



Final Transcript

RED LION: 4th Quarter and Full Year 2011 Earnings Call

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SPEAKERS

Pam Scott – Director of Corporate Communications
Jon Eliassen – President and Chief Executive Officer
Julie Shiflett – Chief Financial Officer
George Schweitzer – Chief Operating Officer

ANALYSTS

Smedes Rose – KBW
David Loeb – Baird
Ross Taylor – Somerset Capital
Ryan Vardeman – Palogic
Will Settle – Delion

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by and welcome to the Fourth Quarter and Full Year 2011 Earnings Call. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session, and instructions will be given at that time. As a reminder, this conference is being recorded. I would now like to turn the conference over to Ms. Pam Scott. Please go ahead, ma'am.

P. Scott Thank you, Rob. Hello and welcome to Red Lion Hotel Corporation's Fourth Quarter and Full Year 2011 Earnings Conference Call. With us today are Red Lion Hotel's President and Chief Executive Officer, Jon

Eliassen; and Chief Financial Officer, Julie Shiflett. Chief Operating Officer, George Schweitzer, is also available to answer questions.

Before we get started I want to remind you that our remarks today contain forward-looking information as defined by the SEC that is subject to a number of risk factors that may cause our actual results to differ materially from those expressed or implied. These risk factors are discussed in detail in our annual report filed with the SEC on Form 10-K on March 16, 2011. The report is available on our Web site, www.redlion.com, or through the SEC Web site at www.sec.gov. We will also be referring to a number of non-GAAP measures. The reconciliation of these measures to their comparable GAAP measures provided in the tables to the press release issued this afternoon. That release is also available in the Investor Relations section of our Web site.

I would now like to turn the call over to Mr. Eliassen.

J. Eliassen

Thanks, Pam, and welcome to our Fourth Quarter and Year-End 2011 earnings call. During the fourth quarter we continued to execute on some key strategic initiatives which capped off a productive year for Red Lion. I will discuss some of these milestones. I will then provide a brief review of our RevPAR results for the fourth quarter and the full year, a summary of our performance relative to our competition, as well as a brief look at 2012. After that, Julie Shiflett, our Chief Financial Officer, will provide more color on our financial results and our balance sheet. She will then provide some additional detail on the 2012 outlook. After that we'll open up the call for Q&A.

As you may recall, we began our balance sheet restructuring efforts in January of 2011 with the listing of our Seattle Fifth Avenue property. We were successful in selling the property and we used proceeds to acquire previously leased hotels and retired debt. We also executed an expanded credit facility and retired over \$22 million of CMBS debt, which resulted in a significantly improved balance sheet. In November we closed on the purchase of 10 hotels previously leased from a subsidiary of iStar Financial Incorporated. The purchase price was \$37 million, of which \$32 million was funded from a tax deferred exchange from the sale of Seattle Fifth Avenue. This transaction not only allowed us to reduce our annual lease obligations by about 4.3 million, it also enabled us to list for sale certain properties that are not core to our long term brand strategy.

During the fourth quarter we listed for sale formerly leased hotels in Medford, Oregon; and Missoula, Montana. We also began marketing the Red Lion Hotel Denver Southeast in January of 2012. The Red Lion Hotel in Helena, Montana continues to be listed for sale as well. In addition, we have exercised a put option to the tenant of our Red Lion Hotel in Sacramento to sell that hotel, although closing on this transaction could extend past the end of the year. We also continue to explore the sale of our commercial mall in Kalispell, Montana, with the goal of continuing to operate our hotel there. As part of our long term strategy we believe the sale of these assets will allow us to further reduce debt and make investments in the balance of our hotel portfolio.

While an important part of our strategy is to continue to own real estate in core western markets, we also continue to be committed to growing the Red Lion brand through franchising. Three new franchised hotels opened in New Mexico in the fourth quarter. These properties expanded our western U.S. footprint from eight states to nine. We continue discussions with owners of other potential franchised hotels and will communicate with you when the rate agreements are signed.

