

# SECURITIES AND EXCHANGE COMMISSION

## FORM SC 13D/A

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities [amend]

Filing Date: **1998-09-10**  
SEC Accession No. **0000950142-98-000707**

([HTML Version](#) on [secdatabase.com](#))

### SUBJECT COMPANY

#### **CANDLEWOOD HOTEL CO INC**

CIK: **1022820** | IRS No.: **481188025** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **SC 13D/A** | Act: **34** | File No.: **005-48191** | Film No.: **98707626**  
SIC: **7011** Hotels & motels

Mailing Address  
*C/O LATHAM & WATKINS  
650 TOWN CENTRE DRIVE  
20TH FLOOR  
COSTA MESA CA 92626*

Business Address  
*9342 EAST CENTRAL  
LAKEPOINT OFFICE PARK  
WICHITA KS 67206  
3166311300*

### FILED BY

#### **PECKS MANAGEMENT PARTNERS LTD /ADV**

CIK: **865599** | IRS No.: **113015963** | State of Incorporation: **NY** | Fiscal Year End: **1231**  
Type: **SC 13D/A**

Business Address  
*1 ROCKEFELLER PLAZA  
STE 900  
NEW YORK NY 10020  
2123321333*

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934  
(Amendment No. 1)\*

Candlewood Hotel Company, Inc.  
(Name of Issuer)

Common Stock (par value \$.01 per share)  
(Title of Class of Securities)

13741M 108  
(CUSIP Number)

Desai Capital Management, Inc.  
540 Madison Avenue  
New York, New York 10022  
Attention: Mr. Frank Pados  
Tel. No. (212) 838-9191  
(Name, Address and Telephone Number of  
Person Authorized to Receive Notices  
and Communications)

July 13, 1998  
(Date of Event which Requires Filing of  
this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this statement because of Rule 13d-1(b) (3) or (4), check the following box [ ].

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act

but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

CUSIP NO. 13741M 108  
-----

1 NAME OF REPORTING PERSON

The Mutual Life Insurance Company of New York EIN: 13-1632487

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  [X]

(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(D) OR 2(E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

State of New York

NUMBER OF	7	SOLE VOTING POWER
SHARES		681,894
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		-0-
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		681,894
PERSON	10	SHARED DISPOSITIVE POWER
WITH		-0-

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

681,894

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

[ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

7.0%

14 TYPE OF REPORTING PERSON

PN

SCHEDULE 13D

CUSIP NO. 13741M 108

-----

Page 3 of 24 Pages

1 NAME OF REPORTING PERSON

Pecks Management Partners Ltd. EIN: 11-3015963

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  [X]

(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(D) OR 2(E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

State of New York

NUMBER OF	7	SOLE VOTING POWER
SHARES		1,631,620
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		-0-
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		1,631,620
PERSON	10	SHARED DISPOSITIVE POWER
WITH		-0-

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,631,620

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.3%

14 TYPE OF REPORTING PERSON

IA

SCHEDULE 13D

CUSIP NO. 13741M 108  
-----

Page 4 of 24 Pages

1 NAME OF REPORTING PERSON

Advance Capital Offshore Partners, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [X]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(D) OR 2(E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

Cayman Islands

NUMBER OF SHARES	7	SOLE VOTING POWER
		-0-
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER
EACH		137,500
REPORTING	9	SOLE DISPOSITIVE POWER
		-0-

PERSON  
WITH

10 SHARED DISPOSITIVE POWER  
137,500

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

137,500

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES

[ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

1.5%

14 TYPE OF REPORTING PERSON

PN

SCHEDULE 13D

CUSIP NO. 13741M 108  
-----

Page 5 of 24 Pages

1 NAME OF REPORTING PERSON

Advance Capital Partners, L.P. EIN: 13-3861661

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  [X]

(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

State of Delaware

NUMBER OF

7 SOLE VOTING POWER

SHARES	-0-
BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	8 SHARED VOTING POWER 431,130
	9 SOLE DISPOSITIVE POWER -0-
	10 SHARED DISPOSITIVE POWER 431,130

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
431,130

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [ ]  
Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
4.5%

14 TYPE OF REPORTING PERSON  
PN

SCHEDULE 13D

CUSIP NO. 13741M 108  
-----

1 NAME OF REPORTING PERSON  
Advance Capital Associates, L.P. EIN: 13-3861660

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP  
(a) [X]  
(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS  
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2 (D) OR 2 (E)

State of Delaware

NUMBER OF	7	SOLE VOTING POWER
SHARES		-0-
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		586,630
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		-0-
PERSON	10	SHARED DISPOSITIVE POWER
WITH		586,630

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

586,630

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

[ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

6%

14 TYPE OF REPORTING PERSON

PN

SCHEDULE 13D

CUSIP NO. 13741M 108  
-----

1 NAME OF REPORTING PERSON

Advance Capital Offshore Associates, LDC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [X]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS



00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

Cayman Islands

NUMBER OF	7	SOLE VOTING POWER
SHARES		-0-
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		137,500
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		-0-
PERSON	10	SHARED DISPOSITIVE POWER
WITH		137,500

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

137,500

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES

[ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

1.5%

14 TYPE OF REPORTING PERSON

00

SCHEDULE 13D

CUSIP NO. 13741M 108

Page 8 of 24 Pages

-----

1 NAME OF REPORTING PERSON

Advance Capital Management, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [X]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

State of Delaware

NUMBER OF	7	SOLE VOTING POWER
SHARES		-0-
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		568,630
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		-0-
PERSON	10	SHARED DISPOSITIVE POWER
WITH		568,630

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

568,630

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES

[ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

6%

14 TYPE OF REPORTING PERSON

OO

SCHEDULE 13D

CUSIP NO. 13741M 108  
-----

Page 9 of 24 Pages

1 NAME OF REPORTING PERSON

Private Equity Investors III, L.P. EIN: 13-3946904

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  [X]

(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

State of New York

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 1,727,578
	9	SOLE DISPOSITIVE POWER -0-
	10	SHARED DISPOSITIVE POWER 1,727,578

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,727,578, but 3,455,156 if considered together with Equity-Linked  
Investors-II

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES  [ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

16.0%, but approximately 32% if considered together with Equity-Linked  
Investors-II

14 TYPE OF REPORTING PERSON

PN

SCHEDULE 13D

CUSIP NO. 13741M 108

Page 10 of 24 Pages

-----

1 NAME OF REPORTING PERSON

Equity-Linked Investors-II

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  [X]

(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(D) OR 2(E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

State of New York

NUMBER OF	7	SOLE VOTING POWER
SHARES		-0-
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		1,727,578
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		-0-
PERSON	10	SHARED DISPOSITIVE POWER
WITH		1,727,578

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,727,578, but 3,455,156 if considered together with Private Equity Investors III, L.P.

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

[ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

16.0%, but approximately 32.0% if considered together with Private Equity Investors III, L.P.

14 TYPE OF REPORTING PERSON

SCHEDULE 13D

CUSIP NO. 13741M 108  
-----

1 NAME OF REPORTING PERSON

Rohit Mujilal Desai SS#: ###-##-####

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  [X]

(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7 8 9 10	SOLE VOTING POWER -0- SHARED VOTING POWER 1,727,578 SOLE DISPOSITIVE POWER -0- SHARED DISPOSITIVE POWER 1,727,578
--	-------------------	--

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,727,578

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES

[ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

32.0%

14 TYPE OF REPORTING PERSON

IN

SCHEDULE 13D

CUSIP NO. 13741M 108

-----

Page 12 of 24 Pages

1 NAME OF REPORTING PERSON

Desai Capital Management Incorporated

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)  [X]

(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2 (D) OR 2 (E)

6 CITIZENSHIP OR PLACE OR ORGANIZATION

New York

NUMBER OF	7	SOLE VOTING POWER
SHARES		-0-
BENEFICIALLY	8	SHARED VOTING POWER
OWNED BY		1,727,578
EACH	9	SOLE DISPOSITIVE POWER
REPORTING		-0-
PERSON	10	SHARED DISPOSITIVE POWER
WITH		1,727,578

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,727,578

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN  
SHARES

[ ]

Not Applicable

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

32.0%

14 TYPE OF REPORTING PERSON

IA, CO

Page 13 of 24

This Amendment No. 1 with respect to the Schedule 13D filed on May 29, 1998 (the "Statement"), relating to the common stock, par value \$.01 per share, of Candlewood Hotel Company, Inc., a Delaware corporation, hereby amends the Statement in the following respects only. Unless otherwise indicated, all capitalized terms shall have the same meaning as provided in the Statement.

Item 1. Security and Issuer.

Item 1 is hereby amended by the deletion of the first paragraph and the insertion of the following in replacement thereof:

This statement relates to the common stock, par value \$.01 per share (the "Common Stock"), of Candlewood Hotel Company, Inc., a Delaware corporation (the "Issuer"), beneficially owned by the Reporting Persons (as defined below), through their respective holdings of (i) shares of Series A Cumulative Convertible Preferred Stock, par value \$.01 per share (the "Preferred Stock"), of the Issuer convertible into Common Stock at the option of the holder, (ii) shares of Series B Cumulative Convertible Preferred Stock, par value \$.01 per share (the "Series B Preferred Stock"), of the Issuer convertible into Common Stock at the option of the holder and (iii) warrants ("Warrants") exercisable for shares of Common Stock at the option of the holder. The Issuer's principal executive offices are located at Lakepoint Office Park 9342 East Central, Wichita, Kansas 67206-2555.

Item 3. Source and Amount of Funds or Other Consideration.

Item 3 is hereby amended by the deletion of the first paragraph and the insertion of the following in replacement thereof:

The shares of Common Stock of the Issuer are beneficially owned by the Reporting Persons through their respective purchases pursuant to (i) the Stock Purchase Agreement, dated as of September 22, 1997, among the Issuer, the Reporting Persons and certain other

purchasers of the shares of Preferred Stock of the Issuer and (ii) the Securities Purchase Agreement, dated as of June 30, 1998, among the Issuer, the Reporting Persons and certain other purchasers of shares of Series B Preferred Stock and Warrants.

Item 3 is hereby further amended by the insertion of the following after the last paragraph thereof:

7. MONY acquired 3,000 shares of Series B Preferred Stock and 24,000 Warrants on July 13, 1998 for a purchase price of \$3,000,000. MONY used its general account assets in the amount of \$3,000,000 to finance this purchase.

8. PECKS acquired 7,900 shares of Series B Preferred Stock and 63,190 Warrants on July 13, 1998 for a purchase price of \$7,900,000. PECKS used its investment funds in the amount of \$7,900,000 to finance this purchase.

Page 14 of 24

9. Advance Offshore I acquired 477 shares of Series B Preferred Stock and 3,816 Warrants on July 13, 1998 for a purchase price of \$477,000. Advance Capital I acquired 1,523 shares of Series B Preferred Stock and 12,184 Warrants on July 13, 1998 for a purchase price of \$1,523,000. Funds in the aggregate amount of \$2,000,000 necessary for the purchases were provided by capital contributions of limited partners and general partners of Advance Offshore I and Advance Capital I, respectively.

10. PEI-III acquired 11,400 shares of Series B Preferred Stock and 91,200 Warrants on July 13, 1998 for a purchase price of \$11,400,000 and 600 shares of Series B Preferred Stock and 4,800 Warrants on August 3, 1998 for a purchase price of \$600,000. ELI-II acquired 11,400 shares of Series B Preferred Stock and 91,200 Warrants on July 13, 1998 for a purchase price of \$11,400,000 and 600 shares of Series B Preferred Stock and 4,800 Warrants on August 3, 1998 for a purchase price of \$600,000. In making these purchases, PEI-III and ELI-II used working capital from their respective operating accounts, which are funded by capital contributions from the limited partners of PEI-III and ELI-II and gains and proceeds from PEI-III's and ELI-II's investment portfolios.

Item 4. Purpose of Transaction.

Item 4 is hereby amended by the deletion of the first paragraph and the insertion of the following in replacement thereof:

The Reporting Persons hold shares of Preferred Stock, shares of Series B Preferred Stock and Warrants for the purpose of investment,



in view of capital appreciation of securities.

Item 4 is hereby further amended by the insertion of the following after the third paragraph thereof:

In connection with the issuance of shares of Series B Preferred Stock and Warrants, the following changes resulted:

(a) The maximum number of the directors of the Issuer was increased from ten (10) to twelve (12) directors.

(b) The Board of Directors authorized the issuance of 42,000 shares of Preferred Stock and 336,000 Warrants and reserved 4,757,053 shares of Common Stock to be issued upon conversion of the Series B Preferred Stock and exercise of such Warrants or such lesser or greater number of shares of Common Stock as the then outstanding shares of Series B Preferred Stock are convertible into and Warrants are exercisable for.

(c) The Issuer's charter and bylaws were amended so as to reflect changes in capitalization and in the structure of the Board of Directors of the Issuer.

Page 15 of 24

Item 5. Interest in the Securities of the Issuer.

Item 5 is hereby amended by the deletion of the first two paragraphs and the paragraphs numbered 1, 2, 3 and 4 of the response to Item 5(a), (b) and the replacement thereof by the following:

Item 5(a), (b).

The Reporting Persons together beneficially own an aggregate of 7,416,247 shares of Common Stock or approximately 45% of the issued and outstanding shares of Common Stock through holdings of an aggregate of (i) 30,750 shares of Preferred Stock of the Issuer (preferences and special rights of Preferred Stock are listed in the Certificate of Designation, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof (the "Certificate of Designation") attached hereto as Exhibit D, which is hereby incorporated by reference in its entirety), (ii) 36,900 shares of Series B Preferred Stock of the Issuer (preferences and special rights of Series B Preferred Stock are listed in the Certificate of Designation, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof (the "Series B Certificate of Designation") attached hereto as Exhibit F, which is

hereby incorporated by reference in its entirety), and (iii) 295,200 Warrants (the rights of the Warrants are listed in the Form of Warrant attached hereto as Exhibit G, which is hereby incorporated by reference in its entirety). Pursuant to the Certificate of Designation, holders of the shares of Preferred Stock are entitled, upon the failure of the Issuer to redeem the shares of Preferred Stock in accordance with the mandatory redemption provisions of the Certificate of Designation, to receive warrants to purchase additional shares of Common Stock of the Issuer upon terms and conditions stated in the Form of Warrant attached hereto as Exhibit E, which is hereby incorporated by reference in its entirety. Pursuant to the Series B Certificate of Designation, holders of shares of Series B Preferred Stock are entitled, upon the failure of the Issuer to redeem the shares of Series B Preferred Stock in accordance with the mandatory redemption provisions of the Series B Certificate of Designation, to receive warrants to purchase additional shares of Common Stock upon terms and conditions stated in the Form of Penny Warrant attached hereto as Exhibit H, which is hereby incorporated by reference in its entirety. The Reporting Persons, therefore, may be entitled to receive warrants to purchase additional shares of Common Stock of the Issuer. According to the information provided by the Issuer to the Reporting Persons, the Issuer presently has 9,025,000 shares of Common Stock issued and outstanding. The Preferred Stock and the Series B Preferred Stock votes on an "as converted" basis on all matters calling for a vote of Common Stock shareholders.

If the Issuer grants, issues or sells any rights or options to purchase stock, warrants or other property ("Purchase Rights") pro rata to the holders of Common Stock, the Reporting Persons are entitled, pursuant to the Certificate of Designation and the Series B Certificate of Designation, to a right, at their option, either to have the conversion price of Preferred Stock or Series B Preferred Stock, as the case may be, adjusted, or to acquire such

Page 16 of 24

Purchase Rights as they could have acquired if they held the number of shares of Common Stock issuable upon conversion of the shares of Preferred Stock and Series B Preferred Stock held by them immediately prior to the time the issuer granted, issued or sold such Purchase Rights.

1. MONY. MONY beneficially owns 681,894 shares of Common Stock of the Issuer through its holdings of 3,250 shares of Preferred Stock, 3,000 shares of Series B Preferred Stock and 24,000 Warrants. If MONY were to convert all its Preferred Stock, Series B Preferred Stock and Warrants into shares of Common Stock, it would own approximately 7.0% of the issued and outstanding shares of Common Stock. To the best knowledge of MONY, no person other than MONY has the power to vote or to direct the vote and to dispose or to direct the disposition of any

of the securities beneficially owned by MONY.

2. PECKS. PECKS beneficially owns 1,631,620 shares of Common Stock of the Issuer through its holdings of 7,900 shares of Preferred Stock 7,900 shares of Series B Preferred Stock and 63,200 Warrants. If PECKS were to convert all its Preferred Stock, Series B Preferred Stock and Warrants into shares of Common Stock, it would own approximately 15.3% of the issued and outstanding shares of Common Stock. To the best knowledge of PECKS, no person other than PECKS has the power to vote or to direct the vote and to dispose or to direct the disposition of any of the securities beneficially owned by PECKS.

3. Advance Capital. Advance Offshore I beneficially owns 137,500 shares of Common Stock of the Issuer through its holdings of 793 shares of Preferred Stock, 477 Shares of Series B Preferred Stock and 3,816 Warrants. If Advance Offshore I were to convert all its Preferred Stock, Series B Preferred Stock and Warrants into shares of Common Stock, it would own approximately 1.5% of the issued and outstanding shares of Common Stock. Advance Capital I beneficially owns 431,130 shares of Common Stock of the Issuer through its holdings of 2,457 shares of Preferred Stock, 1,523 shares of Series B Preferred Stock and 12,184 Warrants. If Advance Capital I were to convert all its Preferred Stock, Series B Preferred Stock and Warrants into shares of Common Stock, it would own approximately 4.5% of the issued and outstanding shares of Common Stock. Advance Offshore I shares the power to vote or to direct the vote and to dispose or to direct the disposition of shares of Common Stock which it may be deemed to beneficially own with Advance Offshore II, its general partner. Advance Capital II, the majority shareholder of Advance Offshore II and the general partner of Advance Capital I, has shared power to vote or to direct the vote and to dispose or to direct the disposition of shares of Common Stock which Advance Offshore I and Advance Capital I may be deemed to beneficially own. Advance Capital III, the managing general partner of Advance Capital II, has shared power to vote or to direct the vote and to dispose or to direct the disposition of shares of Common Stock which Advance Offshore I and Advance Capital I may be deemed to beneficially own.

4. DESAI. PEI-III beneficially owns 1,727,578 shares of Common Stock of the Issuer through its holdings of 3,500 shares of Preferred Stock,

Page 17 of 24

12,000 shares of Series B Preferred Stock and 96,000 Warrants. If PEI-III were to convert all its Preferred Stock, Series B Preferred Stock and Warrants into shares of Common Stock, it would own approximately 16.0% of the issued and outstanding shares of Common Stock. The power to vote or to direct the vote and to dispose of or to direct the disposition of shares of Common Stock held by PEI-III is

vested in its general partner RMDA-III but such decisions (and similar decisions with respect to the rest of PEI-III's investment portfolio) may also be made by DCMI under an investment and advisory agreement between PEI-III and DCMI.

ELI-II beneficially owns 1,727,578 shares of Common Stock of the Issuer through its holdings of 3,500 shares of Preferred Stock, 12,000 shares of Series B Preferred Stock and 96,000 Warrants. If ELI-II were to convert all its Preferred Stock, Series B Preferred Stock and Warrants into shares of Common Stock, it would own approximately 16.0% of the issued and outstanding shares of Common Stock. The power to vote or to direct the vote and to dispose of or to direct the disposition of shares of Common Stock held by ELI-II is vested in its general partner RMDA-II but such decisions (and similar decisions with respect to the rest of ELI-II's investment portfolio) may also be made by DCMI under an investment and advisory agreement between ELI-II and DCMI.

Desai is the managing general partner of RMDA-II, managing member of RMDA-III and the sole stockholder, chairman of the board of directors, president and treasurer of DCMI. Katherine B. Desai is the secretary and a director of DCMI, a general partner of RMDA-II and trustee of the Rohit M. Desai Family Trust. The Rohit M. Desai Family Trust is a general partner of RMDA-II. Joseph F. McDonald is the trustee of the Rohit M. Desai Family Trust. Frank J. Pados, Jr. is an executive vice president of DCMI. Damon H. Ball and Thomas P. Larsen are senior vice presidents of DCMI. Timothy R. Kelleher, Andre J. McSherry and Tom W. Perlmutter are vice presidents of DCMI. DCMI and Desai may each be deemed to share the power to vote or to direct the vote and may be deemed to share the power to dispose or to direct the disposition with respect to other securities held by PEI-III and ELI-II. Pursuant to Rule 13d under the Securities Exchange Act of 1934, DCMI, the Rohit M. Desai Family Trust, Joseph F. McDonald and each person identified and listed in Schedule V hereby declare that the filing of this Schedule 13D shall not be construed as an admission that any person other than PEI-III and ELI-II is the beneficial owner of any securities covered by this Schedule 13D, or that PEI-III and ELI-II is the beneficial owner of any securities held by the other.

Item 5 is hereby further amended by the deletion of the responses to Item 5(c) and 5(d) and the replacement thereof by the following:

Item 5(c).

The Reporting Persons have not effected any transactions in the Preferred Stock, Series B Preferred Stock, Warrants or Common Stock of the Issuer during the past sixty days.

Item 5(d).

No other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the shares of the Common Stock into which the shares of the Preferred Stock shares of Series B Preferred Stock and Warrants beneficially owned by the Reporting Persons are convertible or exercisable for.

Item 6. Contracts, Arrangements, Undertakings or Relationships with Respect to Securities of the Issuer.

Item 6 is hereby amended by the deletion of the first two paragraphs and the replacement thereof by the following:

The Reporting Persons are parties to the Amended and Restated Stockholders Agreement, dated July 10, 1998 (the "Amended and Restated Stockholders Agreement"), among the Issuer, Doubletree Corporation, the Warren D. Fix Family Partnership, L.P., Jack P. DeBoer (on behalf of himself and as representative of the Alexander John DeBoer Trust and the Christopher Scott DeBoer Trust), and each of the other parties signatory thereto. Pursuant to the Amended and Restated Stockholders Agreement, the Reporting Persons agreed to vote their shares for certain nominees for election to the Board of Directors. One nominee is to be designated by PECKS. The current designee of PECKS is Mr. Robert Cresci. One nominee is to be designated by PEI-III and ELI-II, jointly. The current designee of PEI-III and ELI-II is Mr. Frank Pados. In addition, the holders of a majority of shares of Series B Preferred Stock have the right to nominate one member of the Board of Directors. PEI-III, as the holder of a majority of the outstanding shares of Series B Preferred Stock, is able to control the selection of the director nominated by the holders of shares of Series B Preferred Stock. The Amended and Restated Stockholders Agreement supersedes in its entirety the Stockholders Agreement entered into in connection with the issuance of the Preferred Stock. The Amended and Restated Stockholders Agreement is attached hereto as Exhibit I and is hereby incorporated by reference in its entirety.

The Reporting Persons are parties to the Amended and Restated Registration Rights Agreement, dated as of July 10, 1998 (the "Amended and Restated Registration Rights Agreement"), among the Issuer, Doubletree Corporation, the Warren D. Fix Family Partnership, L.P., Jack P. DeBoer (on behalf of himself and as representative of the Alexander John DeBoer Trust and the Christopher Scott DeBoer Trust), and each of the other parties signatory thereto. Pursuant to the Registration Rights Agreement, under the circumstances and subject to the limitations specified therein, the Issuer has the obligation to register for sale under the Securities Act of 1933, as amended, certain shares of Common Stock held by the parties thereto. The Amended and Restated Registration Rights Agreement supersedes in its entirety the Registration Rights Agreement entered into in connection with the

Agreement is attached hereto as Exhibit J and is hereby incorporated by reference in its entirety.

Item 7. Material to Be Filed as Exhibits.

Item 7 is hereby amended by the insertion of the following:

Exhibit F: Certificate of Designation, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications Limitations and Restrictions Thereof of Series B Cumulative Convertible Preferred Stock of the Issuer certified by the Office of the Secretary of State of the State of Delaware on July 13, 1998.

Exhibit G: Form of Warrant.

Exhibit H: Form of Penny Warrant.

Exhibit I: Stockholders Agreement, dated as of July 10, 1998, among the Issuer, Doubletree Corporation, the Warren D. Fix Family Partnership, L.P., Jack P. DeBoer (on behalf of himself and as representative of the Alexander John DeBoer Trust and the Christopher Scott DeBoer Trust), and each of the other parties signatory thereto.

Exhibit J: Registration Rights Agreement, dated as of July 10, 1998, among the Issuer, Doubletree Corporation, the Warren D. Fix Family Partnership, L.P., Jack P. DeBoer (on behalf of himself and as representative of the Alexander John DeBoer Trust and the Christopher Scott DeBoer Trust), and each of the other parties signatory thereto.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: August 24, 1998

J. ROMEO & CO., as nominee for The Mutual Life Insurance Company of New

York

By: /s/ Peter Coccia

-----

Name: Peter Coccia

Title: Partner

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: August 24, 1998

PECKS MANAGEMENT PARTNERS LTD.

