

Red Lion Hotels CORP
Form DEF 14A
April 18, 2014
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

RED LION HOTELS CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- (1) Title of each class of securities to which transaction applies:

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- (4) Proposed maximum aggregate value of transaction:

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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount previously paid:

- (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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April 18, 2014

Dear Shareholder:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders of Red Lion Hotels Corporation at 9:00 a.m. on Tuesday, May 20, 2014, at the Red Lion Hotel at the Park, Skyline Ballroom, 303 West North River Drive, Spokane, Washington 99201.

The accompanying Notice of 2014 Annual Meeting of Shareholders and Proxy Statement describe the matters to be presented at the meeting. In addition, management will speak on our developments of the past year and respond to comments and questions of general interest to shareholders.

It is important that your shares be represented and voted whether or not you plan to attend the annual meeting in person. You may vote by completing and mailing the enclosed proxy card or the form forwarded by your bank, broker or other holder of record. Voting by written proxy will ensure your shares are represented at the meeting.

Sincerely,
Melvin L. Keating
Chairman of the Board

IMPORTANT

A proxy statement and proxy card are enclosed. All shareholders are urged to complete and mail the proxy card promptly. The enclosed envelope for return of the proxy card requires no postage. Any shareholder of record attending the meeting may personally vote on all matters that are considered, in which event the signed proxy will be revoked.

IT IS IMPORTANT THAT YOUR STOCK BE VOTED.

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RED LION HOTELS CORPORATION
NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 20, 2014

To the Shareholders of Red Lion Hotels Corporation:

The 2014 Annual Meeting of Shareholders of Red Lion Hotels Corporation will be held at 9:00 a.m. on Tuesday, May 20, 2014, at the Red Lion Hotel at the Park, Skyline Ballroom, 303 West North River Drive, Spokane, Washington 99201 for the following purposes:

- (1) Election of seven individuals to the Board of Directors;
 - (2) Ratification of the selection of BDO USA, LLP as our independent registered public accounting firm for 2014;
 - (3) Advisory (non-binding) vote on executive compensation; and
 - (4) Transaction of such other business as may properly come before the meeting and any adjournments thereof.
- The foregoing items of business are more fully described in the proxy statement accompanying this notice.

The Board of Directors has fixed March 31, 2014 as the record date for the meeting. Only shareholders of record at the close of business on that date will be entitled to notice of and to vote at the meeting.

Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. For specific instructions on voting, please refer to the proxy card or the information provided by your bank, broker or other holder of record. Even if you vote your proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a bank, broker or other holder of record and you wish to vote in person at the meeting, you must obtain a proxy issued in your name from the bank, broker or other holder of record.

By Order of the Board of Directors

Thomas L. McKeirnan
Secretary

Spokane, Washington

April 18, 2014

The 2013 Annual Report of Red Lion Hotels Corporation

accompanies this proxy statement.

Important Notice Regarding the Availability of Proxy Materials for the

Shareholder Meeting to Be Held on May 20, 2014:

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The Notice of Meeting, Proxy Statement, Proxy Card and 2013 Annual Report

are available at <http://investor.shareholder.com/rlhcorp/annuals.cfm>.

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RED LION HOTELS CORPORATION

201 West North River Drive, Suite 100

Spokane, Washington 99201

2014 PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

General

The enclosed proxy is solicited on behalf of the Board of Directors (the Board) of Red Lion Hotels Corporation, a Washington corporation, for use at the 2014 Annual Meeting of Shareholders to be held at 9:00 a.m. local time on Tuesday, May 20, 2014, and at any adjournments thereof. The meeting will be held at the Red Lion Hotel at the Park, Skyline Ballroom, 303 West North River Drive, Spokane, Washington 99201. The following are directions to the hotel from Interstate 90 East or West:

Take Exit 281 Division Street Exit. Follow Division Street north approximately one mile. Cross the Spokane River, turn left at the first light (North River Drive) and drive approximately one block. The hotel is located on the left side of the street.

Proxies are solicited to give all shareholders of record an opportunity to vote on matters properly presented at the meeting. This proxy statement and the accompanying proxy card are first being mailed on or about April 18, 2014 to all shareholders entitled to vote at the meeting.

Who Can Vote

You are entitled to vote at the meeting if you were a holder of record of our common stock, \$.01 par value, at the close of business on March 31, 2014. Your shares may be voted at the meeting only if you are present in person or represented by a valid proxy.

For the ten days prior to the meeting, a list of shareholders entitled to vote at the meeting will be available during ordinary business hours for examination by any shareholder, for any purpose germane to the meeting, at our principal executive office at 201 West North River Drive, Suite 100, Spokane, Washington 99201. This list will also be available at the meeting.

Shares Outstanding and Quorum

At the close of business on March 31, 2014, there were 19,718,005 shares of our common stock outstanding and entitled to vote. A majority of the outstanding shares of our common stock, present in person or represented by proxy, will constitute a quorum at the meeting.

Proxy Card and Revocation of Proxy

You may vote by completing and mailing the enclosed proxy card. If you sign the proxy card but do not specify how you want your shares to be voted, your shares will be voted by the proxy holders named in the enclosed proxy (i) FOR election of the seven director nominees named below; (ii) FOR ratification of the selection of BDO USA, LLP as our independent registered public accounting firm for 2014; and (iii) FOR approval, on an advisory basis, of the compensation of our named executive officers. If one or more of the director nominees should become unavailable for election prior to the meeting, an event that currently is not anticipated by the Board, the proxies may be voted in favor of the election of a substitute nominee or nominees proposed by the Board.

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The proxy holders named in the enclosed proxy are authorized to vote in their discretion on any other matters that may properly come before the meeting or any adjournments thereof. At the time this proxy statement went to press, management was not aware of any matter that may properly be presented for action at the meeting other than those described in this proxy statement. In addition, no shareholder proposal or director nomination was received on a timely basis, so no such other matters may be brought to a vote at the meeting.

If you vote by proxy, you may revoke that proxy at any time before it is voted at the meeting. Shareholders of record may revoke a proxy by delivering a written notice of revocation or a duly executed proxy bearing a later date to our Secretary at our principal executive office at 201 West North River Drive, Suite 100, Spokane, Washington 99201, or by attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy. If your shares are held in the name of a broker, bank or other holder of record, you may change your vote by submitting new voting instructions to that holder of record. Please note that if your shares are held of record by a broker, bank or other holder of record and you decide to attend the meeting, you may vote at the meeting only if you present a legal proxy issued in your name from that holder of record.

Voting of Shares

Shareholders of record as of the close of business on March 31, 2014 are entitled to one vote for each share of our common stock held on all matters to be voted upon at the meeting. You may vote by attending the meeting and voting in person or by completing and mailing the enclosed proxy card or the form forwarded by your bank, broker or other holder of record. If your shares are held by a bank, broker or other holder of record, please refer to the instructions they provide for voting your shares. All shares entitled to vote and represented by properly executed proxies that are received before the polls are closed at the meeting and are not revoked or superseded will be voted at the meeting in accordance with the instructions indicated on those proxies. **YOUR VOTE IS IMPORTANT.**

Counting of Votes

All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Shares held by persons attending the meeting but not voting, shares represented by proxies that reflect abstentions on one or more proposals and broker non-votes will be counted as present for purposes of determining a quorum.

Abstentions on any of the proposals under consideration at the annual meeting will not count as votes cast. A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not receive voting instructions from the beneficial owner and does not have (or elects not to exercise) discretionary authority to vote the shares without such instructions. The effect of abstentions and broker non-votes on each of the proposals on the agenda for the annual meeting is discussed below in the sections discussing those proposals.

Solicitation of Proxies

We will bear the expense of preparing, printing and distributing proxy materials to our shareholders. We will also furnish copies of the proxy materials to banks, brokers and other holders of record holding in their names shares of our common stock that are beneficially owned by others, so that the proxy materials can be forwarded to those beneficial owners. We will reimburse these banks, brokers and other holders of record for costs incurred in forwarding the proxy materials to the beneficial owners.

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PROPOSAL 1

ELECTION OF DIRECTORS

Board Structure

Under our Articles of Incorporation and By-Laws, the Board consists of from three to 13 directors, as determined from time to time by resolution of the Board. The number of directors that currently constitutes the Board is eight. One of those directors, Ronald R. Taylor, has notified us that he will not be standing for re-election at this year's annual meeting. As a result, he will no longer serve on our Board following that meeting.

Our Board, at the recommendation of the Nominating and Corporate Governance Committee, has nominated all seven of our other current directors for re-election at this year's annual meeting, to hold office for a term expiring at next year's annual meeting. The Board's decision to nominate only seven directors will create a vacancy on our Board following the annual meeting, which might remain until next year's annual meeting, be filled by board appointment, or be eliminated by a reduction in the size of the Board.

Voting for Directors

Each share of common stock is entitled to one vote for each of the seven nominees. Cumulative voting is not permitted. With respect to each nominee, shares may be voted FOR, AGAINST or ABSTAIN. Unless otherwise directed, it is the intention of the proxy holders named in the enclosed proxy to vote the proxies received by them FOR the election of the seven nominees. If any nominee should become unavailable for election prior to the meeting, an event that currently is not anticipated by the Board, the proxies will be voted in favor of the election of a substitute nominee or nominees proposed by the Board or the number of directors may be reduced accordingly. Each nominee has agreed to serve if elected and the Board has no reason to believe that any nominee will be unable to serve.

We have adopted majority voting procedures for the election of directors in uncontested elections. If a quorum is present, a nominee for election to a position on the board of directors will be elected as a director if the votes cast for the nominee exceed the votes cast against the nominee. The term of any incumbent director who does not receive a majority of votes cast in an election held under the majority voting standard terminates on the earliest to occur of the following:

90 days after the voting results of the election are determined;

the date on which the Board selects another individual to fill the position; or

the effective date of the director's resignation.

The following will not be considered votes cast and will not count towards the election of any director nominee:

a share whose ballot is marked as abstain;

a share otherwise present at the meeting but for which there is an abstention;

a share otherwise present at the meeting as to which a shareholder of record gives no authority or direction; and

broker non-votes.

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Because an abstention from voting for a nominee is not treated as a vote cast, it will have no effect on the election of the nominee. Brokers do not have discretionary authority to vote in the election of directors. If a broker holding shares for a beneficial owner does not receive instructions from the beneficial owner on how to vote in the election, the broker will submit a non-vote. Because a broker non-vote is not treated as a vote cast, it will have no effect on the election of the nominee.

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Set forth below is biographical information for each nominee and for each director whose term of office will continue after the meeting. There are no family relationships among any of our directors or among any of our directors and our executive officers.

