

RED LION HOTELS CORP

FORM 8-K

(Current report filing)

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Address	201 W NORTH RIVER DRIVE SUITE 100 SPOKANE, WA 99201
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Industry	Hotels & Motels
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

Current Report

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

**February 7, 2012 (February 2, 2012)
Date of Report (Date of earliest event reported)**

RED LION HOTELS CORPORATION

(Exact Name of Registrant as Specified in Charter)

Washington
**(State or Other Jurisdiction
of Incorporation)**

001-13957
**(Commission
file number)**

91-1032187
**(I.R.S. Employer
Identification No.)**

**201 W. North River Drive
Suite 100
Spokane, Washington 99201**
(Address of Principal Executive Offices, Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

On February 2, 2012, we modified our existing credit facility with Wells Fargo Bank, National Association, effective December 31, 2011, as follows:

- The financial covenant relating to the loan commitment coverage ratio was eliminated. In lieu thereof, we agreed that borrowings under the facility's revolving line of credit will be limited based on a formula relating to the trailing twelve-month consolidated net income of the hotel properties collateralizing the facility.
- The financial covenant relating to debt service coverage ratio was liberalized.
- We were relieved of our obligation to offer our hotel in Medford, Oregon as additional security for the facility.
- For the period from January 1, 2012 through August 31, 2012, the margins on the interest rate options under the term loan and revolving line of credit were increased (i) to 2.5% for borrowings accruing interest by reference to the facility's base rate, and (ii) to 5% for borrowings accruing interest by reference to LIBOR. Thereafter, the margins will decrease to at most 2% and 4.5%, respectively, or to as low as 1% and 3.5%, respectively, if our senior leverage ratio decreases sufficiently.

We paid a fee of \$10,000 in connection with the modification of the facility.

The foregoing summary of the modifications is qualified by the express terms of the modification documents, copies of which are filed as Exhibits 10.1 through 10.3 to this current report. Although the documents are all dated January 31, 2012, they were first fully executed and delivered on February 2, 2012.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information described above under "Item 1.01. Entry into a Material Definitive Agreement" is hereby incorporated by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

<u>Exhibit No.</u>	<u>Exhibit</u>
10.1	First Amendment dated January 31, 2012 to Amended And Restated Credit Agreement between the Registrant and Wells Fargo Bank, National Association
10.2	First Modification to Promissory Note (Term Note) dated January 31, 2012
10.3	First Modification to Promissory Note (Revolving Line of Credit Note) dated January 31, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RED LION HOTELS CORPORATION

Dated: February 7, 2012

By: /s/ Thomas L. McKeirnan
Thomas L. McKeirnan
Senior Vice President, General Counsel and Secretary

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is entered into as of January 31, 2012, by and between RED LION HOTELS CORPORATION, a Washington corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Amended and Restated Credit Agreement between Borrower and Bank dated as of September 12, 2011, as amended from time to time (the "Credit Agreement").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Credit Agreement shall be amended as follows:

1. Section 1.1 is hereby deleted in its entirety, and the following substituted therefor:

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including March 31, 2013, not to exceed at any time the aggregate principal amount of Ten Million Dollars (\$10,000,000.00) ("Line of Credit"), the proceeds of which shall be used (i) to provide working capital for the Borrower and its Subsidiaries, (ii) to fund maintenance capital expenditures on properties owned or leased by the Borrower and its Subsidiaries, and (iii) for general corporate purposes of the Borrower. Borrower's obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated as of September 12, 2011 ("Line of Credit Note"), all terms of which are incorporated herein by this reference.

(b) Limitation on Borrowings. Outstanding borrowings under the Line of Credit, to a maximum of the principal amount set forth above, shall not at any time exceed in the aggregate an amount equal to the excess of (i) the Properties NOI multiplied by six (6), over (ii) the then current principal amount owing on the Term Loan.

(c) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause an affiliate to issue standby letters of credit for the account of Borrower (each, a "Letter of Credit" and collectively, "Letters of Credit"); provided however, that the aggregate undrawn amount of all outstanding Letters of Credit shall not at any time exceed Five Hundred Thousand Dollars (\$500,000.00). The form and substance of each Letter of Credit shall be subject to approval by Bank, in its sole discretion. Each Letter of Credit shall be issued for a term not to exceed Three Hundred Sixty-five (365) days, as designated by Borrower; provided however, that no Letter of Credit shall have an expiration date subsequent to the maturity date of the Line of Credit. The actual undrawn amount of all Letters of Credit shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit agreements, applications and any related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances;

provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event Borrower agrees that Bank, in its sole discretion, may debit any account maintained by Borrower with Bank for the amount of any such drawing.