By: /s/ Robert J. Cresci

-----

Name: Robert J. Cresci

Title: Managing Director

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: August 24, 1998

ADVANCE CAPITAL PARTNERS, L.P.

By: Advance Capital Associates, L.P.

By: Advance Capital Management, LLC

By: /s/ Robert A. Bernstein

-----

Name: Robert A. Bernstein

Title: Principal

Page 21 of 24

ADVANCE CAPITAL OFFSHORE  
PARTNERS, L.P.

By: Advance Capital Offshore  
Associates, LDC

By: Advance Capital Associates, L.P.

By: Advance Capital Management, LLC

By: /s/ Robert A. Bernstein

-----

Name: Robert A. Bernstein

Title: Principal

ADVANCE CAPITAL OFFSHORE  
ASSOCIATES, LDC

By: Advance Capital Associates, L.P.  
By: Advance Capital Management, LLC

By: /s/ Robert A. Bernstein  
-----

Name: Robert A. Bernstein  
Title: Principal

ADVANCE CAPITAL ASSOCIATES, L.P.

By: Advance Capital Management, LLC

By: /s/ Robert A. Bernstein  
-----

Name: Robert A. Bernstein  
Title: Principal

ADVANCE CAPITAL MANAGEMENT LLC

By: /s/ Robert A. Bernstein  
-----

Name: Robert A. Bernstein  
Title: Principal

Page 22 of 24

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: August 24, 1998

PRIVATE EQUITY INVESTORS III,  
L.P.

By: Rohit M. Desai Associates III,  
LLC General Partner

By: /s/ Rohit M. Desai  
-----

Name: Rohit M. Desai  
Title: Managing Member



EQUITY-LINKED INVESTORS-II

By: Rohit M. Desai Associates-II  
General Partner

By: /s/ Rohit M. Desai  
-----

Name: Rohit M. Desai  
Title: Managing General Partner

DESAI CAPITAL MANAGEMENT  
INCORPORATED

By: /s/ Rohit M. Desai  
-----

Name: Rohit M. Desai  
Title: President

/s/ Rohit M. Desai  
-----

Rohit M. Desai

Page 23 of 24

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: August 24, 1998

LNR CANDLEWOOD HOLDINGS, INC.

By: /s/ Shelly Rubin  
-----

Name: Shelly Rubin  
Title: Vice President

LEISURE COLONY MANAGEMENT CORP.

By: /s/ Shelly Rubin  
-----

Name: Shelly Rubin  
Title: Vice President

By: /s/ Shelly Rubin

-----  
Name: Shelly Rubin  
Title: Vice President

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: August 24, 1998

ALLIED CAPITAL CORPORATION

By: /s/ Kelly A. Anderson

-----  
Name: Kelly A. Anderson  
Title: Principal and Treasurer

INDEX TO EXHIBITS

Exhibit -----	Description -----	Page Number -----
Exhibit F	Certificate of Designation, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications Limitations and Restrictions Thereof of Series B Cumulative Convertible Preferred Stock of the Issuer certified by the Office of the Secretary of State of the State of Delaware on July 13, 1998.	
Exhibit G	Form of Warrant	
Exhibit H	Form of Penny Warrant	
Exhibit I	Stockholders Agreement, dated as of July 10, 1998, among the Issuer, Doubletree Corporation, the Warren D. Fix Family Partnership, L.P., Jack P. DeBoer (on behalf of himself and as representative of the Alexander John DeBoer Trust and the Christopher Scott DeBoer Trust), and each of the other parties signatory thereto.	

Exhibit J

Registration Rights Agreement, dated as of July 10, 1998, among the Issuer, Doubletree Corporation, the Warren D. Fix Family Partnership, L.P., Jack P. DeBoer (on behalf of himself and as representative of the Alexander John DeBoer Trust and the Christopher Scott DeBoer Trust), and each of the other parties signatory thereto.

CERTIFICATE OF DESIGNATIONS, PREFERENCES  
AND RELATIVE, PARTICIPATING, OPTIONAL AND  
OTHER SPECIAL RIGHTS OF PREFERRED STOCK  
AND QUALIFICATIONS, LIMITATIONS  
AND RESTRICTIONS THEREOF

OF

SERIES B CUMULATIVE CONVERTIBLE  
PREFERRED STOCK

OF

CANDLEWOOD HOTEL COMPANY, INC.

-----  
PURSUANT TO SECTION 151 OF THE  
GENERAL CORPORATION LAW OF THE STATE OF DELAWARE  
-----

Candlewood Hotel Company, Inc., a Delaware corporation (the "Corporation"), certifies that pursuant to the authority contained in Article Fourth of its Restated Certificate of Incorporation (the "Certificate of Incorporation") and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation at a telephone meeting called and held on June 30, 1998 adopted the following resolution, which resolution remains in full force and effect on the date hereof;

RESOLVED, that there is hereby established a series of authorized preferred stock having a par value of \$.01 per share, which series shall be designated as "Series B Cumulative Convertible Preferred Stock" (the "Series B Preferred Stock"), shall consist of 42,000 shares and shall have the following voting powers, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof as follows:

(i) Designation and Amount. The designation of the series of the Preferred Stock shall be "Series B Cumulative Convertible Preferred Stock," par value \$.01 per share (the "Series B Preferred Stock"). The number of shares of Series B Preferred Stock shall be 42,000. The Series B Preferred Stock shall be assigned a stated value of \$1,000 per share (the "Stated Value").

(ii) Dividends. (a) Rate, etc. The holders of shares of Series B Preferred Stock as of the related Dividend Record Date (as defined below) shall

be entitled to receive, when and if declared by the Board of Directors out of funds

2

legally available therefor, dividends from the date of issue thereof, at an annual rate on the Stated Value equal to 7.5% (the "Dividend Rate"), calculated on the basis of a 360-day year consisting of twelve 30-day months, accruing and payable quarterly, in arrears, on the last day in August, November, February and May of each year (each a "Dividend Payment Date"), commencing on August 31, 1998 until such time as the Series B Preferred Stock is redeemed or retired in full; provided, that, if pursuant to paragraph (vi) (a) the Dividend Rate is increased to 12.0% per annum, from and after the date of such increase the Dividend Rate shall be 12.0% per annum. Upon conversion of any shares of Series B Preferred Stock, dividends shall be paid as provided in clause (vi); provided, however, that with respect to such first Dividend Payment Date, the holders of shares of Series B Preferred Stock shall be entitled to receive, when and if declared by the Board of Directors out of funds legally available therefor, a cumulative cash dividend in respect of each share of Series B Preferred Stock in the amount of (i) \$18.75 multiplied by (ii) a fraction equal to (A) the number of days from (and including) the date of issue thereof to (but excluding) such Dividend Payment Date divided by (B) 90. If any Dividend Payment Date occurs on a day that is not a Business Day, any accrued dividends otherwise payable on such Dividend Payment Date shall be paid on the next succeeding Business Day with the same effect as though made on such Dividend Payment Date. The term "Business Day" shall mean a day other than a Saturday or Sunday, any federal holiday or any day on which banks in the City of New York are closed. Such dividends shall be payable in cash. Such dividends shall accrue and be cumulative with respect to each share from the date of original issuance and shall compound on each Dividend Payment Date, beginning August 31, 1998, with respect to any accrued dividends not paid on any such Dividend Payment Date, whether or not earned or declared. Except as otherwise required by law, the "Dividend Record Date" with respect to the next succeeding Dividend Payment Date shall be the date 10 Business Days prior to such Dividend Payment Date.

(b) Rank, etc. Unless full dividends, if applicable, on all outstanding shares of Series B Preferred Stock which have previously become due and payable, have been paid or are contemporaneously declared and paid (or declared and a sum sufficient for the payment thereof is set apart for such payment), the Corporation shall not (1) declare or pay any dividend on (A) the Series B Preferred Stock, except if such dividend is allocated pro rata on a share-by-share basis among all shares of Series B Preferred Stock at that time outstanding, (B) the Series A Preferred Stock (as defined below) or any other class of Parity Stock (as defined below), except if such dividend is allocated pro rata on a share-by-share basis among all shares of Series B Preferred Stock, Series A Preferred Stock and any other class of Parity Stock at that time outstanding taken together as a class, (C) the common stock, \$.01 par value per share (the "Common Stock"), of the Corporation or (D) on any other class or series of stock ranking junior to the Series B Preferred Stock as to dividends or upon liquidation (the Common Stock and any such junior class or series being

the "Junior Stock") or make any payment on account of, or set apart money for, a sinking or other analogous fund for the purchase, redemption or other

3

retirement of, any Junior Stock or make any distribution in respect thereof, either directly or indirectly and whether in cash or property or in obligations or shares of the Corporation (other than in shares of Junior Stock) or (2) purchase any shares of Series B Preferred Stock (except for consideration payable in Junior Stock) or redeem fewer than all of the shares of Series B Preferred Stock then outstanding.

(iii) Liquidation. (a) Preference Upon Liquidation, Dissolution or Winding Up. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation (any or all of such events, a "liquidation"), whether voluntary or involuntary, subject to the prior preferences and other rights of any Senior Stock (as defined below), if any, as to liquidation preferences, the holders of shares of Series B Preferred Stock then outstanding shall be entitled pari passu as if members of a single class of securities with the holders of any Parity Stock (as defined below), if any, to be paid out of the assets of the Corporation before any payment shall be made to the holders of the Junior Stock, an amount equal to the Stated Value plus any accrued but unpaid dividends (the "Liquidation Amount"). Except as provided in this paragraph, holders of Series B Preferred Stock shall not be entitled to any distribution in the event of liquidation, dissolution or winding up of the affairs of the Corporation. The term "Senior Stock" shall mean any class or series of stock of the Corporation authorized after the date of issuance of the Series B Preferred Stock in accordance with clause (v)(b) hereof ranking senior to the Series B Preferred Stock in respect of the right to receive dividends or the right to participate in any distribution upon liquidation and the term "Parity Stock" shall mean the Series A Cumulative Convertible Preferred Stock, par value \$.01 per share (the "Series A Preferred Stock"), of the Corporation and any class or series of stock of the Corporation authorized after the date of issuance of the Series B Preferred Stock in accordance with clause (v)(b) hereof ranking on a parity with the Series B Preferred Stock in respect of the right to receive dividends or the right to participate in any distribution upon liquidation.

(b) Preference on Merger, Consolidation or Sale of Assets. Alternatively, in the event of a liquidation pursuant to clause (iii)(e) of this Certificate of Designation, a holder of shares of Series B Preferred Stock may elect to convert any or all of such holder's shares of Series B Preferred Stock into shares of Common Stock in accordance with clause (vi) of this Certificate of Designation, in which event the holders electing to convert shall be entitled to receive, together with the other holders of shares of Common Stock, pro rata based on the number of shares of Common Stock then outstanding and the number of shares of Common Stock into which the Series B Preferred Stock shall have been converted pursuant to such election, the remaining cash and/or other property distributable to holders of Common Stock if, as and when such remaining cash

and/or other properties is distributed by the Corporation.

(c) Insufficient Assets. If, upon any liquidation of the Corporation, the assets of the Corporation are insufficient to pay the holders of shares

4

of the Series B Preferred Stock and any Parity Stock, if any, then outstanding the full amount to which they shall be entitled, such assets shall be distributed to each holder of the Series B Preferred Stock and Parity Stock, if any, pro rata based on the number of shares of Series B Preferred Stock and Parity Stock, if any, held by each.

(d) Rights of Other Holders. In the event of any liquidation, after payment shall have been made to the holders of the Series B Preferred Stock and Parity Stock, if any, of all preferential amounts to which they shall be entitled, the holders of shares of Junior Stock and other capital stock of the Corporation shall receive such amounts as to which they are entitled by the terms thereof.

(e) Consolidation, Merger or Sale of Assets. A consolidation or merger of the Corporation with or into any other corporation (excluding a merger in which the Corporation is the surviving entity or merger into a wholly-owned subsidiary), or a sale or transfer of all or substantially all of the Corporation's assets for cash or securities shall be considered a liquidation within the meaning of this clause (iii). Nothing contained in this paragraph (iii)(e) shall affect the rights of any holder of shares of Series B Preferred Stock under paragraph (iv)(b) hereof.

(iv) Redemption. (a) (i) Optional Redemption. The Series B Preferred Stock shall be subject to redemption, at the option of the Corporation, in whole or from time to time in part, at any time subsequent to September 30, 1999 at a per share redemption price equal to 200% of the Stated Value plus accrued but unpaid dividends to the date of such redemption, payable in cash or out of funds legally available therefor (an "Optional Redemption").

(ii) Mandatory Redemption. All outstanding shares of Series B Preferred Stock shall be redeemed by the Corporation on September 30, 2004 (the "Mandatory Redemption Date"), at a per share redemption price equal to the Liquidation Amount, payable in cash out of funds legally available therefor (the "Mandatory Redemption").

(b) Change of Control. Upon the occurrence of a Change of Control Event (as hereafter defined), the Corporation shall offer to redeem all outstanding shares of Series B Preferred Stock for a price per share equal to the greater of (i) 175% of the Stated Value or (ii) the Liquidation Amount, payable in cash. A "Change of Control Event" shall mean (x) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (other than a group comprised entirely of the Purchasers), of

beneficial ownership, direct or indirect, of securities of the Corporation representing fifty percent (50%) or more of the combined voting power of the Corporation's then outstanding equity securities or (y) the acquisition of the Corporation, or all or substantially all of its assets, by, or the combination of the Corporation or all or substantially all of its assets, with, another Person, unless the acquiring or surviving Person shall be a corporation,

5

limited liability company, partnership or other entity more than 50% of the combined voting power of which corporation's then outstanding equity securities, after such acquisition or combination, are owned, immediately after such acquisition or combination, by the owners of more than 50% of the voting securities of the Corporation immediately prior to such acquisition or combination (the "Significant Transaction"); provided, however, that the Corporation shall not be required to redeem any shares of Series B Preferred Stock held by a member of a group described in clause (x) above (but including a group comprised entirely of the Purchasers) in connection with a Change in Control Event occurring prior to August 27, 1999. When used herein the term "Person" shall mean and include an individual, a corporation, a limited liability company, an association, a partnership, a trust or estate, a government or any department or agency thereof.

(c) Notice of Redemption. The Corporation shall give each holder of Series B Preferred Stock written notice of any Optional Redemption not less than thirty (30) days nor more than forty-five (45) days prior to the proposed redemption date, specifying such redemption date (each, an "Optional Redemption Date"), the per share redemption price and the number of such holder's shares to be redeemed on such date. The Corporation shall give each holder of Series B Preferred Stock written notice (a "Notice of Anticipated Change of Control Event") within twenty (20) days after the Corporation or any of its executive officers or directors obtains knowledge that a Change of Control Event is likely to occur and the material facts and circumstances of such Change of Control Event; provided, that in the case of a proposed Significant Transaction, the Corporation shall give each holder of Series B Preferred Stock a Notice of Anticipated Change of Control not less than forty-five (45) days prior to the date the Significant Transaction is scheduled to occur. The Corporation shall give each holder of Series B Preferred Stock written notice (a "Notice of Occurrence of Change of Control Event") within five (5) days after the Corporation or any of its executive officers or directors obtain knowledge of the occurrence of a Change of Control Event specifying that a Change of Control Event has occurred, the material facts and circumstances of such Change of Control Event, the redemption date, the per share redemption price, and instructions that a holder of Series B Preferred Stock must follow in order to have his shares redeemed. The redemption date for any Change of Control Event (each a "Change of Control Redemption Date") shall be the twenty-fifth date following such Change of Control Event; provided, that, if such redemption date is not a Business Day, the redemption date shall be the first Business Day thereafter. Upon receipt of a Notice of Change of Control Event, a holder of shares of Series B Preferred Stock may, at his option, elect to have the



Corporation redeem all of such shares of Series B Preferred Stock by providing written notice to the Corporation of such election not less than five (5) days prior to the specified Change of Control Redemption Date. In the event some or all of such shares of Preferred Stock are not tendered for redemption, the holder of such shares not so tendered shall be deemed to have consented to the redemption by the Corporation of any Junior Stock being prepaid, redeemed, retired or exchanged pursuant to a Change of Control Event, notwithstanding any approval rights of

6

holders of Series B Preferred Stock pursuant to clause (v) hereof. If the applicable redemption date is on or after a Dividend Record Date and on or before the related Dividend Payment Date, the dividend payable shall be paid to the holder in whose name the Series B Preferred Stock is registered at the close of business on such record date. In the case of an Optional Redemption of less than all shares of Series B Preferred Stock at the time outstanding, the shares to be redeemed shall be selected pro rata, consistent with Delaware law.

(d) Failure to Redeem. (A) If, upon the Mandatory Redemption Date, the Corporation does not redeem all outstanding shares of Series B Preferred Stock at the per share price specified in clause (iv) (a) (ii), the Corporation shall issue to each holder of Series B Preferred Stock on such Redemption Date and on each three month anniversary thereof (each a "Warrant Payment Date"), warrants to purchase twenty-five percent (25%) of the number of shares of Common Stock (rounded to the nearest whole share) into which such holder's outstanding shares of Series B Preferred Stock would be convertible on such Warrant Payment Date at the then current Conversion Price. Such warrants shall be immediately exercisable with respect to each share of Common Stock for \$.01 and shall be in the form of the warrant attached as Exhibit E to the Securities Purchase Agreement, dated as of June 30, 1998 (the "Securities Purchase Agreement"), among the Corporation and the parties thereto. (B) If, upon the Change of Control Redemption Date, the Corporation does not redeem all shares of Series B Preferred Stock tendered for redemption pursuant to clause (iv) (c) hereof, the Conversion Price (as defined below) shall be reduced to the lower of (1) the then applicable Conversion Price or (2) the Market Price (as defined below) per share of Common Stock on the Redemption Date divided by 1.75; provided, however, that under no circumstances shall the Conversion Price be reduced to a level that is less than the par value of the Common Stock.

(e) Effect of Redemption. On the date established for redemption pursuant to clause (iv) hereof, all rights in respect of the shares of Series B Preferred Stock to be redeemed, except the right to receive the applicable redemption price, plus accrued dividends, if any, to the date of redemption, shall cease and terminate (unless default shall be made by the Corporation in the payment of the applicable redemption price, plus accrued dividends, if any, in which event such rights shall be exercisable until such default is cured), and such shares shall no longer be deemed to be outstanding, notwithstanding that any certificates representing such shares shall not have been surrendered to the Corporation. All shares of Series B Preferred Stock

redeemed pursuant to this clause (iv) shall be retired and shall be restored to the status of authorized and unissued shares of preferred stock, without designation as to series or class and may thereafter be reissued, subject to compliance with the terms hereof, as shares of any series of preferred stock other than shares of Series B Preferred Stock.

(f) Insolvency of Corporation. If, upon the Mandatory Redemption Date or any Change of Control Redemption Date, the payment of the full

7

amount of redemption payments due on such date would render the Corporation insolvent (as determined in accordance with either the then applicable definition in the United States Bankruptcy Code or then applicable definition of any state fraudulent conveyance or fraudulent transfer statute), any liquidation of the Corporation in connection with such redemption shall require the consent of the holders of 66-2/3% of the Series B Preferred Stock and no other consent of any holder of any other equity securities of the Corporation, except as otherwise required by Delaware law, and in the event of such consent the Corporation shall be liquidated and the assets of the Corporation distributed in accordance with the provisions of clause (iii) of this Certificate of Designation.

(g) Conversion Prior to Redemption. Anything to the contrary in this clause (iv) of this Certificate of Designation notwithstanding, the holders of Series B Preferred Stock shall have the right, exercisable at any time prior to the date set for redemption thereof, to convert all or any part of such Series B Preferred Stock into shares of Common Stock pursuant to clause (vi) hereof.

(h) Funds for Redemption. No share of Series B Preferred Stock may be redeemed except with funds legally available therefor.

(v) Voting Rights. (a) Voting as a Class with the Common Stock. The holders of the Series B Preferred Stock shall be entitled to vote together with the holders of shares of Common Stock and any other class or series of capital stock entitled to vote with the Common Stock as a single class on all matters to be voted upon by the Common Stock, and shall not have any additional voting rights other than the rights specified below in this clause (v) or otherwise required by law. Each holder of Series B Preferred Stock shall be entitled to such number (rounded to the nearest whole number) of votes as such holder would be entitled if such holder had converted the shares of Series B Preferred Stock held by such holder into shares of Common Stock pursuant to clause (vi) hereof immediately prior to such vote.

(b) Additional Capital Stock, etc. The Corporation shall not, without the affirmative consent or approval of the holders of shares representing 66-2/3% of the shares of Series B Preferred Stock then outstanding, voting as a single class (such consent or approval to be given by written

consent in lieu of a meeting if allowable under the Corporation's Certificate of Incorporation or by vote at a meeting called for such purpose for which notice shall have been given to the holders of the Series B Preferred Stock): (i) authorize the issuance of or issue any new, or increase the authorized number of shares of any existing, class or series of capital stock of the Corporation which would be senior or superior as to dividends or upon liquidation to the Series B Preferred Stock, (ii) issue any shares of preferred stock authorized in the Certificate of Incorporation or create any other class or series of stock ranking on a parity with the Series B Preferred Stock as to dividends or upon liquidation, (iii) authorize or issue shares of stock of any class or series or any bonds, debentures, notes or other obligations convertible into or exchangeable for, or having rights to

8

purchase, any shares of stock of the Corporation which would be senior or superior to, or rank on a parity with, the Series B Preferred Stock as to dividends or upon liquidation, (iv) reissue any shares of Series B Preferred Stock that have been redeemed or purchased by the Corporation, (v) take any action, including, causing any amendment, alteration or repeal of any of the provisions of the Corporation's Certificate of Incorporation that may alter or change the powers, preferences or special rights of (i) the shares of Series B Preferred Stock so as to affect the holders thereof adversely, or (ii) shares of Parity Stock, (vi) effect any redemption or repurchase of any Junior Stock other than in connection with the cashless exercise of options, or upon the exercise by the Corporation of its repurchase rights (up to a maximum of \$250,000 in the aggregate) as to Common Stock issued to employees of the Corporation upon a termination of such employment, (vii) increase the number of members on the Board of Directors (except by one, in connection with the election of the President of the Company to the Board of Directors), (viii) file a voluntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts, make an assignment for the benefit of creditors, permit an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts or seeking appointment of a receiver to remain unchallenged or otherwise seek or permit remedies for insolvency or (ix) effect any redemption or repurchase of any Parity Stock other than a redemption or repurchase which is pro rata among the Series B Preferred Stock and all Parity Stock taken together as a class. Notwithstanding any other provision in this Certificate of Designation, (1) upon the consent or approval of holders of shares representing 66-2/3% of the shares of Series B Preferred Stock then outstanding, voting as a single class and (2) with such other votes or consents as may be required by Delaware law, the rules and regulations of the Securities and Exchange Commission, the regulations of the NASDAQ or other securities exchange applicable to the Corporation or pursuant to the Company's Certificate of Incorporation, the Corporation may take any such action referenced in the preceding clauses (i)-(ix).

(vi) Conversion Rights. (a) Optional Conversion of Series B Preferred Stock. The holder of any shares of Series B Preferred Stock shall have the right, at such holder's option, at any time or from time to time to convert any

or all of such holder's shares of Series B Preferred Stock into such number of fully paid and nonassessable shares of Common Stock (the "Conversion Shares") as determined for each share of Series B Preferred Stock by dividing the Stated Value by the "Conversion Price" in effect at the time of such conversion. The "Conversion Price" shall be \$9.50 per share of Series B Preferred Stock, subject to the adjustments set forth herein; provided, however, that if the Corporation fails to pay, in cash, any and all dividends accrued, for any two Dividend Payment Dates, whether consecutive or not (a "Dividend Default"), the Conversion Price shall be reduced by \$.50 for each such Dividend Default as of the date of the occurrence of each such Dividend Default; and provided, further, that if the Corporation fails to pay any and all accrued dividends on August 31, 1998, the Conversion Price shall be reduced by \$1.00; in each case subject to adjustment as otherwise provided herein; provided, however, that a default in the payment of any dividends accrued and unpaid as of August 31, 1998

9

shall not be combined with any other default to constitute a Dividend Default; provided, that in no event shall the Conversion Price be reduced pursuant to this paragraph (vi) (a) by an aggregate amount in excess of \$2.00 (the "Maximum Amount"). (A) If a Dividend Default occurs at any time after the Conversion Price has been reduced pursuant to this paragraph (vi) (a) by an aggregate amount equal to the Maximum Amount, then the Dividend Rate shall be increased to 12.0% per annum, or, (B) if as a result of a Dividend Default the Conversion Price would (were it not for the last proviso of the immediately preceding sentence) be reduced pursuant to this paragraph (vi) (a) by an aggregate amount in excess of the Maximum Amount, then the Conversion Price shall be reduced by such additional amount so that the aggregate amount by which the Conversion Price is reduced pursuant to this paragraph (vi) (a) is equal to the Maximum Amount and the Dividend Rate shall be increased to 12.0% per annum. The Conversion Shares and the Conversion Price are subject to certain adjustments as set forth herein, and the terms Conversion Shares and Conversion Price as used herein shall as of any time be deemed to include all such adjustments to be given effect as of such time in accordance with the terms hereof; provided, further, that under no circumstances shall the Conversion Price be reduced to a level that is less than the par value of the Common Stock.