As we discussed in our 2012 results, we are focusing our reporting on continuing operations. We reported our results on a comparable basis, which excludes the performance of the Seattle Red Lion Hotel Fifth Avenue for all periods presented. Also, the Red Lion Hotel in Medford and the Red Lion in Missoula are now classified as discontinued operations.

In 2011 the 2.7% RevPAR growth for our owned and leased hotels exceeded that of our competitors in our markets. In addition, we continued to maintain our relative market share for the year. We experienced a 120 basis point increase in occupancy and a modest improvement in rate in year-over-year. When we included franchised hotels, system-wide RevPAR increased by 3.6%. As expected, RevPAR among owned and leased hotels declined nearly one percentage point during the fourth quarter.

The fourth quarter is our seasonally slowest period of the year and declines in permanent and group business in the quarter negatively impacted occupancy, which was down 60 basis points year-over-year. We were, however, able to drive modest rate growth during the quarter. Despite positive full year 2011 RevPAR performance comparable EBITDA from continuing operations before special items declined 3.9

million year-over-year, to 13.9 million, due to increases in hotel operating costs. These increases were for sales and marketing and the cost of labor, energy and maintenance at hotels. In addition we experienced declines in the profitability of our entertainment and franchise business segments.

In 2012 we expect our RevPAR growth will be driven by transient business. We have been generating increasingly strong transient results and are focusing on this segment through a partnership with TravelClick that we announced last month. TravelClick is a leader in developing award winning hotel Web sites. Through this partnership each Red Lion hotel will have its own uniquely focused Web identity with information tailored specifically to its region. This gives our customers detailed local information while also improving the reservation process. These sites will also be fully available on mobile devices. We'll be piloting a few test sites this summer, with a full launch expected by the end of the year. We believe creating an interactive travel research and reservation process that is truly destination focused will significantly improve our guest satisfaction with the Red Lion brand.

For 2012 we are seeing a pickup in group business in some of our hotels, but we are continuing to experience lower demand at other properties. As a result we are anticipating another year of moderate RevPAR growth of 2% to 4% in 2012. However, these numbers still exceed the 1.8% RevPAR growth forecasted by Smith Travel Research for the mid scale hotel segment. While the industry as a whole is expected to generate RevPAR growth predominantly through rate in 2012, it's important to note that the hospitality industry forecasts that we have seen indicate the midscale segment will be challenged to grow rate again this year. Our forecast is in line with these expectations, with 2012 RevPAR increases expected to be occupancy driven. Given the uncertainty of the timing in terms of our planned real estate sales, we will continue to provide only RevPAR guidance through the year 2012.

With that, I'll turn the call over to Julie.

J. Shiflett

Thanks, Jon. I'll provide a more detailed review of our fourth quarter and full year results and our balance sheet. I will also discuss our 2012 outlook. Before I begin, I would like to add that any discussion of hotel operating results will be based on comparable hotels from continuing operations, which exclude the hotel operations of the Seattle Fifth Avenue property, which was sold in June of 2011.

Hotel segment revenue of \$28.9 million was flat year-over-year during the fourth quarter. Rooms' revenue declined 0.9%, offset by Food and Beverage revenue increase of 2.5%, or \$200,000, primarily driven by banquet business. Hotel segment expenses for the fourth quarter declined 6.2%, or 1.6 million year-over-year, primarily due to recovery of prior year Workers Compensation expenses and seasonal payroll cost containment measures. In addition, gross margin on food sales improved due to the new pricing and supply management initiatives introduced by our recently appointed Food and Beverage vice president. As a result, hotel director operating margin increased to 13.8%, from 8.4% in the fourth quarter of last year.

We've implemented a number of margin expansion initiatives, including short and long term labor management, energy efficiency, food and beverage pricing, and continued review and adjustment of our supply and purchasing contracts. While many of these are focused on improving our long term profitability, some of these savings may not extend beyond the first quarter as we move into our normally business summer travel season.

