT AND DIRECTOR

MARCH 29, 2002
DATE

BY: /s/ PETER F. STANTON

PETER F. STANTON
DIRECTOR

MARCH 29, 2002
DATE

BY: /s/ RONALD R. TAYLOR

RONALD R. TAYLOR
DIRECTOR

MARCH 29, 2002
DATE

BY: /s/ ROBERT G. TEMPLIN

ROBERT G. TEMPLIN
DIRECTOR

MARCH 29, 2002
DATE

BY: /s/ STEPHEN R. BLANK

STEPHEN R. BLANK
DIRECTOR

MARCH 29, 2002
DATE

BY: /s/ RODNEY D. OLSON

RODNEY D. OLSON
DIRECTOR

MARCH 29, 2002
DATE

EXHIBIT 3.1

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
WESTCOAST HOSPITALITY CORPORATION**

FIRST: The name of the corporation is WestCoast Hospitality Corporation (hereinafter called the "Corporation").

SECOND: The address of the Corporation's registered office in Washington is 201 W. North River Drive Suite 100, Spokane, WA 99201. Donald K. Barbieri is the corporation's registered agent at that address.

THIRD: The nature of the business and purposes to be conducted by the Corporation are to engage in, carry on and conduct any lawful act or activity for which corporations may be organized under the Washington Business Corporation Act, RCW Chapter 23B (hereafter "Act").

FOURTH:

4.1 AUTHORIZED SHARES. The amount of the capital stock that the Corporation shall have authority to issue is fifty-five million (55,000,000) shares, consisting of fifty million (50,000,000) shares of Common Stock, par value \$.01 per share (the "Common Stock") and five million (5,000,000) shares of Preferred Stock, par value of \$.01 per share (the "Preferred Stock"). All cross references in each subdivision of this ARTICLE FOURTH refer to other paragraphs in such subdivision unless otherwise indicated.

4.2 COMMON STOCK.

1. The Board of Directors may, in its discretion, out of funds legally available for the payment of dividends and at such times and in such manner as determined by the Board of Directors, declare and pay dividends in the amount determined by the Board of Directors on the Common Stock.
2. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after there shall have been paid to or set aside for the holders of shares of Preferred Stock the full preferential amounts to which they are entitled, the holders of outstanding shares of Common Stock shall be entitled to receive pro rata, according to the number of shares held by each, the remaining assets of the Corporation available for distribution.
3. Except as otherwise provided by law and except as may be determined by the Board of Directors with respect to the Preferred Stock pursuant to Section 4.3 of this ARTICLE FOURTH, only the holders of shares of Common Stock shall be entitled to vote for

the election of Directors of the Corporation and for all other corporate purposes. Upon any such vote the holders of shares of Common Stock shall, except as otherwise provided by law, be entitled to one vote for each share of Common Stock held by them respectively.

4. Shareholders of the Corporation shall not have cumulative voting rights.

4.3 PREFERRED STOCK. The Preferred Stock may be issued from time to time in one or more series in any manner permitted by law and the provisions of the Articles of Incorporation of the Corporation, as determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for the issuance thereof, prior to the issuance of any shares thereof. Unless otherwise provided in the resolution establishing a series of Preferred Stock, prior to the issue of any shares of a series so established or to be established, the Board of Directors may, by resolution, amend the relative rights and preferences of the shares of such series, and, after the issue of shares of a series whose number has been designated by the Board of Directors, the resolution establishing the series may be amended by the Board of Directors to increase (but not above the total authorized shares of the class) or to decrease (but not below the number of shares of such series then outstanding) the number of shares of that series.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of each class of stock shall be governed by the following provisions:

1. The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors except if such resolution or resolutions conflict with the provisions of the Articles of Incorporation of the Corporation or the Act. Said resolution or resolutions may provide for (but not limiting the generality thereof) the following:

a) The number of shares to constitute each such series, and the designation of each such series.

b) The dividend rate of each such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes or on any other series of any class or classes of stock, and whether such dividends shall be cumulative or noncumulative.

c) Whether the shares of each such series shall be subject to redemption by the Corporation and if made subject to such redemption, the terms, prices and other terms and conditions of such redemption.

- d) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of each such series.
 - e) Whether or not the shares of each such series shall be convertible into or exchangeable for shares of any other class or classes or any other series of any other class or classes of stock of the Corporation, and, if provision be made for conversion or exchange, the times, prices, rates of exchange, adjustments, and other terms and conditions of such conversion or exchange.
 - f) The extent, if any, to which the holders of the shares of each such series shall be entitled to vote with respect to the election of Directors or otherwise.
 - g) The restrictions, if any, on the issue or reissue of any additional Preferred Stock.
 - h) The rights of the holders of the shares of each such series upon the dissolution of, or upon the distribution of the assets of, the Corporation.
2. Except as otherwise required by law and except for such voting powers with respect to the election of Directors or other matters as may be stated in the resolutions of the Board of Directors creating any series of Preferred Stock, the holders of any such series shall have no voting powers whatsoever. Any amendment of the Articles of Incorporation of the Corporation which shall increase or decrease the number of authorized shares of any class or classes of stock may be adopted by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote.