Upon the exercise of the option of the holder of any shares of Series B Preferred Stock to convert Series B Preferred Stock into Common Stock, the holder of such shares of Series B Preferred Stock to be converted shall surrender the certificates representing the shares of Series B Preferred Stock so to be converted in the manner provided in clause (vi) (c) below. Immediately following such conversion, the rights of the holders of converted Series B Preferred Stock (other than the right to receive dividends accrued to the date of such conversion) shall cease and the persons entitled to receive the Common Stock upon the conversion of Series B Preferred Stock shall be treated for all purposes (other than the right to receive dividends accrued to the date of such conversion) as having become the owners of such Common Stock.

(b) Automatic Conversion. Subsequent to March 31, 2000, each share of Series B Preferred Stock shall automatically be converted into shares

of Common Stock at the then applicable Conversion Price if (i) the Common Stock has traded for a period of not less than twenty (20) consecutive days with an average of not less than 300,000 shares per day and at a price per share of not less than 200% of the then applicable Conversion Price and (ii) the Corporation at its sole expense shall have caused to become effective within 90 days of such twenty (20) consecutive day period a registration statement under the Securities Act with respect to at least the number of shares equal to a 50% of the shares of Common Stock into which the Series B Preferred Stock then outstanding is convertible at the then applicable Conversion Price (or such lesser number as shall have been requested to be registered by the holders of the Series B Preferred Stock, following notice from the Company) and shall have caused all such shares to be sold (allocated pro rata among holders of such Series B Preferred Stock in relation to the number of shares requested to be

10

registered pursuant to an underwritten public offering in accordance with the provisions of Section 5 of the Amended and Restated Registration Rights Agreement (the "Registration Rights Agreement") dated as of July 10, 1998 among the Corporation and the parties thereto (or a registered but not underwritten sale to one or more nationally recognized registered broker/dealers for resale through a public distribution) at a per share price to each selling holder of not less than 200% of the Conversion Price, less 1% of the then applicable Market Price.

(c) Delivery of Stock Certificates; No Fractional Shares. The holder of any shares of Series B Preferred Stock may exercise the optional conversion right pursuant to clause (vi) (a) above by delivering to the Corporation or its duly authorized transfer agent during regular business hours at the office of the Corporation the certificate or certificates for the shares to be converted, duly endorsed or assigned either in blank or to the Corporation (if required by it), accompanied by written notice stating that such holder elects to convert such shares and shall provide a certificate to the Corporation or its duly authorized transfer agent as to the date of such conversion. Upon the occurrence of an automatic conversion pursuant to clause (vi) (b) above, the Corporation shall deliver notice to each holder of Series B Preferred Stock and the holder of any shares of Series B Preferred Stock shall deliver to the Corporation at the office of the Corporation the certificate or certificates for all shares of Series B Preferred Stock then held by such holder, duly endorsed or assigned either in blank or to the Corporation (if requested by it). Conversion shall be deemed to have been effected (1) in the case of an optional conversion, on the date when the aforesaid delivery of stock certificates is made if such day is a Business Day and otherwise on the Business Day following the date of the aforesaid delivery, and (2) in the case of an automatic conversion pursuant to clause (vi) (b), upon the effective date of the registration statement (provided that if the shares registered thereunder are not sold no Conversion Date shall be deemed to have occurred) and in each case such date is referred to herein as the "Conversion Date." As promptly as practicable thereafter, the Corporation, through its transfer agent, shall issue and deliver to or upon the written order of such holder, to the place designated

by such holder, a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled and a check or cash in respect of any fractional interest in a share of Common Stock, as provided below; provided, however, that in the case of a conversion in connection with liquidation, no such certificates need be issued. The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become the stockholder of record in respect of such Common Stock on the applicable Conversion Date unless the transfer books of the Corporation are closed on that date, in which event such holder shall be deemed to have become the stockholder of record in respect of such Common Stock on the next succeeding date on which the transfer books are open, but the Conversion Price shall be that in effect on the Conversion Date. Upon conversion of only a portion of the number of shares covered by a stock certificate representing shares of Series B Preferred Stock surrendered for conversion, the Corporation shall issue and deliver to or upon the written order of the holder of the stock certificate so

11

surrendered for conversion, at the expense of the Corporation, a new stock certificate covering the number of shares of Series B Preferred Stock representing the unconverted portion of the certificate so surrendered. Any transfer taxes applicable to the above described transactions shall be paid by such transferee. The Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of Common Stock or the reissuance of the Preferred Stock in a name other than that in which the shares of Series B Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person requesting such issuance has paid to the Corporation the amount of any such tax or has established to the satisfaction of the Corporation that such tax has been paid.

(d) No Fractional Shares of Common Stock. (1) No fractional shares of Common Stock shall be issued upon conversion of shares of Series B Preferred Stock and in lieu thereof, the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to the then current Market Price (as defined in clause (vi)(e)(8) below) of a share of Common Stock multiplied by such fractional interest. The holders of fractional interests shall not be entitled to any rights as stockholders of the Corporation in respect of such fractional interests. In determining the number of shares of Common Stock and the payment, if any, in lieu of fractional shares that a holder of Series B Preferred Stock shall receive, the total number of shares of Series B Preferred Stock surrendered for conversion by such holder shall be aggregated.

(2) On the first Dividend Payment Date on which accrued dividends are paid in full to all holders of Series B Preferred Stock following the optional conversion pursuant to clause (vi)(a) of all or any portion of the Series B Preferred Stock, the Corporation shall pay (i) any dividends accrued on such converted Series B Preferred Stock to the date of such conversion plus (ii) any dividends accrued on any accrued and unpaid dividends (on which dividends shall accrue at a rate of 7.50% per annum, compounded



quarterly) other than dividends accruing as of the last Dividend Payment Date. Accrued dividends with respect to all shares converted pursuant to clause (vi) (b) hereof shall be paid in full on the Conversion Date out of funds legally available therefor.

(e) Adjustment of Conversion Price Upon Issuance of Common Stock. If and whenever after the date hereof the Corporation shall issue or sell any shares of its Common Stock (except upon conversion of the Series B Preferred Stock) for a consideration per share less than, under certain circumstances including those in paragraphs (1) through (9) below, the Conversion Price in effect immediately prior to the time of such issue or sale, then, forthwith upon such issue or sale, the Conversion Price shall be reduced (but not increased, except as otherwise specifically provided in paragraph (3) below) to the price (calculated to the nearest cent) determined by dividing (i) an amount equal to the sum of (A) the aggregate number of shares of Common Stock outstanding immediately prior to such issue or

12

sale multiplied by the then existing Conversion Price and (B) the consideration, if any, received by the Corporation upon such issue or sale, by (ii) the aggregate number of shares of Common Stock of all classes outstanding immediately after such issue or sale.

No adjustment of the Conversion Price, however, shall be made in an amount less than \$.05 per share, but any such lesser adjustment shall be carried forward and shall be made upon the time of and together with the next subsequent adjustment, if any.

For the purposes of this clause (vi) (e), the following paragraphs (1) through (9) shall also be applicable:

(1) Issuance of Rights or Options - In case at any time after the date hereof the Corporation shall in any manner grant (whether directly or by assumption in a merger or otherwise, except in the circumstances described in clause (vi) (f) below) any rights to subscribe for or to purchase, or any options or warrants for the purchase of, Common Stock or any stock, notes or securities convertible into or exchangeable for Common Stock (such convertible or exchangeable stock, notes or securities being herein called "Convertible Securities"), whether or not such rights, options or warrants or the right to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such rights, options or warrants or upon conversion or exchange of such Convertible Securities (determined by dividing (i) the total amount, if any, received or receivable by the Corporation as consideration for the granting of such rights, options or warrants, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the exercise of such rights, options or warrants, plus, in the case of such rights, options or warrants which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such

Convertible Securities and upon the conversion or exchange thereof, by (ii) the total maximum number of shares of Common Stock issuable upon the exercise of such rights, options or warrants or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such rights, options or warrants) shall be less than the Conversion Price in effect immediately prior to the time of the granting of such rights, options or warrants, then the total maximum number of shares of Common Stock issuable upon the exercise of such rights, options or warrants or upon conversion or exchange of all such Convertible Securities issuable upon the exercise of such rights, options or warrants shall (as of the date of granting of such rights or options) be deemed to be outstanding and to have been issued for such price per share. Except as provided in paragraph (3), no further adjustment of the Conversion Price shall be made upon the actual issue of such Common Stock or of such Convertible Securities upon exercise of such rights, options or warrants or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities.

13

(2) Issuance of Convertible Securities - In case at any time after the date hereof the Corporation shall in any manner issue (whether directly or by assumption in a merger or otherwise) or sell any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (i) the total amount received or receivable by the Corporation as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the conversion or exchange thereof, by (ii) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Conversion Price in effect immediately prior to the time of such issue or sale, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall (as of the date of the issue or sale of such Convertible Securities) be deemed to be outstanding and to have been issued for such price per share; provided, however, that (a) except as otherwise provided in paragraph (3), no further adjustment of the Conversion Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities, and (b) if any such issue or sale of such Convertible Securities is made upon exercise of any rights to subscribe for or to purchase or any option to purchase any such Convertible Securities for which adjustments of the Conversion Price have been or are to be made pursuant to other provisions of this clause (vi) (e), no further adjustment of the Conversion Price shall be made by reason of such issue or sale.

(3) Change in Option Price or Conversion Rate - If the purchase price provided for in any right or option referred to in paragraph (1), the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in paragraph (1) or (2), or the rate at which any Convertible Securities referred to in paragraph (1) or (2) are convertible into or exchangeable for Common Stock shall change (other than under or by



reason of provisions designed to protect against dilution), the Conversion Price then in effect hereunder shall forthwith be readjusted (increased or decreased, as the case may be) to the Conversion Price which would have been in effect at such time had such rights, options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold. On the expiration of any such option or right referred to in paragraph (1) or the termination of any such right to convert or exchange any such Convertible Securities referred to in paragraph (1) or (2), the Conversion Price then in effect hereunder shall forthwith be readjusted (increased or decreased, as the case may be) to the Conversion Price which would have been in effect at the time of such expiration or termination had such right, option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been granted, issued or sold, and the Common Stock issuable thereunder shall no longer be deemed to be outstanding. If the purchase price provided for in any such right or option referred to in paragraph (1) or the rate at which any Convertible Securities

14

referred to in paragraph (1) or (2) are convertible into or exchangeable for Common Stock shall be reduced at any time under or by reason of provisions with respect thereto designed to protect against dilution, then in case of the delivery of shares of Common Stock upon the exercise of any such right or option or upon conversion or exchange of any such Convertible Securities, the Conversion Price then in effect hereunder shall, if not already adjusted, forthwith be adjusted to such amount as would have obtained had such right, option or Convertible Securities never been issued as to such shares of Common Stock and had adjustments been made upon the issuance of the shares of Common Stock delivered as aforesaid, but only if as a result of such adjustment the Conversion Price then in effect hereunder is thereby reduced.

(4) Stock Dividends - In case at any time (other than with respect to the Series B Preferred Stock and, to the extent the holders of shares of Series B Preferred Stock participate on an as-converted basis, the Common Stock) the Corporation shall declare a dividend or make any other distribution upon any class or series of stock of the Corporation payable in shares of Common Stock or Convertible Securities, any shares of Common Stock or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(5) Consideration for Stock - Anything herein to the contrary notwithstanding, in case at any time any shares of Common Stock or Convertible Securities or any rights, options or warrants to purchase any such Common Stock or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Corporation therefor, without deduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Corporation in connection therewith.

In case at any time any shares of Common Stock or any class or Convertible Securities or any rights or options to purchase any such shares of Common Stock or Convertible Securities shall be issued or sold for a consideration other than cash, in whole or in part, the amount of the consideration other than cash received by the Corporation shall be deemed to be the fair value of such consideration as determined reasonably and in good faith by the Board of Directors of the Corporation, without deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Corporation in connection therewith. In case at any time any shares of Common Stock or any class or Convertible Securities or any rights or options to purchase such shares of Common Stock or Convertible Securities shall be issued in connection with any merger or consolidation in which the Corporation is the surviving corporation, the amount of consideration received therefor shall be deemed to be the fair value as determined reasonably and in good faith by the Board of Directors of the Corporation of such portion of the assets and business of the nonsurviving corporation as such Board may determine to be attributable to such shares of Common Stock, Convertible Securities,

15

rights or options, as the case may be. In case at any time any rights or options to purchase any shares of Common Stock or Convertible Securities shall be issued in connection with the issue and sale of other securities of the Corporation, together comprising one integral transaction in which no consideration is allocated to such rights or options by the parties thereto, such rights or options shall be deemed to have been issued for an amount of consideration equal to the fair value thereof as determined reasonably and in good faith by the Board of Directors of the Corporation.

(6) Record Date - In case the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock or in Convertible Securities, or (B) to subscribe for or purchase shares of Common Stock or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold as a result of the declaration of such dividend or the making or such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(7) Treasury Shares - The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Corporation, and the disposition of any such shares shall be considered an issue or sale of Common Stock for the purposes of this clause (vi)(e).

(8) Definition of Market Price - Unless otherwise set forth in this Certificate of Designation, "Market Price" shall mean the last reported sale price of the applicable security as reported by the National Association of Securities Dealers, Inc. Automatic Quotations System, National Market System, or, if the applicable security is listed or admitted for trading on a securities exchange, the last reported sales price of the applicable security on the

principal exchange on which the applicable security is listed or admitted for trading (which shall be for consolidated trading if applicable to such exchange), or if neither so reported or listed or admitted for trading, the last reported bid price of the applicable security in the over-the-counter market. In the event that the Market Price cannot be determined as aforesaid, the Board of Directors of the Corporation shall determine the Market Price on the basis of such quotations as it in good faith considers appropriate, in consultation with a nationally recognized investment bank. The Market Price shall be such price averaged over a period of 20 consecutive business days ending 2 days prior to the day as of which "Market Price" is being determined.

(9) Adjustment to Determination of Market Price - When making the calculations and determinations described in clause (vi) (e) hereof, there shall not be taken into account (i) the issuance of Common Stock upon the exercise of options outstanding on the date this Certificate of Designation was filed with the State of Delaware for the purchase of up to 554,350 shares of Common Stock, (ii) the issuance of any rights to subscribe for or to purchase, or any options for the purchase of, up to 1.5% of the fully diluted shares of Common Stock of the Corporation as of

16

the date of issuance of all shares of Series A Preferred Stock or any stock or securities convertible into or exchangeable for Common Stock to officers or directors ("Officers/Directors Securities") and (iii) the issuance of any options for the purchase of Common Stock to employees of the Corporation other than officers or directors pursuant to the standard option awards program adopted by the Board of Directors of the Corporation, but excluding any discretionary awards outside of such program ("Employee Securities" and, together with the Officers/Directors Securities, the "Company Securities"); provided, that all Common Stock issuable with respect to any such Company Securities be issuable at or above the Market Price as of the date of the grant.

(f) Liquidating Dividends; Purchase Rights. (1) In case at any time after the date hereof the Corporation shall declare a dividend upon the shares of Common Stock of any class payable otherwise than in shares of Common Stock or Convertible Securities, otherwise than out of funds legally available therefor (determined in accordance with generally accepted accounting principles, including the making of appropriate deductions for minority interests, if any, in subsidiaries), and otherwise than in the securities to which the provisions of clause (2) below apply, the corporation shall pay over to each holder of Series B Preferred Stock, upon conversion thereof on or after the dividend payment date, the securities and other property (including cash) which such holder would have received (together with all distributions thereon) if such holder had converted the Series B Preferred Stock held by it on the record date fixed on connection with such dividend, and the Corporation shall take whatever steps are necessary or appropriate to keep in reserve at all times such securities and other property as shall be required to fulfill its obligations hereunder in respect of the shares issuable upon the exercise or conversion of all the Series B Preferred Stock. For the purposes of the foregoing, a dividend

other than in cash shall be considered payable out of funds legally available therefor, only to the extent that such earnings or retained earnings are charged an amount equal to the fair value of such dividend as determined by the Board of Directors of the Corporation.

(2) If at any time or from time to time on or after the date hereof, the Corporation shall grant, issue or sell any options or rights (other than Convertible Securities) to purchase stock, warrants, securities or other property pro rata to the holders of Common Stock of all classes ("Purchase Rights"), and if the holder shall be entitled to an adjustment pursuant to clause (vi) (e) above, then in lieu of such adjustment, each holder of Series B Preferred Stock shall be entitled, at such holder's option, to acquire (whether or not such holder's Series B Preferred Stock shall have been converted), upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Common Stock issuable upon conversion of such Series B Preferred Stock immediately prior to the time or times at which the Corporation granted, issued or sold such Purchase Rights.

17

(g) Subdivision or Combination of Stock. In case the Corporation shall at any time subdivide its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision shall be proportionately reduced and, conversely, in case the outstanding shares of Common Stock of the Corporation shall be combined into a smaller number of shares, the Conversion Price in effect immediately prior to such combination shall be proportionately increased.

(h) Changes in Common Stock. If any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with another corporation, or the sale, transfer or other disposition of all or substantially all of its assets to another corporation for cash or stock of such other corporation, shall be effected, then, as a condition of such reorganization, reclassification, consolidation, merger, sale transfer or other disposition, lawful and adequate provision shall be made whereby each holder of Series B Preferred Stock shall thereafter have the right to purchase and receive upon the basis and upon the terms and conditions herein specified and in lieu of the shares of the Common Stock of the Corporation immediately theretofore issuable upon conversion of the Series B Preferred Stock, such shares of stock, securities or properties as may be issuable or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such Common Stock immediately theretofore issuable upon conversion of the Series B Preferred Stock had such reorganization, reclassification, consolidation, merger, sale, transfer or other disposition not taken place, and in any such case appropriate provisions shall be made with respect to the rights and interests of each holder of Series B Preferred Stock to the end that the provision hereto (including without limitation provisions for adjustment of the Conversion Price) shall thereafter be applicable, as nearly equivalent as may be practicable in relation

to any shares of stock, securities or properties thereafter deliverable upon the exercise thereof. The Corporation shall not effect any such consolidation, merger, sale, transfer or other disposition, unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Corporation) resulting from such consolidation or merger or the corporation purchasing or otherwise acquiring such properties shall assume, by written instrument executed and mailed or delivered to the holders of Series B Preferred Stock at the last address of such holders appearing on the books of the Corporation, the obligation to deliver to such holders such shares of stock, securities or properties as, in accordance with the foregoing provisions, such holders may be entitled to acquire. The above provisions of this subparagraph shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales, transfers or other dispositions.

(i) Certain Events. If any event occurs as to which in the opinion of the Board of Directors of the Corporation the other provisions of this clause (vi) are not strictly applicable or if strictly applicable would not fairly protect the conversion rights of the holders of the Series B Preferred Stock in accordance

18

with the essential intent and principles of such provisions, then such Board of Directors, acting by a vote of at least 75% of the members thereof, shall provide for the benefit of holders of shares of Series B Preferred Stock an adjustment, if any, on a basis consistent with such essential intent and principles, necessary to preserve, without dilution, the rights of the holders of the Series B Preferred Stock. Upon such vote by the Board of Directors, the Corporation shall forthwith make the adjustments described therein; provided, however, that no such adjustments shall have the effect of increasing the Conversion Price as otherwise determined pursuant to this clause (vi) except in the event of a combination of shares of the type contemplated in clause (vi)(g) and then in no event to an amount larger than the conversion price as adjusted pursuant to clause (vi)(g).

(j) Prohibition of Certain Actions. The Corporation shall not, without the affirmative consent or approval of the holders of shares representing 66-2/3% of the shares of Series B Preferred Stock then outstanding, voting as a single class (such consent or approval to be given by written consent in lieu of a meeting (if allowable under the Corporation's Certificate of Incorporation) or by vote at a meeting called for such purpose for which notice shall have been given to the holders of the Series B Preferred Stock) (1) authorize or issue, or agree to authorize or issue, any shares of its capital stock of any class or series of preferred as to dividends or liquidation, unless the rights of the holders thereof shall be limited to a fixed sum or percentage of par value in respect of participation in dividends and in the distribution of such assets or (2) authorize, issue or permit to remain outstanding any class or series of its capital stock (including, without limitation, the Common Stock but not including the Series A Preferred Stock and the Series B Preferred Stock) having the right to vote for the election of directors or in respect of any

other matter, which class or series is entitled to more than one vote per share. The Corporation will not take any action which would result in any adjustment of the Conversion Price if the total number of shares of Common Stock issuable after such action upon conversion of all the Series B Preferred Stock would exceed the total number of shares of Common Stock then authorized by the Corporation's Certificate of Incorporation.

(k) Stock to be Reserved. The Corporation will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue upon the conversion of Series B Preferred Stock as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of all outstanding Series B Preferred Stock. The Corporation covenants that all shares of Common Stock which shall be so issuable shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, free from preemptive or similarly rights on the part of the holders of any shares of capital stock or securities of the Corporation, and free from all liens and charges with respect to the issue thereof; and without limiting the generality of the foregoing, the Corporation covenants that it will from time to time take all such action as may be requisite to assure that the par value, if any, per share of the Common Stock is at all times equal to or less than the then effective Conversion Price. The Corporation will take all such action as may be

19

necessary to assure that such shares of Common Stock may be so issued without violation by the Corporation of any applicable law or regulation or agreement, or of any requirements of any domestic securities exchange upon which the Common Stock may be listed. Without limiting the foregoing, the Corporation will take all such action as may be necessary to assure that, upon conversion of any of the Series B Preferred Stock, an amount equal to the lesser of (1) the par value of each share of Common Stock outstanding immediately prior to such conversion, or (2) the Conversion Price shall be credited to the Corporation's stated capital account for each share of Common Stock issued upon such conversion, and that, if clause (1) above is applicable, the balance of the Conversion Price of Series B Preferred Stock converted shall be credited to the Corporation's capital surplus account.

(l) Registration and Listing of Common Stock. If any shares of Common Stock required to be reserved for purposes of conversion of Series B Preferred Stock hereunder require registration with or approval of any governmental authority under any Federal or state law (other than the Securities Act) before such shares may be issued upon conversion, the Corporation will, at its expense and as expeditiously as possible, use its best efforts to cause such shares to be duly registered or approved, as the case may be. Shares of Common Stock issuable upon conversion of the Series B Preferred Stock shall be registered by the Corporation under the Securities Act or similar statute then in force if required before such shares may be issued upon conversion. If and so long as the Common Stock is listed on any national securities exchange, the Corporation will, at its expense, obtain promptly and maintain the approval for listing on each such exchange upon official notice of issuance, of shares of



Common Stock issuable upon conversion of the then outstanding Series B Preferred Stock and maintain the listing of such shares after their issuance; and the Corporation will also list on such national securities exchange, will register under the Exchange Act and will maintain such listing of, any other securities that at any time are issuable upon conversion of the Series B Preferred Stock, if and at the time that any securities of the same class shall be listed on such national securities exchange by the Corporation.

(m) Closing of Books. The Corporation will at no time close its transfer books against the transfer of any Series B Preferred Stock or of any shares of Common Stock issued or issuable upon the conversion of any Series B Preferred Stock in any manner which interferes with the timely conversion of such Series B Preferred Stock.

(n) Statement of Adjustment of Conversion Price. Whenever the Conversion Price shall be adjusted as provided in clause (vi)(e) above, the Corporation shall forthwith file at its office a statement, signed by its independent certified public accounts, showing in detail the facts requiring such adjustment and the Conversion Price that shall be in effect after such adjustment. The Corporation shall also cause a copy of such statement to be sent by certified mail, return receipt requested, to each holder of shares of Series B Preferred Stock to such holder's

20

address appearing on the Corporation's records. Where appropriate, such copy may be given in advance and may be included as part of a notice required to be mailed under the provisions of clause (vi)(o) below.

(o) Notice. In the event the Corporation shall propose to take any action of the types described in clause (vi)(e) above, the Corporation shall give notice to each holder of shares of Series B Preferred Stock which notice shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonable necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the Conversion Price and the number, kind or class of shares or other securities or property which shall be deliverable or purchasable upon the occurrence of such action or deliverable upon conversion of shares of Series B Preferred Stock. In the case of any action which would require the fixing of a record date, such notice shall be given at least 20 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 30 days prior to the taking of such proposed action.