(d) **Borrowing and Repayment**. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth above. Notwithstanding the foregoing, Borrower shall maintain a zero balance on advances on Borrower's Line of Credit for a period of at least thirty (30) consecutive days during each fiscal year.

2. Section 4.9(b) is hereby deleted in its entirety, and the following substituted therefor:

(b) **Debt Service Coverage Ratio**. Borrower shall not permit the Debt Service Coverage Ratio, as of the last day of any fiscal quarter of the Companies during the following periods, to be less than the ratio set forth opposite such period below:

<u>Quarters ending</u>	<u>Ratio</u>
September 30, 2011 and December 31, 2011	1.25 to 1.0
March 31, 2012 and June 30, 2012	1.30 to 1.0
September 30, 2012 and thereafter	1.50 to 1.0

3. Section 4.9(c) is hereby deleted in its entirety.

4. **Exhibit A** to the Credit Agreement is hereby amended to delete the definition of "**Loan Commitment Coverage Ratio**" in its entirety without replacement and to delete the definitions of "**Consolidated EBITDA**", "**iStar Properties**" and "**Properties NOI**" in their entirety and replace such definitions with the following:

"**Consolidated EBITDA** means, for any period of determination, as calculated in accordance with GAAP, the *sum of* (a) consolidated net income of Borrower and its Subsidiaries, *plus* (b) income tax expense, *plus* (c) interest expense, *plus* (d) depreciation and amortization expense, *plus* (e) losses from asset dispositions and impairment charges, *plus* (f) the amount of any expense for stock-based compensation, *plus* (g) \$400,000, representing adjustment for additional rent paid by Borrower or its Subsidiaries in the fourth calendar quarter of 2011 due to the delay in the acquisition of the iStar Properties, *minus* (h) gains from asset dispositions.

iStar Property means each real property location leased as of the Closing Date by Red Lion Holdings and located in Bend, OR; Boise, ID; Coos Bay, OR; Longview, WA; Sacramento, CA; and Wenatchee, WA; collectively, "**iStar Properties**".

Properties NOI as of any date means the *sum of* the following with respect to continuing operations of the Collateral Properties only, as calculated in accordance with GAAP for the twelve-month period ended on the date of the most recent balance sheet contained in the most recent financial statements provided to the Bank pursuant to Section 4.3: (a) consolidated net income, *plus* (b) income taxes, *plus* (c) interest expense, *plus* (d) depreciation and amortization, *plus* (e) extraordinary losses and losses from asset dispositions, *minus* (f) extraordinary gains and gains from asset dispositions, *plus* (g)

nonrecurring non-cash charges, *plus* (h) fees payable to Manager under any Management Agreement, *plus* (i) royalty fees payable to Franchisor under the Franchise Agreement, *plus* (j) rent paid by Borrower or its Subsidiaries for the iStar Properties ("*iStar Rent*"), , (k) *minus* Management and Capex Reserves."

5. In consideration of the changes set forth herein and as a condition to the effectiveness hereof, immediately upon signing this Amendment Borrower shall pay to Bank a fully earned and non-refundable fee of \$10,000.00 ("Amendment Fee").

6. The modifications set forth in this Amendment shall become effective as of December 31, 2011, upon Borrower fulfilling the following conditions to Bank's satisfaction:

(a) Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed:

- (i) This Amendment;
- (ii) First Modification to Line of Credit Note;
- (iii) First Modification to Term Note;
- (iv) Guarantors' Consent and Reaffirmation attached hereto; and
- (v) Such other documents as Bank may require under any other section of this Amendment;

(b) Bank shall have received the Amendment Fee;

(c) There shall not exist any Event of Default under the Credit Agreement or any other Loan Document;

(d) All representations and warranties of the Borrower contained in the Credit Agreement or otherwise made in writing in connection therewith or herewith shall be true and correct and in all material respects have the same effect as though such representations and warranties had been made on and as of the date of this Amendment; and

(e) Bank shall have received such other approvals, opinions, documents or materials as Bank may reasonably request.

7. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document.

8. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein as modified by this Amendment. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Credit Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first written above.