FOURTH-A:

The issue of up to 303,771 shares of Series A Preferred Stock, \$.01 par value, of the Corporation is hereby authorized, and the designation, preferences and privileges, relative, participating, optional and other special rights and qualifications of all 303,771 shares of this series, in addition to those set forth in the Articles of Incorporation (as amended from time to time), are hereby fixed as follows:

1. DESIGNATION. The designation of such Preferred Stock shall be Series A Preferred Stock, and the number of shares constituting such series is 303,771. Shares of the Series A Preferred Stock shall have a stated value of \$50 per share. The number of authorized shares of the Series A Preferred Stock may be reduced by resolution duly adopted by the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the Act stating that such reduction has been so authorized.

2. DIVIDENDS

2.1 Dividend rates on the shares of the Series A Preferred Stock shall be for the period that commences on January 1, 2002 and that shall end on and include March 31, 2002 (the "Initial Dividend Period") and for each quarterly dividend period (hereinafter referred to as a "Quarterly Dividend Period," and the Initial Dividend Period and any Quarterly Dividend Period being hereinafter individually referred to as a "Dividend Period" and collectively as "Dividend Periods") thereafter, which Quarterly Dividend Periods shall commence on January 1, April 1, July 1 and October 1 in each year and shall end on and include the day next preceding the first day of the next Quarterly Dividend Period, at a rate per annum of the stated value thereof equal to the Applicable Rate (as defined in Section 3) in respect of each Dividend Period. Such dividends shall be cumulative from the first day of the Initial Dividend Period and shall be declared, set aside and paid from funds legally available for that purpose, on March 31, June 30, September 30 and December 31 of each year, commencing with such date that is the last day of the Initial Dividend Period (the respective dates that such dividends are payable will hereinafter be referred to as the "Dividend Payment Dates"). The dividend for a Dividend Period shall be paid to the holders of record of shares of the Series A Preferred Stock as they appear on the stock register of the Corporation on such record date, not exceeding 30 days preceding the Dividend Payment Date for that Dividend Period, as shall be fixed by the Board of Directors of the Corporation, or by a committee of said Board of Directors duly authorized to fix such date.

2.2 Dividends on account of arrears for any one or more past Dividend Periods may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 30 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation, or by a committee of said Board of Directors duly authorized to fix such date. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments which may be in arrears. Dividends payable on the Series A Preferred Stock for each full Dividend Period (including the Initial Dividend Period) shall be computed by dividing the Applicable Rate by four. Dividends payable for any period less than a full Dividend Period shall be computed on the basis of a 360-day year of four 90-day quarters and the actual number of days elapsed in the period for which payable.

3. DEFINITION OF APPLICABLE RATE

3.1 The "Applicable Rate" for a Dividend Period (a) shall be 7%, if neither of the succeeding clauses (b) or (c) applies; (b) shall be 12%, if (i) a Dividend Default (as defined in Section 3.2) has occurred and is continuing on the last day of the Dividend Period or, in the event of dividends payable for any period less than a full Dividend Period, on the last day of such period, and (ii) the succeeding clause (c) does not apply; or (c) shall be 14%, if a Series A Redemption Default (as defined in Section 10.1) or a Covenant Default (also as defined in Section 10.1) has occurred and is continuing on the last day of the Dividend Period or, in the event of dividends payable for any period less than a full Dividend Period, on the last day of such period.

3.2 A "Dividend Default" shall occur if the Corporation fails for two consecutive Dividend Periods to pay, within 10 days of the respective Dividend Payment Dates

therefor, any dividends payable for those Dividend Periods on either the Series A Preferred Stock or the Corporation's Series B Preferred Stock.

4. REDEMPTION

4.1 The Corporation, at its option, may redeem the Series A Preferred Stock, as a whole or in part, at any time or from time to time, at a redemption price of \$50.00 per share (such amount to be equitably adjusted in the event of any subdivision or combination of the Series A Preferred Stock), plus, in each case, accrued and unpaid dividends thereon to the date fixed for redemption.