(p) Taxes. The Corporation shall pay all documentary, stamp or other transactional taxes attributable to the issuance or delivery of shares of capital stock of the Corporation upon conversion of any shares of Series B Preferred Stock. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of Common Stock or the reissuance of the Preferred Stock in a name other than that in which the shares of Series B Preferred Stock so converted

were registered, and no such issuance or delivery shall be made unless and until the person requesting such issuance has paid to the Corporation the amount of any such tax or has established to the satisfaction of the Corporation that such tax has been paid.

(q) Exclusion of Other Rights. Except as may otherwise be required by law, the shares of Series B Preferred Stock shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in this resolution and in the Certificate of Incorporation. The shares of Series B Preferred Stock shall have no preemptive or subscription rights.

21

IN WITNESS WHEREOF, Candlewood Hotel Company, Inc. has caused these presents to be signed in its name and on its behalf by its Chief Executive Officer on July 13, 1998.

CANDLEWOOD HOTEL  
COMPANY, INC.

By: /s/ Jack P. DeBoer

-----

Name: Jack P. DeBoer

Title: Chief Executive Officer



THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED, QUALIFIED, APPROVED OR DISAPPROVED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS AND NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL OR STATE REGULATORY AUTHORITY HAS PASSED ON OR ENDORSED THE MERITS OF THESE SECURITIES.

WARRANT NO. \_\_\_\_\_

WARRANT

TO PURCHASE SHARES OF COMMON STOCK,

PAR VALUE \$.01 PER SHARE

OF

CANDLEWOOD HOTEL COMPANY, INC.

THIS IS TO CERTIFY THAT [ ] or its registered assigns (the "Holder"), is the owner of [ ] Warrants (the "Warrants"), each of which entitles the registered Holder thereof to purchase from CANDLEWOOD HOTEL COMPANY, INC., a Delaware corporation (the "Company"), one fully paid, duly authorized and nonassessable share of Common Stock, par value \$.01 per share (the "Common Stock"), of the Company at any time or from time to time on or before 5:00 p.m., New York City time, on the Warrant Expiration Date (which shall in no event be later than July 10, 2005), at an exercise price of \$12.00 per share (the "Exercise Price"), subject to adjustment from time to time as set forth herein, all on the terms and subject to the conditions hereinafter set forth.

The number of shares of Common Stock issuable upon exercise of each Warrant (the "Number Issuable") shall be determined for each Warrant by dividing \$12.00 by the Exercise Price in effect at the time of such exercise, and is initially one (1) share of Common Stock.

2

Capitalized terms used herein but not otherwise defined shall have the meanings given them in Section 11 hereof or, if not therein defined, in the Securities Purchase Agreement.

Section 1. Exercise of Warrant. Subject to the last paragraph of this Section 1, the Warrants evidenced hereby may be exercised, in whole or in part, by the registered Holder hereof at any time or from time to time on or before

5:00 p.m., New York City time, on the Warrant Expiration Date, upon delivery to the Company at the principal executive office of the Company in the United States of America, of (a) this Warrant Certificate, (b) a written notice stating that such Holder elects to exercise the Warrants evidenced hereby in accordance with the provisions of this Section 1 and specifying the number of Warrants being exercised and the name or names in which such Holder wishes the certificate or certificates for shares of Common Stock to be issued and (c) payment of the Exercise Price for the shares of Common Stock issuable upon exercise of such Warrants, which shall be payable by any one or any combination of the following: (i) cash, (ii) certified or official bank check payable to the order of the Company, (iii) by the surrender (which surrender shall be evidenced by cancellation of the number of Warrants represented by any Warrant certificate presented in connection with a Cashless Exercise (as defined below)) of a Warrant or Warrants (represented by one or more relevant Warrant certificates), and without the payment of the Exercise Price in cash, in return for the delivery to the surrendering holder of such number of shares of Common Stock equal to the number of shares of Common Stock for which such Warrant is exercisable as of the date of exercise (if the Exercise Price were being paid in cash) reduced by that number of shares of Common Stock equal to the quotient obtained by dividing (x) the Exercise Price by (y) the Market Price of one share of Common Stock on the Business Day which next precedes the day of exercise of the Warrant or (iv) by the delivery of shares of Common Stock that are either held by the Holder or are acquired in connection with such exercise, and without payment of the Exercise Price in cash. Any share of Common Stock delivered as payment of the Exercise Price in connection with an In-Kind Exercise (as defined below) shall be deemed to have a value equal to the Market Price of one share of Common Stock on the Business Day which next precedes the day of exercise of the Warrant. An exercise of a Warrant in accordance with clause (iii) is herein referred to as a "Cashless Exercise" and an exercise of a Warrant in accordance with clause (iv) is herein referred to as an "In- Kind Exercise." The documentation and consideration, if any, delivered in accordance with subsections (a), (b) and (c) are collectively referred to herein as the "Warrant Exercise Documentation." For the purposes of this Section 1, Market Price shall be calculated without reference to the last sentence of the definition thereof.

As promptly as practicable, and in any event within five (5) Business Days after receipt of the Warrant Exercise Documentation, the Company shall deliver or cause to be delivered (a) certificates representing the number of validly issued, fully paid and nonassessable shares of Common Stock issuable in connection with

3

such exercise, (b) if applicable, cash in lieu of any fraction of a share, as hereinafter provided and (c) if less than the full number of Warrants evidenced hereby are being exercised, a new Warrant Certificate or Certificates, of like tenor, for the number of Warrants evidenced by this Warrant Certificate, less the number of Warrants then being exercised; provided, however, that no new Warrant Certificate need be delivered if the Warrant Expiration Date has occurred. Such exercise shall be deemed to have been made at the close of

business on the date of delivery of the Warrant Exercise Documentation so that the Person entitled to receive shares of Common Stock upon such exercise shall be treated for all purposes as having become the record Holder of such shares of Common Stock at such time. No such surrender shall be effective to constitute the person entitled to receive such shares as the record Holder thereof while the transfer books of the Company for the Common Stock are closed for any purpose (but not for any period in excess of five (5) days); but any such surrender of this Warrant Certificate for exercise during any period while such books are so closed shall become effective for exercise immediately upon the reopening of such books, as if the exercise had been made on the date this Warrant Certificate was surrendered and for the number of shares of Common Stock specified in the Warrant Exercise Documentation and at the Exercise Price.

The Company shall pay all expenses in connection with, and all taxes and other governmental charges (other than income taxes of the Holder) that may be imposed in respect of, the issue or delivery of any shares of Common Stock issuable upon the exercise of the Warrants evidenced hereby. The Company shall not be required, however, to pay any tax or other charge imposed in connection with any transfer involved in the issue of any certificate for shares of Common Stock in any name other than that of the registered Holder of the Warrants evidenced hereby.

In connection with the exercise of any Warrants evidenced hereby, no fractions of shares of Common Stock shall be issued, but in lieu thereof the Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the current Market Price per share of Common Stock on the Business Day which next precedes the day of exercise. If more than one such Warrant shall be exercised by the Holder thereof at the same time, the number of full shares of Common Stock issuable on such exercise shall be computed on the basis of the total number of Warrants so exercised.

## Section 2. Adjustments.

(a) Adjustment of Exercise Price Upon Issuance of Common Stock. If and whenever after the Issue Date the Company shall issue or sell any shares of its Common Stock (except upon exercise of the Warrants and shares issued as a result of adjustments made under the terms of the Warrants) for a consideration per share less than, under certain circumstances including those in paragraphs (i) through (ix) below, the Conversion Price then in effect at the time of such issuance or sale (the "Date"), then, and in each such case, the Exercise Price then in effect shall be

adjusted by dividing the Exercise Price in effect on the day immediately prior to the Date by a fraction (x) the numerator of which shall be the aggregate number of shares of Common Stock of all classes outstanding immediately after such issue or sale and (y) the denominator of which shall be the sum of (A) the aggregate number of shares of Common Stock outstanding immediately prior to such

issue or sale plus (B) the aggregate number of shares of Common Stock which would have been issued or sold in connection with such issue or sale if such shares had been issued or sold at the then existing Conversion Price.

No adjustment of the Exercise Price, however, shall be made in an amount less than \$.05 per share, but any such lesser adjustment shall be carried forward and shall be made upon the time of and together with the next subsequent adjustment, if any.

For the purposes of this Section 2(a), the following paragraphs (i) through (ix) shall also be applicable:

(i) Issuance of Rights or Options - In case at any time after the Issue Date the Company shall in any manner grant (whether directly or by assumption in a merger or otherwise, except in the circumstances described in Section 2(c) below) any rights to subscribe for or to purchase, or any options or warrants for the purchase of, Common Stock or any stock, notes or securities convertible into or exchangeable for Common Stock (such convertible or exchangeable stock, notes or securities being herein called "Convertible Securities"), whether or not such rights, options or warrants or the right to convert or exchange any such Convertible Securities are immediately exercisable, and the price per share for which Common Stock is issuable upon the exercise of such rights, options or warrants or upon conversion or exchange of such Convertible Securities (determined by dividing (i) the total amount, if any, received or receivable by the Company as consideration for the granting of such rights, options or warrants, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the exercise of such rights, options or warrants, plus, in the case of such rights, options or warrants which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable upon the issue or sale of such Convertible Securities and upon the conversion or exchange thereof, by (ii) the total maximum number of shares of Common Stock issuable upon the exercise of such rights, options or warrants or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such rights, options or warrants) shall be less than the Conversion Price in effect immediately prior to the time of the granting of such rights, options or warrants, then the total maximum number of shares of Common Stock issuable upon the exercise of such rights, options or warrants or upon conversion or exchange of all such Convertible Securities issuable upon the exercise of such rights, options or warrants shall (as of the date of granting of such rights or options) be deemed to be outstanding and to have been issued for such price per share. Except as provided in paragraph (iii), no further adjustment of the Exercise

5

Price shall be made upon the actual issue of such Common Stock or of such Convertible Securities upon exercise of such rights, options or warrants or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities.

(ii) Issuance of Convertible Securities - In case at any time after the Issue Date the Company shall in any manner issue (whether directly or by assumption in a merger or otherwise) or sell any Convertible Securities, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which Common Stock is issuable upon such conversion or exchange (determined by dividing (i) the total amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (ii) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Conversion Price in effect immediately prior to the time of such issue or sale, then the total maximum number of shares of Common Stock issuable upon conversion or exchange of all such Convertible Securities shall (as of the date of the issue or sale of such Convertible Securities) be deemed to be outstanding and to have been issued for such price per share; provided, however, that (a) except as otherwise provided in paragraph (iii), no further adjustment of the Exercise Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Securities, and (b) if any such issue or sale of such Convertible Securities is made upon exercise of any rights to subscribe for or to purchase or any option to purchase any such Convertible Securities for which adjustments of the Exercise Price have been or are to be made pursuant to other provisions of this Section 2(a), no further adjustment of the Exercise Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Conversion Rate - If the purchase price provided for in any right or option referred to in paragraph (i), the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities referred to in paragraph (i) or (ii), or the rate at which any Convertible Securities referred to in paragraph (i) or (ii) are convertible into or exchangeable for Common Stock shall change (other than under or by reason of provisions designed to protect against dilution), the Exercise Price then in effect hereunder shall forthwith be readjusted (increased or decreased, as the case may be) to the Exercise Price which would have been in effect at such time had such rights, options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold. On the expiration of any such option or right referred to in paragraph (i) or the termination of any such right to convert or exchange any such Convertible Securities referred to in paragraph (i) or (ii), the Exercise Price then in effect hereunder shall forthwith be readjusted (increased or decreased, as the case may be) to the Exercise Price which would have been in effect

6

at the time of such expiration or termination had such right, option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been granted, issued or sold, and the Common Stock issuable thereunder shall no longer be deemed to be outstanding. If the purchase price provided for in any such right or option referred to in paragraph

(i) or the rate at which any Convertible Securities referred to in paragraph (i) or (ii) are convertible into or exchangeable for Common Stock shall be reduced at any time under or by reason of provisions with respect thereto designed to protect against dilution, then in case of the delivery of shares of Common Stock upon the exercise of any such right or option or upon conversion or exchange of any such Convertible Securities, the Exercise Price then in effect hereunder shall, if not already adjusted, forthwith be adjusted to such amount as would have obtained had such right, option or Convertible Securities never been issued as to such shares of Common Stock and had adjustments been made upon the issuance of the shares of Common Stock delivered as aforesaid, but only if as a result of such adjustment the Exercise Price then in effect hereunder is thereby reduced.

(iv) Stock Dividends - In case at any time the Company shall declare a dividend or make any other distribution upon any class or series of stock of the Company payable in shares of Common Stock or Convertible Securities, any shares of Common Stock or Convertible Securities, as the case may be, issuable in payment of such dividend or distribution shall be deemed to have been issued or sold without consideration.

(v) Consideration for Stock - Anything herein to the contrary notwithstanding, in case at any time any shares of Common Stock or Convertible Securities or any rights, options or warrants to purchase any such Common Stock or Convertible Securities shall be issued or sold for cash, the consideration received therefor shall be deemed to be the amount received by the Company therefor, without deduction therefrom of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith.

In case at any time any shares of Common Stock or any class or Convertible Securities or any rights or options to purchase any such shares of Common Stock or Convertible Securities shall be issued or sold for a consideration other than cash, in whole or in part, the amount of the consideration other than cash received by the Company shall be deemed to be the fair value of such consideration as determined reasonably and in good faith by the Board of Directors of the Company, without deduction of any expenses incurred or any underwriting commissions or concessions paid or allowed by the Company in connection therewith. In case at any time any shares of Common Stock or any class or Convertible Securities or any rights or options to purchase such shares of Common Stock or Convertible Securities shall be issued in connection with any merger or consolidation in which the Company is the surviving Company, the amount of consideration received therefor shall be deemed to be the fair value as determined reasonably and in

good faith by the Board of Directors of the Company of such portion of the assets and business of the nonsurviving Company as such Board may determine to be attributable to such shares of Common Stock, Convertible Securities, rights or options, as the case may be. In case at any time any rights or options to



purchase any shares of Common Stock or Convertible Securities shall be issued in connection with the issue and sale of other securities of the Company, together comprising one integral transaction in which no consideration is allocated to such rights or options by the parties thereto, such rights or options shall be deemed to have been issued for an amount of consideration equal to the fair value thereof as determined reasonably and in good faith by the Board of Directors of the Company.

(vi) Record Date - In case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock or in Convertible Securities, or (B) to subscribe for or purchase shares of Common Stock or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold as a result of the declaration of such dividend or the making or such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(vii) Treasury Shares - The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock for the purposes of this Section 2(a).

(viii) Adjustment to Determination of Exercise Price - When making the calculations and determinations described in this Section 2(a), there shall not be taken into account (i) the issuance of Common Stock upon the exercise of options outstanding on the Issue Date for the purchase of up to 554,350 shares of Common Stock, (ii) the issuance of any rights to subscribe for or to purchase, or any options for the purchase of, up to 1.5% of the fully diluted shares of Common Stock of the Company as of the date of original issuance of all shares of Series A Preferred Stock or any stock or securities convertible into or exchangeable for Common Stock to officers or directors ("Officers/Directors Securities") and (iii) the issuance of any options for the purchase of Common Stock to employees of the Company other than officers or directors pursuant to the standard option awards program adopted by the Board of Directors of the Company, but excluding any discretionary awards outside of such program ("Employee Securities" and, together with the Officers/Directors Securities, the "Company Securities"); provided, that all Common Stock issuable with respect to any such Company Securities be issuable at or above the Market Price as of the date of the grant.

(ix) In case the Company at any time or from time to time shall take any action which could have a dilutive effect on the number of shares of Common Stock that may be issued upon exercise of the Warrants, other than an

action described in Section 2(a) or Section 2(b), then, the Exercise Price shall be adjusted in such manner and at such time as the Board of Directors of the

Company reasonably determines to be equitable under the circumstances (such determination to be evidenced in a resolution, a certified copy of which shall be mailed to the Holder of the Warrants evidenced hereby).

(x) The Company promptly shall deliver to each registered Holder of Warrants at least five (5) Business Days prior to effecting any transaction which would result in an increase or decrease in the Exercise Price pursuant to this Section 2, together with a certificate, signed by the Chief Executive Officer, President or a Vice-President and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Company, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the increased or decreased Exercise Price then in effect following such adjustment.

(xi) Notwithstanding anything contrary contained in this Section 2(a), the Company shall be entitled to make such adjustments in the Exercise Price, in addition to those otherwise required by this Section 2(a), as the Board of Directors of the Company in its discretion shall determine to be advisable in order that any stock dividend, subdivision or combination of shares, distribution of rights or warrants to purchase stock or securities, or distribution of securities convertible into or exchangeable for Common Stock, hereafter made by the Company to its stockholders shall not be taxable; provided, however, that any such adjustment shall be made, as nearly as practicable, in a manner which treats all Holders of Warrants with similar protections on an equal basis.

(b) Reorganization, Reclassification, Consolidation, Merger or Sale of Assets. In case of any capital reorganization or reclassification or other change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any consolidation or merger of the Company with or into another Person (other than a consolidation or merger in which the Company is the resulting or surviving person and which does not result in any reclassification or change of outstanding Common Stock) (any of the foregoing, a "Transaction"), the Company, or such successor or purchasing Person, as the case may be, shall execute and deliver to each Holder of the Warrants evidenced hereby, at least five (5) Business Days prior to effecting any of the foregoing Transactions, a certificate that the Holder of each such Warrant then outstanding shall have the right thereafter to exercise such Warrant into the kind and amount of shares of stock or other securities (of the Company or another issuer) or property or cash receivable upon such Transaction by a holder of the number of shares of Common Stock into which such Warrant could have been exercised immediately prior to such Transaction. Such certificate shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 2 and shall contain

other terms identical to the terms hereof. If, in the case of any such Transaction, the stock, other securities, cash or property receivable thereupon



by a holder of Common Stock includes shares of stock or other securities of a Person other than the successor or purchasing Persons and other than the Company, which controls or is controlled by the successor or purchasing Person or which, in connection with such Transaction, issues stock, securities, other property or cash to holders of Common Stock, then such certificate also shall be executed by such Person, and such Person shall, in such certificate, specifically assume the obligations of such successor or purchasing Person and acknowledge its obligations to issue such stock, securities, other property or cash to Holders of the Warrants upon exercise thereof as provided above. The provisions of this Section 2(b) similarly shall apply to successive Transactions.

(c) Special Distributions. If the Holder so elects by sending a Special Notice to the Company, in the event that the Company shall declare a dividend or make any other distribution (including, without limitation, in cash, in capital stock (which shall include, without limitation, any options, warrants or other rights to acquire capital stock) of the Company, whether or not pursuant to a stockholder rights plan, "poison pill" or similar arrangement (but excluding any dividend or distribution which results in an adjustment to the Exercise Price pursuant to Section 2(a)) in other property or assets, to holders of Common Stock (a "Special Distribution"), then the Board of Directors shall set aside the amount of such dividend or distribution that any Holder of Warrants would have been entitled to receive had it exercised such Warrants prior to the record date for such dividend or distribution. Upon the exercise of a Warrant evidenced hereby, the Holder shall be entitled to receive such dividend or distribution that such Holder would have received had such Warrant been exercised immediately prior to the record date for such dividend or distribution. Prior to any Special Distribution described in this Section 2(c), the Company shall as provided in Section 3 hereof notify each Holder (not less than ten (10) Business Days prior to the occurrence of each Special Distribution) of its intent to make such Special Distribution, and the Holder, if it elects to have the amount of such distribution set aside rather than have an adjustment to the Exercise Price as provided in Section 2(a), shall notify the Company by sending a Special Notice prior to the date of any such Special Distribution.

Section 3. Notice of Certain Events. In case at any time or from time to time the Company shall declare any dividend or any other distribution to the holders of its Common Stock, or shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any additional shares of stock of any class or any other right, or shall authorize the issuance or sale of any other shares or rights which would result in an adjustment to the Exercise Price pursuant to Section 2(a) or would result in a Special Distribution pursuant to Section 2(c), or there shall be any capital reorganization or reclassification of the Common Stock or consolidation or merger of the Company with or into another Person, or any sale or other disposition of all or substantially all the assets of the Company, or there shall be a voluntary or involuntary dissolution, liquidation or

winding up of the Company, then, in any one or more of such cases the Company shall mail to each Holder of the Warrants evidenced hereby at such Holder's address as it appears on the transfer books of the Company, as promptly as practicable but in any event at least ten (10) days prior to the applicable date hereinafter specified, a notice stating (a) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, (b) the issue date of such dividend, distribution, rights or warrants or (c) the date on which such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up is expected to become effective; provided that in the case of any event to which Section 2(c) applies, the Company shall give at least ten (10) Business Days' prior written notice as aforesaid. Such notice also shall specify the date as of which it is expected that the holders of Common Stock of record shall be entitled to exchange their Common Stock for shares of stock or other securities or property or cash deliverable upon such reorganization, reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up.

Section 4. Certain Covenants. The Company covenants and agrees that all shares of capital stock of the Company which may be issued upon the exercise of the Warrants evidenced hereby will be duly authorized, validly issued and fully paid and nonassessable. The Company shall at all times reserve and keep available for issuance upon the exercise of the Warrants, such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the exercise of all outstanding Warrants, and shall take all action required to increase the authorized number of shares of Common Stock if at any time there shall be insufficient authorized but unissued shares of Common Stock to permit such reservation or to permit the exercise of all outstanding Warrants. The Company shall prepare and file, and cooperate with the Holder of this Warrant so that it may prepare and file, in each case within five (5) Business Days of a request by such Holder, notification and report forms in compliance with the HSR Act, and shall otherwise fully comply with the requirements of the HSR Act, to the extent required in connection with the exercise of the Warrant. The Company shall bear all of its own expenses and all of its own out-of-pocket expenses (including reasonable attorneys' fees, charges and expenses) and filing fees of such Holder in connection with any such preparation and filing.

Section 5. Registered Holder. The person in whose name this Warrant Certificate is registered shall be deemed the owner hereof and of the Warrants evidenced hereby for all purposes. The registered Holder of this Warrant Certificate, in its capacity as such, shall not be entitled to any rights whatsoever as a stockholder of the Company, except as herein provided.

Section 6. Transfer of Warrants. Any transfer of the rights represented by this Warrant Certificate shall be subject to the limitations provided

herein, and shall be effected by the surrender of this Warrant Certificate, along with the form of assignment attached hereto, properly completed and executed by the registered Holder hereof, at the principal executive office of the Company in the United States of America, together with an appropriate investment letter, if deemed reasonably necessary by counsel to the Company to assure compliance with applicable securities laws. Thereupon, the Company shall issue in the name or names specified by the registered Holder hereof and, in the event of a partial transfer, in the name of the registered Holder hereof, a new Warrant Certificate or Certificates evidencing the right to purchase such number of shares of Common Stock as shall be equal to the number of shares of Common Stock then purchasable hereunder.

Section 7. Denominations. The Company will, at its expense, promptly upon surrender of this Warrant Certificate at the principal executive office of the Company in the United States of America, execute and deliver to the registered Holder hereof a new Warrant Certificate or Certificates in denominations specified by such Holder for an aggregate number of Warrants equal to the number of Warrants evidenced by this Warrant Certificate.

Section 8. Replacement of Warrants. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant Certificate and, in the case of loss, theft or destruction, upon delivery of an indemnity reasonably satisfactory to the Company (in the case of an insurance company or other institutional investor, its own unsecured indemnity agreement shall be deemed to be reasonably satisfactory), or, in the case of mutilation, upon surrender and cancellation thereof, the Company will issue a new Warrant Certificate of like tenor for a number of Warrants equal to the number of Warrants evidenced by this Warrant Certificate.

Section 9. Governing Law. THIS WARRANT CERTIFICATE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

Section 10. Rights Inure to Registered Holder. The Warrants evidenced by this Warrant Certificate will inure to the benefit of and be binding upon the registered Holder thereof and the Company and their respective successors and permitted assigns. Nothing in this Warrant Certificate shall be construed to give to any Person other than the Company and the registered Holder thereof any legal or equitable right, remedy or claim under this Warrant Certificate, and this Warrant Certificate shall be for the sole and exclusive benefit of the Company and such registered Holder. Nothing in this Warrant Certificate shall be construed to give the registered Holder hereof any rights as a Holder of shares of Common Stock until such time, if any, as the Warrants evidenced by this Warrant Certificate are exercised in accordance with the provisions hereof.

12

Section 11. Definitions. Capitalized terms used herein but not otherwise defined have the meanings given to them in the Securities Purchase

Agreement. For the purposes of this Warrant Certificate, the following terms shall have the meanings indicated below:

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to close.