Turning to our Other segments, in the fourth quarter franchise revenue increased 43% to 1.1 million, primarily driven by higher royalty fees associated with new franchise agreements in Seattle, California, and New Mexico. Prior year profitability in the segment was negatively impacted by expenses from the termination of a franchise and sublease agreement of the Sacramento property. Fourth quarter Entertainment segment total revenue was relatively unchanged year-over-year. On a comparable basis, fourth quarter EBITDA from continuing operations before special items increased 1.9 million year-over-year to 1.7 million, compared to a loss of 200,000 in the prior year fourth quarter. This was primarily due to the one-time adjustments and seasonal cost containment measures mentioned above, as well as the reduction in lease payments to iStar.

Now, I would like to walk you through the accounting impact associated with the assets listed for sale that Jon discussed, as well as the impairment charges taken in the fourth quarter. First, with the listing of our hotels in Medford, Oregon and Missoula, Montana, these assets are now classified as assets held for sale on our balance sheet at December 31st. We incurred \$1 million in pre-tax impairment charges to adjust these properties to their estimated fair market value less cost to sell. Since we do not expect to maintain significant continuing involvement in these properties their operating results and these impairment charges have been classified as discontinued operations in our income statement.

Turning to our continuing operations, we recorded approximately 20.5 million in pre-tax impairment charges during the fourth quarter. Let me provide detail on the composition of these charges. While we did not publicly re-list the Denver Southeast property for sale until early January, we indicated our intention to do so prior to the year-end. We therefore adjusted the property to the estimated fair value less cost to sell, and as a result we recorded a pre-tax impairment charge of 4.6 million in the fourth quarter. We prefer to maintain continued involvement upon the sale of this hotel through a franchise agreement, so Denver results remain in continuing operations.

In the fourth quarter we also recorded a \$1.7 million pre-tax impairment charge related to our Red Lion Hotel in Vancouver, Washington. This property is subject to a right of way acquisition by the State of Washington to construct a replacement of the I-5 bridge. Because we still operate this property and given the uncertain timing of the hotel's closure date, we also continue to report the results of this property in our continuing operations.

Lastly, we conducted our annual impairment testing of the goodwill assets on our balance sheet. Due to the decline in profitability of the Hotel segment, the portion of the goodwill assets related to hotel operations was fully impaired. As a result we took a \$14.2 million pre-tax impairment charge during the fourth quarter. Further, this goodwill did not have any tax basis. This means this charge results in what's known as a permanent difference between book and taxable income. Therefore, our tax expense is calculated prior to this deduction. This results in the unusual situation of having income tax expense for the full year on a book loss and a negative tax rate. Now, let me discuss the full year 2011 on a comparable basis from continuing operations.

Our revenue from comparable continuing operations increased 5.1 million in 2011 from 2010. Our comparable EBITDA from continuing operations before special items decreased by 3.9 million to 13.9 million for 2011. Hotel division revenue increased 2.2 million in 2011, primarily through a 120 basis point increase in occupancy. The Hotel division contributed a decrease of 1.5 million to our declining EBITDA from continuing operations before special items. This decline is primarily due to costs associated with our higher occupancy, an increase in sales and marketing costs, and increases in utilities and maintenance expenses. The sales and marketing efforts helped the hotels drive occupancy and overall RevPAR, helping to position our hotels to be able to increase rates and therefore

margins when their markets improve. The franchise division revenue increased \$700,000 in 2011, from 2010. The franchise division contributed a \$955,000 decrease in EBITDA, primarily due to the sub-lease of our Sacramento property to a franchise tenant. With the purchase of the iStar property the franchise division will no longer be burdened by these costs.

The Entertainment division revenue increased 2.1 million, primarily from the favorable mix of production events, partially offset by a decline in ticketing revenues. The decline in revenues in the ticketing business was the primary driver of this segment's \$703,000 decline in EBITDA. To offset this decline, the division is focusing on adding contracts and related outlets in additional markets as we continue to see lower demand for concerts and events in the markets we currently serve.

Regarding our liquidity, as of December 31st we had outstanding debt of \$101.3 million, of which \$4.1 million was current. This compares to over \$126 million of debt, of which \$43 million was current at last year-end. We've made significant progress this year in both reducing and improving the maturity profile of our outstanding debt. With proceeds from our anticipated asset sales we will continue to focus on debt reduction. As a reminder, in October we completed the \$43 million expense in the credit facility, making available up to \$10 million on a revolving line in addition to \$30 million in term debt obtained in September 2011. Now, I'd like to take a moment to walk you through the modifications we made to this credit facility earlier this year.