Nominees for Election at the Annual Meeting

Raymond R. Brandstrom, age 61, has been a director since November 2009. Since January 2013, he has been an employee of Columbia Pacific Management, Inc., a company that has some common ownership with Columbia Pacific Opportunity Fund, one of our major shareholders. From January 2010 until December 2012, Mr. Brandstrom's primary occupation was as an advisor to Emeritus Corporation. Mr. Brandstrom was one of Emeritus's founders and served on its board of directors from its inception in 1993 until May 2013. From September 2007 to December 2009, he served as its Executive Vice President - Finance, Secretary and Chief Financial Officer. He had previously served at Emeritus in various capacities, including as its President and Chief Operating Officer. Mr. Brandstrom served as President of Columbia Pacific Group, Inc. and Columbia Pacific Management, Inc. From May 1992 to May 1997, Mr. Brandstrom also served as Vice President and Treasurer of Columbia Winery, a company that is engaged in the production and sale of table wines. Mr. Brandstrom adds outstanding operational and financial acumen to the Board, as well as years of experience in real estate development and as a public company director and chief financial officer.

Ryland P. Skip Davis, age 73, has been a director since May 2005. He is a principal and owner of AC2T, which specializes in clinical laboratory and pathology practice consulting, and also has worked since 2007 with Amicus Healthcare Solutions, a management consulting firm. He retired as CEO of Providence Ventures in 2010. Previously, he was CEO of Providence Health Care (a five-hospital regional delivery network) from 1996 to 2008 and CEO of Sacred Heart Medical Center and Children's Hospital, a major regional referral center for the Inland Northwest, located in Spokane, Washington. In his career of 42 years, he worked with for-profit and not-for-profit healthcare organizations spanning the continuum of care, including hospitals, HMOs, clinics, hospital management firms and a large reference laboratory. He guided hospitals through reorganization, mergers, joint ventures, expansion and the many changes that are inherent in today's healthcare environment. He consistently achieved outstanding quality and satisfaction scores, Top 100 Hospital recognition and operated the organizations profitably with excellent productivity. Significant accomplishments include the creation of a number of innovative and successful joint ventures and new companies. They span the spectrum from the latest genomic technology, IT and software products to creative partnerships with physicians to provide essential services and growing capability to meet the changing demand. In addition, he has been involved in a number of turnarounds, most recently the Spokane Airports, where he remains on the board. Mr. Davis is a Fellow in the American College of Health Care Executives and earned a B.A. degree from the Virginia Military Institute and a M.B.A. from the George Washington University in Washington, D.C. He has chaired the Spokane Area Chamber of Commerce, remains on the Boy Scouts of America Inland Northwest Council and chaired the Institute for Systems Medicine. He chaired Providence Associated Medical Laboratories for 10 years (nationally, the 6th largest reference lab) and helped to provide the initial funding for Signature Genomics, Inc., which was sold to PerkinElmer for \$95 million dollars. Currently, he is a Governor's appointee to the Life Sciences Discovery Fund Board. Mr. Davis's years of experience as a CEO of major healthcare providers, combined with his operational and financial expertise, make him an invaluable member of the Board.

James P. Evans, age 67, has been a director since December 2012. Mr. Evans served as our Interim President and Chief Executive Officer from August 2013 to January 2014. From 2011 to 2012, he served as the Chief Executive Officer of Brand USA, the nation's first public-private global marketing effort to promote the United States as the world's premier travel destination. He previously served as the Chief Executive Officer of Ardent Hotel Advisors from 2005 to 2011, as Chief Executive Officer of Jenny Craig, Inc. from 2003 to 2005 and as Chief Executive Officer of Best Western International, Inc. from 1998 to 2002. He has also held executive management positions in operations for DoubleTree Hotel Corporation and Hyatt Hotels and Resorts. Mr. Evans brings nearly 40 years of hospitality, hotel and brand management expertise to the Board.

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David J. Johnson, age 67, has been a director since December 2012. Most recently, Mr. Johnson served from 1997 to 2005 as Chairman and Chief Executive Officer of KinderCare Learning Centers, Inc. From 1991 to 1996, Mr. Johnson served as Chairman, President, and Chief Executive Officer of Red Lion Hotels, Inc. Earlier in his career, he served as President, Chief Operating Officer and Director of Dillingham Holdings and President and Chief Executive Officer of Cal Gas Corporation. Mr. Johnson is currently a member of the boards of directors of Roseburg Forest Products Co. and Grand Canyon Education, Inc. Mr. Johnson brings nearly 30 years of executive management experience to the Board along with significant industry expertise and brand experience as the former CEO of Red Lion Hotels, Inc.

Melvin L. Keating, age 67, has been a director since July 2010 and Chairman of the Board since January 2013. Since November 2008, Mr. Keating has been a private consultant, providing investment advice and other services to private equity firms. From 2005 to October 2008, he was President and Chief Executive Officer of Alliance Semiconductor Corporation, a worldwide manufacturer and seller of semiconductors. From 2004 to 2005, he served as Executive Vice President, Chief Financial Officer and Treasurer of Quovadx Inc., a healthcare software company. Mr. Keating was employed as a Strategy Consultant for Warburg Pincus Equity Partners from 1997 to 2004, providing acquisition and investment target analysis and transactional advice. Mr. Keating is also a director of API Technologies Corp., Crown Crafts, Inc., BluePhoenix Solutions Ltd., and Marlborough Software Development Holdings Inc. (successor to Bitstream Inc.). During the course of his career, Mr. Keating has also served on the boards of directors of the following public companies: Integral Systems, Inc.; Integrated Silicon Solutions Inc.; Plymouth Rubber Co.; Price Legacy Corp.; InfoLogix, Inc.; Tower Semiconductor Ltd.; LCC International, Inc.; White Electronic Designs Corp.; and Aspect Medical Systems Inc. Mr. Keating holds a B.A. degree from Rutgers University, as well as an M.S. in Accounting and an M.B.A in Finance, both from The Wharton School of the University of Pennsylvania. Mr. Keating's experience as an executive and as a board member of other public companies, together with his real estate and financial acumen, are of great value in his role as a director of our company.

Michael Vernon, age 67, has been a director since December 2012. Mr. Vernon served as the Chief Financial Officer of Zulily, Inc. from 2011 to 2012. He served as Chief Financial Officer of Big Fish Games, Inc. from 2009 to 2011, as Chief Financial Officer of Zumobi, Inc. from 2007 to 2008 and as Chief Financial Officer of aQuantive, Inc. from 2000 to 2006. Prior to these roles, Mr. Vernon was the Chief Financial Officer and Chief Operating Officer at Park Plaza International, where he helped the company transform from a franchisor into a manager of high-end hotels. From 1995 to 1997, he was the Chief Financial Officer of Red Lion Hotels, Inc. Mr. Vernon brings more than 25 years of domestic and international experience in corporate finance, M&A, investor communications, and strategic development to the Board.

Robert G. Wolfe, age 57, has been a director since December 2012. Mr. Wolfe brings more than 30 years of experience in investment banking, finance and investment management to the Board, along with significant executive and director-level experience. Since 2008, Mr. Wolfe has been the president of Windy Point, LLC, a private investment firm. From 2002 to 2008, he was a partner at Northwest Venture Associates, a venture capital fund that invested exclusively in companies based in the Pacific Northwest (NWVA). Northwest Venture Partners III, one of the venture capital funds managed by NWVA, was a small business investment corporation administered by the U.S. Small Business Administration (SBA). Mr. Wolfe was a general partner of this fund. Due to the recession in 2008 and other factors, the SBA elected to exercise rights that resulted in the assets of the fund being placed in receivership in June 2009. From 1999 to 2002, Mr. Wolfe was President and Chief Operating Officer of Toronto-based GT Group Telecom, which was Canada's largest independent local exchange carrier. Mr. Wolfe has significant experience in finance and investment banking, including working at Goldman Sachs from 1987 to 1995. He serves as a director of Darigold, Inc. and is a trustee of Symetra Mutual Funds Trust.

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The Board recommends a vote FOR each of the seven nominees.

Director and Director Nominee Qualifications; Diversity

Our Nominating and Corporate Governance Committee assists the Board in reviewing the business and personal background of each of our directors with respect to our company's business and business goals. The committee generally considers diversity as one of several factors relating to overall composition when making nominations to our Board. While we do not have a formal policy governing how diversity is considered, the committee generally considers diversity by examining the entire Board membership and, when making nominations to our Board, by reviewing the diversity of the entire Board. The committee construes Board diversity broadly to include many factors. As a result, the committee strives to ensure that our Board is composed of individuals with a variety of different opinions, perspectives, personal, professional and industry experience, backgrounds, skills and expertise.

In addition to the qualities described previously in the individual director biographies, the following matrix summarizes the skills and attributes of our director nominees for 2014 that we believe are essential to our business:

	Raymond Brandstrom	Ryland Davis	James Evans	David Johnson	Melvin Keating	Michael Vernon	Robert Wolfe
Senior leadership/ CEO/COO experience	ü	ü	ü	ü	ü	ü	ü
Business development experience	ü	ü	ü	ü	ü	ü	ü
Financial expertise/CFO	ü	ü			ü	ü	ü
Outside public board experience	ü			ü	ü		ü
Independence	ü	ü	ü	ü	ü	ü	ü
Industry Experience			ü	ü		ü	ü
Marketing/sales expertise			ü	ü		ü	
Government expertise			ü				ü
Mergers and acquisitions experience	ü	ü	ü	ü	ü	ü	ü
Demonstrated integrity- personal and professional	ü	ü	ü	ü	ü	ü	ü
Real estate expertise	ü	ü	ü	ü	ü	ü	ü
Franchising expertise			ü	ü		ü	

We have concluded that all of our directors, including the nominees for election at the annual meeting, have the skills, experience, knowledge and personal attributes that are necessary to effectively serve on our Board and to contribute to the overall success of our company. We believe that the diverse background of each of our Board members ensures that we have a Board that has a broad range of industry-related knowledge, experience and business acumen.

PROPOSAL 2

RATIFICATION OF SELECTION OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected BDO USA, LLP to serve as our independent registered public accounting firm for 2014 and has further directed that this selection be submitted for ratification by our shareholders at the annual meeting. BDO USA, LLP has audited our financial statements since 2001. Representatives of the firm are expected to be present at the meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions from shareholders.

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Shareholder ratification of the selection of BDO USA, LLP as our independent registered public accounting firm is not required by our By-Laws or otherwise. However, the Board is submitting the selection of the firm to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different accounting firm at any time during the year if the Audit Committee determines that such a change would be in our best interests and that of our shareholders.

Each share of common stock is entitled to one vote on the proposal to ratify the selection of BDO USA, LLP and will be given the option to vote FOR or AGAINST the proposal or to ABSTAIN. Unless otherwise directed, it is the intention of the proxy holders named in the enclosed proxy to vote the proxies received by them FOR this proposal.

Brokers will have discretionary authority to vote on Proposal 2. If a broker holding shares for a beneficial owner does not receive instructions from the beneficial owner on how to vote on this proposal, we anticipate that the broker will vote FOR this proposal. Therefore, there should be no broker non-votes on this proposal.