"Capital stock" of any Person means any and all shares, interests, participations or other equivalents (however designated) of such Person's capital stock (or equivalent ownership interests in a Person not a corporation) whether now outstanding or hereafter issued, including, without limitation, all common stock and preferred stock and any rights, warrants or options to purchase such Person's capital stock.

"Company Securities" has the meaning assigned such term in Section 2(a).

"Conversion Price" shall have the meaning set forth in, and as adjusted from time to time pursuant to the terms of, the Certificate of Designation with respect to the Series B Preferred Stock as filed on July 10, 1998 with the Secretary of State of the State of Delaware.

"Convertible Securities" has the meaning assigned such term in Section 2(a).

"Employee Securities" has the meaning assigned to such term in Section 2(a).

"Exercise Price" has the meaning assigned to such term in the Preamble.

"Fair Market Value" means the amount which a willing buyer, under no compulsion to buy, would pay a willing seller, under no compulsion to sell, in an arm's-length transaction.

"GAAP" means generally accepted United States accounting principles in effect from time to time.

"Holder" has the meaning assigned to such term in the Preamble.

13

"HSR Act" means the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended and the rules and regulations of the Federal Trade Commission promulgated thereunder.

"Issue Date" means July 10, 1998.

"Market Price" means the last reported sale price of the applicable security as reported by the National Association of Securities Dealers, Inc. Automatic Quotations System, National Market System, or, if the applicable

security is listed or admitted for trading on a securities exchange, the last reported sales price of the applicable security on the principal exchange on which the applicable security is listed or admitted for trading (which shall be for consolidated trading if applicable to such exchange), or if neither so reported or listed or admitted for trading, the last reported bid price of the applicable security in the over-the-counter market. In the event that the Market Price cannot be determined as aforesaid, the Board of Directors of the Company shall determine the Market Price on the basis of such quotations as it in good faith considers appropriate, in consultation with a nationally recognized investment bank. The Market Price shall be such price averaged over a period of 20 consecutive Business Days ending 2 days prior to the day as of which "Market Price" is being determined.

"Number Issuable" has the meaning assigned to such term in the Preamble.

"Officers/Directors Securities" has the meaning assigned to such term in Section 2(a).

"Person" means any individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Securities Purchase Agreement" shall mean that certain Securities Purchase Agreement, dated as of June 30, 1998, among the Company, the Holder and the other parties signatory thereto, as the same may be amended, modified or otherwise supplemented from time to time in accordance with its terms.

"Series A Preferred Stock" means the Series A Cumulative Convertible Preferred Stock, par value \$.01 per share, of the Company.

"Series B Preferred Stock" means the Series B Cumulative Convertible Preferred Stock, par value \$.01 per share, of the Company.

14

"Special Notice" means the notice sent by a Holder to the Company indicating its preference to have any special distribution set aside for its benefit upon exercise of the Warrant.

"Transaction" has the meaning assigned to such term in Section 2(b).

"Warrant Exercise Documentation" has the meaning assigned to such term in Section 1 hereof.

"Warrant Expiration Date" means the seventh anniversary of the Issue Date or such earlier date as may result from the provisions of this Warrant Certificate.

Section 12. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, courier services or personal delivery, (a) if to the Holder of a Warrant, at such Holder's last known address appearing on the books of the Company; and (b) if to the Company, at its principal executive office in the United States located at the address designated for notices in the Securities Purchase Agreement, or such other address as shall have been furnished to the party given or making such notice, demand or other communication. All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered to a courier if delivered by commercial overnight courier service; and five (5) Business Days after being deposited in the mail, postage prepaid, if mailed.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed as of the Issue Date.

CANDLEWOOD HOTEL COMPANY, INC.

By:

-----

Name:

Title:

Form of Assignment Form

[To be executed upon assignment of Warrants]

The undersigned hereby assigns and transfers this Warrant Certificate to \_\_\_\_\_ whose Social Security Number or Tax ID Number is \_\_\_\_\_ and whose record address is \_\_\_\_\_, and irrevocably appoints \_\_\_\_\_ as agent to transfer this security on the books of the Company. Such agent may substitute another to act for such agent.

Signature:

-----

Signature Guarantee:

-----

Date: \_\_\_\_\_

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED, QUALIFIED, APPROVED OR DISAPPROVED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS AND NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL OR STATE REGULATORY AUTHORITY HAS PASSED ON OR ENDORSED THE MERITS OF THESE SECURITIES.

WARRANT NO. \_\_\_\_\_

WARRANT

TO PURCHASE SHARES OF COMMON STOCK,

PAR VALUE \$.01 PER SHARE

OF

CANDLEWOOD HOTEL COMPANY, INC.

THIS IS TO CERTIFY THAT [ ] or its registered assigns (the "HOLDER"), is the owner of [ ] Warrants (the "WARRANTS"), each of which entitles the registered Holder thereof to purchase from CANDLEWOOD HOTEL COMPANY, INC., a Delaware corporation (the "COMPANY"), one fully paid, duly authorized and nonassessable share of Common Stock, par value \$.01 per share (the "COMMON STOCK"), of the Company (subject to adjustment as provided herein) at any time or from time to time at an exercise price of \$.01 per share (the "EXERCISE PRICE"), all on the terms and subject to the conditions hereinafter set forth.

The number of shares of Common Stock issuable upon exercise of each Warrant, which is initially one (1) share, is subject to adjustment from time to time pursuant to the provisions of Section 2 of this Warrant.

Capitalized terms used herein but not otherwise defined shall have the meanings given them in Section 11 hereof or, if not therein defined, in the Securities Purchase Agreement.

2

Section 1. Exercise of Warrant. Subject to the last paragraph of this Section 1, the Warrants evidenced hereby may be exercised, in whole or in part, by the registered Holder hereof at any time or from time to time, upon delivery to the Company at the principal executive office of the Company in the United States of America, of (a) this warrant certificate (the "Warrant Certificate"), (b) a written notice stating that such Holder elects to exercise the Warrants



evidenced hereby in accordance with the provisions of this Section 1 and specifying the number of Warrants being exercised and the name or names in which such Holder wishes the certificate or certificates for shares of Common Stock to be issued and (c) payment of the Exercise Price for the shares of Common Stock issuable upon exercise of such Warrants, which shall be payable by any one or any combination of the following: (i) cash, (ii) certified or official bank check payable to the order of the Company, (iii) by the surrender (which surrender shall be evidenced by cancellation of the number of Warrants represented by any Warrant certificate presented in connection with a Cashless Exercise (as defined below)) of a Warrant or Warrants (represented by one or more relevant Warrant certificates), and without the payment of the Exercise Price in cash, in return for the delivery to the surrendering holder of such number of shares of Common Stock equal to the number of shares of Common Stock for which such Warrant is exercisable as of the date of exercise (if the Exercise Price were being paid in cash) reduced by that number of shares of Common Stock equal to the quotient obtained by dividing (x) the Exercise Price by (y) the Market Price of one share of Common Stock on the Business Day which next precedes the day of exercise of the Warrant or (iv) by the delivery of shares of Common Stock that are either held by the Holder or are acquired in connection with such exercise, and without payment of the Exercise Price in cash. Any share of Common Stock delivered as payment of the Exercise Price in connection with an In-Kind Exercise (as defined below) shall be deemed to have a value equal to the Market Price of one share of Common Stock on the Business Day which next precedes the day of exercise of the Warrant. An exercise of a Warrant in accordance with clause (iii) is herein referred to as a "CASHLESS EXERCISE" and an exercise of a Warrant in accordance with clause (iv) is herein referred to as an "IN-KIND EXERCISE." The documentation and consideration, if any, delivered in accordance with subsections (a), (b) and (c) are collectively referred to herein as the "WARRANT EXERCISE DOCUMENTATION". For the purposes of this Section 1, Market Price shall be calculated without reference to the last sentence of the definition thereof.

As promptly as practicable, and in any event within five (5) Business Days after receipt of the Warrant Exercise Documentation, the Company shall deliver or cause to be delivered (a) certificates representing the number of validly issued, fully paid and nonassessable shares of Common Stock issuable in connection with such exercise, (b) if applicable, cash in lieu of any fraction of a share, as hereinafter provided and (c) if less than the full number of Warrants evidenced hereby are being exercised, a new Warrant Certificate or Certificates, of like tenor, for the number of

3

Warrants evidenced by this Warrant Certificate, less the number of Warrants then being exercised. Such exercise shall be deemed to have been made at the close of business on the date of delivery of the Warrant Exercise Documentation so that the Person entitled to receive shares of Common Stock upon such exercise shall be treated for all purposes as having become the record Holder of such shares of Common Stock at such time. No such surrender shall be effective to constitute the person entitled to receive such shares as the record Holder thereof while

the transfer books of the Company for the Common Stock are closed for any purpose (but not for any period in excess of five (5) days); but any such surrender of this Warrant Certificate for exercise during any period while such books are so closed shall become effective for exercise immediately upon the reopening of such books, as if the exercise had been made on the date this Warrant Certificate was surrendered and for the number of shares of Common Stock specified in the Warrant Exercise Documentation and at the Exercise Price.

The Company shall pay all expenses in connection with, and all taxes and other governmental charges (other than income taxes of the Holder) that may be imposed in respect of, the issue or delivery of any shares of Common Stock issuable upon the exercise of the Warrants evidenced hereby. The Company shall not be required, however, to pay any tax or other charge imposed in connection with any transfer involved in the issue of any certificate for shares of Common Stock in any name other than that of the registered Holder of the Warrants evidenced hereby, and the Company shall not be required to issue or deliver such Warrant Certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

In connection with the exercise of any Warrants evidenced hereby, no fractions of shares of Common Stock shall be issued, but in lieu thereof the Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the current Market Price per share of Common Stock on the Business Day which next precedes the day of exercise. If more than one such Warrant shall be exercised by the Holder thereof at the same time, the number of full shares of Common Stock issuable on such exercise shall be computed on the basis of the total number of Warrants so exercised.

Section 2. Adjustments. The number of shares of Common Stock issuable upon exercise of each Warrant shall be subject to adjustment from time to time as follows:

(a) Stock Dividends; Stock Splits; Reserve Stock Splits; Reclassifications. In case the Company shall (i) pay a dividend or make any other distribution with respect to its Common Stock in shares of any class or series of its

capital stock, (ii) subdivide its outstanding Common Stock, (iii) combine its outstanding Common Stock into a smaller number of shares or (iv) issue any shares of its capital stock in a reclassification of the Common Stock (other than a reclassification in connection with a merger, consolidation or other business combination which will be governed by Section 2(g)), the number of shares of Common Stock purchasable upon exercise of each Warrant immediately prior to the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be adjusted so that the Holder of each Warrant shall be entitled to receive the kind and number of

shares of Common Stock or other securities of the Company which such Holder would have been entitled to receive after the happening of any of the events described above had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto (with any record date requirement being deemed to have been satisfied). An adjustment made pursuant to this Section 2(a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) Rights, Options; Warrants. In case the Company shall issue rights, options, warrants or convertible or exchangeable securities (a "RIGHT") (other than a convertible or exchangeable security subject to Section 2(a)) to all holders of its Common Stock, entitling them to subscribe for or purchase Common Stock at a price per share of Common Stock (determined in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (x) the total amount receivable by the Company in consideration of the issuance of such rights, options, warrants or convertible or exchangeable securities, if any, plus the total consideration payable to the Company upon exercise, conversion or exchange thereof, by (y) the total number of shares of Common Stock covered by such rights, options, warrants or convertible or exchangeable securities) which is lower (at the record date for such issuance) than the then Market Value per share of Common Stock, the number of shares of Common Stock thereafter purchasable upon exercise of each Warrant shall be determined by multiplying the number of shares of Common Stock theretofore purchasable upon exercise of each Warrant by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options, warrants or convertible or exchangeable securities plus the number of additional shares of Common Stock offered for subscription or purchase or issuable upon conversion or exchange, and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options, warrants or convertible or exchangeable securities plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at the then Market Value per share of Common Stock. Such adjustment shall be made whenever such rights, options, warrants or convertible or exchangeable securities are issued, and shall become effective retroactively immediately after the record date for the

5

determination of shareholders entitled to receive such rights, options, warrants or convertible or exchangeable securities.

(c) Issuance of Common Stock at Lower Values. In case the Company shall sell or issue any shares of Common Stock or Right (excluding (i) any Right issued in any of the transactions described in Section 2(a) or (b) above and (ii) any Company Securities (as defined below)), at a price per share of Common Stock (determined in the case of such rights, options, warrants or convertible or exchangeable securities, by dividing (x) the total amount receivable by the Company in consideration of the issuance of such rights,

options, warrants or convertible or exchangeable securities, if any, plus the total consideration payable to the Company upon exercise, conversion or exchange thereof, by (y) the total number of shares of Common Stock covered by such rights, options, warrants or convertible or exchangeable securities) which is lower (at the record date of such issuance) than the Market Value per share of Common Stock, then the number of shares of Common Stock thereafter purchasable upon the exercise of each Warrant shall be determined by multiplying the number of shares of Common Stock theretofore purchasable upon exercise of such Warrant by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately after such sale or issuance and the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such sale or issuance plus the number of shares of Common Stock which the aggregate consideration received (determined as provided below) for such sale or issuance would purchase at such Market Value per share of Common Stock. For purposes of this Section 2(c), the shares of Common Stock which the holder of any such Right shall be entitled to subscribe for or purchase shall be deemed to be issued and outstanding as of the date of such sale and issuance and the consideration received by the Company therefor shall be deemed to be the consideration received by the Company for such Right, plus the consideration or premiums stated in such Right to be paid for the shares of Common Stock covered thereby. For the purposes of this Section 2(c), "COMPANY SECURITIES" shall include (x) the issuance of any rights to subscribe for or to purchase, or any options for the purchase of, up to 1.5% of the fully diluted shares of Common Stock of the Company as of the date of original issuance of shares of Series B Cumulative Convertible Preferred Stock, par value \$.01 per share, of the Company or any stock or securities convertible into or exchangeable for Common Stock to officers or directors and (y) the issuance of any options for the purchase of Common Stock to employees of the Company other than officers or directors pursuant to the standard option awards program adopted by the Board of Directors of the Company, but excluding any discretionary awards outside of such program; provided, that all Common Stock issuable with respect to any such Company Securities be issuable at or above the Market Price as of the date of the grant.

6

(d) Distributions of Debt, Assets, Subscription Rights or Convertible Securities. In case the Company shall fix a record date for the making of a distribution to all holders of its Common Stock of evidences of its indebtedness, assets, cash dividends or distributions (excluding dividends or distributions referred to in Section 2(a) above and excluding distributions in connection with the dissolution, liquidation or winding up of the Company which will be governed by Section 2(g) (B) below) or securities (excluding those referred to in Section 2(a), Section 2(b) or Section 2(c) above), then in each case the number of shares of Common Stock purchasable after such record date upon the exercise of each Warrant shall be determined by multiplying the number of shares of Common Stock purchasable upon the exercise of such Warrant immediately prior to such record date by a fraction, the numerator of which shall be the Market Value per share of Common Stock immediately prior to the record date for such distribution and the denominator of which shall be the Market Value per share of Common Stock immediately prior to the record date for

such distribution less the then fair value (as determined in good faith by the Board of Directors of the Company) of the portion of the assets, evidence of indebtedness, cash dividends or distributions or securities so distributed applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of shareholders entitled to receive such distribution.

(e) Expiration of Rights, Options and Conversion Privileges. Upon the expiration of any rights, options, warrants or conversion or exchange privileges that have previously resulted in an adjustment hereunder, if any thereof shall not have been exercised, the number of shares of Common Stock issuable upon the exercise of each Warrant shall, upon such expiration, be readjusted and shall thereafter, upon any future exercise, be such as they would have been had they been originally adjusted (or had the original adjustment not been required, as the case may be) as if (i) the only shares of Common Stock so issued were the shares of Common Stock, if any, actually issued or sold upon the exercise of such rights, options, warrants or conversion or exchange rights and (ii) such shares of Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise plus the consideration, if any, actually received by the Company for issuance, sale or grant of all such rights, options, warrants or conversion or exchange rights whether or not exercised; provided, that no such readjustment shall have the effect of decreasing the number of shares issuable upon exercise of each Warrant by a number, in excess of the amount or number of the adjustment initially made in respect to the issuance, sale or grant of such rights, options, warrants or conversion or exchange rights.

(f) De Minimis Adjustments. No adjustment in the number of shares of Common Stock purchasable hereunder shall be required unless such

7

adjustment would require an increase or decrease of at least one percent (1%) in the number of shares of Common Stock purchasable upon the exercise of each Warrant; provided, however, that any adjustments which by reason of this Section 2(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest one-thousandth of a share.

(g) Consolidation, Merger, Etc. (A) Subject to the provisions of Subsection (B) below of this Section 2(g), in case of the consolidation of the Company with, or merger of the Company with or into, or of the sale of all or substantially all of the properties and assets of the Company to, any Person and in connection therewith consideration is payable to holders of Common Stock (or other securities or property purchasable upon exercise of Warrants) in exchange therefor, the Warrants shall remain subject to the terms and conditions set forth in this Warrant Certificate and each Warrant shall, after such consolidation, merger or sale, entitle the Holder to receive upon exercise the number of shares of capital stock or other securities or properties (including

cash) of the Company, or of such Person resulting from such consolidation or surviving such merger or to which such sale shall be made, as the case may be, that would have been distributable or payable on account of the shares of Common Stock (or other securities or properties purchasable upon exercise of Warrants) if such Holder's Warrants had been exercised immediately prior to such merger, consolidation or sale (or, if applicable, the record date therefor); and in any such case the provisions of this Warrant with respect to the rights and interests thereafter of the Holders of Warrants shall be appropriately adjusted by the Board of Directors of the Company in good faith so as to be applicable, as nearly as may reasonable be, to any shares of stock or other securities or any property thereafter deliverable on the exercise of the Warrants.

(B) Notwithstanding the foregoing, (x) if the Company merges or consolidates with, or sells all or substantially all of its property and assets to, another Person and consideration is payable to holders of Common Stock in exchange for their Common Stock in connection with such merger, consolidation or sale which consists solely of cash, or (y) in the event of the dissolution, liquidation or winding up of the Company, then the Holders of Warrants shall be entitled to receive distributions on the date of such event on an equal basis with holders of Common Stock (or other securities issuable upon exercise of the Warrants) as if the Warrants had been exercised immediately prior to such event, less the Exercise Price. Upon receipt of such payment, if any, the right of a Holder shall terminate and cease and such Holder's Warrants shall expire.

(h) In addition to the foregoing adjustments, the Board of Directors of the Company may make any other adjustment to increase the number of shares of Common Stock or other securities or property issuable upon exercise of Warrants as it may, in good faith, deem desirable to protect the rights and benefits of

8

Holders. In addition, the Company may from time to time increase the number of shares of Common Stock or other securities or property issuable upon exercise of Warrants, provided that any such increase must be effective for at least 30 calendar days, and must be preceded by written notice of such increase to the Holders, which notice must be mailed at least 30 calendar days prior to the effective date of such increase. Any such increase shall not alter or adjust the Exercise Price.

Section 3. Notice of Certain Events. In case at any time or from time to time the Company shall declare any dividend or any other distribution to the holders of its Common Stock, or shall authorize the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any additional shares of stock of any class or any other right, or shall authorize the issuance or sale of any other shares or rights which would result in an adjustment pursuant to Section 2, or there shall be any capital reorganization or reclassification of the Common Stock or consolidation or merger of the Company with or into another Person, or any sale or other disposition of all or substantially all the assets of the Company, or there shall be a voluntary or



involuntary dissolution, liquidation or winding up of the Company, then, in any one or more of such cases the Company shall mail to each Holder of the Warrants evidenced hereby at such Holder's address as it appears on the transfer books of the Company, as promptly as practicable but in any event at least ten (10) days prior to the applicable date hereinafter specified, a notice stating (a) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, (b) the issue date of such dividend, distribution, rights or warrants or (c) the date on which such reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up is expected to become effective. Such notice also shall specify the date as of which it is expected that the holders of Common Stock of record shall be entitled to exchange their Common Stock for shares of stock or other securities or property or cash deliverable upon such reorganization, reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation or winding up.

Section 4. Certain Covenants. The Company covenants and agrees that all shares of capital stock of the Company which may be issued upon the exercise of the Warrants evidenced hereby will be duly authorized, validly issued and fully paid and nonassessable. The Company shall at all times reserve and keep available for issuance upon the exercise of the Warrants, such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the exercise of all outstanding Warrants, and shall take all action required to increase the authorized number of shares of Common Stock if at any time there shall be insufficient authorized but unissued shares of Common Stock to permit such reservation or to permit the exercise of all outstanding Warrants. The Company shall

9

prepare and file, and cooperate with the Holder of this Warrant so that it may prepare and file, in each case within five (5) Business Days of a request by such Holder, notification and report forms in compliance with the HSR Act, and shall otherwise fully comply with the requirements of the HSR Act, to the extent required in connection with the exercise of the Warrant. The Company shall bear all of its own expenses and all of its own out-of-pocket expenses (including reasonable attorneys' fees, charges and expenses) and filing fees of such Holder in connection with any such preparation and filing.

Section 5. Registered Holder. The person in whose name this Warrant Certificate is registered shall be deemed the owner hereof and of the Warrants evidenced hereby for all purposes. The registered Holder of this Warrant Certificate, in its capacity as such, shall not be entitled to any rights whatsoever as a stockholder of the Company, except as herein provided.

Section 6. Transfer of Warrants. Any transfer of the rights represented by this Warrant Certificate shall be subject to the limitations provided herein, and shall be effected by the surrender of this Warrant Certificate, along with

the form of assignment attached hereto, properly completed and executed by the registered Holder hereof, at the principal executive office of the Company in the United States of America, together with an appropriate investment letter, if deemed reasonably necessary by counsel to the Company to assure compliance with applicable securities laws. Thereupon, the Company shall issue in the name or names specified by the registered Holder hereof and, in the event of a partial transfer, in the name of the registered Holder hereof, a new Warrant Certificate or Certificates evidencing the right to purchase such number of shares of Common Stock as shall be equal to the number of shares of Common Stock then purchasable hereunder.

Section 7. Denominations. The Company will, at its expense, promptly upon surrender of this Warrant Certificate at the principal executive office of the Company in the United States of America, execute and deliver to the registered Holder hereof a new Warrant Certificate or Certificates in denominations specified by such Holder for an aggregate number of Warrants equal to the number of Warrants evidenced by this Warrant Certificate.

Section 8. Replacement of Warrants. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant Certificate and, in the case of loss, theft or destruction, upon delivery of an indemnity reasonably satisfactory to the Company (in the case of an insurance company or other institutional investor, its own unsecured indemnity agreement shall be deemed to be reasonably satisfactory), or, in the case of mutilation, upon surrender and cancellation thereof, the Company will issue a new Warrant Certificate of like

10

tenor for a number of Warrants equal to the number of Warrants evidenced by this Warrant Certificate.

Section 9. Governing Law. THIS WARRANT CERTIFICATE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

Section 10. Rights Inure to Registered Holder. The Warrants evidenced by this Warrant Certificate will inure to the benefit of and be binding upon the registered Holder thereof and the Company and their respective successors and permitted assigns. Nothing in this Warrant Certificate shall be construed to give to any Person other than the Company and the registered Holder thereof any legal or equitable right, remedy or claim under this Warrant Certificate, and this Warrant Certificate shall be for the sole and exclusive benefit of the Company and such registered Holder. Nothing in this Warrant Certificate shall be construed to give the registered Holder hereof any rights as a Holder of shares of Common Stock until such time, if any, as the Warrants evidenced by this Warrant Certificate are exercised in accordance with the provisions hereof.

Section 11. Definitions. Capitalized terms used herein but not



otherwise defined have the meanings given to them in the Securities Purchase Agreement. For the purposes of this Warrant Certificate, the following terms shall have the meanings indicated below:

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to close.

"Capital stock" of any Person means any and all shares, interests, participations or other equivalents (however designated) of such Person's capital stock (or equivalent ownership interests in a Person not a corporation) whether now outstanding or hereafter issued, including, without limitation, all common stock and preferred stock and any rights, warrants or options to purchase such Person's capital stock.

"Cashless Exercise" has the meaning assigned to such term in Section 1.

"Company Securities" has the meaning assigned such term in Section 2(c).

11

"Exercise Price" has the meaning assigned to such term in the Preamble.

"Fair Market Value" means the amount which a willing buyer, under no compulsion to buy, would pay a willing seller, under no compulsion to sell, in an arm's-length transaction.

"GAAP" means generally accepted United States accounting principles in effect from time to time.

"Holder" has the meaning assigned to such term in the Preamble.

"HSR Act" means the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended and the rules and regulations of the Federal Trade Commission promulgated thereunder.

"In-Kind Exercise" has the meaning assigned to such term in Section 1.