First, the loan commitment coverage ratio covenant was modified to account for a delay in adding three of our formerly leased properties to the collateral pool. Two of these properties were added after year-end, and the third is pending. Therefore, they were not able to be included in the December 31st covenant calculation. In addition, our debt service coverage ratio covenant was modified to reflect a delay in the closing of the iStar transaction from our original projected date, and to reflect the slower recovery in the mid-scale segment. The details of this modification can be found in the 8-K we filed on February 7th.

In terms of capital spending, for the full year 2011 cap ex totaled \$8.9 million. These expenditures related primarily to our ongoing guest room renovation program, which includes upgrades to flat screen TVs and new bedding packages at some of our locations. We will continue this upgrade

program and invest approximately \$10 million in total capital improvements in 2010.

We appreciate your interest in Red Lion, and with that we are ready to take questions. Operator?

Moderator (Instructions given.) The first question comes from Smedes Rose from KBW.

S. Rose I was curious, your guidance for 2% to 4% RevPAR growth is significantly below other companies, and I know you talked a little bit about the mid-scale sector being challenged. But is it also your view that the west will be weaker relative to other regions of the country? And also, I was just wondering, with that, what kind of margin expansion would you expect to see at your own hotels if revenues are up 2% to 4%?

J. Shiflett The RevPAR guidance is above, as you mentioned, what the national scale is looking at for mid-scale. We do see, as typical in the west, especially in our tertiary markets, a slower recovery. As Jon mentioned, the majority of that RevPAR increase is going to be through occupancy, so with the growth being primarily through occupancy that will continue to challenge our margins. We do have margin expansion initiatives that are focused on being able to operate our hotels with the increase in occupancy, recognizing that rate improvements are going to be hard to come by.

S. Rose So if 2% to 4% revenue growth, would you be hoping to get at least flat margin, or do you think it would turn negative from that kind of rate of growth?

J. Eliassen That's going to be hard to tell, Smedes. But I do think that given what we were able to do in Q4 and what we've continued to do this year in terms of really driving cost out of the business and being much more efficient and effective in terms of how we serve guests, I think that we can continue to drive toward some margin improvement. It's awfully hard, though, right now for us to be able to quantify how much that might be, but it certainly is the intent of our operating team to continue to look for ways to save money on everything from energy to just how we do our business.

S. Rose Okay.

J. Shiflett Just one more comment, Smedes, on that. We did see the improvement in Food and Beverage margins in the fourth quarter and we do expect those

improvements to continue throughout the year of 2012, as they are primarily related to pricing adjustments and cost adjustments that have been made that we'll continue to carry forward.

- S. Rose Then the other question, if you look at the total assets that you have for sale now, how much EBITDA do those represent on a trailing basis, roughly?
- J. Eliassen Well, that's something I probably need to deal with off line. But just marginally there are two or three of those properties, including the Quay at Vancouver, which I didn't mention but which we believe will be condemned for the construction of the I-5 bridge, some of those basically have flat to negative EBITDA, so we're not taking a lot of EBITDA off the table if we're successful in turning those into cash in the next 6 to 12 months.
- J. Shiflett The EBITDA for Medford and Missoula has already been removed from continuing operations and is now reflected under discontinued operations.
- S. Rose All right, thank you.
- Moderator The next question is from David Loeb from Baird.
- D. Loeb Good afternoon. I have to say that this is the first call in numerous calls where I've ever heard the operator get Smedes' name right, so this is definitely a red letter day.
- I wanted to ask a little bit more about the operating margins in the fourth quarter. Julie, in the release in your remarks you mentioned that a portion of this was related to the recovery of the Workers Comp. Can you quantify that, just so we can get an idea about where same-store margins would have been without that one-time event?
- J. Shiflett The difference between 2010 and 2011 for that would be \$800,000 on the recovery of prior year Workers Compensation. And the difference is that there was an expense in 2010 and that was recovered in 2011, so the total variance is \$800,000 ... improvement.
- D. Loeb Was that one very expensive claim, or was there some pattern that you were able to unwind?