Proposal 2 will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal. Abstentions from voting will have no impact on the outcome of this proposal.

The Board recommends a vote FOR ratification of the selection of BDO USA, LLP.

PROPOSAL 3

ADVISORY VOTE ON EXECUTIVE COMPENSATION

As required by Section 14A of the Securities Exchange Act of 1934, the Board is submitting a separate resolution, to be voted on by shareholders in a non-binding vote, to approve on an advisory basis the executive compensation of our named executive officers. The text of the resolution is as follows:

RESOLVED, that the shareholders approve, on an advisory basis, the compensation of the named executive officers as disclosed in this proxy statement under the captions Compensation Discussion and Analysis and Executive Compensation .

As described in this proxy statement under Compensation Discussion and Analysis, our compensation program is designed to focus executives on the achievement of specific annual and long-term goals. We structure the goals to align executives' interests with those of shareholders by rewarding performance that maintains and improves shareholder value.

The following features of the compensation structure reflect this approach:

Our executive compensation program has both short- and long-term components.

The annual cash incentive component focuses on one or more specific performance goals and allows for discretionary compensation based on performance not otherwise measured by the goals.

Our agreements with executives do not contain guarantees for salary increases, non-performance-based bonuses or equity compensation. The Board believes that the current executive compensation program properly focuses our executives on the achievement of specific annual, long-term and strategic goals. The Board also believes that this program properly aligns the executives' interests with those of shareholders.

Shareholders are urged to read the Compensation Discussion and Analysis section of this proxy statement, which discusses in greater detail how our compensation program advances the specific goals that we set.

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Each share of common stock is entitled to one vote on Proposal 3 and will be given the option to vote **FOR** or **AGAINST** the proposal or to **ABSTAIN**. Unless otherwise directed, it is the intention of the proxy holders named in the enclosed proxy to vote the proxies received by them **FOR** this proposal.

Brokers do not have discretionary authority to vote on Proposal 3. If a broker holding shares for a beneficial owner does not receive instructions from the beneficial owner on how to vote on this proposal, the broker will submit a non-vote.

Proposal 3 will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal. Abstentions from voting and broker non-votes will have no impact on the outcome of this proposal.

The Board recommends a vote **FOR the approval, on an advisory basis, of the compensation of the named executive officers.**

Although the advisory vote on Proposal 3 is non-binding, we expect that the Board and the Compensation Committee will review the results of the vote and, consistent with our record of shareholder engagement, take the outcome of the vote into consideration, along with other relevant factors, in making determinations concerning future executive compensation.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 31, 2014 by: (i) each of our directors and nominees; (ii) each of our executive officers; (iii) all of our directors, nominees and executive officers as a group; and (iv) each person known by us to beneficially own more than 5% of our common stock.

Beneficial Owner	Number of Shares Owned(1)	Percentage of Common Stock(1)
Columbia Pacific Opportunity Fund, LP (2)	5,497,448	27.9%
Ariel Investments, LLC (3)	1,784,050	9.0%
Dimensional Fund Advisors LP (4)	1,627,793	8.3%
Eidelman Virant Capital (5)	1,048,655	5.3%
Ronald R. Taylor	88,587	*
Thomas L. McKeirnan (6)	87,669	*
Ryland P. Davis	60,752	*
Raymond R. Brandstrom	39,746	*
Melvin L. Keating	34,392	*
Julie Shiflett (7)	20,972	*
Harry G. Sladich (8)	20,065	*
James P. Evans	12,693	*
David J. Johnson	12,693	*
Michael Vernon	12,693	*
Robert G. Wolfe	12,693	*
Gregory T. Mount	0	*
William J. Linehan	0	*
All directors and executive officers as a group (13 persons) (9)(10)	402,955	2.0%

* Represents less than 1% of the outstanding common stock.

- (1) For purposes of this table, a person is deemed to have beneficial ownership of shares of common stock if such person has the right to acquire beneficial ownership of such shares within 60 days. For purposes of computing the percentage of outstanding shares held by each person named above, any security that such person has the right to acquire within 60 days after March 31, 2014 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.
- (2) The address for this beneficial owner is 1910 Fairview Avenue East, Suite 500, Seattle, Washington 98102. The shares shown for this beneficial owner are based solely on the Schedule 13D/A filed by this beneficial owner on December 10, 2012.
- (3) The address for this beneficial owner is 200 East Randolph Drive, Suite 2900, Chicago, Illinois 60601. The shares shown for this beneficial owner are based solely on the Schedule 13G filed by this beneficial owner on February 14, 2014.
- (4) The address for this beneficial owner is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746. The shares shown for this beneficial owner are based solely on the Schedule 13G/A filed by this beneficial owner on February 10, 2014.
- (5) The address for this beneficial owner is 8000 Maryland Avenue, Suite 380, St. Louis, Missouri, 63105. The shares shown for this beneficial owner are based solely on the Schedule 13F filed by this beneficial owner on January 21, 2014.
- (6) Includes 46,461 shares subject to options exercisable, and 11,292 shares subject to restricted stock units vesting, within 60 days after March 31, 2014.
- (7) Includes 6,763 shares subject to restricted stock units vesting within 60 days after March 31, 2014.
- (8) Includes 10,198 shares subject to restricted stock units vesting within 60 days after March 31, 2014.

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- (9) Includes 46,461 shares subject to options exercisable, and 28,253 shares subject to restricted stock units vesting, within 60 days after March 31, 2014.
- (10) We have no information regarding any shares of our common stock that may be beneficially owned by Jon E. Eliassen or George H. Schweitzer, who were both formerly executive officers of our company. Accordingly, any such shares that they may beneficially own are not included in the above table.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than 10% of our common stock (collectively, Reporting Persons), to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission. Based solely on our review of the reports filed by the Reporting Persons, and written representations from certain Reporting Persons that no other reports were required for those persons, we believe that, during the year ended December 31, 2013, the Reporting Persons met all applicable Section 16(a) filing requirements.

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CORPORATE GOVERNANCE

Corporate Governance Documents

The Board has adopted the following corporate governance documents:

Corporate Governance Guidelines;

Code of Business Conduct and Ethics;

Accounting and Audit Complaints and Concerns Procedures;

Statement of Policy with respect to Related Party Transactions; and

Charters for each of its standing committees, which include the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

We review each of these corporate governance documents annually and update them as necessary to reflect changes in regulatory requirements and evolving oversight practices. Copies of these documents are available online in the Investor Relations section of our website at www.redlion.com. We will provide paper copies of these documents to any shareholder upon written request to our Secretary at our principal executive office at 201 West North River Drive, Suite 100, Spokane, Washington 99201.

Director Independence

The Board has determined that each member of the Board is independent within the meaning of applicable listing standards of the New York Stock Exchange (the NYSE). Under the NYSE listing standards, a director is considered independent if the Board affirmatively determines that he or she has no material relationship with our company, either directly or as a partner, shareholder or officer of an organization that has a relationship with our company. Our Corporate Governance Guidelines contain categorical standards to assist the Board in making determinations of independence. A copy of these categorical standards is included in Appendix A to this proxy statement. The Board has made an affirmative determination that each member of the Board satisfies these categorical standards.

Meetings of the Board of Directors

The Board met seven times in 2013. All directors attended at least 75% of the total number of meetings of the Board and its committees on which they serve.

We encourage all of our directors to attend each annual meeting of shareholders. All of our directors attended our 2013 annual meeting of shareholders.

Executive Sessions of the Board

There are currently no members of the Board who are members of management. If we have non-management directors, it is our policy that the independent directors meet in executive session without members of management following regularly scheduled meetings of the Board. The Chairman of the Board would serve as the presiding director for these executive sessions.

Table of Contents**Committees of the Board of Directors**

We have three committees to assist the Board in fulfilling its responsibilities: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The following table shows the membership of each committee as of March 31, 2014:

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Raymond R. Brandstrom	ü	ü	
Ryland P. Davis	ü		ü
David J. Johnson		ü	
Ronald R. Taylor		Chair	
Michael Vernon	Chair		ü
Robert G. Wolfe			Chair

Audit Committee

The Audit Committee engages our independent registered public accounting firm, reviews with the firm the plans and results of the audit engagement, approves the audit and non-audit services provided by the firm, reviews our financial statements, reviews our compliance with laws and regulations, receives and reviews complaints relating to accounting or auditing matters, considers the adequacy of our internal accounting controls, and produces a report for inclusion in our annual proxy statement. The Audit Committee met five times in 2013.

The Board has determined that each member of the Audit Committee is financially literate under the current listing standards of the NYSE. The Board also has determined that each member of the Audit Committee qualifies as an audit committee financial expert as defined by applicable rules of the Securities and Exchange Commission. All members of the Audit Committee are considered independent because they satisfy the independence requirements for board members prescribed by the NYSE listing standards, including those set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended.

Compensation Committee

The Compensation Committee discharges the responsibilities of the Board relating to compensation and evaluation of our President and Chief Executive Officer, or CEO, and other executive officers, makes recommendations to the Board regarding the compensation of directors, oversees the administration of our equity incentive plans and produces an annual report on executive compensation for inclusion in our annual proxy statement. The Compensation Committee met seven times in 2013.

The processes and procedures of the Compensation Committee for considering and determining compensation for our executive officers and directors are as follows:

Compensation for our executive officers is generally determined annually in February.

The Compensation Committee reviews director compensation and benefits annually and makes recommendations to the Board with respect thereto.

With respect to our CEO, during the first calendar quarter of each year, the Compensation Committee generally reviews and approves performance goals for the current year, evaluates his performance in light of the goals established for the prior year, and establishes his compensation based on this evaluation and the facts and circumstances described below in *Compensation Discussion and Analysis*. As part of the evaluation process, the Compensation Committee Chairman solicits comments from other Board members. Final determinations regarding our CEO's performance and compensation are made during an executive session of the Compensation Committee and reported to the Board.

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Our Compensation Committee determines compensation for the other executive officers based on the recommendations of our CEO and the facts and circumstances described below in *Compensation Discussion and Analysis*. Final determinations of their compensation are made during an executive session of the Compensation Committee and reported to the Board.

The Compensation Committee periodically reviews the information contained in the biennial North America Lodging Corporate and Property Compensation Report published by HVS Executive Search.

The Compensation Committee has the sole authority to retain and compensate its own advisers. The committee has in the past engaged a compensation consulting firm to review total compensation levels for our directors and senior management, including our executive officers. However, no compensation consultant was engaged at any time during 2013.