4.2 If the Corporation elects to redeem shares of Series A Preferred Stock, notice of such redemption (the "Redemption Notice") shall be given by first class mail, postage prepaid, mailed not less than 10 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Any Redemption Notice mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each Redemption Notice shall state: (a) the redemption date; (b) the number of shares of Series A Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (c) the redemption price; (d) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (e) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If a Redemption Notice is mailed as aforesaid, then, from and after the redemption date stated therein (unless a default shall be made by the Corporation in providing money for the payment of the redemption price), dividends on the shares of the Series A Preferred Stock so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as shareholders of the Corporation (except the right to receive from the Corporation the redemption price, without interest thereon) shall cease. Upon surrender in accordance with said Redemption Notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the Redemption Notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. If less than all the outstanding shares of the Series A Preferred Stock are to be redeemed, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series A Preferred Stock not previously called for redemption pro rata (as nearly as may be) or by any other method determined by the Corporation in its sole discretion to be equitable. A new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

4.3 Notwithstanding the foregoing provisions of this Section 4, if any dividends on the Series A Preferred Stock are in arrears, no shares of the Series A Preferred Stock shall be redeemed unless all outstanding shares of the Series A Preferred Stock are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of such series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of the Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms (such terms to include a provision for pro rata acceptance of all shares tendered for purchase) to holders of all outstanding shares of the Series A Preferred Stock.

5. **SHARES TO BE RETIRED.** All shares of the Series A Preferred Stock redeemed by the Corporation shall be retired and cancelled and shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued.

6. **CONVERSION OR EXCHANGE.** The holders of shares of the Series A Preferred Stock shall not have any rights to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation.

7. **VOTING.** The Series A Preferred Stock shall have no voting powers either general or special except as otherwise required by the Act and as provided in Section 8.

8. **PROTECTIVE PROVISIONS.** Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of record of at least 75% of the outstanding shares of the Series A Preferred Stock, given in person or by proxy, either in writing or by a vote at a meeting called for that purpose, shall be necessary for (a) any amendment to the Articles of Incorporation or By-Laws of the Corporation (as amended from time to time) that adversely affects the preferences, rights, powers or privileges of the Series A Preferred Stock; (b) any authorization, issuance or increase in the authorized amount of any additional class or series of Senior Stock or Parity Stock (as those terms are defined in Section 12); (c) any merger of the Corporation into another corporation in a transaction where the Corporation is not a surviving corporation; (d) any sale, conveyance, exchange or transfer of all or substantially all the property or business of the Corporation; (e) any voluntary liquidation, dissolution or winding up of the Corporation; and (f) any declaration or payment by the Corporation of any dividend, other than dividends declared or paid on the Series A Preferred Stock and the Corporation's Series B Preferred Stock.

9. **LIMITATION ON DIVIDENDS ON JUNIOR STOCK.** So long as any of the Series A Preferred Stock shall be outstanding, the Corporation shall not declare any dividends on any one or more classes of Junior Stock (as defined in Section 12), or make any payment on account of, or set apart money for, a sinking or other analogous fund for the purchase, redemption or other retirement of any shares of Junior Stock, or make any distribution in respect thereof, whether in cash or property or in obligations or stock of the Corporation, other than Junior Stock (such dividends, payments, setting apart and distributions being herein called "Junior Stock Payments"), unless full cumulative dividends shall have been paid or declared and set apart for payment upon all outstanding shares of Series A Preferred Stock at the date of such declaration in the case of any such dividend, or the date of such setting apart in the case of any such fund, or the date of such payment or distribution in the case of any other Junior Stock Payment; provided, however, that, so long as no Triggering Event has occurred and is continuing, the Corporation shall be entitled to repurchase (a) shares of Common Stock in accordance with restricted stock purchase agreements entered into with employees, consultants and directors of the Corporation and its direct and indirect subsidiaries and (ii) a number of shares of Common Stock during each calendar year equal to the aggregate number of shares of Common Stock issued or to be issued during that year in connection with benefit programs for employees, consultants and directors of the Corporation and its direct and indirect subsidiaries, including stock bonuses, restricted stock grants and contributions to qualified plans, so long as the total number of shares of Common

Stock repurchased pursuant to the foregoing clause (a) and clause (b) during each calendar year may not exceed 1% of the number of shares of Common Stock of the Corporation outstanding on the first day of such calendar year (such number to be equitably adjusted in the event of any subdivision or combination of the Common Stock during such calendar year). A Junior Stock Payment made in conformity with the PROVISIO in the preceding sentence shall not constitute a Covenant Default.

10. TRIGGERING EVENT

10.1 A "Triggering Event" shall occur if (a) a Dividend Default occurs; (b) the Corporation fails to call for redemption pursuant to Section 4 all of the outstanding shares of Series A Preferred Stock and complete such redemption by January 30, 2005, unless such failure is due solely to the failure of one or more holders of the Series A Preferred Stock to surrender in accordance with the Redemption Notice the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the Redemption Notice shall so state) (such failure is herein referred to as a "Series A Redemption Default"); or (c) the Corporation breaches or fails to perform any obligation in Section 4.3, 8, 9 or 10.2 of this Article Fourth-A, and such breach or failure, if susceptible of cure, is not cured within 30 days after the Corporation receives written notice of default from the then holders of record of a majority of the outstanding shares of the Series A Preferred Stock (such breach or failure is herein referred to as a "Covenant Default"). Once a Triggering Event occurs by reason of a Dividend Default, the Triggering Event shall solely for purposes of Section 10.2 be deemed to continue until all accrued and unpaid dividends on the Series A Preferred Stock and the Corporation's Series B Preferred Stock have been paid (or declared and set aside for payment) and thereafter until the Corporation has for three consecutive Dividend Periods paid (or declared and set aside for payment), within 10 days of the respective Dividend Payment Dates therefor, all dividends payable for those Dividend Periods on both the Series A Preferred Stock and the Corporation's Series B Preferred Stock.