- J. Shiflett No. Washington State has a unique system and that was really retroactive claim adjustment from all the way back in 2008. It's the way that Workers Compensation is calculated through that system.
- D. Loeb Where do you expect, going forward, if we just adjust out that \$800,000, does that put us back on a forward basis, or is this something that will create more difficult comparisons going forward?
- J. Shiflett It's hard to tell what the total pool of available refunds might be from the Washington State system. We don't do any forecasting of that, but that, and our other states and the claims in the other states, I would just leave it out and we'll just continue to look forward and call those adjustments out if there are any.
- D. Loeb Got it. Okay. And on the remaining cost containment initiatives, you talked a little bit about those but I wonder if you could just expand on them since the swing was still \$1.1 million of EBITDA on a comparable same-store basis even without the Workers Comp. So what else really contributed to that and how much of that do you think stays around going forward?
- J. Shiflett The Food & Beverage margin improvement will definitely be something that we will continue to work on going forward and will be included. We have, as Jon referred to, some seasonal payroll adjustments related to our labor at the hotel where we were able to pull out some of our labor expense just due to the slower time, and we are continuing those efforts through the first quarter while we have slower occupancy levels seasonally. We will have to have some of that seasonal temporary labor adjustments will come back during the rest of the year, so not expecting all of that to stay. The energy efficiency initiatives we implemented in the fall of 2011, those we are continuing to focus on to help us offset the increases in utility rates. Then we do have some challenges going forward with maintenance as we continue to invest in the hotels to create additional labor efficiencies. We will see that ongoing maintenance that we talk about as being an increase year-over-year.
- D. Loeb Great. And one for Jon I expect to get a very brief answer on, any reaction to the Columbia Pacific letter to the board?
- J. Eliassen No, it's not inconsistent with ones that they filed in the past. Maybe it's a paragraph longer, David. As with all of our shareholders we encourage all

of them to provide input to the company from time to time, and this is just one more of those.

D. Loeb Okay, thanks.

Moderator The next question is from Rochan Raichura from JMP Securities.

R. Raichura Hi, good afternoon, Jon and Julie.

J. Shiflett Good afternoon.

R. Raichura A question on the assets for sale, can you elaborate maybe with those asset sales maybe what gross proceeds would be, and what equity value remains?

J. Shiflett The assets held for sale, when we put those into that category we have written them down to what the fair market value is that we estimate less the cost held for sale. Part of the art in selling assets is going to be how many offers we receive, what the debt financing market is available for potential purchasers. So at this point the amount that's on the balance sheet for assets held for sale is what we estimate the fair market value less cost to sell is.

R. Raichura Okay, got it. And then just to clarify, in terms of your unique position as a regional brand, can you just talk a little bit about what you see in terms of your outlook going forward, any challenges and opportunities that you see?

J. Eliassen Well, I think the challenges are probably regional in terms of tertiary markets. I think we continue to see very good traction, though, with parties that are interested in talking to us about franchise opportunities. I think continuing to expand through the 11 western states where we've been focused through franchising is still a possibility. And as Julie and I both mentioned, on some of those assets that are held for sale we would certainly want to keep at least three of them as franchised hotels, so we're not taking them completely out of the system, we would just like to change the ownership structure. So I think the opportunity for Red Lion continues to be very good. I think the brand remains. It's a 50-year-old brand in the west and it's very well known still, and I think we can continue to build on that successfully.