"Market Price" means the last reported sale price of the applicable security as reported by the National Association of Securities Dealers, Inc. Automatic Quotations System, National Market System, or, if the applicable security is listed or admitted for trading on a securities exchange, the last reported sales price of the applicable security on the principal exchange on which the applicable security is listed or admitted for trading (which shall be for consolidated trading if applicable to such exchange), or if neither so reported or listed or admitted for trading, the last reported bid price of the applicable security in the over-the-counter market. In the event that the Market Price cannot be determined as aforesaid, the Board of Directors of the Company

shall determine the Market Price on the basis of such quotations as it in good faith considers appropriate, in consultation with a nationally recognized investment bank. The Market Price shall be such price averaged over a period of 20 consecutive Business Days ending 2 days prior to the day as of which "Market Price" is being determined.

"Person" means any individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Right" has the meaning assigned to such term in Section 2(b).

12

"Securities Purchase Agreement" shall mean that certain Securities Purchase Agreement, dated as of June 30, 1998, among the Company, the Holder and the other parties signatory thereto, as the same may be amended, modified or otherwise supplemented from time to time in accordance with its terms.

"Transaction" has the meaning assigned to such term in Section 2(b).

"Warrant Exercise Documentation" has the meaning assigned to such term in Section 1 hereof.

Section 12. Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, courier services or personal delivery, (a) if to the Holder of a Warrant, at such Holder's last known address appearing on the books of the Company; and (b) if to the Company, at its principal executive office in the United States located at the address designated for notices in the Securities Purchase Agreement, or such other address as shall have been furnished to the party given or making such notice, demand or other communication. All such

13

notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; when delivered to a courier if delivered by commercial overnight courier service; and five (5) Business Days after being deposited in the mail, postage prepaid, if mailed.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed as of the \_\_\_\_ day of June, 1998.

CANDLEWOOD HOTEL COMPANY, INC.

By:

-----  
Name:  
Title:

Form of Assignment Form

[To be executed upon assignment of Warrants]

The undersigned hereby assigns and transfers this Warrant Certificate to \_\_\_\_\_ whose Social Security Number or Tax ID Number is \_\_\_\_\_ and whose record address is \_\_\_\_\_, and irrevocably appoints \_\_\_\_\_ as agent to transfer this security on the books of the Company. Such agent may substitute another to act for such agent.

Signature:

-----

Signature Guarantee:

-----

Date: \_\_\_\_\_

AMENDED AND RESTATED  
STOCKHOLDERS AGREEMENT

This Amended and Restated Stockholders Agreement, dated as of July 10, 1998 (this "Agreement"), by and among Candlewood Hotel Company, Inc., a Delaware corporation (the "Company"), Doubletree Corporation, a Delaware corporation (together with its subsidiaries, "Doubletree"), the Warren D. Fix Family Partnership, L.P., a Kansas limited partnership (the "Fix Partnership"), and Jack P. DeBoer ("DeBoer"), on behalf of himself and as representative of the Alexander John DeBoer Trust dated March 14, 1995 and the Christopher Scott DeBoer Trust dated March 14, 1995 (collectively, the "Trusts") (collectively, the "Initial Holders"), and each of the other entities set forth on the signature pages hereto (collectively, the parties to this Agreement other than the Company are referred to as the "Holders").

WITNESSETH:

WHEREAS, the Initial Holders had previously entered into that certain Stockholders Agreement, dated as of September 30, 1996 (the "Original Stockholders Agreement"), relating to the governance of the Company, including procedures for the election of directors, the approval of certain significant corporate actions and rights relating to the purchase of capital stock of the Company;

WHEREAS, in connection with the issuance and sale of shares of Series A Cumulative Convertible Preferred Stock, par value \$.01 per share (the "Series A Preferred Stock"), of the Company (the "Purchased Shares") pursuant to the Stock Purchase Agreement, dated as of August 27, 1997 (the "Stock Purchase Agreement"), among the Company and the other parties signatory thereto, the Original Stockholders Agreement was terminated and the Company entered into the Stockholders Agreement, dated as of September 22, 1997 (the "Second Stockholders Agreement"), among the Company, the Initial Holders and the parties listed on Schedule A thereto;

WHEREAS, the Company has agreed to issue and sell, and the Purchasers (as defined in the Securities Purchase Agreement referred to below) have severally agreed to purchase (i) shares of Series B Cumulative Convertible Preferred Stock, par value \$.01 per share (the "Series B Preferred Stock"), of the Company and (ii) warrants exercisable to purchase initially 336,000 shares of Common Stock at an initial exercise price of \$12.00 per share (the "Warrants," and, together with the Series B Preferred Stock, the "Series B Securities") pursuant to the Securities Purchase Agreement, dated as of June 30, 1998 (the "Securities Purchase Agreement"), among the Company and the Purchasers;

WHEREAS, it is a condition precedent to the obligation of the Purchasers to purchase the Series B Securities pursuant to the Securities Purchase Agreement that the parties hereto enter into this Agreement;

WHEREAS, the Second Stockholders Agreement is being terminated simultaneously with the execution of this Agreement and the parties hereto hereby enter into this Agreement on the terms and subject to the conditions set forth below;

NOW, THEREFORE, in consideration of the agreement of the Purchasers to purchase the Series B Securities and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

## ARTICLE 1

### DEFINITIONS

1.1 Defined Terms. All terms capitalized but not defined herein shall have the meaning attributable to such terms in the Securities Purchase Agreement, except where the context otherwise requires. The following additional terms when used in this Agreement, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings, such meanings to be equally applicable to the singular and plural forms thereof:

"Affiliate" of a Holder means any Person, other than the Company, controlling, controlled by or under common control with such Holder.

"Board" means the Board of Directors of the Company.

"Common Stock" means and includes the Company's currently authorized common stock, par value \$.01 per share.

"DeBoer/Fix Holders" means DeBoer, the Trusts and the Fix Partnership (so long as each is a Holder) and each Permitted Transferee, other than the Company, who becomes a Holder.

"DeBoer/Fix Shares" means the shares of Common Stock owned of record or beneficially by DeBoer, the Trusts and the Fix Partnership on the Effective Date.

"DeBoer Holders" means DeBoer and the Trusts (so long as each is a Holder) and each Permitted Transferee of DeBoer, other than the Company, who becomes a Holder.

"DeBoer Shares" means the shares of Common Stock owned of record or beneficially by DeBoer and the Trusts on the Effective Date.

"Director" means a director of the Company.

"Doubletree Holders" means Doubletree (so long as it is a Holder) and each Permitted Transferee of Doubletree, other than the Company, who becomes a Holder.

"Doubletree Shares" means the Shares of Common Stock owned of record or beneficially by Doubletree on the Effective Date.

"Effective Date" means the date on which the Doubletree Shares, the DeBoer Shares and the Fix Partnership Shares were issued to Doubletree, DeBoer, the Trusts and the Fix Partnership.

"Fix Partnership Holders" means the Fix Partnership (so long as it is a Holder) and each Permitted Transferee of the Fix Partnership, other than the Company, who becomes a Holder.

"Fix Partnership Shares" means the shares of Common Stock owned of record or beneficially by the Fix Partnership on the Effective Date.

"Holder" shall have the meaning set forth in the preamble hereto.

"Initial Holder" means a record or beneficial owner of any Subject Shares.

"Permitted Transferee" of a Holder means (i) a successor to such Holder by operation of law pursuant to a statutory merger, consolidation, dissolution or liquidation, (ii) a purchaser of all or substantially all of such Holder's assets, (iii) a Person owning, directly or indirectly, a majority of the voting interests or other comparable equity interests of such Holder, a Person under common control with such Person (including, in the case of an individual, a family member or a trust controlled by a family member) or a Person of which such Holder owns, directly or indirectly, a majority of the outstanding voting securities or other comparable equity interests, (iv) a successor to such Holder by will or through the laws of descent, or through a gift or other contribution made in anticipation of the death of such Holder or (v) as to any Series A Preferred Stock or Series A Share Equivalent, any transferee permitted by the terms of the Stock Purchase Agreement and as to any Series B Preferred Stock or Series B Share Equivalent, any transferee permitted by the terms of the Securities Purchase Agreement, in each case other than (x) a competitor in the extended stay hotel business or (y) an entity owning more than 20% of the equity securities of such competitor or represented on the board of directors of such competitor, including in each case in connection with this clause (y), Affiliates of such competitor; provided, however, that in each case the successor, purchaser or Person referred to in clauses (i), (ii) or (iii) of this definition was an Affiliate of such Holder prior to such merger, consolidation, dissolution, liquidation, purchase of assets or acquisition of voting securities or other comparable equity interests and, in each case referred to in clauses (i), (ii), (iii), (iv) or (v) of this definition, the Permitted Transferee has

become a party to and agreed to be bound by this Agreement as to all Subject Shares, shares of Series A Preferred Stock, shares of Series A Share Equivalents, shares of Series B Preferred Stock or shares of Series B Share Equivalents then being transferred to it. "Permitted Transferee" includes successive transferee in transactions described in the preceding sentence.

"Person" means and includes an individual, a corporation, a limited liability company, an association, a partnership, a trust or estate, a government or any department or agency thereof.

"Public Sale" means a sale of Subject Shares, Series A Share Equivalents or Series B Share Equivalents pursuant to an effective registration statement in accordance with the rules and regulations of the Securities and Exchange Commission (the "Commission") or a sale pursuant to Rule 144 thereof.

"Securities Purchase Agreement" shall have the meaning set forth in the third WHEREAS clause.

"Series A Preferred Holder" means each of the parties listed on Schedule A-1 hereto (so long as it is a Holder) and each Permitted Transferee of such Series A Preferred Holder, other than the Company, who becomes a Holder.

"Series A Preferred Stock" shall have the meaning set forth in the second WHEREAS clause.

"Series A Purchaser Group" means (i) Olympus Growth Fund II, L.P. with respect to one nominee for director of the Company, (ii) Desai Capital with respect to one nominee for director of the Company and (iii) Pecks Management with respect to one nominee for director of the Company (each a "Significant Purchaser"), so long as such Significant Purchaser shall hold at least 20% of the shares of Series A Preferred Stock or Series A Share Equivalents purchased by such Significant Purchaser pursuant to the Stock Purchase Agreement, and, if at any time such Significant Purchaser shall waive its rights hereunder or shall hold less than 20% of the shares of Series A Preferred Stock or Series A Share Equivalents purchased by such Significant Purchaser pursuant to the Stock Purchase Agreement, the designee formerly designated by such Significant Purchaser shall henceforth be designated by all of the Series A Preferred Holders holding shares of Series A Preferred Stock or Series A Share Equivalents.

"Series A Share Equivalents" of the Series A Preferred Stock means the number of shares of Common Stock that are issued or issuable upon conversion of the Series A Preferred Stock but excluding any shares sold in a Public Sale.

"Series B Purchaser Group" means the holders of at least a majority of shares of Series B Preferred Stock or Series B Share Equivalents.

"Series B Preferred Holder" means each of the parties listed on Schedule A-2 hereto (so long as a Holder) and each Permitted Transferee of such Series B Preferred Holder, other than the Company, who becomes a Holder.

"Series B Share Equivalents" of the Series B Preferred Stock or Warrants means the number of shares of Common Stock that are issuable upon the conversion of the Series B Preferred Stock or exercise of the Warrants but excluding any shares sold in a Public Sale.

"Stock Purchase Agreement" shall have the meaning set forth in the second WHEREAS clause.

"Subject Shares" means the Doubletree Shares, the DeBoer Shares and the Fix Partnership Shares; provided, however, that at all times, such term shall include all Subject Shares that have been transferred by a Holder to a Permitted Transferee of such Holder. Notwithstanding the foregoing, upon (A) the disposition of any Subject Shares pursuant to a Public Sale to any Person, or (B) the disposition of any Subject Shares other than pursuant to a Public Sale to any Person other than a Permitted Transferee of the Holder thereof, the shares so canceled or disposed of shall cease to be Subject Shares and thereafter shall not be subject to any of the terms and conditions of this Agreement.

## ARTICLE 2

### VOTING AGREEMENT

2.1 Board Nominations. The Board of the Company shall be composed of at least twelve (12) members plus, pursuant to clause (v) below, the President of the Company; provided, that the Company and the Holders have agreed (i) that the Series A Purchaser Group shall be entitled, through a nominating committee or other procedure adopted by the Board, to designate for nomination by the Board three (3) nominees for election to the Board, (ii) that the Series B Purchaser Group shall be entitled, through a nominating committee or other procedure adopted by the Board, to designate for nomination by the Board one (1) nominee for election to the Board, (iii) that the Doubletree Holders shall be entitled, through a nominating committee or other procedure adopted by the Board, to designate for nomination by the Board two (2) nominees for election to the Board, (iv) that the DeBoer/Fix Holders shall be entitled, through a nominating committee or other procedure adopted by the Board, to designate for nomination by the Board two (2) nominees for election to the Board and (v) that the Doubletree Holders together with the DeBoer/Fix Holders shall be entitled, through a nominating committee or other procedure adopted by the Board, to designate for nomination by the Board the President of the Company and/or such number of independent directors for election to the Board as shall constitute the remainder of the Board.



2.2 Board of Directors of the Company. (a) So long as it shall hold any shares of Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares, each Holder agrees to vote all of its shares of Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares, as applicable, as to which it has voting rights for the election of all directors nominated pursuant to the immediately preceding paragraph hereof. The nominees designated by the Series A Preferred Holders and Series B Preferred Holders shall be identified in a proxy statement delivered to the Company stockholders in connection with an annual or special meeting.

(b) The Holders shall appear in person or by proxy at any annual or special meeting of stockholders for the purpose of obtaining a quorum and shall vote or cause the vote of the Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares, as applicable, owned by such Holder or by any Affiliate of such Holder, either in person or by proxy, to be cast in accordance with the provisions of this Article 2.

(c) Each Holder further agrees to vote all the Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares, as applicable, with respect to which it has direct or indirect voting rights, in favor of removal from the Board, upon notice by the DeBoer/Fix Holders, the Series A Purchaser Group, the Series B Purchaser Group or the Doubletree Holders that an individual designated by them pursuant to Section 2.1 should be removed, and to use its best efforts to cause the Board to fill the vacancy so vacated with another person designated by the party providing such notice. Each Holder further agrees to cooperate fully in connection with the nomination of Directors, the voting of its shares of Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares, as applicable, the execution of written consents (if then permissible under the Certificate of Incorporation of the Company), the calling of meetings and other stockholder matters to effect the provisions of this Article.

(d) If any director is unable to serve, or once having commenced to serve, is removed or withdraws from the Board, the party or parties who designated such director will be entitled to designate a person to fill the vacancy on the Board so created and each Holder will use its best efforts to cause the Board to fill the vacancy so created with the person so designated, in accordance with the Company's By-laws.

(e) Each Holder agrees not to and not to permit any Affiliate to grant any proxy or enter into or be bound by any voting trust with respect to its Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares, as applicable, or enter

into any arrangements of any kind with any person with respect to its Series A Preferred

7

Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares, as applicable, in any such case in a manner that is inconsistent with the provisions of this Agreement.

(f) The Company shall use its best efforts to cause the nominees (unless, after customary investigation of such person's qualifications, the Board of Directors reasonably determines in good faith that such person is not qualified or acceptable under standards applied fairly and equally to all nominees) of each of the Holders pursuant to the provisions of this Article 2 to be included in the slate of nominees recommended by the Board to the Company's stockholders for election as directors, and the Company shall use its best efforts to cause the election of such nominees, including voting all shares for which the Company holds proxies (unless otherwise directed by the stockholder submitting such proxy) or is otherwise entitled to vote, in favor of the election of such person.

(g) In the event that the Board establishes committees from time to time, at least one of the nominees of the Series B Purchaser Group shall have the right, upon the request of the Series B Purchaser Group, to serve on each such committee, including, without limitation, on any audit committee or on any compensation committee.

2.3 Holder Representation. Each Holder represents and warrants as to itself that as of the date hereof (after giving effect to all transactions occurring in connection with the sale of the Series B Preferred Stock and Warrants pursuant to the Securities Purchase Agreement) such Holder is not a party with any other Person to any agreement other than this Agreement and the Registration Rights Agreement with respect to the holding, voting, acquisition or disposition of shares of Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares, as applicable.

2.4 Agent for Affiliated Holders. If a portion or all of the Subject Shares held by Doubletree, DeBoer, the Trusts or the Fix Partnership shall be transferred to one or more Permitted Transferees, resulting in the Subject Shares which were theretofore held by such Holder being held by more than one Holder, then Doubletree, DeBoer, the Trusts or the Fix Partnership, as the case may be, shall: (i) act, or shall cause one of such Holders, to act, as agent and proxy for all purposes of this Agreement (including without limitation the voting of Subject Shares, the nomination of Directors, the giving of consents, the approval of amendments, the receipt of notices, etc.) for all of the Doubletree Holders, DeBoer Holders or the Fix Partnership Holders, as the case may be, and (ii) specify in writing to the other parties that it (or such other

Holder) is to act as such agent and proxy, and thereafter the other parties shall be entitled to look solely to, and to deal solely with, the person so specified for all purposes of this Agreement as if such Holder held all the Subject Shares held by the party providing such notice and its Permitted Transferees.

2.5 Irrevocable Proxy. The Fix Partnership Holders and the Trusts hereby appoint DeBoer as its and their proxy to exercise in DeBoer's sole discretion all rights of the Fix Partnership Holders and the Trusts to designate persons for nomination, removal or the filling of vacancies and to exercise all rights pursuant to Article 2 hereof. This proxy is coupled with an interest in the Company and shall be irrevocable. Except as set forth below in this paragraph, this proxy may be invoked by DeBoer at any time by notice to the other Holders but, unless and until invoked, such rights may be exercised by the Fix Partnership Holders and the Trusts; provided, however, that upon the death of Warren D. Fix all such rights shall automatically vest in DeBoer which shall thereafter have the sole right to exercise all such rights of the Fix Partnership Holders. Notwithstanding the foregoing, this proxy may not be invoked or exercised after the death of Jack DeBoer.

2.6 Termination. (a) The rights and obligations of any holder of Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares pursuant to this Agreement shall terminate (i) as to any Significant Purchaser, if such Significant Purchaser shall hold, beneficially or of record, less than 20% of the shares of Series A Preferred Stock or Series A Share Equivalents purchased by such Significant Purchaser pursuant to the Stock Purchase Agreement, (ii) as to any rights (but not any obligations) of any holder of Series A Preferred Stock or Series A Share Equivalents, upon waiver of such rights in writing, (iii) as to any holder of Series A Share Equivalents, upon transfer of such Series A Share Equivalents pursuant to a Public Sale, (iv) as to all holders of Series A Preferred Stock or Series A Share Equivalents, upon failure of such holders or their Permitted Transferees, collectively, to hold, beneficially or of record, at least 20% of the shares of Series A Preferred Stock or Series A Share Equivalents purchased pursuant to the Stock Purchase Agreement, (v) as to any rights of any holder of Series B Preferred Stock or Series B Share Equivalents, upon waiver of such rights in writing, (vi) as to any holder of Series B Share Equivalents, upon transfer of such Series B Share Equivalents pursuant to a Public Sale, (vii) as to all holders of Series B Preferred Stock or Series B Share Equivalents, upon failure of such holders or their Permitted Transferees, collectively, to hold, beneficially or of record, at least 20% of the shares of Series B Preferred Stock or Series B Share Equivalents purchased pursuant to the Securities Purchase Agreement and (viii) as to the holders of the Doubletree Shares or the DeBoer/Fix Shares, upon both the failure of such holders or their Permitted Transferees, collectively, to hold, beneficially or of record, at least 20% of the outstanding voting interests of the Company and the termination of the rights of the Series A Preferred Holders and Series B Preferred Holders pursuant

to subsections (iv) and (vii) hereof.

(b) Each of the parties hereto hereby acknowledge and agree that, as of the date hereof, the rights and obligations of those individuals listed on Schedule A-3 hereto (the "Individual Investor Holders") under the Second Stockholders Agreement shall be terminated and, except to the extent that any such

9

Individual Investor Holder is a Permitted Transferee of any other party hereto, the Individual Investor Holders shall have no rights or obligations under this Agreement.

### ARTICLE 3

#### GENERAL PROVISIONS

3.1 Legend on Share Certificates. (a) All certificates for shares of Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares which are subject to the terms and provisions of Article 2, in addition to such other legends as may be required by law, shall bear the legend set forth in Article VII of the Stock Purchase Agreement or Article VII of the Securities Purchase Agreement, as applicable, and the following legend:

The shares represented by this certificate are also subject to certain requirements as to voting contained in the Amended and Restated Stockholders Agreement, dated July 10, 1998, among the Company, and certain stockholders, a copy of which is on file with the Secretary of the Company.

(b) Upon the termination of this Agreement with respect to any shares of Series A Preferred Stock, Series A Share Equivalents, Series B Preferred Stock, Series B Share Equivalents or Subject Shares pursuant to Section 2.6, each Holder shall be entitled to receive, in exchange for any certificate bearing the legend described in subsection (a) of this Section 3.1, a certificate only bearing the legend set forth in Article VII of the Stock Purchase Agreement or Article VII of the Securities Purchase Agreement, as applicable, unless the Company shall have determined (based upon advice of legal counsel) that such legend is no longer required by law.

### ARTICLE 4

#### MISCELLANEOUS

4.1 Injunctive Relief. It is acknowledged that it will be impossible to measure in money the damages that would be suffered if the parties fail to comply with certain of the obligations imposed on them by this Agreement and

that, in the event of any such failure, an aggrieved Person will be irreparably damaged and will not have an adequate remedy at law. Any such Person shall, therefore, be entitled to injunctive relief and/or specific performance to enforce such obligations, and if any action should be brought in equity to enforce any of such provisions of this

Agreement, none of the parties hereto shall raise the defense that there is an adequate remedy at law.

4.2 Further Assurances. Each party hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

4.3 Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Delaware.

4.4 Entire Agreement; Amendment; Waiver. This Agreement (i) contains the entire agreement among the parties hereto with respect to the subject matter hereof, (ii) may not be amended or supplemented except by an instrument or counterparts thereof in writing signed by at least 66-2/3% of the Holders or their Agent or Proxy and, if such amendment or supplement adversely affects (x) any holder of Series A Preferred Stock or Series A Share Equivalents, 100% of the Series A Preferred Holders or (y) any holder of Series B Preferred Stock or Series B Shares Equivalents, 100% of the Series B Preferred Holders and (iii) may not be discharged except by such written instrument or by performance. Any such amendment so approved shall be binding on all Holders. No waiver of any term or provision shall be effective unless in writing signed by the party to be charged. The Second Stockholders Agreement, as in existence prior to the execution hereof, among the Initial Holders and the parties listed on Schedule A thereto, is hereby terminated and shall be after the date hereof null and void and of no further force and effect.

4.5 Binding Effect. This Agreement shall be binding on and inure to the benefit of the parties hereto and, subject to the terms and provisions hereof, their respective legal representatives, successors and assigns.

4.6 Invalidity of Provision. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction.

4.7 Counterparts. This Agreement may be executed simultaneously in two

or more counterparts, all of which shall be deemed but one and the same instrument and each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

11

4.8 Notices. All notices and other communications provided for or given or made hereunder shall be in writing (including delivery by facsimile transmission) and, unless otherwise provided herein, shall be deemed to have been given when received by the party to whom such notice is to be given at its address set forth in the Stock Purchase Agreement with respect to the Series A Preferred Holders and in the Securities Purchase Agreement with respect to the Series B Preferred Holders, or such other address for the party as shall be specified by notice given pursuant hereto.

4.9 Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute part of this Agreement.

12

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

CANDLEWOOD HOTEL COMPANY, INC.

By: /s/ Jack DeBoer

-----

Name: Jack P. DeBoer

Title: Chief Executive Officer

DOUBLETREE CORPORATION

By: /s/ Peter H. Kesser

-----

Name: Peter H. Kesser

Title: Vice President

13

WARREN D. FIX FAMILY  
PARTNERSHIP, L.P.

By: /s/ Warren D. Fix  
-----  
Name: Warren D. Fix  
Title: General Partner

/s/ Warren D. Fix  
-----  
Warren D. Fix

JACK P. DeBOER, for himself and on  
behalf of the ALEXANDER DeBOER  
TRUST DATED MARCH 14, 1995 and the  
CHRISTOPHER SCOTT DeBOER TRUST  
DATED MARCH 14, 1995

/s/ Jack P. DeBoer  
-----  
Name: Jack P. DeBoer

OLYMPUS GROWTH FUND II, L.P.

By: OGP II, L.P., its General Partner  
By: RSM, L.L.C., its General Partner

By: /s/ Robert S. Morris  
-----  
Name: Robert S. Morris  
Title: Managing Member

14

OLYMPUS EXECUTIVE FUND, L.P.