10.2 If a Triggering Event occurs, the then holders of record of a majority of the outstanding shares of the Series A Preferred Stock and the Corporation's Series B Preferred Stock will be entitled, by written instrument delivered to the Corporation, to jointly designate two individuals to serve on the Board of Directors of the Corporation. As promptly as practical following receipt of such written designation, the Corporation will cause two vacancies to exist on its Board of Directors (by means of a resignation of one or more directors, an increase in the number of directors constituting the Board of Directors or a combination of the two) and cause the individuals named in the designation to be elected to fill those vacancies. If either of such individuals ceases to serve as a director for any reason, the Corporation will use its best efforts to have appointed or elected as a successor director such other individual as is designated by the then holders of record of a majority of the outstanding shares of the Series A Preferred Stock and the Corporation's Series B Preferred Stock. The right to representatives on the Board of Directors will terminate at such time as no Triggering Event is continuing or deemed to be continuing as provided in Section 10.1. Upon such termination, the terms of office of all individuals who may have been elected directors pursuant to this Section 10.2 shall forthwith terminate without reduction in the number of directors constituting the Board of Directors.

11. LIQUIDATION PREFERENCE

11.1 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Series A Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders, after any distribution of assets shall be made to the holders of any Senior Stock but before any distribution of assets shall be made to the holders of any Junior Stock, an amount equal to \$50 per share (such amount to be equitably adjusted in the event of any subdivision or combination of the Series A Preferred Stock) plus an amount equal to any accrued and unpaid dividends thereon (whether or not earned or declared) to the date fixed for payment of such distribution.

11.2 Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Series A Preferred Stock, the holders of the Corporation's Series B Preferred Stock and the holders of any other shares of stock of the Corporation ranking on a parity with the Series A Preferred Stock and the Corporation's Series B Preferred Stock as to distributions upon such liquidation, dissolution or winding up shall be entitled to the receipt of the amounts distributable upon such liquidation, dissolution or winding up in proportion to their respective liquidation prices, without preference or priority, one over the other, as between the holders of the Series A Preferred Stock, the Corporation's Series B Preferred Stock and such other shares.

11.3 If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the amounts payable with respect to the Series A Preferred Stock and any other shares of stock of the Corporation ranking as to distributions upon such liquidation, dissolution or winding up on a parity with the Series A Preferred Stock are not paid in full, the holders of the Series A Preferred Stock and of such other shares shall share ratably in any such distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled. After payment to the holders of the Series A Preferred Stock of the full preferential amounts provided for in this Section 11, the holders of the Series A Preferred Stock shall be entitled to no further participation in any distribution of assets by the Corporation.

11.4 For the purposes of this Section 11, a sale, conveyance, exchange or transfer of all or substantially all the property or business of the Corporation, and a merger of the Corporation into another corporation in a transaction where the Corporation is not a surviving corporation, shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation. A merger of another corporation into the Corporation in a transaction where the Corporation is a surviving corporation shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation for the purposes of this Section 11.

12. RANKING OF STOCK OF THE CORPORATION. Any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to the shares of the Series A Preferred Stock, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up of the

Corporation, as the case may be, in preference or priority to the holders of shares of the Series A Preferred Stock (such class or classes of stock are sometimes herein referred to as "Senior Stock");

(b) on a parity with the shares of the Series A Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of the Series A Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up of the Corporation, or both, as the case may be, in proportion to their respective dividend rates and/or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of the Series A Preferred Stock (such class or classes of stock are sometimes herein referred to as "Parity Stock"); and

(c) junior to the shares of the Series A Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of the Series A Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes (such class or classes of stock are sometimes herein referred to as "Junior Stock").

13. CAPITALIZED TERMS. Except as otherwise provided herein, the meanings of the capitalized terms contained in this Article Fourth-A shall govern the construction of this Article Fourth-A but shall not govern the construction of any other provisions of the Corporation's Articles of Incorporation (as amended from time to time), including but not limited to any provisions of any other designation of any other class or series of capital stock of the Corporation, unless specifically stated otherwise by such other provisions. References in this Article Fourth-A to "Dividend Periods" and "Dividend Payment Dates" for the Corporation's Series B Preferred Stock shall be deemed to refer to the definitions of those terms contained in Article Fourth-B of the Articles of Incorporation.