- J. Shiflett Jon also mentioned it's not a challenge we see but it's an opportunity we see, with our partnership with TravelClick focusing our Web site and the uniqueness of each of our hotels and the different markets that our hotels work in, and doing more of a focus on that local area, what you can see, what you can do and being able to generate more transient business to those areas, to those hotels through marketing of the areas that they're located in, to help us fill in during slower seasons and also during times when group and permanent contracts are not at their height.
- Moderator Does that conclude your question, sir?
- R. Raichura Yes. And actually just a follow up on the asset sales, well, I guess you touched on it. I appreciate you answering the questions. Thank you.
- Moderator The next question is from Ross Taylor from Somerset Capital.
- R. Taylor Yes, thank you. We're holders of roughly 3% of your outstanding shares, we've been holders for a number of years, and we would like to vocally support Columbia Pacific's initiatives. It's our belief that the stock is significantly undervalued and for a number of reasons it's really unlikely that the company will be able to close that valuation gap in a reasonable time horizon. And we would support the implementation of a formal review process with an idea of putting a bid in front of shareholders to let us decide whether or not that's a fair price. And we also would support any initiatives that Columbia Pacific might make if it turns out that the current board and management are unwilling to pursue that.
- I just want to thank you, because I know you did ask for shareholder feedback and we're very strong believers that it's a shareholders' company not the board's and if they have buyers who might be interested in buying it, to not allow us shareholders to have a vote in that matter is completely a violation of the board's fiduciary responsibilities. Thank you.
- J. Eliassen And thank you for your comments. I certainly agree with the position you're taking on what the board's responsibilities are and what our responsibilities are to shareholders, to all of you and all of us here, so thank you for your comment.
- R. Taylor I would assume that we should see a formal review process announced then, at least as far as you have influence over it?

- J. Eliassen I can't comment on what any kind of a process would look like or have no other comment on the filing today, but we're certainly appreciate of your input and that of others as well, so thank you.
- R. Taylor Thank you. So we'll look forward to the process beginning.
- Moderator The next question is from Ryan Vardeman from Palogic.
- R. Vardeman Hey, guys. It looks like after marking these assets down to their fair market value you're going to have enough proceeds well in excess of the credit facility. After doing so you're going to be one of the more unlevered property companies that we've seen, and I'm just curious as to what your views are as it relates to generating additional shareholder returns and how that may manifest itself.
- J. Eliassen As we talked for the last year, we're doing exactly what you suggest in terms of selling assets that are not core, that don't generate very large returns on the amount of cash that we can generate by selling them, and then using that to pay down debt. So if we can get total debt down to the \$70 million, maybe \$80 million level, including borrowings under our credit line, we have a lot more flexibility going forward then to continue to do upgrades in some of the existing hotels that are critical to the Red Lion brand for whatever operations the company might have in a given market going forward.
- So the excess capital can be redeployed very effectively and with some fairly high incremental returns in certain markets. And that's what we're really focused on now and we're trying to be able to do that without having to go out and raise any additional capital, at least in the near term. So while we have short term tactical goals here through the asset sales, we also have the longer term strategic value creation issue in front of us as well and we will work on both.
- R. Vardeman Okay.
- J. Shiflett This is Julie. Just one more piece to add is that in paying down that debt and reducing our leverage, we are trying to position ourselves to be, for the CMBS debt that is maturing in July of 2013 and the refinancing of that, through discussions with our current financial advisors and our lending institutions we realize there's a large wave of CMBS debt that is coming due in 2013 and we want to be well positioned to be able to

refinance that and as Jon said, use the excess proceeds to reinvest in our hotels and generate additional shareholder returns from that reinvestment.

- R. Vardeman Okay. It's tough for us to see what sort of return expectation you might have on any redeployed capital, and I guess to the extent that you can help us to understand those opportunities from an outsider's perspective I think that would be helpful, just so we can understand maybe the opportunity that you see. Then on the franchising side, did you meet your franchising goals this year? And if not, what was the reasoning behind that? Then what are your franchising goals going forward, if you can quantify that?
- J. Eliassen We added six franchises this year, so maybe that's not quite the goal, but I think we're on track to continue to be at that 30 to 40 franchise hotel level if we continue this pace for the next couple of years. And again, two or three of those will come from transitioning owned hotels to franchised as well. So I think it continues to be a key part of the strategy, and franchising will continue to be a profitable part of the business going forward as well.
- R. Vardeman Okay. I guess our concern is that by virtue of having ramped up expenses there, you're not making a whole lot of money on that franchised business and I guess it gives us concern. It's a lot slower process than what we thought it would be a couple of years ago, and it seems like it's been a lot slower process than what you would have expected then as well.
- J. Shiflett The franchising has been very competitive and the sales cycle has been much longer than we anticipated. With the downturn in the economy over the last several years the competition in franchising has changed. Just as the upper scale and luxury and other hotels were lowering their rates to be able to pull customers who typically stayed in our scale segment, so were some of the brands changing their requirements and changing their agreements to be able to attract some of the franchises that would typically have been a Red Lion potential customer. So the competition has been much more than we originally anticipated, however, as Jon mentioned, we've added six franchises this year, three in the fourth quarter, and we've started to find a niche for us to work within to be able to continue to get to that targeted 30 to 40 franchises.
- R. Vardeman Okay, and then the Concept Amenities announcement, what is that doing as it relates to costs and/or revenue impacts? What has the guest feedback been so far?