By: OEF, L.P., its General Partner  
By: RSM, L.L.C., its General Partner

By: /s/ Robert S. Morris  
-----  
Name: Robert S. Morris  
Title: Managing Member

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, AS TRUSTEE OF THE

COMMINGLED PENSION TRUST FUND  
(MULTI-MARKET SPECIAL INVESTMENT  
FUND II) OF MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK

By: /s/ Kathleen N. Starrs  
-----

Name: Kathleen N. Starrs  
Title: Vice President

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, AS TRUSTEE OF THE  
MULTI-MARKET SPECIAL INVESTMENT  
TRUST FUND OF MORGAN GUARANTY  
TRUST COMPANY OF NEW YORK

By: /s/ Kathleen N. Starrs  
-----

Name: Kathleen N. Starrs  
Title: Vice President

15

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, AS INVESTMENT  
MANAGER AND AGENT FOR THE  
ALFRED P. SLOAN FOUNDATION (MULTI-  
MARKET ACCOUNT)

By: /s/ Kathleen N. Starrs  
-----

Name: Kathleen N. Starrs  
Title: Vice President

CHASE VENTURE CAPITAL  
ASSOCIATES, L.P.

By: Chase Capital Partners, its General  
Partner

By: /s/ James D. Kallman  
-----

Name: James D. Kallman  
Title: General Partner



PRIVATE EQUITY INVESTORS III, L.P.

By: Rohit M. Desai Associates III, LLC  
General Partner

By: /s/ Frank Pados  
-----

Name: Frank Pados  
Title: Attorney-In-Fact

16

EQUITY-LINKED INVESTORS-II

By: Rohit Desai Associates-II  
General Partner

By: /s/ Frank Pados  
-----

Name: Frank Pados  
Title: Attorney-In-Fact

LNR CANDLEWOOD HOLDINGS, INC.

By: /s/ Jeffrey A. Krascoff  
-----

Name: Jeffrey A. Krascoff  
Title: President

DELAWARE STATE EMPLOYEES'  
RETIREMENT FUNDS

By: Pecks Management Partners Ltd.,  
its Investment Advisor

By: /s/ signature illegible  
-----

Name:  
Title:

17

DECLARATION OF TRUST FOR THE  
DEFINED BENEFIT PLAN OF ZENECA  
HOLDINGS INC.

By: Pecks Management Partners Ltd.,  
its Investment Advisor

By: /s/ signature illegible  
-----

Name:  
Title:

DECLARATION OF TRUST FOR THE  
DEFINED BENEFIT PLAN OF ICI  
AMERICAN HOLDINGS INC.

By: Pecks Management Partners Ltd.,  
its Investment Advisor

By: /s/ signature illegible  
-----

Name:  
Title:

J.W. McCONNELL FAMILY TRUST

By: Pecks Management Partners Ltd.,  
its Investment Advisor

By: /s/ signature illegible  
-----

Name:  
Title:

18

ADVANCE CAPITAL PARTNERS, L.P.

By: Advance Capital Associates, L.P.

By: Advance Capital Management, LLC

By: /s/ Robert A. Bernstein  
-----

Name: Robert A. Bernstein  
Title: Principal

ADVANCE CAPITAL OFFSHORE  
PARTNERS, L.P.

By: Advance Capital Offshore Associates,  
LDC

By: Advance Capital Associates, L.P.

By: Advance Capital Management, LLC

By: /s/ Robert A. Bernstein  
-----

Name: Robert A. Bernstein

Title: Principal

ALLIED CAPITAL CORPORATION

By: /s/ G. Cabell Williams, III  
-----

Name: G. Cabell Williams, III

Title: Managing Director

19

ALLIED CAPITAL CORPORATION II

By: /s/ G. Cabell Williams, III  
-----

Name: G. Cabell Williams, III

Title: Managing Director

THE FFJ 1997 NOMINEE TRUST

By: /s/ Samuel T. Bryan  
-----

Name: Samuel T. Bryan

Title: Trustee

THE MUTUAL LIFE INSURANCE  
COMPANY OF NEW YORK

By: /s/ Suzanne E. Walton  
-----

Name: Suzanne E. Walton

Title: Managing Director

J. ROMEO & CO.

By: /s/ Peter Loccia

-----  
Name: Peter Loccia

Title: Partner

20

HARBOR INVESTMENTS LTD.

By: Strong Capital Management, Inc.,  
its Investment Advisor

By: /s/ Stephen J. Shenkenberg

-----  
Name: Stephen J. Shenkenberg

Title: Vice President & Acting  
General Counsel

STRONG SPECIAL INVESTMENT LIMITED  
PARTNERSHIP

By: Strong Capital Management, Inc., its  
General Partner

By: /s/ Stephen J. Shenkenberg

-----  
Name: Stephen J. Shenkenberg

Title: Vice President & Acting  
General Counsel

STRONG QUEST LIMITED PARTNERSHIP

By: Strong Capital Management, Inc., its  
General Partner

By: /s/ Stephen J. Shenkenberg

-----  
Name: Stephen J. Shenkenberg

Title: Vice President & Acting  
General Counsel

21

Acknowledgment and Agreement:

Each of the undersigned acknowledges and agrees to the termination of the Second Stockholders Agreement as of the date hereof.

/s/ William J. Abrams  
-----  
William J. Abrams

/s/ Joseph P. Adams, Jr.  
-----  
Joseph P. Adams, Jr.

/s/ Eric Anderson  
-----  
Eric Anderson

/s/ Robert P. Brennan, Jr.  
-----  
Robert P. Brennan, Jr.

/s/ Robert Brody  
-----  
Robert Brody

/s/ Vanessa Burgess  
-----  
Vanessa Burgess

/s/ Craig Callen  
-----  
Craig Callen

/s/ Michael Dana  
-----  
Michael Dana

/s/ Peter Deeks  
-----  
Peter Deeks

/s/ Robert E. Diemar, Jr.  
-----  
Robert E. Diemar, Jr.

/s/ David Hurwitz  
-----  
David Hurwitz

/s/ Steve Kantor  
-----  
Steve Kantor

/s/ Louis Klevan  
-----  
Louis Klevan

/s/ Larry Lavine  
-----  
Larry Lavine

/s/ Daniel J. Mackell  
-----  
Daniel J. Mackell

/s/ Patrick McMullan  
-----  
Patrick McMullan

/s/ Andrew J. McSpadden  
-----  
Andrew J. McSpadden

/s/ David R. Smith  
-----  
David R. Smith

/s/ Phil Tager  
-----  
Phil Tager

SCHEDULE A-1

Olympus Growth Fund II, L.P.

Olympus Executive Fund, L.P.

Morgan Guaranty Trust Company of  
New York, as Trustee of the  
Commingled Pension Trust Fund (Multi-  
Market Special Investment Fund II) of  
Morgan Guaranty Trust Company of  
New York

Morgan Guaranty Trust Company of  
New York, as Trustee of the Multi-  
Market Special Investment Trust Fund of  
Morgan Guaranty Trust Company of  
New York

Morgan Guaranty Trust Company of  
New York, as Investment Manager and  
Agent for the Alfred P. Sloan Foundation  
(Multi-Market Account)

Chase Venture Capital Associates, L.P.

Private Equity Investors III, L.P.

Equity-Linked Investors-II

LNR Candlewood Holdings, Inc.

Delaware State Employees' Retirement Funds

Declaration of Trust for the Defined Benefit Plan of Zeneca Holdings, Inc.

Declaration of Trust for the Defined Benefit Plan of ICI American Holdings Inc.

J.W. McConnell Family Trust

Advance Capital Partners, L.P.

Advance Capital Offshore Partners, L.P.

Allied Capital Corporation

Allied Capital Corporation II

The FFJ 1997 Nominee Trust

J. Romeo & Co.

Harbor Investments Ltd.

Strong Special Investment Limited Partnership

Strong Quest Limited Partnership

SCHEDULE A-2

Private Equity Investors III, L.P.

Equity-Linked Investors-II

Olympus Growth Fund II, L.P.

Olympus Executive Fund, L.P.

Delaware State Employees' Retirement Funds

Declaration of Trust for the Defined Benefit Plan of Zeneca Holdings, Inc.

Declaration of Trust for the Defined Benefit Plan of ICI American Holdings Inc.

J.W. McConnell Family Trust

The Mutual Life Insurance Company of New York

Advance Capital Partners, L.P.

Advance Capital Offshore Partners, L.P.

SCHEDULE A-3

William J. Abrams

Joseph P. Adams, Jr.



Eric Anderson

Robert P. Brennan, Jr.

Robert Brody

Vanessa Burgess

Craig Callen

Michael Dana

Peter Deeks

Robert E. Diemar, Jr.

David Hurwitz

Steve Kantor

Louis Klevan

Larry Lavine

Daniel J. Mackell

Patrick McMullan

Andrew J. McSpadden

David R. Smith

Phil Tager

Douglas M. Weill

## AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This Amended and Restated Registration Rights Agreement, dated as of July 10, 1998 (this "Agreement"), is made by and among Candlewood Hotel Company, Inc., a Delaware corporation ("Candlewood" or the "Company"), Doubletree Corporation, a Delaware corporation ("Doubletree"), Mr. Jack P. DeBoer ("DeBoer"), on behalf of himself and as representative of the Alexander John DeBoer Trust dated March 14, 1995 and the Christopher Scott DeBoer Trust dated March 14, 1995 (collectively, the "Trusts"), the Warren D. Fix Family Partnership, L.P. (the "Fix Partnership") and each of the parties set forth on Schedule A attached hereto (collectively, the "Investors" and, together with Candlewood, Doubletree, DeBoer, the Trusts and the Fix Partnership, the "Parties").

### BACKGROUND

A. DeBoer, Doubletree and the Fix Partnership had previously entered into that certain Incorporation and Registration Rights Agreement dated September 1, 1996 (the "Original Agreement").

B. The Company completed an initial public offering of Common Stock, par value \$0.01 per share (the "Common Stock"), of the Company on November 5, 1996 (the "Initial Public Offering").

C. In connection with the issuance and sale of shares of Series A Cumulative Convertible Preferred Stock, par value \$.01 per share (the "Series A Preferred Stock"), of the Company pursuant to the Stock Purchase Agreement, dated as of August 27, 1997, among the Company and the other parties signatory thereto, the Original Agreement was terminated and the Company entered into the Registration Rights Agreement, dated as of September 22, 1997 (the "Second Registration Rights Agreement"), among the Company, DeBoer, the Trusts, the Fix Partnership and the other parties signatory thereto.

D. In connection with the issuance and sale of (i) shares of Series B Cumulative Convertible Preferred Stock, par value \$.01 per share (the "Series B Preferred Stock"), of the Company and (ii) warrants (the "Warrants") exercisable to purchase initially 336,000 shares of Common Stock at an initial exercise price of \$12.00 per share pursuant to the Securities Purchase Agreement, dated as of June 30, 1998 (the "Securities Purchase Agreement"), among the Company and the other parties signatory thereto, the Company has agreed to grant certain registration rights with respect to the shares of Common Stock issuable upon the conversion of the Series B Preferred Stock and the exercise of the Warrants.

E. The parties to the Second Registration Rights Agreement hereby terminate the Second Registration Rights Agreement and enter into this Agreement on the terms and subject to the conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing and intending to be legally bound, the Parties agree as follows:

1. Certain Definitions. As used in this Agreement the following terms shall have the following respective meanings:

"Commission" means the United States Securities and Exchange Commission.

"Eligible Securities" means the shares of Common Stock (i) issued to Doubletree, DeBoer, the Trusts and the Fix Partnership upon the reorganization of the Company from Candlewood Hotel Company, LLC to a Delaware corporation, (ii) to be issued upon the conversion of the Series A Preferred Stock into Common Stock, stock dividends paid with respect to such shares or issued in exchange for or in lieu of such shares, (iii) issued or issuable upon exercise of any Series A Purchase Warrants, (iv) to be issued upon (x) the conversion of the Series B Preferred Stock into Common Stock and (y) the exercise of the Warrants into Common Stock, and stock dividends paid with respect to such shares or issued in exchange for or in lieu of such shares and (v) issued or issuable upon exercise of any Series B Purchase Warrants ("Eligible Securities" described in clause (ii) or (iii) being referred to collectively as "Series A Preferred Eligible Securities" and "Eligible Securities" described in clause (iv) or (v) being referred to collectively as "Series B Preferred Eligible Securities").

"Holder" means a registered holder of outstanding Eligible Securities or securities convertible into or exercisable for Eligible Securities.

"Preferred Stock" means, collectively, the Series A Preferred Stock and the Series B Preferred Stock.

"Purchase Warrants" means, collectively, the Series A Purchase Warrants and the Series B Purchase Warrants.

"Securities Act" means the Securities Act of 1933 or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Series A Certificate of Designation" means the Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof, dated September 22, 1997, relating to the Series A Preferred Stock.

"Series A Preferred Stock" has the meaning set forth in the recitals to this Agreement.

"Series A Purchase Warrant" means any warrant for the purchase of Common Stock issued to any holder of Series A Preferred Stock in accordance with

the terms of the Series A Certificate of Designation establishing the preferences and rights of and the qualifications, limitations and restrictions with respect to the Series A Preferred Stock.

"Series B Certificate of Designation" means the Certificate of Designations, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof, dated July 9, 1998, relating to the Series B Preferred Stock.

"Series B Preferred Stock" has the meaning set forth in the recitals to this Agreement.

"Series B Purchase Warrant" means any warrant for the purchase of Common Stock issued to any holder of Series B Preferred Stock in accordance with the terms of the Series B Certificate of Designation establishing the preferences and rights of and the qualifications, limitations and restrictions with respect to the Series B Preferred Stock.

"Warrants" has the meaning set forth in the recitals to this Agreement.

## 2. Required Registration.

(a) At any time after 90 days from the date of the issuance and sale of the Series B Preferred Stock (i) Doubletree, (ii) Investors holding at least 50% of the shares of the Series A Preferred Eligible Securities or (iii) Investors holding at least 50% of the shares of Series B Preferred Eligible Securities may deliver to the Company a written request that the Company file and use its best efforts to cause to become effective a registration statement under the Securities Act with respect to such number of the Eligible Securities owned by Doubletree or the Investors as shall be specified in such request (a "Registration Request"); provided, however, that the Company shall not be obligated to effect any such registration pursuant to subsections (ii) or (iii) on behalf of the Investors unless the anticipated aggregate offering price, net of underwriting discounts and commissions, would exceed \$20,000,000. Except as otherwise provided in Section 2(b)(iv), 2(b)(v) and 2(b)(vi) hereof, the Company shall not be required to file and use its best efforts to cause to become effective, pursuant to a Registration Request under this Section 2, (a) more than two registration statements at the demand of Doubletree, (b) more than two registration statements at the demand of the Investors holding shares of Series A Preferred Eligible Securities or (c) more than two registration statements at the demand of Investors holding shares of Series B Preferred Eligible Securities. The party or parties delivering a Registration Request is hereinafter referred to as the "Requesting Holder." The second Registration Request made by the Investors holding shares of Series A Preferred Eligible Securities may be identified by such Requesting Holders as a "Series A Priority Demand." The second Registration Request made by Investors

holding shares of Series B Preferred Eligible Securities may be identified by such Requesting Holders as a "Series B Priority Demand".

4

(b) As soon as practicable following the receipt of a Registration Request, the Company will use its best efforts to register under the Securities Act, for public sale in accordance with the method of disposition specified in such Registration Request, the number of shares of Eligible Securities specified in such Registration Request (and the number of Eligible Securities specified in all notices received from Holders within 20 days after their receipt of notice delivered pursuant to Section 4 hereof). The Company will also be entitled to include in any registration statement filed pursuant to a Registration Request, for sale in accordance with the method of disposition specified in such Registration Request, such number of shares of Common Stock as the Company shall desire to sell for its own account. If the method of sale designated is an underwritten public offering, the managing underwriter or underwriters must be reasonably acceptable to both the Requesting Holder, or the holders of a majority of the Eligible Securities held by all parties comprising the Requesting Holder if more than one party is the Requesting Holder, and the Company, which acceptance shall not be unreasonably withheld. Notwithstanding the foregoing provisions of this paragraph (b), to the extent that, in the opinion of the underwriter or underwriters (if the method of disposition shall be an underwritten public offering), marketing considerations require the reduction of the number of shares of Common Stock covered by any such registration, the number of shares of Common Stock to be registered and sold pursuant to such registration shall be reduced as follows:

(i) The number of shares of Eligible Securities to be registered on behalf of the Company shall be reduced (to zero, if necessary);

(ii) The number of shares of Eligible Securities to be registered on behalf of DeBoer, the Trusts and the Fix Partnership shall be reduced (to zero, if necessary) pro rata according to the number of shares of Eligible Securities held by each;

(iii) The number of shares of Eligible Securities to be registered on behalf of Doubletree and the Investors shall be reduced pro rata according to the number of shares of Eligible Securities held by each; provided, however, that in connection with a Series A Priority Demand the number of shares of Eligible Securities requested to be registered on behalf of the Investors shall only be reduced after the number of shares requested to be registered by Doubletree has been reduced to zero; and provided, further, that in connection with a Series B Priority Demand the number of shares of Eligible Securities requested to be registered on behalf of the Investors shall only be reduced after the number of shares requested to be registered by Doubletree has been reduced to zero;

(iv) Notwithstanding the foregoing, if in connection with any Registration Request made by Doubletree, the number of Eligible Securities requested to be registered by Doubletree shall have been reduced, the number of Registration Requests granted to Doubletree pursuant to clause 2(a) above shall be increased by one;

5

(v) Notwithstanding the foregoing, if in connection with any Registration Request made by the Investors holding shares of Series A Preferred Eligible Securities, such Investors requesting inclusion of Eligible Securities in such registration shall experience a reduction in the number of such Eligible Securities by 10% or more, the number of Registration Requests granted to the Investors holding shares of Series A Preferred Eligible Securities pursuant to clause 2(a) above shall be increased by one;

(vi) Notwithstanding the foregoing, if in connection with any Registration Request made by the Investors holding shares of Series B Preferred Eligible Securities, such Investors requesting inclusion of Eligible Securities in such registration shall experience a reduction in the number of such Eligible Securities by 10% or more, the number of Registration Requests granted to the Investors holding shares of Series B Preferred Eligible Securities pursuant to clause 2(a) above shall be increased by one; and

(vii) In no event shall any registration of Common Stock by the Company pursuant to Section (vi) (b) of the Series A Certificate of Designation or Section (vi) (b) of the Series B Certificate of Designation constitute a Registration Request allowable to any Holder pursuant to clause 2(a) above.

(c) Notwithstanding the foregoing provisions of this Section 2, the Company shall not be obligated to file a registration statement at the demand of any Holder pursuant to this Section 2 within 180 days following any underwritten public offering of Common Stock or of securities of the Company convertible into or exercisable or exchangeable for Common Stock.

(d) Notwithstanding anything to the contrary contained herein, the exercise by any Holder of any right hereunder with respect to shares of Series A Preferred Eligible Securities or shares of Series B Preferred Eligible Securities, as the case may be, shall not effect or diminish any other rights of such Holder hereunder with respect to any other securities of the Company held by such Holder.

### 3. Shelf Registration on Form S-3.

(a) At any time after 90 days from the date of the issuance

and sale of the Series B Preferred Stock any Holder or Holders may deliver to the Company a written request (a "Form S-3 Request") that the Company file and use its best efforts to cause to become effective a "shelf" registration statement on Form S-3 (or such equivalent successor form) under the Securities Act for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Securities Act (a "Shelf Registration Statement") with respect to such number of Eligible Securities

6

owned by the Holder or Holders as shall be specified in such request; (and the number of Eligible Securities specified in all notices received from Holders within 20 days after their receipt of notice delivered pursuant to Section 4 hereof); provided, however, that the Company shall not be obligated to effect any such registration pursuant to this Section 3 unless the aggregate value of the securities to be registered thereon would exceed \$2,500,000. The Company shall not be required to file and use its best efforts to cause to become effective, pursuant to a Form S-3 Request under this Section 3, (a) more than two Shelf Registration Statements at the request of Doubletree, (b) more than two Shelf Registrations at the request of the Investors holding shares of Series A Preferred Eligible Securities or (c) more than two Shelf Registrations at the request of Investors holding shares of Series B Preferred Eligible Securities.

(b) As soon as practicable following the receipt of a Form S-3 Request, the Company will use its best efforts to register under the Securities Act, for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act, the number of shares of Eligible Securities specified in such Form S-3 Request (and the number of Eligible Securities specified in all notices received from Holders within 20 days after their receipt of notice delivered pursuant to Section 4 hereof). The Company will also be entitled to include in any Shelf Registration Statement filed pursuant to this Section 3 such number of shares of Common Stock as the Company shall desire to sell for its own account.

#### 4. Piggyback Registration.

(a) If the Company at any time proposes to register Common Stock under the Securities Act for sale to the public (including registrations pursuant to Section 2 or 3 hereof), whether for its own account or for the account of other security holders or both (except registration statements on Form S-8, S-4 or another form not available for registering the Eligible Securities for sale to the public), each such time it will give written notice to all Holders of its intention to do so. Upon the written request of any Holder (a "Piggyback Request"), given within 20 days after receipt of any such notice, to register any of its Eligible Securities, the Company will use its best efforts to cause the Eligible Securities as to which registration shall have been so requested to be covered by the registration statement proposed to be filed by the Company.



(b) In the event that any registration statement described in this Section 4 shall relate, in whole or in part, to an underwritten public offering of shares of Common Stock, the Eligible Securities to be registered must be sold through the same underwriters as have been selected by the Company or agreed to pursuant to Section 2(b) hereof. Otherwise, the method of distribution of the Eligible Securities to be sold by any Holder making a Piggyback Request shall be as specified therein. Except in the case of a registration statement filed pursuant to a Registration Request under Section 2 hereof or a Form S-3 Request made under Section 3 hereof, the number of shares of Common Stock to be included in such registration statement on account of any person (other than the Company) may be reduced if and to the extent

7

that the underwriter or underwriters shall be of the opinion that such inclusion would materially adversely affect the marketing of the total number of shares of Common Stock proposed to be sold, and the number of shares to be registered and sold by each person (other than the Company) shall be reduced pro rata according to the relative number of fully diluted shares owned by such person. Notwithstanding the foregoing provisions of this Section 4, the Company may withdraw any registration statement referred to in this Section 4 without thereby incurring any liability to any requesting Holder.