FOURTH-B:

The issue of up to 303,771 shares of Series B Preferred Stock, \$.01 par value, of the Corporation is hereby authorized, and the designation, preferences and privileges, relative, participating, optional and other special rights and qualifications of all 303,771 shares of this series, in addition to those set forth in the Articles of Incorporation (as amended from time to time), are hereby fixed as follows:

1. DESIGNATION. The designation of such Preferred Stock shall be Series B Preferred Stock, and the number of shares constituting such series is 303,771. Shares of the Series B Preferred Stock shall have a stated value of \$50 per share. The number of authorized shares of the Series B Preferred Stock may be reduced by resolution duly adopted by the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the Act stating that such reduction has been so authorized.

2. DIVIDENDS

2.1 Dividend rates on the shares of the Series B Preferred Stock shall be for the period that commences on January 1, 2002 and that shall end on and include March 31, 2002 (the "Initial Dividend Period") and for each quarterly dividend period (hereinafter referred to as a "Quarterly Dividend Period," and the Initial Dividend Period and any Quarterly Dividend Period being hereinafter individually referred to as a "Dividend Period" and collectively as "Dividend Periods") thereafter, which Quarterly Dividend Periods shall commence on January 1, April 1, July 1 and October 1 in each year and shall end on and include the day next preceding the first day of the next Quarterly Dividend Period, at a rate per annum of the stated value thereof equal to the Applicable Rate (as defined in Section 3) in respect of each Dividend Period. Such dividends shall be cumulative from the first day of the Initial Dividend Period and shall be declared, set aside and paid from funds legally available for that purpose, on March 31, June 30, September 30 and December 31 of each year, commencing with such date that is the last day of the Initial Dividend Period (the respective dates that such dividends are payable will hereinafter be referred to as the "Dividend Payment Dates"). The dividend for a Dividend Period shall be paid to the holders of record of shares of the Series B Preferred Stock as they appear on the stock register of the Corporation on such record date, not exceeding 30 days preceding the Dividend Payment Date for that Dividend Period, as shall be fixed by the Board of Directors of the Corporation, or by a committee of said Board of Directors duly authorized to fix such date.

2.2 Dividends on account of arrears for any one or more past Dividend Periods may be declared and paid at any time, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 30 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation, or by a committee of said Board of Directors duly authorized to fix such date. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments which may be in arrears. Dividends payable on the Series B Preferred Stock for each full Dividend Period (including the Initial Dividend Period) shall be computed by dividing the Applicable Rate by four. Dividends payable for any period less than a full Dividend Period shall be computed on the basis of a 360-day year of four 90-day quarters and the actual number of days elapsed in the period for which payable.

3. DEFINITION OF APPLICABLE RATE

3.1 The "Applicable Rate" for a Dividend Period (a) shall be 10%, if neither of the succeeding clauses (b) or (c) applies; (b) shall be 15%, if (i) a Dividend Default (as defined in Section 3.2) has occurred and is continuing on the last day of the Dividend Period or, in the event of dividends payable for any period less than a full Dividend Period, on the last day of such period, and (ii) the succeeding clause (c) does not apply; or (c) shall be 20%, if a Series B Redemption Default (as defined in Section 10.1) or a Covenant Default (also as defined in Section 10.1) has occurred and is continuing on the last day of the Dividend Period or, in the event of dividends payable for any period less than a full Dividend Period, on the last day of such period.

3.2 A "Dividend Default" shall occur if the Corporation fails for two consecutive Dividend Periods to pay, within 10 days of the respective Dividend Payment Dates

therefor, any dividends payable for those Dividend Periods on either the Series B Preferred Stock or the Corporation's Series A Preferred Stock.

4. REDEMPTION

4.1 The Corporation, at its option, may redeem the Series B Preferred Stock, as a whole or in part, at any time or from time to time, at a redemption price of \$50.00 per share (such amount to be equitably adjusted in the event of any subdivision or combination of the Series B Preferred Stock), plus, in each case, accrued and unpaid dividends thereon to the date fixed for redemption.

4.2 If the Corporation elects to redeem shares of Series B Preferred Stock, notice of such redemption (the "Redemption Notice") shall be given by first class mail, postage prepaid, mailed not less than 10 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Any Redemption Notice mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each Redemption Notice shall state: (a) the redemption date; (b) the number of shares of Series B Preferred Stock to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (c) the redemption price; (d) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (e) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If a Redemption Notice is mailed as aforesaid, then, from and after the redemption date stated therein (unless a default shall be made by the Corporation in providing money for the payment of the redemption price), dividends on the shares of the Series B Preferred Stock so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as shareholders of the Corporation (except the right to receive from the Corporation the redemption price, without interest thereon) shall cease. Upon surrender in accordance with said Redemption Notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the Redemption Notice shall so state), such shares shall be redeemed by the Corporation at the redemption price aforesaid. If less than all the outstanding shares of the Series B Preferred Stock are to be redeemed, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series B Preferred Stock not previously called for redemption pro rata (as nearly as may be) or by any other method determined by the Corporation in its sole discretion to be equitable. A new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

4.3 Notwithstanding the foregoing provisions of this Section 4, if any dividends on the Series B Preferred Stock are in arrears, no shares of the Series B Preferred Stock shall be redeemed unless all outstanding shares of the Series B Preferred Stock are simultaneously redeemed, and the Corporation shall not purchase or otherwise acquire any shares of such series; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of the Series B Preferred Stock pursuant to a purchase or exchange offer made on the same terms (such terms to include a provision for pro rata acceptance of all shares tendered for purchase) to holders of all outstanding shares of the Series B Preferred Stock.