- J. Shiflett We just announced that and actually most of our hotels were already inventoried with our previous amenities. So we haven't had many of the hotels that have been able to fully roll out the new amenities. I don't have a lot of guest feedback yet. We do look forward to, though, the recognition of moving to a greener standard, moving to a more environmentally friendly standard, with that arrangement with Concept Amenities, as well as it will be a reduction in cost going forward, albeit very slight. The slight reduction in cost is a great motivator for us obviously, but we're also very happy to be moving towards that environmentally friendly and green concept.
- R. Vardeman Then us, as long term shareholders as well, it's frustrating for us to see the valuation gap continue to exist between what we believe the embedded asset value is and what they public markets are valuing you at. So to the extent that you guys can do something to help people realize what your asset values are, be it through more transparency, or whatever, we would certainly be in support of that. Thank you, guys, for your hard and diligent work.
- J. Shiflett Thank you for your comments.
- J. Eliassen Thank you.
- Moderator The next question is from Will Settle from Delion.
- W. Settle Hi, Jon and Julie. As you know, we've been long term shareholders as well, and I appreciate your accessibility and efforts on shareholders' behalf. But I too, and obviously I'm not located in the Northwest, but I do struggle to understand how we can maximize shareholder value in a reasonable amount of time under the Red Lion brand and just as a regional brand. And I do wonder what our occupancy and RevPAR rates would be on some of the Red Lion properties under a different banner. I too think it's time to maybe more aggressively explore options, so I would concur with the previous two gentlemen's comments.
- With that, I do have a couple of questions, could you help me because you've had a lot of moving parts here recently, just give me the owned number of rooms now that you've taken in the iStar portfolio and what that total is.
- J. Shiflett With the owned hotels that are in continuing operations we have 28 owned hotels with 5,563 rooms. We have the two hotels, Medford and Missoula,

which are considered discontinued operations. They are to have 261 rooms and then with our franchised hotels of 18 hotels we have 3,186 rooms. So in total in the system, ... we have 48 hotels with 9,010 rooms.

- W. Settle And the mall that's attached to one of your properties, remind me of the size of that.
- J. Shiflett The Kalispell Mall?
- J. Eliassen It's 200,000 square feet.
- J. Shiflett I don't know the square footage of that off the top of my head. Jon's recalling that it's about 200,000 square feet. We have main tenants, obviously the Red Lion hotel is one of the main tenants that anchors that, as well as JC Penney and Herberger's.
- W. Settle Again, I appreciate your efforts on the shareholders' behalf and look forward to additional communications in the future. Thank you.
- J. Eliassen Thank you, and thank you for the time you spent and comments you ... , I appreciate that.
- Moderator (Instructions given.) Mr. Eliassen, we have no one in queue, so we'll go back to you.
- J. Eliassen Okay, well thank you all very much for participating in the call today. Thank you all for the questions and the continued interest in Red Lion. We do take comments and suggestions seriously, so I do appreciate all of the comments today. We look forward to speaking with you in the next quarter or so as we report other results. Thank you all.
- Moderator Thank you. This conference will be made available for replay after 4:00 p.m. today until March 28th at midnight. You may access the AT&T playback service at any time by dialing 1-800-475-6701 and entering the access code of 236301. International participants can dial 1-320-365-3844.

That does conclude our conference. You may now disconnect.