The Compensation Committee has no authority to delegate any of the functions described above to any other persons. The Board has reviewed the source of compensation received by each director serving on the Compensation Committee and determined that no director receives compensation from any person or entity that would impair his ability to make independent judgments about our company's executive compensation. The Board has also reviewed all affiliations the directors serving on the Compensation Committee have with our company and its subsidiaries and affiliates and determined that there is no such relationship that places any of these directors under the direct or indirect control of our company or senior management, or creates a direct relationship between the director and members of our senior management, in each case of a nature that would impair his ability to make independent judgments about our company's executive compensation.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for identifying and recommending to the Board for selection or nomination those individuals qualified to become members of the Board under the criteria established by our Corporate Governance Guidelines, periodically reviewing and making recommendations to the Board with regard to size and composition of the Board and its committees, recommending and periodically reviewing for adoption and modification by the Board our Corporate Governance Guidelines and overseeing the evaluation of the Board and management. The Nominating and Corporate Governance Committee met five times in 2013.

Directors may be nominated by the Board or by shareholders in accordance with our By-Laws. The Nominating and Corporate Governance Committee will review all proposed nominees for the Board, including those recommended by shareholders, in accordance with its charter, our By-Laws and our Corporate Governance Guidelines. The committee will review age (a minimum age of 21 is prescribed for directors under the By-Laws), desired experience, mix of skills and other qualities to assure appropriate Board composition, taking into account the current Board members and the specific needs of our company and the Board. The committee will generally look for individuals who have displayed high ethical standards, integrity and sound business judgment. This process is designed to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business.

While the committee is authorized to retain a third party to assist in the nomination process, we have not paid a fee to any third party to identify or assist in identifying or evaluating potential nominees.

A shareholder of record can nominate a candidate for election to the Board by complying with the procedures in Section 3.3 of our By-Laws. Any shareholder of record who wishes to submit a nomination should review the requirements in the By-Laws for nominations by shareholders, which are included in the excerpt from the By-Laws attached as Appendix B to this proxy statement. Any nomination should be sent to our Secretary at our principal executive office, 201 West North River Drive, Suite 100, Spokane, Washington 99201. Any recommendations from shareholders regarding director nominees should be sent to the Nominating and Corporate Governance Committee in care of our Secretary at the same address.

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Leadership Structure

We believe it is the CEO's responsibility to lead the company and it is the responsibility of the Chairman of the Board to lead the Board. As directors continue to have more oversight responsibilities than ever before, we believe it is beneficial to have a separate chairman whose sole job is leading the Board. Accordingly, our Corporate Governance Guidelines currently provide that the Chairman of the Board cannot be an officer of the company. The Board retains the authority to modify this structure as and when appropriate to best address our company's unique circumstances and to advance the best interests of all shareholders.

Board's Role in Risk Oversight

The Board's role in overseeing our company's risk is to satisfy itself, directly or through Board committees, that

there are adequate processes designed and implemented by management such that risks have been identified and are being managed;

the risk management processes function as intended to ensure that our company's risks are taken into account in corporate decision making; and

the risk management system is designed to ensure that material risks to our company are brought to the attention of the Board or an appropriate committee of the Board.

Each of our company's risk management processes is reviewed periodically (but at least once a year) by either the Board or an appropriate committee. Committee chairs regularly report on committee meetings at the meetings of the full Board.

The Board has reviewed our company's current risk management systems and processes and concluded that the current allocation of oversight responsibilities between the Board and its committees is adequate, so long as the committees continue to coordinate their risk oversight responsibilities, share information appropriately with the other members of the Board, and provide timely and adequate reports to the full Board. The Board will continually evaluate its risk oversight role.

Communications with the Board of Directors

Our annual meeting of shareholders provides an opportunity each year for shareholders to ask questions of, or otherwise communicate directly with, members of the Board on appropriate matters. Shareholders or other interested parties may contact the Chairman of the Board at any time by sending an e-mail to *chairman@redlion.com*. In addition, shareholders may communicate in writing with any particular director, any committee of the Board, or the directors as a group, by sending a written communication to our Secretary at our principal executive office, 201 West North River Drive, Suite 100, Spokane, Washington 99201. Copies of written communications received at such address will be provided to the Board or the relevant director unless such communications are considered, in the reasonable judgment of our Secretary, to be inappropriate for submission to the intended recipient(s). Examples of shareholder communications that would be considered inappropriate for submission to the Board include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to our business or communications that relate to improper or irrelevant topics. Communications concerning potential director nominees submitted by any of our shareholders will be forwarded to the Chairman of the Nominating and Corporate Governance Committee.

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Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis provided below with management and, based on the review and discussions, recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into our Annual Report on Form 10-K.

Respectfully submitted,

Compensation Committee of the Board of Directors

Ronald R. Taylor, Chairman

Raymond R. Brandstrom

David J. Johnson

March 25, 2014

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COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee of our Board, which is composed entirely of independent directors, as defined under NYSE rules, determines compensation for our executive officers. All decisions of the Compensation Committee are reported to our Board.

There are no material differences in the compensation policies or decisions with respect to the executive officers, except that the compensation for our President and Chief Executive Officer, or CEO, is determined exclusively by the Compensation Committee, while the compensation of the other executive officers is determined by the Compensation Committee based on similar criteria, but also takes into account the recommendations of our CEO.

Compensation Program Objectives and Rewards

We believe that our executive compensation program should:

Attract, motivate and retain highly qualified executives by paying them competitively, consistent with our success and their contributions to this success; and

Pay for performance by rewarding and encouraging individual and superior company performance, on both a short- and long-term basis, in a way that promotes alignment with long-term shareholder interests.

All of the compensation and benefits for our executive officers have as a primary purpose our need to attract, retain and motivate highly talented individuals who will engage in the behaviors necessary to enable us to succeed in our mission while upholding our values in a highly competitive marketplace. Beyond that, different elements are designed to engender different behaviors.

Base salary and benefits are designed to attract and retain executives over time.

Annual cash awards under the Executive Officers Variable Pay Plan (VPP) are designed to focus executives on one or more specific performance goals established each year by the Compensation Committee. Executive officers may also receive discretionary bonuses based on performance not otherwise measured by the VPP or for other reasons.

Long-term equity incentives restricted stock units (RSUs) and stock options under the shareholder-approved 2006 Stock Incentive Plan focus executives efforts on the behaviors within their control that they believe are necessary to ensure our long-term success, as reflected in increases in our stock price over a period of years.

Severance and change of control arrangements are designed to facilitate our ability to attract and retain executives as we compete for talent in a marketplace where such protections are commonly offered. These arrangements ease an executive s transition due to an unexpected employment termination. In the event of rumored or actual fundamental corporate changes, these arrangements will also allow executives to remain focused on our business interests.

We do not believe that any of our compensation policies and practices are reasonably likely to have a material adverse effect on our company. With respect to our compensation policies and practices for executive officers, we believe that our allocation of overall compensation among base salary and annual and long-term incentives encourages our executive officers to deliver strong results for our shareholders without taking excessive risks. The base salaries of our executive officers provide them assured cash compensation at levels that our Compensation Committee deems appropriate, taking into account their respective job duties and responsibilities. We believe these base salaries, taken together with their at-risk annual and long-term incentives, motivate the executive officers to perform at a high level. With respect to annual cash awards under the VPP, we believe that our use of one or more objective company financial performance goals, together with the Compensation Committee s discretion to disqualify an executive officer from receiving an award that might otherwise be

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payable, serves to mitigate against undue risk-taking. We also believe that our use of multi-year vesting schedules for most of our long-term equity incentives encourages our executive officers to deliver value to our shareholders while mitigating risk.

At last year's annual meeting, we asked our shareholders to approve, on an advisory basis, the 2012 compensation of our named executive officers disclosed in the proxy statement for that meeting. Over 95% of the votes cast on that proposal approved the compensation. Because that vote confirmed shareholder support for our executive compensation policies and decisions, our approach to these policies and decisions in 2013 remained generally consistent with our approach in 2012.

Elements of Our Compensation Program

Base Salaries

The Compensation Committee determines base salaries for the executive officers early each year, based on its assessment of all facts and circumstances that it considers relevant, which typically include most or all of the following factors:

individual performance;

job responsibilities;

tenure with the company as well as prior experience;

economic conditions;

retention considerations; and

the competitive labor market, including regional salary levels and those of executives at other hospitality companies.

In determining the base salaries of executive officers other than the CEO, the Compensation Committee also takes into consideration recommendations made by the CEO.

The 2013 annual cash base salary of Jon E. Eliassen, who served as our CEO until August 2013, was \$330,000, the same amount that he received in 2011 and 2012. In 2011, the Compensation Committee determined that, while serving as CEO, Mr. Eliassen should continue to receive the same compensation as non-employee directors for his service as a director. He continued to receive this additional compensation in 2013.

Following Mr. Eliassen's retirement, one of our directors, James P. Evans agreed to serve as our interim CEO while we conducted a search for a permanent candidate for that position. Because Mr. Evans was expected to serve in that capacity for only a few months, the Compensation Committee determined he should only receive a base salary for that service. Accordingly, Mr. Evans was paid a salary of \$73,333 per month. He was not eligible for participation in any of our company's benefit plans or stock or cash incentive plans, and he did not receive any other benefits that full-time permanent employees of our company enjoy. However, he did continue to receive the same compensation for his service as a director as we paid to non-employee directors.

The 2013 annual cash base salaries of the other executive officers were as follows: George H. Schweitzer, \$250,000; Julie Shiflett, \$250,000; Harry G. Sladich, \$200,000; and Thomas L. McKeirnan, \$225,000. All of these were the same as their 2012 base salaries, except for Mr. McKeirnan, whose 2012 base salary was \$210,000.

Our executive officers' nominal base salaries as described above have been subject to various reductions over the past several years. From April 2009 through March 2011, the nominal base salaries of all of our executive officers other than Mr. Sladich were reduced by 5% due to the

difficult economic environment. During the fourth

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quarter of 2011, the nominal base salaries of all of our executive officers were reduced by 10%. During the first quarter of 2012, all of our executive officers took one week of unpaid leave. During the remainder of 2012 and the first quarter of 2013, the nominal base salaries of all of our executive officers were reduced by 5% due to the continuing difficult economic environment.

Under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), base salaries paid to executive officers are deductible for federal income tax purposes except to the extent that they exceed \$1 million. No executive received base salary in excess of \$1 million in 2013.

VPP and Other Annual Cash Awards

Early each year, the Compensation Committee generally establishes one or more performance goals for our executive officers under the VPP, as well as the various levels of cash awards that the executives will receive based on the extent to which their goals are achieved. Historically, there has been a mix of company and individual performance goals under the VPP. Company goals have generally related to our company's overall financial performance. Individual goals have been subjective or objective, but they have generally been based on performance in areas of our business that the Compensation Committee believed were important to our success. The goals and award levels are initially proposed by the CEO, and the final goals and award levels are determined following a dialogue between the Compensation Committee and the CEO. Award levels are specified as a percentage of base salary. The Compensation Committee determines the award levels that are potentially available under the VPP based on the same factors that it considers in determining base salaries.

In early 2013, the Compensation Committee determined that, for each of the executive officers, there would be one company goal and no individual goals for 2013. The company goal related to achievement of a specified level of EBITDA. At the same time, award levels were established as set forth in the table below.