5. **SHARES TO BE RETIRED.** All shares of the Series B Preferred Stock redeemed by the Corporation shall be retired and cancelled and shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued.

6. **CONVERSION OR EXCHANGE.** The holders of shares of the Series B Preferred Stock shall not have any rights to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation.

7. **VOTING.** The Series B Preferred Stock shall have no voting powers either general or special except as otherwise required by the Act and as provided in Section 8.

8. **PROTECTIVE PROVISIONS.** Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of record of at least 75% of the outstanding shares of the Series B Preferred Stock, given in person or by proxy, either in writing or by a vote at a meeting called for that purpose, shall be necessary for (a) any amendment to the Articles of Incorporation or By-Laws of the Corporation (as amended from time to time) that adversely affects the preferences, rights, powers or privileges of the Series B Preferred Stock; (b) any authorization, issuance or increase in the authorized amount of any additional class or series of Senior Stock or Parity Stock (as those terms are defined in Section 12); (c) any merger of the Corporation into another corporation in a transaction where the Corporation is not a surviving corporation; (d) any sale, conveyance, exchange or transfer of all or substantially all the property or business of the Corporation; (e) any voluntary liquidation, dissolution or winding up of the Corporation; and (f) any declaration or payment by the Corporation of any dividend, other than dividends declared or paid on the Series B Preferred Stock and the Corporation's Series A Preferred Stock.

9. **LIMITATION ON DIVIDENDS ON JUNIOR STOCK.** So long as any of the Series B Preferred Stock shall be outstanding, the Corporation shall not declare any dividends on any one or more classes of Junior Stock (as defined in Section 12), or make any payment on account of, or set apart money for, a sinking or other analogous fund for the purchase, redemption or other retirement of any shares of Junior Stock, or make any distribution in respect thereof, whether in cash or property or in obligations or stock of the Corporation, other than Junior Stock (such dividends, payments, setting apart and distributions being herein called "Junior Stock Payments"), unless full cumulative dividends shall have been paid or declared and set apart for payment upon all outstanding shares of Series B Preferred Stock at the date of such declaration in the case of any such dividend, or the date of such setting apart in the case of any such fund, or the date of such payment or distribution in the case of any other Junior Stock Payment; provided, however, that, so long as no Triggering Event has occurred and is continuing, the Corporation shall be entitled to repurchase (a) shares of Common Stock in accordance with restricted stock purchase agreements entered into with employees, consultants and directors of the Corporation and its direct and indirect subsidiaries and (ii) a number of shares of Common Stock during each calendar year equal to the aggregate number of shares of Common Stock issued or to be issued during that year in connection with benefit programs for employees, consultants and directors of the Corporation and its direct and indirect subsidiaries, including stock bonuses, restricted stock grants and contributions to qualified plans, so long as the total number of shares of Common

Stock repurchased pursuant to the foregoing clause (a) and clause (b) during each calendar year may not exceed 1% of the number of shares of Common Stock of the Corporation outstanding on the first day of such calendar year (such number to be equitably adjusted in the event of any subdivision or combination of the Common Stock during such calendar year). A Junior Stock Payment made in conformity with the PROVISIO in the preceding sentence shall not constitute a Covenant Default.

10. TRIGGERING EVENT

10.1 A "Triggering Event" shall occur if (a) a Dividend Default occurs; (b) the Corporation fails to call for redemption pursuant to Section 4 all of the outstanding shares of Series B Preferred Stock and complete such redemption by January 30, 2008, unless such failure is due solely to the failure of one or more holders of the Series B Preferred Stock to surrender in accordance with the Redemption Notice the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the Redemption Notice shall so state) (such failure is herein referred to as a "Series B Redemption Default"); or (c) the Corporation breaches or fails to perform any obligation in Section 4.3, 8, 9 or 10.2 of this Article Fourth-B, and such breach or failure, if susceptible of cure, is not cured within 30 days after the Corporation receives written notice of default from the then holders of record of a majority of the outstanding shares of the Series B Preferred Stock (such breach or failure is herein referred to as a "Covenant Default"). Once a Triggering Event occurs by reason of a Dividend Default, the Triggering Event shall solely for purposes of Section 10.2 be deemed to continue until all accrued and unpaid dividends on the Series B Preferred Stock and the Corporation's Series A Preferred Stock have been paid (or declared and set aside for payment) and thereafter until the Corporation has for three consecutive Dividend Periods paid (or declared and set aside for payment), within 10 days of the respective Dividend Payment Dates therefor, all dividends payable for those Dividend Periods on both the Series B Preferred Stock and the Corporation's Series A Preferred Stock.