RED LION HOTELS CORPORATION

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Julie Shiflett
Title: Executive Vice President

By: /s/ Daniel G. Adams
Title: Vice President

FIRST AMENDMENT TO AMENDED AND RESTATED
CREDIT AGREEMENT

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GUARANTORS' CONSENT AND REAFFIRMATION

Each of the undersigned guarantors of all indebtedness of RED LION HOTELS CORPORATION to WELLS FARGO BANK, NATIONAL ASSOCIATION hereby: (i) consents to the foregoing Amendment; (ii) reaffirms its obligations under its Amended and Restated Continuing Guaranty; (iii) reaffirms its waivers of each and every one of the defenses to such obligations as set forth in its Amended and Restated Continuing Guaranty; and (iv) reaffirms that its obligations under its Amended and Restated Continuing Guaranty are separate and distinct from the obligations of any other party under said Amendment and the other Loan Documents described therein.

RED LION HOTELS FRANCHISING, INC.,
a Washington corporation

By: /s/ Julie Shiflett
Name: Julie Shiflett
Title: Executive Vice President

RED LION HOTELS MANAGEMENT, INC.,
a Washington corporation

By: /s/ Julie Shiflett
Name: Julie Shiflett
Title: Executive Vice President

RED LION HOTELS HOLDINGS, INC.,
a Delaware corporation

By: /s/ Julie Shiflett
Name: Julie Shiflett
Title: Executive Vice President

RED LION HOTELS LIMITED PARTNERSHIP,
a Delaware limited partnership

By: RED LION HOTELS CORPORATION, its
General Partner

By: /s/ Julie Shiflett
Name: Julie Shiflett
Title: Executive Vice President

FIRST MODIFICATION TO PROMISSORY NOTE

THIS MODIFICATION TO PROMISSORY NOTE (this "Modification") is entered into as of January 31, 2012, by and between RED LION HOTELS CORPORATION ("Borrower") and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Term Note in the maximum principal amount of Thirty Million Dollars (\$30,000,000.00), executed by Borrower and payable to the order of Bank, dated as of September 12, 2011, as modified from time to time (the "Note"), which Note is subject to the terms and conditions of a credit agreement between Borrower and Bank dated as of September 12, 2011, as amended from time to time (the "Credit Agreement").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Note, and have agreed to modify the Note to reflect said changes.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Note shall be modified as follows:

1. Paragraph (a) of the section of the Note entitled "Interest" is hereby deleted and replaced in its entirety by the following:

"(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum two and one-half percent (2.50%) above the Base Rate in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be five percent (5.00%) above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Base Rate, each change in the rate of interest hereunder shall become effective on the date each Base Rate change is announced within Bank. With respect to each LIBOR selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted."

2. The attached addendum entitled ADDENDUM TO PROMISSORY NOTE (BASE RATE/LIBOR PRICING ADJUSTMENTS) is hereby added to the Note and made a part thereof.

3. The effective date of the changes set forth herein shall be December 31, 2011.

4. Except as expressly set forth herein, all terms and conditions of the Note remain in full force and effect, without waiver or modification. All terms defined in the Note or the Credit Agreement shall have the same meaning when used in this Modification. This Modification and the Note shall be read together, as one document.

5. Borrower certifies that as of the date of this Modification there exists no Event of Default under the Note, nor any condition, act or event which with the giving of notice or the

passage of time or both would constitute any such Event of Default. Borrower further certifies that, notwithstanding the modifications set forth herein, all of the real property securing the Note shall remain subject to the lien, charge or encumbrance of the deed of trust, mortgage or other document pursuant to which such lien, charge or encumbrance is created, and nothing contained herein or done pursuant hereto shall affect or be construed to affect the priority of the lien, charge or encumbrance of any such deed of trust, mortgage or other document over any other liens, charges or encumbrances.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have caused this Modification to be executed as of the day and year first written above.

RED LION HOTELS CORPORATION

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Julie Shiflett
Title: Executive Vice President

By: /s/ Daniel G. Adams
Title: Vice President

ADDENDUM TO PROMISSORY NOTE
(BASE RATE/LIBOR PRICING ADJUSTMENTS)

THIS ADDENDUM is made a part of that certain Term Note executed by RED LION HOTELS CORPORATION (“Borrower”) and payable to WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”), or order, dated as of September 12, 2011, in the maximum principal amount of Thirty Million Dollars (\$30,000,000.00), as modified (the “Note”).

The following provisions are hereby incorporated into the Note to reflect the interest rate adjustments agreed to by Bank and Borrower:

INTEREST RATE ADJUSTMENTS:

(a) Initial Interest Rates. The interest rates applicable to this Note shall be the rates set forth in paragraph (a) of the section of the Note entitled “Interest”, subject to the following paragraph (b).