VPP Award Levels for 2013

	Percentage of Base Salary			Award Payouts (\$)			Actual
	Threshold	Target	Maximum	Threshold	Target	Maximum	
Jon E. Eliassen	30%	60%	120%	99,000	198,000	396,000	0
George H. Schweitzer	20%	40%	80%	50,000	100,000	200,000	0
Julie Shiflett	20%	40%	80%	50,000	100,000	200,000	0
Harry G. Sladich	20%	40%	80%	40,000	80,000	160,000	0
Thomas L. McKeirnan	20%	40%	80%	45,000	90,000	180,000	0

The company goal in 2013 for payment of bonuses at the target level was EBITDA of \$22.1 million. For purposes of VPP award calculations, the Compensation Committee had discretion to adjust the company goal and reported EBITDA for acquisitions, dispositions, major transactions and bonus accruals. There will be no awards under the VPP for 2013.

Under the VPP, there is an overriding discretionary analysis of each executive's eligibility to receive variable pay. For example, if an executive fails to follow company policy and procedures, exposes the company to legal liability, or exhibits behavior inappropriate for a leadership position, the executive may be disqualified from receiving variable pay, even if his or her specified performance goals are achieved.

In addition to awards under the VPP, the Compensation Committee has on occasion granted discretionary bonuses to executive officers based on performance not otherwise measured by the VPP or for other reasons. No discretionary bonuses were granted for 2013.

We generally intend that executive officer compensation be fully deductible for federal income tax purposes, taking into account Section 162(m) of the Code, provided that other compensation objectives are met. We have

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not sought shareholder approval of the VPP, which would ensure deductibility under the Code, because we anticipate that, for the foreseeable future, no executive officer will have aggregate base salary and annual incentive awards of more than \$1 million during any calendar year.

Long-Term Equity Incentives

We have since 2009 provided long-term incentives to our executive officers in the form of restricted stock units (RSUs), typically with a vesting period of four years. We have done this in order not to unduly deplete the pool of shares available under our 2006 Stock Incentive Plan, and also in recognition of the trend at many companies to rely more heavily on RSUs than on stock options because RSUs provide more stable incentives for executives. Prior to 2009, we also granted stock options to our executives, and we may do so again in the future. The equity incentives are intended to benefit shareholders by enabling us to better attract and retain top talent in a marketplace where such incentives are prevalent. Both RSUs and stock options closely align our executives with the achievement of our longer-term financial objectives that enhance shareholder value.

The Compensation Committee each year determines the grants of equity incentives that will be made to our executive officers based on the same factors that it considers in determining base salaries. In May 2013, Mr. Eliassen was awarded RSUs with a grant date value equal to 60% of his base salary. At the same time, our other executive officers received RSUs with a grant date value equal to 40% of their respective base salaries. All of these RSUs were scheduled to vest in equal annual increments over a period of four years from the date of grant.

Restricted Stock Units

RSU grants provide for the issuance of shares of our common stock if the recipient has met certain continued service requirements. Under all of the RSUs granted to our executive officers in 2013, an executive was entitled to receive one-fourth of the shares subject to his or her award on each of the first four anniversaries of the date of grant so long as the executive remained continuously employed with us until the applicable anniversary.

Unlike stock options, RSUs may have value even if the price of our common stock does not increase. Nevertheless, we award RSUs because they promote retention and we believe they also create incentives for executives to focus on increased share prices so that the common stock subject to the award will be as valuable as possible when it is eventually issued. Although we do not impose any restriction on the sale of common stock issued pursuant to RSUs, we expect that our executives will continue to hold some if not all of the shares issued, which will also keep their interests aligned with those of our shareholders.

Our RSUs do not qualify as performance-based compensation under Section 162(m) of the Code. As a result, the value of common stock ultimately issued to an executive officer pursuant to an RSU will not be deductible to the extent that value in any year, when aggregated with the executive officer's other compensation for that year that is subject to Section 162(m), exceeds \$1 million.

Stock Options

Stock options provide for financial gain derived from the potential appreciation in stock price from the date that the option is granted until the date that the option is exercised. The exercise price of our stock options is set at fair market value, which is the closing selling price of our common stock on the NYSE on the grant date. The vesting provisions of the stock options we have granted in the past have varied. Although no stock options have been granted to executive officers since 2009, stock options granted to the executive officers in prior years have generally vested in equal annual increments over a period of four years from the date of grant.

Under the shareholder-approved 2006 Stock Incentive Plan, we may not grant stock options at a discount to fair market value or with a so-called reload feature, and we may not reduce the exercise price of outstanding stock options except in the case of a stock split or other similar event. We do not lend funds to employees to enable them to exercise stock options.

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We do not backdate options or grant options retroactively. In addition, we do not plan to coordinate grants of options so that they are made before announcement of favorable information, or after announcement of unfavorable information. Our options are granted at fair market value on a fixed date or event, with all required approvals obtained in advance of or on the actual grant date. All grants to executive officers require the approval of the Compensation Committee.

Our long-term performance ultimately determines the value of stock options, because gains from stock option exercises are entirely dependent on the long-term appreciation in the price of our common stock. As a result, we believe stock option grants encourage executives and other employees to focus on behaviors and initiatives that should lead to an increase in the price of our common stock, which benefits all our shareholders.

Under Section 162(m) of the Code, we generally may not deduct compensation paid to an executive officer in a calendar year if it exceeds \$1 million. Certain compensation that is considered performance-based is deductible without regard to this \$1 million limitation. We believe that any compensation attributable to stock options held by our executive officers will be considered performance-based, so Section 162(m) of the Code should not limit our ability to deduct it for federal income tax purposes.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth summary information concerning the compensation awarded to, paid to or earned by our named executive officers for all services rendered in all capacities to us in 2013, 2012 and 2011.

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(2)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)(3)	Total (\$)
Jon Eliassen (4) Former President and Chief Executive Officer	2013	263,365	0	240,113	0	0	0	503,478
	2012	323,336						
	2011	321,612	0	250,231	0	0	7,122	573,567
			0	243,101	0	0		571,835
James P. Evans (5) Former Interim President and Chief Executive Officer	2013	321,539	0	17,496	0	0	0	339,035
George H. Schweitzer (6) Former Executive Vice President and Chief Operating Officer, Hotel Operations	2013	206,250	0	99,996	0	0	73,871	380,417
	2012	244,712						
	2011	232,404	0	99,996	0	0	25,002	369,710
			0	99,998	0	0	23,892	356,294
Julie Shiflett (7) Executive Vice President, Chief Financial Officer	2013	246,635	0	99,996			7,170	353,801
	2012	244,712						
	2011	67,019	0	99,996	0	0	3,250	347,958
				124,996	0	0	0	192,015
Harry G. Sladich Executive Vice President, Hotel Operations and Sales	2013	197,358	0	79,997	0	0	10,033	287,388
	2012	195,769						
	2011	187,462	0	79,998	0	0	10,133	285,900
			0	79,998	0	0	9,364	276,824
Thomas L. McKeirnan Executive Vice President, General Counsel and Corporate Secretary	2013	220,488	0	89,995	0	0	10,033	320,516
	2012	205,558						
	2011	204,772	0	83,995	0	0	10,133	299,686
			0	84,001	0	0	9,364	298,137

- (1) Due to the timing of our payroll periods in 2013, 2012 and 2011, there were 26, 27 and 26 pay dates, respectively.
- (2) Represents the grant date fair value of these stock awards. See Note 12 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013 for information regarding the assumptions underlying the valuation of these equity awards.
- (3) Amounts shown for 2013 for our executives other than Mr. Schweitzer represent discounts accorded them from contributions otherwise required for participation in our self-insured medical, dental and vision plan. The amount shown for 2013 for Mr. Schweitzer represents \$10,033 of such discounts, \$15,761 in commuting expenses that we paid on his behalf and severance of \$48,077. The total value of all

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- other perquisites and personal benefits received by each executive officer in 2013 was less than \$10,000.
- (4) Mr. Eliassen retired from his position effective August 12, 2013.
 - (5) Mr. Evans served as our Interim President and Chief Executive Officer from August 12, 2013 until January 26, 2014.
 - (6) Mr. George Schweitzer's employment terminated effective October 7, 2013. In connection with this termination, we agreed to pay him 26 weeks of salary, or \$125,000, as severance pay. The portion of the severance paid in 2013 is set forth in footnote 3 to this table. The balance was paid in 2014. Mr. Schweitzer is also receiving during his severance period substantially the same medical and dental benefits as we provide to other senior executives of our company.
 - (7) Ms. Shiflett was hired effective September 1, 2011.

Table of Contents**2013 Grants of Plan-Based Awards**

The following table sets forth summary information regarding all grants of plan-based awards made to our named executive officers for the year ended December 31, 2013.

	Type of Award	Grant Date(2)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)(4)	Grant Date Fair Value of Stock Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)		
Jon E. Eliassen	Annual Incentive Award		99,000	198,000	396,000		
	Restricted Stock Units	5/21/2013				29,160	197,996
	Stock Award	1/2/2013				891	7,119
	Stock Award	4/1/2013				2,536	17,498
James P. Evans	Stock Award	7/1/2013				2,791	17,500
	Stock Award	10/1/2013				3,320	17,496
George H. Schweitzer	Annual Incentive Award		50,000	100,000	200,000		
	Restricted Stock Units	5/21/2013				14,727	99,996
Julie Shiflett	Annual Incentive Award		50,000	100,000	200,000		
	Restricted Stock Units	5/21/2013				14,727	99,996
Harry G. Sladich	Annual Incentive Award		40,000	80,000	160,000		
	Restricted Stock Units	5/21/2013				11,782	79,997
Thomas L. McKeirnan	Annual Incentive Award		45,000	90,000	180,000		
	Restricted Stock Units	5/21/2013				13,254	89,995

- (1) These represent the Threshold , Target and Maximum award payouts that were available for the 2013 performance period under our Executive Officers Variable Pay Plan (the VPP). This plan is further discussed under the caption *VPP and Other Annual Cash Awards* in the Compensation Discussion and Analysis. There will be no awards under the VPP for 2013.
- (2) For the restricted stock awards, the closing market price of our common stock on May 21, 2013 was \$6.79.
- (3) The stock awards to Mr. Eliassen (but not his restricted stock units) vested immediately upon grant. The closing market price of our common stock on January 2, 2013 was \$7.99, on April 1, 2013, it was \$6.90, on July 1, 2013, it was \$6.27, and on October 1, 2013, it was \$5.27.
- (4) For all executives, the restricted stock units were scheduled to vest in equal installments on the first four anniversaries of the grant date, subject to continuous service with us or one of our affiliates. When restricted stock units vest, we will, as soon as is administratively practicable, issue one share of our common stock for each unit that vests.