10.2 If a Triggering Event occurs, the then holders of record of a majority of the outstanding shares of the Series B Preferred Stock and the Corporation's Series A Preferred Stock will be entitled, by written instrument delivered to the Corporation, to jointly designate two individuals to serve on the Board of Directors of the Corporation. As promptly as practical following receipt of such written designation, the Corporation will cause two vacancies to exist on its Board of Directors (by means of a resignation of one or more directors, an increase in the number of directors constituting the Board of Directors or a combination of the two) and cause the individuals named in the designation to be elected to fill those vacancies. If either of such individuals ceases to serve as a director for any reason, the Corporation will use its best efforts to have appointed or elected as a successor director such other individual as is designated by the then holders of record of a majority of the outstanding shares of the Series B Preferred Stock and the Corporation's Series A Preferred Stock. The right to representatives on the Board of Directors will terminate at such time as no Triggering Event is continuing or deemed to be continuing as provided in Section 10.1. Upon such termination, the terms of office of all individuals who may have been elected directors pursuant to this Section 10.2 shall forthwith terminate without reduction in the number of directors constituting the Board of Directors.

11. LIQUIDATION PREFERENCE

11.1 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Series B Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders, after any distribution of assets shall be made to the holders of any Senior Stock but before any distribution of assets shall be made to the holders of any Junior Stock, an amount equal to \$50 per share (such amount to be equitably adjusted in the event of any subdivision or combination of the Series B Preferred Stock) plus an amount equal to any accrued and unpaid dividends thereon (whether or not earned or declared) to the date fixed for payment of such distribution.

11.2 Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Series B Preferred Stock, the holders of the Corporation's Series A Preferred Stock and the holders of any other shares of stock of the Corporation ranking on a parity with the Series B Preferred Stock and the Corporation's Series A Preferred Stock as to distributions upon such liquidation, dissolution or winding up shall be entitled to the receipt of the amounts distributable upon such liquidation, dissolution or winding up in proportion to their respective liquidation prices, without preference or priority, one over the other, as between the holders of the Series B Preferred Stock, the Corporation's Series A Preferred Stock and such other shares.

11.3 If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the amounts payable with respect to the Series B Preferred Stock and any other shares of stock of the Corporation ranking as to distributions upon such liquidation, dissolution or winding up on a parity with the Series B Preferred Stock are not paid in full, the holders of the Series B Preferred Stock and of such other shares shall share ratably in any such distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled. After payment to the holders of the Series B Preferred Stock of the full preferential amounts provided for in this Section 11, the holders of the Series B Preferred Stock shall be entitled to no further participation in any distribution of assets by the Corporation.

11.4 For the purposes of this Section 11, a sale, conveyance, exchange or transfer of all or substantially all the property or business of the Corporation, and a merger of the Corporation into another corporation in a transaction where the Corporation is not a surviving corporation, shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation. A merger of another corporation into the Corporation in a transaction where the Corporation is a surviving corporation shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation for the purposes of this Section 11.

12. RANKING OF STOCK OF THE CORPORATION. Any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to the shares of the Series B Preferred Stock, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up of the

Corporation, as the case may be, in preference or priority to the holders of shares of the Series B Preferred Stock (such class or classes of stock are sometimes herein referred to as "Senior Stock");

(b) on a parity with the shares of the Series B Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of the Series B Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up of the Corporation, or both, as the case may be, in proportion to their respective dividend rates and/or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of the Series B Preferred Stock (such class or classes of stock are sometimes herein referred to as "Parity Stock"); and

(c) junior to the shares of the Series B Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of the Series B Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes (such class or classes of stock are sometimes herein referred to as "Junior Stock").

13. Capitalized Terms. Except as otherwise provided herein, the meanings of the capitalized terms contained in this Article Fourth-B shall govern the construction of this Article Fourth-B but shall not govern the construction of any other provisions of the Corporation's Articles of Incorporation (as amended from time to time), including but not limited to any provisions of any other designation of any other class or series of capital stock of the Corporation, unless specifically stated otherwise by such other provisions. References in this Article Fourth-B to "Dividend Periods" and "Dividend Payment Dates" for the Corporation's Series A Preferred Stock shall be deemed to refer to the definitions of those terms contained in Article Fourth-A of the Articles of Incorporation.

FIFTH: The names of the original incorporators of the Corporation are Louis L. Barbieri and Donald K. Barbieri. The address of the original incorporators is 201 W. North River Drive Suite 100, Spokane, WA 99201.