(b) Interest Rate Adjustments. In addition to any interest rate adjustments resulting from changes in the Base Rate, Bank shall adjust the Base Rate and LIBOR margins (“Applicable Margin”) used to determine the rates of interest applicable to this Note on a quarterly basis, commencing with Borrower’s fiscal quarter ending June 30, 2012, if required to reflect a change in Borrower’s Senior Leverage Ratio in accordance with the following grid:

<u>Senior Leverage Ratio</u>	<u>Applicable LIBOR Margin</u>	<u>Applicable Base Rate Margin</u>
Less than or equal to 3.00 to 1:00	3.50%	1.00%
Greater than 3.00 to 1.00, but less than 3.50 to 1.00	4.00%	1.50%
Greater than or equal to 3.50 to 1.00	4.50%	2.00%

Each such adjustment in the Applicable Margin shall be effective on the first Business Day of the third month of the quarter during which Bank receives and reviews Borrower’s most current fiscal quarter-end or year-end financial statements and Compliance Certificates prepared and delivered in accordance with the requirements set forth in Section 4.3 of the Credit Agreement.

Notwithstanding the foregoing, in the event that any financial statement or Compliance Certificate delivered pursuant to Section 4.3 of the Credit Agreement is shown to be inaccurate (regardless of whether (i) the Credit Agreement is in effect, or (ii) any Obligations are outstanding when such inaccuracy is discovered or such financial statement or Compliance Certificate was delivered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an “Applicable Period”) than the Applicable Margin applied for such Applicable Period, then (A) the Borrower shall immediately deliver to the Bank a corrected Compliance Certificate for such Applicable Period, (B) the Applicable Margin for such Applicable Period shall be determined as if the Senior Leverage Ratio in the corrected

Compliance Certificate were applicable for such Applicable Period, and (z) the Borrower shall immediately and retroactively be obligated to pay to the Bank the accrued additional interest owing as a result of such increased Applicable Margin for such Applicable Period. Failure to deliver a Compliance Certificate, together with accompanying financial statements, by the deadline specified in Section 4.3 of the Credit Agreement shall, in addition to any other remedy provided for in the Credit Agreement, result in an increase in the Applicable Margin, effective upon such failure, to the highest level set forth in the foregoing grid, until the first day of the first calendar month following the delivery of the applicable Compliance Certificate and financial statements, whereupon the Applicable Margin shall be that shown in the foregoing grid for the Senior Leverage Ratio of Borrower reflected in such financial statements. Nothing in this paragraph shall limit the rights of the Bank with respect to Section 6.2 of the Credit Agreement, nor any of its other rights under this Note. The Borrower's obligations under this paragraph shall survive the termination of the Credit Agreement and the repayment of all Obligations hereunder.

FIRST MODIFICATION TO PROMISSORY NOTE

THIS MODIFICATION TO PROMISSORY NOTE (this "Modification") is entered into as of January 31, 2012, by and between RED LION HOTELS CORPORATION ("Borrower") and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Line of Credit Note in the maximum principal amount of Ten Million Dollars (\$10,000,000.00), executed by Borrower and payable to the order of Bank, dated as of September 12, 2011, as modified from time to time (the "Note"), which Note is subject to the terms and conditions of a credit agreement between Borrower and Bank dated as of September 12, 2011, as amended from time to time (the "Credit Agreement").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Note, and have agreed to modify the Note to reflect said changes.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Note shall be modified as follows:

1. Paragraph (a) of the section of the Note entitled "Interest" is hereby deleted and replaced in its entirety by the following:

"(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) either (i) at a fluctuating rate per annum two and one-half percent (2.50%) above the Base Rate in effect from time to time, or (ii) at a fixed rate per annum determined by Bank to be five percent (5.00%) above LIBOR in effect on the first day of the applicable Fixed Rate Term. When interest is determined in relation to the Base Rate, each change in the rate of interest hereunder shall become effective on the date each Base Rate change is announced within Bank. With respect to each LIBOR selection hereunder, Bank is hereby authorized to note the date, principal amount, interest rate and Fixed Rate Term applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted."

2. The attached addendum entitled ADDENDUM TO PROMISSORY NOTE (BASE RATE/LIBOR PRICING ADJUSTMENTS) is hereby added to the Note and made a part thereof.