Table of Contents**2013 Outstanding Equity Awards at Fiscal Year End**

The following table sets forth summary information regarding the outstanding equity awards held by each of our named executive officers at December 31, 2013.

Name	Option Awards(1)				Stock Awards(1)	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)
Jon E. Eliassen						
James P. Evans						
George H. Schweitzer	45,000	0	8.80	1/5/14		
Julie Shiflett					9,248(5)	55,950
					14,727(6)	89,098
Harry G. Sladich					2,324(3)	14,060
					4,926(4)	29,802
					7,398(5)	44,757
					11,782(6)	71,281
Thomas L. McKeirnan	11,447	0	12.21	11/21/16		
	13,014	0	13.00	5/17/17		
	22,000	0	8.74	5/22/18		
					2,804(3)	16,964
					5,173(4)	31,297
					7,768(5)	46,996
					13,254(6)	80,187

- (1) The vesting of unvested options and restricted stock units is subject to continuous service with us or one of our affiliates through the respective scheduled dates of vesting disclosed in the footnotes to this table. Under certain circumstances, these vesting dates may be accelerated. See *Employment Agreements; Severance and Change of Control Arrangements*.
- (2) The value of these restricted stock units is calculated by multiplying the number of unvested units by \$6.05, the closing market price of our common stock on December 31, 2013.
- (3) Each of these restricted stock unit awards will vest as to the remaining shares on May 19, 2014.
- (4) Each of these restricted stock unit awards will vest in two equal installments on May 19, 2014 and May 19, 2015.
- (5) Each of these restricted stock unit awards will vest in three equal installments on May 22, 2014 and the next two anniversaries of that date.
- (6) Each of these restricted stock unit awards will vest in four equal installments on May 21, 2014 and the next three anniversaries of that date.

Table of Contents**2013 Option Exercises and Stock Vested**

The following table summarizes the option exercises and vesting of stock awards for each of our named executive officers for the year ended December 31, 2013.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Jon E. Eliassen (2)			87,074	537,339
James P. Evans				
George H. Schweitzer			13,261	89,931
Julie Shiflett			3,082	20,403
Harry G. Sladich			7,253	49,164
Thomas L. McKeirnan			12,242	83,060

- (1) All of these stock awards were restricted stock units. The value of the shares of common stock acquired upon vesting of these units is calculated by multiplying the number of shares by the closing market price of our common stock on the date the units vested.
- (2) Effective August 12, 2013, the board of directors accelerated the vesting of 67,269 restricted stock units granted to Mr. Eliassen.

Employment Agreements; Severance and Change of Control Arrangements***President and Chief Executive Officer***

We entered into a written employment agreement with Gregory T. Mount effective as of January 27, 2014, under which he serves as our President and Chief Executive Officer and receives an annual base salary of \$325,000. He is also entitled to participate in our Variable Pay Plan (VPP) with a target bonus equal to 50% of his base salary. Mr. Mount received a signing bonus of \$40,000 with his first regular payroll check, which he must reimburse in full if he voluntarily terminates his appointment prior to January 27, 2015. We have also agreed to pay for or reimburse certain expenses that he incurs in relocating to Spokane, Washington, which he is obligated to reimburse on a pro rata basis if he is terminated for cause or leaves our company voluntarily prior to January 27, 2016.

If we terminate Mr. Mount's employment without cause prior to January 27, 2016, we will make a lump-sum severance payment to him equal to one-half of his base annual salary for the year in which the termination occurs. If we terminate his employment without cause after January 27, 2016, we will make a lump-sum severance payment to him equal to his base annual salary for the year in which the termination occurs.

If there is a constructive termination of Mr. Mount's employment without cause within twelve months after a change of control, then:

we will make a lump-sum severance payment to him equal to his base annual salary for the year in which the termination occurs;

we will accelerate vesting on any portion of any equity grant previously made to him under our 2006 Stock Incentive Plan, or any successor plan, that would otherwise have vested after the date of the termination; and

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all restrictions on restricted stock issued to him will terminate, and any restricted stock awarded but not yet issued to him will be promptly issued.

The term "cause" means (i) willful and intentional failure or refusal to perform or observe any material duties, responsibilities or obligations, if such breach is not cured within 30 days after we give notice of the breach,

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which notice shall state that such conduct shall, without cure, constitute cause; (ii) any willful and intentional act involving fraud, theft, embezzlement or dishonesty affecting our company; or (iii) conviction of (or a plea of *novo contendere* to) an offense that is a felony in the jurisdiction involved.

The term *change of control* means the occurrence of any one of the following events: any merger, consolidation or other transaction involving the acquisition of 50% or more of the combined voting power of our outstanding securities by an investor group; adoption of a sale or liquidation plan for substantially all of our assets; or any other similar transaction or series of transactions involving our company.

The circumstances that constitute *constructive termination* generally relate to: (i) a significant reduction in overall scope of duties; (ii) a required relocation more than 40 miles from Spokane, Washington; or (iii) a reduction of more than 20% in base salary or target bonus.

Ms. Shiflett

We have a written employment agreement with Julie Shiflett under which her current annual base salary is \$250,000. If we terminate her without cause, as defined in the agreement, prior to September 1, 2014, then:

we will accelerate vesting on any portion of any equity grant held by her that would otherwise have vested within twelve months after the date of the termination;

all restrictions on restricted stock held by her will terminate, and any restricted stock awarded but not yet issued to her will be issued; and

we will make a lump-sum severance payment equal to the cash compensation we paid her during the prior fiscal year (but not less than \$250,000), plus her target award amount under the VPP for the year in which the termination occurs (prorated for the portion of the year elapsed at the time of termination).

If there is a constructive termination of Ms. Shiflett's employment without cause within twelve months after a change of control, then:

we will accelerate vesting on any portion of any equity grant held by her that would otherwise have vested within twelve months after the date of the termination;

all restrictions on restricted stock held by her will terminate, and any restricted stock awarded but not yet issued to her will be issued; and

we will make a lump-sum severance payment equal to her then current annual salary.

The circumstances that constitute *constructive termination* are substantially the same for purposes of Ms. Shiflett's agreement as they are for Mr. Mount's.

If (i) a change occurs in the composition of our Board that results in a majority of our Board consisting of persons other than incumbent directors, and (ii) as a further result of that change (A) our company is owned by a non-publicly traded entity such that our common stock is no longer liquid, or (B) our company is owned by a publicly traded entity that has not agreed as part of any purchase and sale agreement to continue Ms. Shiflett's unvested restricted stock units and stock options in substantially the same form as existed immediately prior to the change, then whether or not her employment terminates, we will accelerate vesting of any restricted stock units she holds.

For purposes of the foregoing, *incumbent directors* means the individuals who were on our Board on March 30, 2012, and any other persons thereafter becoming directors whose election or nomination for election was supported by a majority of the directors who then comprised the incumbent directors.

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Mr. Linehan

We entered into a written employment agreement with William J. Linehan effective as of February 24, 2014, under which he serves as our Executive Vice President, Chief Marketing Officer and receives an annual base salary of \$275,000. He is also entitled to participate in our VPP with a target bonus equal to 40% of his base salary. Mr. Linehan will receive a signing bonus of \$10,000 on April 22, 2014, which he must reimburse in full if he voluntarily terminates his appointment prior to February 24, 2015.

If we terminate Mr. Linehan's employment without cause, we will make a lump-sum severance payment to him equal to one-half of his base annual salary for the year in which the termination occurs. The term "cause" has the same meaning for purposes of Mr. Linehan's agreement as it does for Mr. Mount's.

If there is a constructive termination of Mr. Linehan's employment without cause within twelve months after a change of control, then:

we will make a lump-sum severance payment to him equal to one-half of his base annual salary for the year in which the termination occurs;

we will accelerate vesting on any portion of any equity grant previously made to him under our 2006 Stock Incentive Plan, or any successor plan, that would otherwise have vested after the date of the termination; and

all restrictions on restricted stock issued to him will terminate, and any restricted stock awarded but not yet issued to him will be promptly issued.

The term "change of control" and the circumstances that constitute "constructive termination" are the same for purposes of Mr. Linehan's agreement as they are for Mr. Mount's.

Mr. Sladich

Harry G. Sladich is an at-will employee whose current annual base salary is \$225,000.

Mr. McKeirnan

We have a written employment agreement with Thomas L. McKeirnan under which his current annual base salary is \$225,000. The following is a summary of the other material terms of this employment agreement:

Term of Agreement; Restrictive Covenants

Mr. McKeirnan will serve in his current position through December 31, 2014, unless his agreement terminates earlier in accordance with its terms. Thereafter, his agreement automatically renews for additional one-year periods, unless terminated by either party upon 120-days' notice (a Non-renewal Notice) prior to the end of 2014 or any later calendar year. Following termination of the agreement for any reason, Mr. McKeirnan will generally be prohibited from competing with us for a period of one year or soliciting any of our employees for a period of two years.

Annual Bonus

If Mr. McKeirnan attains the target performance measures determined under our VPP for a particular year, he must be eligible, subject to any discretion accorded the Compensation Committee under the terms of the VPP to withhold a bonus otherwise payable, to receive a bonus equal to at least 30% percent of his base salary for that year.

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Severance Arrangement

If we deliver a Non-Renewal Notice to Mr. McKeirnan or terminate his agreement without cause, or if he terminates his agreement for good reason within six months following the occurrence of the event that constitutes good reason, then:

any stock options held by him will immediately vest and be exercisable;

any stock granted to him will immediately vest, all restrictions on restricted stock held by him will terminate, and any restricted stock awarded but not yet issued to him will be issued;

we must provide a lump-sum severance payment equal to his cash compensation for the prior year (but not less than his total annual base salary rate), plus the target award amount available under the VPP for the year in which the termination occurs (prorated for the portion of the year elapsed at the time of termination), plus a continuation of all life, health and insurance benefits for a one-year period; and

to the extent that the foregoing severance payments or benefits received by him are deemed excess parachute payments within the meaning of Section 280G(b)(1) of the Internal Revenue Code of 1986, as amended (the Code), and thereby result in the imposition upon him of the excise tax imposed by Section 4999 of the Code, we must pay him an additional amount (the Gross-Up Payment) such that the net amount retained by him, after deduction of (i) any excise tax payable on such excess parachute payments and the Gross-Up Payment, and (ii) any federal, state and local income and employment taxes payable on the Gross-Up Payment, is the same as it would have been if such excise tax had not been imposed.

The circumstances that constitute good reason entitling Mr. McKeirnan to severance benefits following a voluntary termination of employment generally relate to: (i) assignment to him of duties materially inconsistent with his positions and responsibilities as described in the agreement; (ii) removing him from such positions; (iii) any material continuing breach of the agreement; and/or (iv) a change in our headquarters office location. However, he will not have good reason unless he gives us written notice of the occurrence of the specified conduct or event that gives rise to his having good reason, and we fail to cure such conduct or event within 30 days after receipt of such notice.