5. Registration Procedures. If and whenever the Company is required by the provisions of Section 2, 3 or 4 to effect the registration of any Eligible Securities under the Securities Act, the Company shall:

(a) prepare and file with the Commission a registration statement with respect to such securities which will permit the public sale thereof in accordance with the method of distribution specified in the applicable Registration Request, and the Company shall use its best efforts (i) to cause such registration statement to be filed within 60 days of receipt of the Registration Request (ii) to cause such registration statement to be declared effective as promptly as practicable and (iii) to maintain the effectiveness of such registration statement for a period of not less than 90 days (or until such time as all securities sold thereunder shall have been sold, in the case of a registration on Form S-3);

(b) promptly prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to effect and maintain the effectiveness of such registration statement for the period specified in Section 5(a) and as to comply with the provisions of the Securities Act with respect to the disposition of all Eligible Securities covered by such registration statement in accordance with the intended method of disposition set forth in such registration statement for such period, including such amendments or supplements as are necessary to cure any untrue statement or omission referred to in Section 5(e) (vi);



(c) provide to the managing underwriter or underwriters and not more than one counsel for all underwriters and to the Holders of Eligible Securities to be included in such registration statement and not more than one counsel for all such Holders (such counsel to be reasonably acceptable to the Company) the opportunity to participate in the preparation of (i) such registration statement, (ii) each prospectus relating thereto and included therein or filed with the Commission and (iii) each amendment or supplement thereto;

(d) make available for inspection by the parties referred to in Section 5(c) such financial and other information and books and records of the Company, and cause the officers, directors and employees of the Company, and counsel and independent certified public accountants of the Company, to respond to such inquiries, as shall be reasonably necessary, in the judgment of respective counsel to such Holders and such underwriter or underwriters, to conduct a reasonable

8

investigation within the meaning of the Securities Act; provided, however, that each such person shall be required to retain in confidence and not to disclose to any other person any information or records reasonably designated by the Company in writing as being confidential until such time as such information becomes a matter of public record (whether by virtue of its inclusion in such registration statement or otherwise), unless (i) such person shall be required to disclose such information pursuant to the subpoena or order of any court or other governmental agency or body having jurisdiction over the matter or to the National Association of Insurance Commissioners or (ii) such information is required to be set forth in such registration statement or the prospectus included therein or in an amendment to such registration statement or an amendment or supplement to such prospectus in order that such registration statement, prospectus, amendment or supplement, as the case may be, shall not contain an untrue statement of a material fact or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and such information has not been so set forth after the request by a Holder to such effect; and provided, further, that the Company need not make such information available, nor need it cause any officer, director or employee to respond to such inquiry, unless each such Holder and such counsel, upon the Company's request, execute and deliver to the Company an undertaking to substantially the same effect contained in the immediately preceding proviso;

(e) immediately notify the persons referred to in Section 5(c) and (if requested by any such person) confirm such advice in writing, (i) when such registration statement or any prospectus included therein or any amendment or supplement thereto has been filed and, with respect to such registration statement or any such amendment, when the same has become effective, (ii) of any material comments by the Commission with respect thereto or any request by the Commission for amendments or supplements to such registration statement or prospectus or for additional information, (iii) of the issuance by the

Commission of any stop order suspending the effectiveness of such registration statement or the initiation of any proceedings for that purpose, (iv) if at any time the representations and warranties of the Company contemplated by Section 5(1)(i) cease to be true and correct in all material respects, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Eligible Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose or (vi) at any time when a prospectus is required to be delivered under the Securities Act, of the occurrence or failure to occur of any event, or any other change in law, fact or circumstance, as a result of which such registration statement, prospectus or any amendment or supplement thereto, or any document incorporated by reference in any of the foregoing, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(f) take reasonable efforts to obtain the withdrawal at the earliest practicable date of any order suspending the effectiveness of such registration statement or any post-effective amendment thereto;

9

(g) if requested by the managing underwriter or underwriters or the Holders of at least a majority of the Eligible Securities being sold in connection with an underwritten public offering, promptly incorporate in a prospectus supplement or post-effective amendment such information as such managing underwriter or underwriters or such Holders reasonably specify should be included therein relating to the terms of the sale of such Eligible Securities, including, without limitation, information with respect to the number of Eligible Securities being sold to such underwriters, the names and descriptions of such Holders, the purchase price being paid therefor by such underwriters and any other terms of the underwritten (or best efforts underwritten) offering of the Eligible Securities to be sold in such offering, and make all required filings of such prospectus supplement or post-effective amendment promptly after notification of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(h) furnish to each Holder of Eligible Securities included in such registration and each underwriter and counsel for Holder, if any, thereof an executed copy of such registration statement, each such amendment and supplement thereto (in each case including all exhibits thereto, whether or not such exhibits are incorporated by reference therein) and such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and any summary prospectus) and each amendment or supplement thereto, in conformity with the requirements of the Securities Act, as such Holder and managing underwriter, if any, may reasonably request in order to facilitate the disposition of such Eligible Securities by such Holder or by the participating underwriters;

(i) use its best efforts to (i) register or qualify the Eligible Securities to be included in such registration statement under such other securities laws or blue sky laws of such jurisdictions as any Holder of such Eligible Securities and each managing underwriter, if any, thereof shall reasonably request, (ii) keep such registrations or qualifications in effect for so long as is necessary to effect the disposition of such Eligible Securities in the manner contemplated by the registration statement, the prospectus included therein and any amendment or supplement thereto and (iii) take any and all such actions as may be reasonably necessary or advisable to enable such Holder and any participating underwriter or underwriters to consummate the disposition in such jurisdictions of such Eligible Securities; provided, however, that the Company shall not be required for any such purpose to (A) qualify generally to do business as a foreign corporation or a broker-dealer in any jurisdiction wherein it would not otherwise be required to qualify but for the requirements of this Section 5(i), (B) subject itself to taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction;

(j) cooperate with the Holders of the Eligible Securities included in such registration and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Eligible Securities to be sold, which certificates shall be printed, lithographed or engraved, or produced by any combination of such methods, on steel engraved borders and which shall not bear any restrictive legends; and, in the case of an underwritten public offering, enable

10

such Eligible Securities to be registered in such names as the underwriter or underwriters may request at least two business days prior to any sale of such Eligible Securities;

(k) provide not later than the effective date of the registration statement a CUSIP number for all Eligible Securities;

(l) enter into an underwriting agreement, engagement letter, agency agreement, "best efforts" underwriting agreement or similar agreement, as appropriate, and take such other actions in connection therewith as the Holders of at least a majority of the Eligible Securities to be included in such registration shall reasonably request in order to expedite or facilitate the disposition of such Eligible Securities, and in connection therewith, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten public offering, (i) make such representations and warranties to the Holders of such Eligible Securities included in such registration and the underwriters, if any, in form, substance and scope as are customarily made in an underwritten public offering, (ii) obtain an opinion of counsel to the Company in customary form and covering such matters as are customarily covered by such an opinion as the Holder of at least a majority of such Eligible Securities and the underwriters, if any, may reasonably request, addressed to each participating Holder and the underwriters, if any, and dated

the effective date of such registration statement (or, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement); (iii) obtain a "cold comfort" letter from the independent certified public accountants of the Company addressed to the Holders of the Eligible Securities included in such registration and the underwriters, if any, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, also dated the date of the closing under the underwriting agreement), such letter to be in customary form and covering such matters as are customarily covered by such letters; (iv) deliver such documents and certificates as may be reasonably requested by the Holders of at least a majority of the Eligible Securities included in such registration and the managing underwriter or underwriters, if any, to evidence compliance with clause (i) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company, and (v) undertake such obligations relating to expense reimbursement, indemnification and contribution as are provided in Sections 6, 7 and 8 hereof; and

(m) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission.

Notwithstanding the provisions of Section 5(a), the Company's obligation to file a registration statement, or cause such registration statement to become effective, shall be suspended, without incurring any liability to any Holder, for a period not to exceed 90 days if there exists at the time material non-public information relating to the Company that, in the reasonable opinion of the Company, should not be disclosed, provided that any such suspension shall occur no more than once in any twelve (12)-month period. In such an event, the Company shall promptly

11

inform all Holders of the Company's decision to defer filing of a registration statement and shall notify all Holders promptly (but in any event not later than upon the expiration of the 90-day period specified in the immediately preceding sentence) of the recommencement of the Company's efforts to file the registration statement and to cause the registration statement to become effective.

In connection with each registration of Eligible Securities hereunder, the Holders thereof will furnish to the Company in writing such information with respect to themselves and the proposed distribution by them as shall be reasonably necessary in order to assure compliance with applicable federal and state securities laws. Each such Holder also agrees to notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by such Holder to the Company or of the occurrence of any other event, in either case as a result of which any prospectus relating to such registration contains an untrue statement of a material fact regarding such Holder or the distribution of such Eligible Securities or omits to state any material fact

regarding such Holder or the distribution of such Eligible Securities required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and promptly to furnish to the Company any additional information required to correct and update such previously furnished information or required so that such prospectus shall not contain, with respect to such Holder or the distribution of such Eligible Securities, an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances then existing. Each such Holder further agrees that upon giving any notice referred to in the immediately preceding sentence, or upon receipt of any notice from the Company pursuant to Section 5(e)(vi) hereof, such Holder shall forthwith discontinue the disposition of Eligible Securities pursuant to the registration statement applicable to such Eligible Securities until such Holder shall have received copies of an amended or supplemented registration statement or prospectus, and if so directed by the Company, such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the prospectus covering such Eligible Securities at the time of receipt of such notice.

6. Expenses. The Company shall pay all expenses incurred in complying with Sections 2, 3 and 4, including without limitation all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, fees and expenses of one counsel for the selling Holders, fees and expenses (including counsel fees) incurred in connection with complying with state securities or "blue sky" laws (other than those which by law must be paid by the selling security holders), fees of the National Association of Securities Dealers, Inc., transfer taxes, fees of transfer agents and registrars and stock exchange listing fees, but excluding all underwriting discounts and selling commissions applicable to the sale of Eligible Securities. All expenses of participating sellers other than those assumed by the Company in this Agreement shall be borne by such sellers in proportion to the number of shares sold by each seller or as they may otherwise agree.

12

#### 7. Indemnification.

(a) In the event of a registration of Eligible Securities under the Securities Act pursuant to Section 2, 3 or 4, the Company shall indemnify and hold harmless each selling Holder, each underwriter of such Eligible Securities thereunder and each other person, if any, who controls such selling Holder or underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such selling Holder, underwriter or controlling person may become subject under the Securities Act or otherwise or in any action in respect thereof, and will reimburse each such selling Holder, underwriter and controlling person for any legal or other expenses reasonably incurred by them in connection with

investigating or defending any such loss, claim, damage, liability or action, as such expenses are incurred, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Eligible Securities were registered under the Securities Act pursuant to Section 2, 3 or 4, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company shall not be liable to any such selling Holder, underwriter or controlling person in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in conformity with information furnished by such selling Holder, underwriter or controlling person in writing specifically for use in such registration statement or prospectus.

(b) In the event of a registration of any of the Eligible Securities under the Securities Act pursuant to Section 2, 3 or 4, each selling Holder of such Eligible Securities, severally and not jointly, will indemnify and hold harmless the Company, each underwriter and each person, if any, who controls the Company or any underwriter within the meaning of the Securities Act, each officer of the Company who signs the registration statement, each director of the Company, each other seller of securities registered by the registration statement covering such Eligible Securities and each person, if any, who controls such seller, against all losses, claims, damages or liabilities, joint or several, to which the Company or any such officer, director, underwriter, other seller or controlling person may become subject under the Securities Act or otherwise, and shall reimburse the Company and each such officer, director, underwriter, other seller and controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, but only to the extent that any such loss, claim, damage or liability (or action in respect thereof) arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information pertaining to such Holder furnished in writing to the Company by such Holder specifically for

13

use in the registration statement or prospectus relating to such Eligible Securities. Notwithstanding the immediately preceding sentence, the liability of each such Holder hereunder shall not in any event exceed the net proceeds received by such Holder from the sale of Eligible Securities covered by such registration statement.

(c) Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party, if a claim in respect thereof is to be made against an indemnifying party hereunder, shall



notify such indemnifying party in writing thereof, but the omission so to notify such indemnifying party shall not relieve such indemnifying party from any liability that it may have to any indemnified party other than under this Section 7 and, unless the failure to so provide notice materially adversely affects or prejudices such indemnifying party's defense against any action, shall not relieve such indemnifying party from any liability that it may have to any indemnified party under this Section 7. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party, and, after notice from such indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, such indemnifying party shall not be liable to such indemnified party under this Section 7 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected; provided, however, that, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it that are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, the indemnified party shall have the right to select a separate counsel and to assume and undertake the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such defense to be reimbursed by the indemnifying party as incurred.

(d) No indemnifying party shall be liable for any amounts paid in a settlement effected without the consent of such indemnifying party, which consent shall not be unreasonably withheld. No indemnifying party shall consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the plaintiff to the indemnified party of a release from all liability in respect of such claim or litigation.

(e) The reimbursements required by this Section 7 shall be made by periodic payment during the course of the investigation or defense, as and when bills are received and expenses incurred.

8. Contribution. If for any reason the indemnity set forth in Section 7 is unavailable or is insufficient to hold harmless an indemnified party, then the indemnifying party shall contribute to the amount paid or payable by such

14

indemnified party as a result of the aggregate losses, claims, damages, liabilities and expenses of the nature contemplated by said indemnity (i) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and such indemnified party on the other (determined by reference to, among other things, whether the untrue statement of

a material fact or omission to state a material fact relates to information supplied by the indemnifying party or such indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission), or (ii) if the allocation provided by clause (i) above is not permitted by applicable law or provides a lesser sum to such indemnified party than the amount hereinafter calculated, in such proportion as is appropriate to reflect not only the relative fault of the indemnifying party and such indemnified party but also the relative benefits received by the indemnifying party on the one hand and such indemnified party on the other, as well as any other relevant equitable considerations.

The Company and the Parties agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable consideration referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to in such paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section, a Holder shall not be required to contribute any amount in excess of the amount by which the net proceeds of the sale of Eligible Securities sold by such Holder and distributed to the public exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person which is not guilty of such fraudulent misrepresentation.

9. Underwriting Agreement. If Eligible Securities are to be sold pursuant to a registration statement in an underwritten offering pursuant to Section 2, 3 or 4, the Company and each selling Holder of Eligible Securities agrees to enter into a written agreement with the managing underwriter or underwriters selected in the manner herein provided in such form and containing such provisions as are reasonably satisfactory to the Company and each such selling Holder and as are customary in the securities business for such an arrangement among such underwriter or underwriters, each such selling Holder and companies of the Company's size and investment stature. No Holder of Eligible Securities may participate in any underwritten sale of Eligible Securities pursuant to Section 2, 3 or 4 hereof unless such Holder agrees to sell such Holder's securities in accordance with any underwriting arrangements approved by the persons entitled hereunder to specify the method of distribution of the securities being registered and completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

Notwithstanding anything to the contrary contained herein, no Holder of Eligible



Securities shall be required to make any representations and warranties to the Company or the underwriters other than representations or warranties regarding the identity of such Holder, such Holder's Eligible Securities, such Holder's ability to transfer title to such Holder's Eligible Securities and such Holder's intended method of distribution or any other representations required by applicable law.

10. Limitations on Subsequent Registration Rights. If, subsequent to the date hereof, the Company grants to any holders or prospective holders of the Company's securities the right to require that the Company register any securities of the Company under the Securities Act, such registration rights shall be granted subject to the rights of the Holders to include all or part of their Eligible Securities in any such registration on the terms and conditions set forth in Section 4.

11. Rule 144. The Company covenants with the Holders of Eligible Securities that, if and to the extent the Company shall be required to do so under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as the same may be amended and in effect at the time (the "Exchange

16

Act"), the Company shall timely file the reports required to be filed by it under the Exchange Act or the Securities Act (including, but not limited to, the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144 adopted by the Commission under the Securities Act), all to the extent required from time to time to enable such Holder to sell Eligible Securities without registration under the Securities Act within the limitations of the exemption provided by Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission. Upon the request of any Holder of Eligible Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements.

12. Miscellaneous.

(a) All covenants and agreements contained in this Agreement by or on behalf of any of the signatories shall bind and inure to the benefit of the respective successors and permitted assigns of the signatories, whether so expressed or not. If any permitted transferee of any Holder of Eligible Securities shall acquire Eligible Securities in any manner (other than by way of a registered public offering), whether by operation of law or otherwise, such Eligible Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Eligible Securities such transferee shall be entitled to receive the benefits of and be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement. The benefits to which any such permitted transferee shall be entitled shall include, without limitation, the rights to register Eligible Securities under

Sections 2, 3 and 4 hereof; provided, however, that any such permitted transferee shall not be entitled to deliver to the Company a Registration Request or a Form S-3 Request pursuant to Section 2 or 3 hereof unless such permitted transferee acquired from its transferor (i) with respect to Eligible Securities issued upon the conversion of Preferred Stock, at least 100,000 Eligible Securities; provided, however, that the transfer of registration rights held pursuant to this Agreement to a partner, shareholder, equity holder or officer of any Investor shall be without restriction as to minimum shareholding; or (ii) with respect to all other Eligible Securities, at least a majority of the Eligible Securities owned by such transferor at the time of transfer. If the Company shall so request, any such successor or permitted assign shall agree in writing to acquire and hold the Eligible Securities subject to all of the terms hereof. This Section 12(a) shall not be deemed to create any right on the part of any Holder to transfer Eligible Securities in contravention of any restriction thereon contained in any other agreement to which such Holder is a party.

(b) All notices, consents and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when (a) delivered by hand, (b) sent by telecopier (with receipt confirmed), provided that a copy is mailed by registered mail, return receipt requested, or (c) when received by the addressee, if sent by Express Mail, Federal Express or other express delivery service (receipt requested), in each case to the appropriate addresses and telecopier

17

numbers set forth below (or to such other addresses and telecopier numbers as a party may designate as to itself by notice to the other parties):

(i) If to Doubletree: 755 Crossover Lane, Memphis, TN, telecopier number (901) 374-5050, Attention: General Counsel.

(ii) If to the Company: Lakepoint Office Park, 9342 East Central, Wichita, Kansas 67206, telecopier number (316) 631-1333, Attention: President.

(iii) If to DeBoer or the Trusts: Lakepoint Office Park, 9342 East Central, Wichita, Kansas 67206, telecopier number (316) 631-1333, Attention: Jack DeBoer.

(iv) If to the Fix Partnership: Lakepoint Office Park, 9342 East Central, Wichita, Kansas 67206, telecopier number (316) 631-1333, Attention: Warren Fix.

(v) If to an Investor: at the address set forth on Schedule A attached hereto.

(c) This Agreement shall be governed by and construed in

accordance with the laws of the State of Delaware.

(d) This Agreement may not be amended or modified, and no provision hereof may be waived, except in writing, and any such writing shall only be effective with respect to a Party who has executed such writing. The failure of any of the Parties to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of that term or deprive such Party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(e) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(f) The Parties acknowledge that there may be no adequate remedy at law if any Party fails to perform any of its obligations hereunder and that each Party may be irreparably harmed by any such failure, and accordingly agree that each Party, in addition to any other remedy to which it may be entitled in law or in equity, shall be entitled to compel specific performance of the obligations of any other Party under this Agreement in accordance with the terms and conditions of this Agreement in any court of the United States or any state thereof having jurisdiction.

(g) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

18

(h) In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the Holders shall be enforceable to the fullest extent permitted by law.

(i) This Agreement is intended by the Parties as a final expression of their agreement and a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings other than those set forth or referred to herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to such subject matter. The Second Registration Rights Agreement, as in existence prior to the execution hereof, is hereby terminated and is and shall be after the date hereof null and void and of no further force and effect.

19

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

CANDLEWOOD HOTEL COMPANY, INC.

By: /s/ Jack DeBoer  
-----

Name: Jack P. DeBoer  
Title: Chief Executive Officer

DOUBLETREE CORPORATION

By: /s/ Peter H. Kesser  
-----

Name: Peter H. Kesser  
Title: Vice President

WARREN D. FIX FAMILY  
PARTNERSHIP, L.P.

By: /s/ Warren D. Fix  
-----

Name: Warren D. Fix  
Title: General Partner

/s/ Warren D. Fix  
-----

Warren D. Fix

JACK P. DeBOER, for himself and on behalf of the ALEXANDER DeBOER TRUST DATED MARCH 14, 1995 and the CHRISTOPHER SCOTT DeBOER TRUST DATED MARCH 14, 1995

/s/ Jack P. DeBoer  
-----

Name: Jack P. DeBoer

OLYMPUS GROWTH FUND II, L.P.

By: OGP II, L.P., its General Partner  
By: RSM, L.L.C., its General Partner

By: /s/ Robert S. Morris  
-----  
Name: Robert S. Morris  
Title: Managing Member

OLYMPUS EXECUTIVE FUND, L.P.

By: OEF, L.P., its General Partner  
By: RSM, L.L.C., its General Partner

By: /s/ Robert S. Morris  
-----  
Name: Robert S. Morris  
Title: Managing Member

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, AS TRUSTEE OF THE  
COMMINGLED PENSION TRUST FUND  
(MULTI-MARKET SPECIAL INVESTMENT  
FUND II) OF MORGAN GUARANTY TRUST  
COMPANY OF NEW YORK

By: /s/ Kathleen N. Starrs  
-----  
Name: Kathleen N. Starrs  
Title: Vice President

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, AS TRUSTEE OF THE  
MULTI-MARKET SPECIAL INVESTMENT  
TRUST FUND OF MORGAN GUARANTY  
TRUST COMPANY OF NEW YORK

By: /s/ Kathleen N. Starrs  
-----  
Name: Kathleen N. Starrs  
Title: Vice President

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, AS INVESTMENT  
MANAGER AND AGENT FOR THE

ALFRED P. SLOAN FOUNDATION (MULTI-MARKET ACCOUNT)

By: /s/ Kathleen N. Starrs  
-----

Name: Kathleen N. Starrs  
Title: Vice President

CHASE VENTURE CAPITAL ASSOCIATES, L.P.

By: Chase Capital Partners, its General Partner

By: /s/ James D. Kallman  
-----

Name: James D. Kallman  
Title: General Partner

PRIVATE EQUITY INVESTORS III, L.P.

By: Rohit M. Desai Associates III, LLC  
General Partner

By: /s/ Frank Pados  
-----

Name: Frank Pados  
Title: Attorney-In-Fact

EQUITY-LINKED INVESTORS-II

By: Rohit Desai Associates-II  
General Partner

By: /s/ Frank Pados  
-----

Name: Frank Pados  
Title: Attorney-In-Fact

LNR CANDLEWOOD HOLDINGS, INC.

By: /s/ signature illegible  
-----

Name:  
Title:

DELAWARE STATE EMPLOYEES'  
RETIREMENT FUNDS

By: Pecks Management Partners Ltd.,  
its Investment Advisor

By: /s/ signature illegible  
-----

Name:  
Title:

DECLARATION OF TRUST FOR THE  
DEFINED BENEFIT PLAN OF ZENECA  
HOLDINGS INC.

By: Pecks Management Partners Ltd.,  
its Investment Advisor

By: /s/ signature illegible  
-----

Name:  
Title:

DECLARATION OF TRUST FOR THE  
DEFINED BENEFIT PLAN OF ICI  
AMERICAN HOLDINGS INC.

By: Pecks Management Partners Ltd.,  
its Investment Advisor

By: /s/ signature illegible  
-----

Name:  
Title:

J.W. McCONNELL FAMILY TRUST

By: Pecks Management Partners Ltd.,  
its Investment Advisor

By: /s/ signature illegible

-----  
Name:  
Title:

ADVANCE CAPITAL PARTNERS, L.P.

By: Advance Capital Associates, L.P.

By: Advance Capital Management, LLC

By: /s/ Robert A. Bernstein

-----  
Name: Robert A. Bernstein  
Title: Principal

ADVANCE CAPITAL OFFSHORE  
PARTNERS, L.P.

By: Advance Capital Offshore Associates,  
LDC

By: Advance Capital Associates, L.P.

By: Advance Capital Management, LLC

By: /s/ Robert A. Bernstein

-----  
Name: Robert A. Bernstein  
Title: Principal

ALLIED CAPITAL CORPORATION

By: /s/ G. Cabell Williams, III

-----  
Name: G. Cabell Williams, III  
Title: Managing Director

24

ALLIED CAPITAL CORPORATION II

By: /s/ G. Cabell Williams, III

-----  
Name: G. Cabell Williams, III  
Title: Managing Director



THE FFJ 1997 NOMINEE TRUST

By: /s/ Samuel T. Byrne  
-----

Name: Samuel T. Byrne  
Title: Trustee

THE MUTUAL LIFE INSURANCE  
COMPANY OF NEW YORK

By: /s/ Suzanne E. Walton  
-----

Name: Suzanne E. Walton  
Title: Managing Director

J. ROMEO & CO.

By: /s/ Peter Coccia  
-----

Name: Peter Coccia  
Title: Partner

HARBOR INVESTMENTS LTD.

By: Strong Capital Management, Inc.,  
its Investment Advisor

By: /s/ Stephen J. Shenkenberg  
-----

Name: Stephen J. Shenkenberg  
Title: Vice President & Acting  
General Counsel

25

STRONG SPECIAL INVESTMENT LIMITED  
PARTNERSHIP

By: Strong Capital Management, Inc., its  
General Partner

By: /s/ Stephen J. Shenkenberg  
-----

Name: Stephen J. Shenkenberg

Title: Vice President & Acting  
General Counsel

STRONG QUEST LIMITED PARTNERSHIP

By: Strong Capital Management, . Inc., its  
General Partner

By: /s/ Stephen J. Shenkenberg  
-----

Name: Stephen J. Shenkenberg  
Title: Vice President & Acting  
General Counsel

/s/ William J. Abrams  
-----

William J. Abrams

/s/ Joseph P. Adams, Jr.  
-----

Joseph P. Adams, Jr.

/s/ Eric Anderson  
-----

Eric Anderson

/s/ Robert P. Brennan, Jr.  
-----

Robert P. Brennan, Jr.

/s/ Robert Brody  
-----

Robert Brody

26

/s/ Vanessa Burgess  
-----

Vanessa Burgess

/s/ Craig Callen  
-----

Craig Callen

/s/ Michael Dana

-----  
Michael Dana

/s/ Peter Deeks

-----  
Peter Deeks

/s/ Robert E. Diemar, Jr.

-----  
Robert E. Diemar, Jr.

/s/ David Hurwitz

-----  
David Hurwitz

/s/ Steve Kantor

-----  
Steve Kantor

/s/ Louis Klevan

-----  
Louis Klevan

/s/ Larry Lavine

-----  
Larry Lavine

/s/ Daniel J. Mackell

-----  
Daniel J. Mackell

/s/ Patrick McMullan

-----  
Patrick McMullan

/s/ Andrew J. McSpadden

-----

Andrew J. McSpadden

/s/ David R. Smith

-----

David R. Smith

/s/ Phil Tager

-----

Phil Tager

/s/ Douglas M. Weill

-----

Douglas M. Weill

/s/ Charles Ruck

-----

Charles Ruck