3. The effective date of the changes set forth herein shall be December 31, 2011.

4. Except as expressly set forth herein, all terms and conditions of the Note remain in full force and effect, without waiver or modification. All terms defined in the Note or the Credit Agreement shall have the same meaning when used in this Modification. This Modification and the Note shall be read together, as one document.

5. Borrower certifies that as of the date of this Modification there exists no Event of Default under the Note, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default. Borrower further certifies that, notwithstanding the modifications set forth herein, all of the real property securing the Note shall remain subject to the lien, charge or encumbrance of the deed of trust, mortgage or other document pursuant to which such lien, charge or encumbrance is created, and nothing contained herein or done pursuant hereto shall affect or be construed to affect the priority of the lien, charge or encumbrance of any such deed of trust, mortgage or other document over any other liens, charges or encumbrances.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have caused this Modification to be executed as of the day and year first written above.

RED LION HOTELS CORPORATION

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Julie Shiflett
Title: Executive Vice President

By: /s/ Daniel G. Adams
Title: Vice President

ADDENDUM TO PROMISSORY NOTE
(BASE RATE/LIBOR PRICING ADJUSTMENTS)

THIS ADDENDUM is made a part of that certain Line of Credit Note executed by RED LION HOTELS CORPORATION (“Borrower”) and payable to WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”), or order, dated as of September 12, 2011, in the maximum principal amount of Ten Million Dollars (\$10,000,000.00), as modified (the “Note”).

The following provisions are hereby incorporated into the Note to reflect the interest rate adjustments agreed to by Bank and Borrower:

INTEREST RATE ADJUSTMENTS:

(a) Initial Interest Rates. The interest rates applicable to this Note shall be the rates set forth in paragraph (a) of the section of the Note entitled “Interest”, subject to the following paragraph (b).

(b) Interest Rate Adjustments. In addition to any interest rate adjustments resulting from changes in the Base Rate, Bank shall adjust the Base Rate and LIBOR margins (“Applicable Margin”) used to determine the rates of interest applicable to this Note on a quarterly basis, commencing with Borrower’s fiscal quarter ending June 30, 2012, if required to reflect a change in Borrower’s Senior Leverage Ratio in accordance with the following grid:

<u>Senior Leverage Ratio</u>	<u>Applicable LIBOR Margin</u>	<u>Applicable Base Rate Margin</u>
Less than or equal to 3.00 to 1.00	3.50%	1.00%
Greater than 3.00 to 1.00, but less than 3.50 to 1.00	4.00%	1.50%
Greater than or equal to 3.50 to 1.00	4.50%	2.00%

Each such adjustment in the Applicable Margin shall be effective on the first Business Day of the third month of the quarter during which Bank receives and reviews Borrower’s most current fiscal quarter-end or year-end financial statements and Compliance Certificates prepared and delivered in accordance with the requirements set forth in Section 4.3 of the Credit Agreement.

Notwithstanding the foregoing, in the event that any financial statement or Compliance Certificate delivered pursuant to Section 4.3 of the Credit Agreement is shown to be inaccurate (regardless of whether (i) the Credit Agreement is in effect, or (ii) any Obligations are outstanding when such inaccuracy is discovered or such financial statement or Compliance Certificate was delivered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an “Applicable Period”) than the Applicable Margin applied for such Applicable Period, then (A) the Borrower shall immediately deliver to the Bank a corrected Compliance Certificate for such Applicable Period, (B) the Applicable Margin for such Applicable Period shall be determined as if the Senior Leverage Ratio in the corrected

Compliance Certificate were applicable for such Applicable Period, and (z) the Borrower shall immediately and retroactively be obligated to pay to the Bank the accrued additional interest owing as a result of such increased Applicable Margin for such Applicable Period. Failure to deliver a Compliance Certificate, together with accompanying financial statements, by the deadline specified in Section 4.3 of the Credit Agreement shall, in addition to any other remedy provided for in the Credit Agreement, result in an increase in the Applicable Margin, effective upon such failure, to the highest level set forth in the foregoing grid, until the first day of the first calendar month following the delivery of the applicable Compliance Certificate and financial statements, whereupon the Applicable Margin shall be that shown in the foregoing grid for the Senior Leverage Ratio of Borrower reflected in such financial statements. Nothing in this paragraph shall limit the rights of the Bank with respect to Section 6.2 of the Credit Agreement, nor any of its other rights under this Note. The Borrower's obligations under this paragraph shall survive the termination of the Credit Agreement and the repayment of all Obligations hereunder.