SIXTH: The Corporation shall indemnify to the fullest extent permitted by the Act as amended from time to time, including amendments which expand the allowable scope of indemnification, each person who is or was a director or officer of the Corporation both as to an action in his official capacity and as to action in another capacity while holding such office and such indemnification shall inure to the benefit of the heirs, executors and administrators of such a person. The indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of shareholders or disinterested directors or otherwise.

SEVENTH: No director shall be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director for any act or omission occurring subsequent to the date when this provision becomes effective, except that a director may be liable (i) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (ii) under Section 23B.08.310 of the Act (liability for unlawful distributions) or (iii) for any transaction with respect to which it was finally adjudged that such director personally received a benefit to which such director was not legally entitled. If the Act is amended to authorize corporate action further eliminating or limiting personal liability of directors, then the liability of a director of a corporation shall be eliminated or limited to the fullest extent permitted by the Act as so amended. Any repeal or modification of the foregoing provisions by shareholders shall not adversely affect any right or protection which existed at the time of such repeal or modification.

EIGHTH: The Board of Directors may from time to time make, alter or repeal the by-laws of the Corporation; provided, however, that any by-laws made, amended or repealed by the Board of Directors may be amended or repealed, and any by-laws may be made, by the shareholders of the Corporation.

NINTH: The duration of the Corporation is to be perpetual.

TENTH: No holder of any shares of capital stock shall be entitled as of right to subscribe for, purchase, or otherwise acquire any shares of any capital stock of the Corporation which the Corporation proposes to issue or any rights or options which the Corporation proposes to grant for the purchase of shares of any class of the Corporation or for the purchase of any shares, bonds, securities or obligations of the Corporation which are convertible into or exchangeable for, or which carry any rights to subscribe for, purchase, or otherwise acquire shares of any class of capital stock of the Corporation; and any and all of such shares, bonds, securities or obligations of the Corporation, whether now or hereafter authorized or created, may be issued, or may be reissued or transferred if the same have been reacquired and have treasury status, and any and all of such rights and options may be granted by the Board of Directors to such persons, firms, corporations and associations, and for such lawful consideration, and on such terms, as the Board of Directors in its discretion may determine, without first offering the same, or any thereof, to any said holder.

ELEVENTH: The headings of the various section and subsections hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

TWELFTH: The number of Directors of the Corporation which shall constitute the entire Board of Directors shall be such as from time to time shall be determined by a majority of the then authorized number of Directors, but in no case shall the number be less than 3 nor more than 13. The Directors shall be classified with respect to the time for which they severally hold office into classes, as nearly equal in number as possible (but with not less than one Director in each class), as determined by the Board of Directors, one class to be elected for a term expiring at the first annual meeting of shareholders to be held after its election, another class to be elected for a term expiring at the second annual meeting of shareholders to be held after its election, and

another class to be elected for a term expiring at the third annual meeting of shareholders to be held after its election, with the members of each class to hold office until their successors have been elected and qualified. At each annual meeting of shareholders, the successors of the members of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election. Except as otherwise provided in these Articles of Incorporation, newly created directorships resulting from any increases in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even if such majority is less than a quorum of the Board of Directors, and the person appointed thereto shall serve until the next annual meeting of shareholders, at which annual meeting the term of the position filled by vote of the Directors shall expire and the newly created position or vacancy shall be filled by election of the shareholders for a term corresponding to that of the vacancy being filled or of the newly created position. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

THIRTEENTH: Except as may otherwise be specifically provided in these Articles of Incorporation, no provision of these Articles of Incorporation is intended by the Corporation to be construed as limiting, prohibiting, denying, or abrogating any of the general or specific powers or rights conferred under the Act upon the Corporation, upon its shareholders, bondholders, and security holders, and upon its Directors, officers, and other corporate personnel, including, in particular, the power of the Corporation to furnish indemnification to Directors and officers in the capacities defined and prescribed by the Act and prescribed rights of said persons to indemnification as the same are conferred by the Act.

FOURTEENTH: From time to time any of the provisions of these Articles of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Washington at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the shareholders of the Corporation by these Articles of Incorporation are granted subject to the provisions of this ARTICLE FOURTEENTH.

These Articles of Incorporation are effective upon filing.

Richard L. Barbieri Senior Vice President and Secretary

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-30378) and Form S-8 (File No. 333-60791) of WestCoast Hospitality Corporation of our report dated February 13, 2002 relating to the consolidated financial statements of WestCoast Hospitality Corporation, which appears in WestCoast Hospitality Corporation's Annual Report on Form 10-K for the year ended December 31, 2001.

BDO Seidman, LLP
Spokane, Washington

March 28, 2002

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-30378) and Form S-8 (File No. 333-60791) of WestCoast Hospitality Corporation of our report dated February 1, 2001 relating to the consolidated financial statements, which appears in this annual Report on Form 10-K.

*/s/ PricewaterhouseCoopers
LLP*

*Portland, Oregon
March 28, 2002*

End of Filing