Change of Control Arrangements

If our company undergoes a change of control as defined in Mr. McKeirnan's employment agreement, then all of the stock options held by Mr. McKeirnan will vest and become exercisable; any stock granted to him will immediately vest; all restrictions on restricted stock issued to him will terminate; and any restricted stock awarded but not yet issued to him will be issued.

Table of Contents**Table of Severance Payments and Benefits**

If the employment of our executive officers had terminated on December 31, 2013 under circumstances entitling them to the severance and change of control benefits described above, the lump-sum severance payments payable to the executive officers, and the value of the other severance benefits they would have received, would have been as shown in the following table (due to the fact that there would have been no excess parachute payments on the assumed date of termination, no Gross-Up Payments would have been payable to Mr. McKeirnan with respect to his termination):

Name	Severance Payment	Accelerated Restricted Stock Units(1)	Life, Health and Insurance Benefits	Total
Gregory T. Mount (2)	\$ 0	\$ 0	\$ 0	\$ 0
William J. Linehan (2)	\$ 0	\$ 0	\$ 0	\$ 0
Julie Shiflett (3)	\$ 350,000	\$ 145,048	\$ 0	\$ 495,048
Harry G. Sladich	\$ 0	\$ 0	\$ 0	\$ 0
Thomas L. McKeirnan (3)	\$ 315,000	\$ 175,444	\$ 10,033	\$ 500,477

- (1) The value of the accelerated restricted stock units is calculated by multiplying the number of unvested units by \$6.05, the closing market price of our common stock on December 31, 2013.
- (2) Messrs. Mount and Linehan commenced employment with us after December 31, 2013.
- (3) The severance payment for each of Ms. Shiflett and Mr. McKeirnan equals his or her total cash compensation for 2013 (but not less than his or her total annual base salary rate without taking into account any reduction in salaries that was effective in 2013) plus the target amount available to them under the VPP for 2013.

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DIRECTOR COMPENSATION

The following summarizes our standard compensation arrangements for our directors, which are subject to modification at any time.

Director Compensation Commencing April 1, 2013

Commencing April 1, 2013, we have been paying each of our non-employee directors a retainer at the annual rate of \$100,000. We pay our Chairman of the Board an additional fee at the annual rate of \$40,000. The chair of the Audit Committee receives an additional fee at the annual rate of \$20,000. The chairs of the Compensation Committee and the Nominating and Corporate Governance Committee each receive an additional fee at the annual rate of \$15,000. Non-chair committee members receive an additional fee at the annual rate of \$5,000 for each committee on which they serve. All of these director fees are payable in advance in equal quarterly installments. For each quarter, \$17,500 of the fees is paid in shares of our common stock based on the closing market price on the regularly scheduled quarterly payment date. The balance of the quarterly fees are payable in cash, although they may be paid in stock to the extent a director so elects.

Director Compensation for First Quarter of 2013

During the first quarter of 2013, we paid our Chairman of the Board a retainer of \$9,500. We paid each of our other non-employee directors a retainer of \$7,125. The chair of the Audit Committee received an additional fee of \$4,750. The chairs of each of the Compensation Committee and the Nominating and Corporate Governance Committee received an additional annual fee of \$3,563. Non-chair members of these committees received an additional fee of \$1,188 for each committee on which they served.

All of these director fees were paid in shares of our common stock based on the closing market price on the first business day of the quarter.

Other Payments to Directors

From time to time we have made payments to directors on an *ad hoc* basis for service in connection with special projects or on non-standing committees of the Board.

It is also our policy to reimburse directors for their out-of-pocket expenses incurred in connection with their service on the Board and its committees.

Table of Contents**2013 Director Compensation Table**

The following table shows compensation of the non-employee members of our Board for 2013:

Name	Fees		Total (\$)
	Earned or Paid in	Earned or Paid in	
	Cash \$(1)	Stock (\$)	
Melvin L. Keating	67,500	72,681	140,181
Raymond R. Brandstrom	30,000	61,990	91,990
Ryland P. Davis	40,000	66,741	106,741
James P. Evans (2)	17,500	44,152	61,652
David J. Johnson	26,250	61,648	87,898
Ronald R. Taylor	43,750	65,553	109,303
Michael Vernon	38,166	61,648	99,814
Robert G. Wolfe	43,750	61,648	105,398

- (1) Includes fees paid for services rendered in connection with review of strategic alternatives during a portion of 2013.
- (2) Effective August 12, 2013, Mr. Evans was appointed to serve as our Interim President and Chief Executive Officer. The amounts shown in this table represent amounts paid to him for service as a director prior to that appointment.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees our company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the committee reviewed and discussed the audited financial statements with management.

The committee discussed with BDO USA, LLP, our independent registered public accounting firm, the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees* (AS 16), issued by the Public Company Accounting Oversight Board (PCAOB).

The committee also received the written disclosures and the letter from BDO USA, LLP required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, regarding the independent registered public accounting firm's communications with the committee concerning independence, and has discussed with BDO USA, LLP their independence.

In reliance on the reviews and discussions referred to above, the committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the Securities and Exchange Commission. The committee and the Board have also recommended, subject to shareholder ratification, the selection of BDO USA, LLP as our independent registered public accounting firm for 2014.

Respectfully submitted,

Audit Committee of the Board of Directors

Michael Vernon, Chairman

Raymond R. Brandstrom

Ryland P. Davis

April 2, 2014

Table of Contents**PRINCIPAL ACCOUNTANT FEES AND SERVICES****Fees Paid**

BDO USA, LLP billed our company the amounts shown in the table below for professional services related to 2013 and 2012:

Services Rendered	2013	2012
Audit Fees (1)	\$ 470,000	\$ 451,000
Audit-Related Fees (2)	43,500	88,750
Total Audit and Audit-Related Fees	513,500	539,750
Tax Fees (3)	116,450	242,070
All Other Fees (4)		
Total Fees	\$ 629,950	\$ 781,820

- (1) The audit fees covered the annual audit of our financial statements, Sarbanes-Oxley compliance work and quarterly reviews.
- (2) The audit-related fees covered audit and attest services for entities we consolidate that are required by agreement but not by statute or a regulatory body. They also covered the audit of our employee benefit plan. The audit-related fees for 2012 also include the audit of certain hotel properties.
- (3) The tax fees covered tax returns, year-end tax planning and tax advice. The tax fees for 2012 also included fees related to a fixed asset study.
- (4) BDO USA, LLP did not bill us for any other professional services rendered during 2013 or 2012, and it did not provide our company during either of those years any professional services described in paragraph (c)(4) of Rule 2-01 of Regulation S-X.

Pre-Approval Policies and Procedures

The Audit Committee is responsible for selecting, setting compensation and overseeing the work of our independent registered public accounting firm. The committee has adopted a policy that requires advance approval of audit, audit-related, tax, and other services (audit and non-audit services) performed by the independent registered public accounting firm.

The committee has delegated to its chairman authority to approve permitted services provided that the chairman reports any decisions to the committee at its next regularly scheduled meeting. On an ongoing basis, management communicates specific projects and categories of services for which the advance approval of the committee or chairman is requested. The committee or chairman reviews these requests and advises management if the engagement services of the independent registered public accounting firm are approved. On a periodic basis, management reports to the committee actual spending for audit and non-audit services compared to approved amounts.

Auditor Independence

The Audit Committee has considered and determined that the other professional services provided by BDO USA, LLP are compatible with maintaining its independence.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Under our written Statement of Policy with respect to Related Party Transactions, a related party transaction (as defined below) may be consummated or may continue only if the Audit Committee of our Board, or in certain cases the full Board, approves or ratifies the transaction in accordance with the guidelines set forth in the policy. The policy applies to the following related parties:

our directors;

any of our executive or other officers who are required by Section 16(a) of the Securities Exchange Act of 1934, as amended, to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission;

any person who is the beneficial owner of more than 5% of our common stock;

any immediate family member, as defined in the policy, of any of the foregoing persons; and

any entity that is owned or controlled in substantial part by any of the foregoing persons.

Related party transaction is defined in the policy as a transaction between us and any of the foregoing persons.

Under the policy, the following transactions are deemed to be automatically pre-approved:

any compensation paid to a related party that has been approved by the Compensation Committee;

any charitable contribution, grant or endowment by us to a charitable organization, foundation or university at which a related party's only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved does not exceed the lesser of \$50,000 or two percent of the charitable organization's total annual receipts;

any transaction where the related party's interest arises solely from the ownership of our common stock and all holders of our common stock receive the same benefit on a pro rata basis (e.g. dividends);

any transaction where the related party's interest arises solely from participation in an employee benefit plan maintained by us for the general benefit of all of our employees; and

any transaction with a related party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

No related party transactions occurred during 2013 other than transactions that were deemed to be automatically pre-approved under the policy.

PROPOSALS OF SHAREHOLDERS

Proposals of shareholders to be considered for inclusion in the proxy statement and proxy for our 2015 Annual Meeting of Shareholders must be received by us on or prior to December 19, 2014.

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A shareholder of record, who intends to submit a proposal at the 2015 Annual Meeting of Shareholders that is not eligible for inclusion in the proxy statement or proxy, or who intends to submit one or more nominations for directors at the meeting, must provide us prior written notice. Written notice of any such proposal or nominations should be addressed to our Secretary and received at our principal executive office at 201 West North River Drive, Suite 100, Spokane, Washington 99201 not later than December 19, 2014. The written notice must satisfy certain requirements specified in our By-Laws, which are included in the excerpt from the By-Laws attached as Appendix B to this proxy statement. A complete copy of our By-Laws will be sent to any shareholder upon written request to our Secretary.

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ANNUAL REPORT ON FORM 10-K

A copy of our Annual Report on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission is being mailed with this proxy statement to each shareholder of record. Shareholders not receiving a copy of such Annual Report may obtain one without charge by writing or calling our Secretary, 201 West North River Drive, Suite 100, Spokane, Washington 99201 ((509) 459-6100).

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APPENDIX A

Corporate Governance Guidelines Regarding Director Qualifications

Director Qualification Standards

1. The Nominating and Corporate Governance Committee is responsible for recommending to the Board (1) nominees for Board membership to fill vacancies or newly created positions and (2) the persons to be nominated by the Board for election at our company's annual meeting of shareholders.
2. In connection with the selection and nomination process, the Nominating and Corporate Governance Committee shall review the desired experience, mix of skills and other qualities to assure appropriate Board composition, taking into account the current Board members and the specific needs of our company and the Board. The Board will generally look for individuals who have displayed high ethical standards, integrity and sound business judgment. This process is designed to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to the business of our company.
3. Independent Directors must comprise a majority of the Board.
4. A director will not be an Independent Director if any of the following situations set forth in the following categories apply:
 - (a) the director has been an employee of our company, or any of its consolidated subsidiaries, during the last three years, or the director has an Immediate Family Member who is, or who has been during the last 3 years, an executive officer of our company;
 - (b) the director or the director's Immediate Family Member has received more than \$120,000 per year in direct compensation from our company, or any of its consolidated subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) during any twelve-month period within the last three years;
 - (c) (i) the director is a current partner or employee of a firm that is our company's independent auditor, (ii) the director has an immediate Family Member who is a current partner of such a firm, (iii) the director has an Immediate Family Member who is a current employee of such a firm and personally works on our company's audit, or (iv) the director or an Immediate Family Member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on our company's audit within that time;
 - (d) the director or the director's Immediate Family Member is, or during the last three years, has been, part of an interlocking directorate in which a current executive officer of our company, or any of its consolidated subsidiaries, served on the compensation committee of another company that concurrently employed the director (or any of his or her Immediate Family Members) as an executive officer;
 - (e) the director is a current employee, or the director's Immediate Family member is a current executive officer of a company that makes payments to, or receives payments (exclusive of charitable contributions that the Company discloses on its website or in its annual proxy statement) from, our company, or any of its consolidated subsidiaries, for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of the consolidated gross revenues of such other company;

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- (f) the director has a material relationship with our company, or any of its consolidated subsidiaries, either directly or as a partner, shareholder or officer of an organization that has a material relationship with our company, or any of its consolidated subsidiaries. For this purpose, material relationship is defined as one in which the person, or an entity of which the director (or the director's Immediate Family Member) is an employee, makes payments to, or receives payments from, our company for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other entity's consolidated gross revenues.

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5. In addition to satisfying all of the independence criteria set forth in paragraph 4 of this Section, all members of the Audit Committee must also meet the following requirements:
 - (a) A member of the Audit Committee may not receive consulting, advisory or other compensatory fees from our company, or any of its consolidated subsidiaries, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other committee of the Board (compensatory fees do not include the receipt of fixed amounts under a retirement plan (including deferred compensation) for prior service with our company or any of its consolidated subsidiaries, provided that such compensation is not contingent in any way on continued service).
 - (b) No member of the Audit Committee may be an affiliated person of our company, or any of its consolidated subsidiaries, as such term is defined by the Securities and Exchange Commission.
6. The number of boards on which a director may sit may be reviewed on a case-by-case basis by the Board.
7. The Board has not established term limits for directors. Although term limits can promote the inclusion on the Board of people with diverse perspectives, the process described in paragraph 2 of this Section can achieve the same result. Moreover, term limits have the disadvantage of causing our company to lose the contributions of directors who have been able to develop, over a period of time, increasing insight into our company and its operations, thereby increasing their contributions to our company. However, in order to promote both continuity and turnover, and to further the expectation that Board members will be very actively involved in both the affairs of our company and the communities which our company serves, the Board will normally not nominate a person who would be serving on the Board after the age of 75.
8. Each director shall be obligated to notify the Chairman of the Board of our company promptly upon learning of any fact which causes such director not to be considered an Independent Director, as set forth in paragraph 4 above, or if any entity of which such director is an officer or director becomes a competitor of our company. The Nominating and Corporate Governance Committee shall review the situation and make a prompt recommendation to the Board.

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APPENDIX B

Provisions of By-Laws Regarding Director Nominations

Section 3.3 Nominations and Qualifications of Directors.

- (1) Nominations of candidates for election as directors at an annual meeting of shareholders may only be made (i) by, or at the direction of, the Board of Directors or (ii) by any shareholder of the Corporation who is entitled to vote at the meeting and who complies with the procedures set forth in the remainder of this Section 3.3.
- (2) If a shareholder proposes to nominate one or more candidates for election as directors at an annual meeting, the shareholder must have given timely notice thereof to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to, or mailed and received at, the Principal Office (i) not less than one hundred twenty (120) days prior to the first anniversary of the date that the Corporation's proxy statement was released to shareholders in connection with the previous year's annual meeting; (ii) a reasonable time before the Corporation begins to print and mail its proxy materials if the date of this year's annual meeting has been changed by more than thirty (30) days from the date of the previous year's meeting; or (iii) not more than seven (7) days following the delivery to shareholders of the notice of annual meeting with respect to the current year's annual meeting, if the Corporation did not release a proxy statement to shareholders in connection with the previous year's annual meeting, or if no annual meeting was held during such year.
- (3) A shareholder's notice to the Secretary under Section 3.3(2) shall set forth, as to each person whom the shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the number and class of shares of stock of the Corporation that are beneficially owned on the date of such notice by such person and (iv) if the Corporation at such time has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act), any other information relating to such person required to be disclosed in solicitations of proxies with respect to nominees for election as directors pursuant to Regulation 14A under the Exchange Act, including but not limited to information required to be disclosed by Schedule 14A of Regulation 14A, and any other information that the shareholder would be required to file with the Securities and Exchange Commission in connection with the shareholder's nomination of such person as a candidate for director or the shareholder's opposition to any candidate for director nominated by, or at the direction of, the Board of Directors. In addition to the above information, a shareholder's notice to the Secretary under Section 3.3(2) shall (A) set forth (i) the name and address, as they appear on the Corporation's books, of the shareholder and of any other shareholders that the shareholder knows or anticipates will support any candidate or candidates nominated by the shareholder and (ii) the number and class of shares of stock of the Corporation that are beneficially owned on the date of such notice by the shareholder and by any such other shareholders and (B) be accompanied by a statement in the form of a record, executed and acknowledged by each candidate nominated by the shareholder, that the candidate agrees to be so nominated and to serve as a director of the Corporation if elected at the annual meeting.
- (4) The Board of Directors, or a designated committee thereof, may reject any shareholder's nomination of one or more candidates for election as directors if the nomination is not made pursuant to a shareholder's notice timely given in accordance with the terms of Section 3.3(2). If the Board of Directors, or a designated committee thereof, determines that the information provided in a shareholder's notice does not satisfy the requirements of Section 3.3(3) in any material respect, the Secretary of the Corporation shall notify the shareholder of the deficiency in the notice. The shareholder shall have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time, not to exceed five (5) days from the date such deficiency notice is given to the shareholder, as the Board of Directors or such committee shall reasonably determine. If the deficiency is not cured within such period, or if the Board of Directors or such committee determines that the additional information provided by the shareholder, together with information previously provided, does not satisfy the requirements of Section 3.3(3) in any material respect, then the Board of Directors or such committee may reject the shareholder's notice.

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- (5) Notwithstanding the procedures set forth in Section 3.3(4), if a shareholder proposes to nominate one or more candidates for election as directors at an annual meeting, and neither the Board of Directors nor any committee thereof has made a prior determination of whether the shareholder has complied with the procedures set forth in this Section 3.3 in connection with such nomination, then the chairman of the annual meeting shall determine and declare at the annual meeting whether the shareholder has so complied. If the chairman determines that the shareholder has so complied, then the chairman shall so state and ballots shall be provided for use at the meeting with respect to such nomination. If the chairman determines that the shareholder has not so complied, then, unless the chairman, in his or her sole and absolute discretion, determines to waive such compliance, the chairman shall state that the shareholder has not so complied and the defective nomination shall be disregarded.
- (6) All directors of the Corporation shall be at least twenty-one years of age. Directors need not be shareholders or residents of the State of Washington. At each meeting of shareholders for the election of directors at which a quorum is present, the persons receiving a plurality of the votes cast shall be elected directors.

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ANNUAL MEETING OF SHAREHOLDERS OF

RED LION HOTELS CORPORATION

May 20, 2014

PROXY VOTING INSTRUCTIONS

INTERNET - Access **www.voteproxy.com** and follow the on-screen instructions. Have your proxy card available when you access the web page, and use the Company Number and Account Number shown on your proxy card.

TELEPHONE - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call and use the Company Number and Account Number shown on your proxy card.

Vote online/phone until 11:59 PM EDT the day before the meeting.

COMPANY NUMBER

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

ACCOUNT NUMBER

IN PERSON - You may vote your shares in person by attending the Annual Meeting.

i Please detach along perforated line and mail in the envelope provided. i

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

1. TO ELECT SEVEN DIRECTORS TO THE BOARD OF DIRECTORS:

3.

FOR AGAINST ABSTAIN

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NOMINEES:

APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS.

	FOR	AGAINST	ABSTAIN
RAYMOND R. BRANDSTROM
RYLAND P. SKIP DAVIS
JAMES P. EVANS
DAVID J. JOHNSON
MELVIN L. KEATING
MICHAEL VERNON
ROBERT G. WOLFE

	FOR	AGAINST	ABSTAIN
2. RATIFICATION OF SELECTION OF BDO USA, LLP TO SERVE AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN. **EXCEPT AS OTHERWISE DIRECTED, THIS PROXY WILL BE VOTED:**

FOR THE ELECTION OF ALL DIRECTORS LISTED IN PROPOSAL 1

FOR PROPOSALS 2 AND 3

IN THE DISCRETION OF THE PROXIES ON ALL OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

The Board of Directors recommends a vote **FOR** all nominees listed in Proposal 1 and **FOR** Proposals 2 and 3

TO INCLUDE ANY COMMENTS, USE THE COMMENTS BOX ON THE REVERSE SIDE HEREOF.

Signature of Shareholder

Date:

Signature of Shareholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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IN THE DISCRETION OF THE PROXIES ON ALL OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING

The Board of Directors recommends a vote FOR all nominees listed in Proposal 1 and FOR Proposals 2 and 3

TO INCLUDE ANY COMMENTS, USE THE COMMENTS BOX ON THE REVERSE SIDE HEREOF.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Shareholder

Date:

Signature of Shareholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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**PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS OF
RED LION HOTELS CORPORATION**

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

**As an alternative to completing this form, you may enter your voting instructions by telephoning
1-800-PROXIES, or going to WWW.VOTEPROXY.COM, and following the simple instructions.**

Use the Company Number and Account Number shown on your proxy card.

The undersigned hereby constitutes and appoints Thomas L. McKeirnan and Gregory T. Mount, and each of them, the undersigned's true and lawful agents and proxies with full power of substitution in each, to represent and to vote, in such manner as in their discretion shall be deemed appropriate to carry out the authority as designated on the reverse side, all shares of Common Stock of Red Lion Hotels Corporation that the undersigned would be entitled to vote if present in person at the Annual Meeting of Shareholders of Red Lion Hotels Corporation to be held on Tuesday, May 20, 2014, at 9:00 a.m. local time at the Red Lion Hotel at the Park, Skyline Ballroom, 303 West North River Drive, Spokane, Washington and at any adjournments thereof, on all matters that may come before the meeting, including matters incident to the conduct of the meeting and any shareholder proposal omitted from the proxy statement and this proxy pursuant to the rules of the Securities and Exchange Commission.

You are encouraged to specify your choices by marking the appropriate boxes, SEE REVERSE SIDE, but you need not mark any boxes if you wish to vote in accordance with the Board of Directors' recommendations.

(Continued and to be signed on the reverse side)

COMMENTS: