FRANCHISE DISCLOSURE DOCUMENT

Choice Hotels International, Inc., a Delaware corporation
1 Choice Hotels Circle, Suite 400
Rockville, Maryland 20850
(301) 592-5000
www.choicehotelsfranchise.com
email: development@choicehotels.com

The membership offered in this disclosure document is for the rights to own and/or operate an ASCEND HOTEL COLLECTION® or ASCEND RESORT COLLECTION® ("ASCEND") hotel business.

The total investment necessary to begin the operation of a newly constructed 80-room ASCEND hotel is between $7,976,970 and $10,945,979 and the total investment necessary to convert a qualified existing hotel and begin operation of an 77-room ASCEND hotel is between $174,450 and $2,001,699. This includes an affiliation fee of $375 per room ($40,000 minimum); a property management system software license and systems training fee of between $10,750 and $14,750; and hospitality training fees of between $0 and $999 per person, all of which must be paid to the Franchisor or its affiliates. These sums do not include the cost of purchasing or leasing land or any real estate taxes.

This disclosure document summarizes certain provisions of your membership agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to us or our affiliates in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mark Shalala, Vice President, Upscale Brands Development at (301) 592-5000, 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 1, 2018

STATE COVER PAGE

Your state may have a franchise law that requires us to register or file with a state administrator before offering or selling franchises in your state. REGISTRATION OF THIS FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state administrators listed in Exhibit B for information about us or franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW FRANCHISE AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this membership:

1. EXCEPT FOR CLAIMS AGAINST YOU FOR INDEMNIFICATION AND ACTIONS SEEKING TO STOP YOU FROM USING OUR MARKS IN VIOLATION OF THE MEMBERSHIP AGREEMENT, THE MEMBERSHIP AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE SETTLED BY ARBITRATION. ALL ARBITRATIONS WILL BE CONDUCTED IN MARYLAND. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN MARYLAND THAN IN YOUR OWN STATE.

2. THE MEMBERSHIP AGREEMENT STATES THAT MARYLAND LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. SOME STATE FRANCHISE LAWS PROVIDE THAT CHOICE OF LAW PROVISIONS ARE VOID. YOU MAY WANT TO INVESTIGATE WHETHER YOU ARE PROTECTED BY A STATE FRANCHISE LAW. YOU SHOULD REVIEW THE ADDENDA ATTACHED TO THIS DISCLOSURE DOCUMENT FOR CERTAIN DISCLOSURES REQUIRED BY STATE FRANCHISE LAWS.

3. AS OF DECEMBER 31, 2017, CHOICE HAD $402,933,000 IN CURRENT ASSETS AND HAD $294,497,000 IN CURRENT LIABILITIES. THIS MEANS THAT FOR EVERY DOLLAR OF LIABILITIES DUE WITHIN ONE YEAR, CHOICE HAD $1.37 IN CURRENT ASSETS. AS OF DECEMBER 31, 2017, CHOICE HAD A NET INCOME OF $114,893,000, BUT A SHAREHOLDERS' DEFICIT OF $212,102,000, WHICH IS PRIMARILY ATTRIBUTABLE TO OUR REPURCHASE OF 48.7 MILLION SHARES OF TREASURY STOCK THROUGH DECEMBER 31, 2017. YOU MAY WISH TO CONSULT WITH YOUR FINANCIAL ADVISER.

4. THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

5. THE FRANCHISE AGREEMENT PROVIDES THAT FRANCHISOR HAS SOLE DISCRETION TO MODIFY, ADD TO, OR DISCONTINUE USE OF THE BRAND MARK OR TO SUBSTITUTE DIFFERENT PROPRIETARY MARKS FOR THE USE IN IDENTIFYING THE SYSTEM AND/OR THE HOTEL AND FRANCHISEE SHALL BEAR ALL THE COSTS OF COMPLYING WITH SUCH CHANGE.

6. THERE MAY BE OTHER RISKS FOR THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our membership. A franchise broker or referral source represents us, not you. We pay

this person a fee for selling our membership or referring you to us. You should be sure to do your own investigation of our membership.

This disclosure document is for use in the United States and its territories. The following page contains the effective dates of this disclosure document for each state with its own franchise registration law.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states, with the following effective dates:

STATE	EFFECTIVE DATE
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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EXHIBITS

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, “we,” “us” “our,” “Choice” or “Choice Hotels” means Choice Hotels International, Inc., the franchisor. “We,” “us,” our," “Choice” or “Choice Hotels” does not include the employees, officers, directors or shareholders of Choice. “You” or “Member” means the person who buys the franchise or membership. "You" may be an individual, corporation, partnership, limited liability company or other legal entity, or may include the principal owners of such entity or entities if an owner of you is required to sign a personal guarantee and be personally bound by your obligations under the franchise agreement.

This disclosure document is for the right to own and/or operate an ASCEND HOTEL COLLECTION® or ASCEND RESORT COLLECTION® member hotel (“ASCEND” or “ASCEND Marks”).

We do business under the following primary Choice Hotels trademarks among others: COMFORT INN®, COMFORT INN & SUITES®, COMFORT SUITES®, CAMBRIA®, QUALITY INN®, QUALITY INN & SUITES®, QUALITY SUITES®, QUALITY HOTEL®, QUALITY RESORT®, CLARION HOTEL®, CLARION INN®, CLARION INN & SUITES®, CLARION SUITES®, CLARION RESORT®, CLARION COLLECTION®, SLEEP INN®, SLEEP INN & SUITES®, RODEWAY INN®, RODEWAY INN & SUITES®, ECONO LODGE®, ECONO LODGE INN & SUITES®, MAINSTAY SUITES®, SUBURBAN EXTENDED STAY HOTEL®, SUBURBAN LODGE®, ASCEND RESORT COLLECTION®, ASCEND HOTEL COLLECTION® and WOODSPRING SUITES®.

Choice Background.

We are a Delaware corporation formed on January 8, 1963, under the name Quality Inns International, Inc. We changed our corporate name to Choice Hotels International, Inc. on July 25, 1990. From November 1, 1996 to October 15, 1997, our corporate name was Choice Hotels Franchising, Inc. Our corporate name has been Choice Hotels International, Inc. since October 15, 1997. Our principal business address is 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850. Our agents for service of process are disclosed in Exhibit B of this disclosure document.

Our business began in 1939 when seven independent motel owners in Florida met to discuss how they could better satisfy the needs of their customers. Over the next few years, the group continued to meet and share best practices. In 1941, the group formalized its relationship by creating a membership association called Quality Courts United, thereby creating the nation’s first hotel chain. The vision of the members of Quality Courts United was to develop quality and other standards for their customers, as well as to refer guests to each other’s motels.

In January 1963, the organization officially became a for-profit corporation operating under the name Quality Courts Motels, Inc. Shortly thereafter, a training school, a central reservations system and hotel directory were added to the organization. Since that time, the company has changed its name to Choice Hotels International, Inc. and has expanded and further developed the Choice franchise system of hotels through the development of additional hotel brands and memberships and expansion into new markets.

In 2013, we established a subsidiary, SkyTouch Solutions, LLC, that develops and markets cloud-based technology products, including inventory management, pricing and connectivity to third party channels, to hoteliers who do not have franchise agreements with us.

In 2012 Room Key was founded by a joint venture of hotel companies, including us. Room Key is an online hotel search engine that offers travelers a broad network of hotel inventory while maintaining the continuity of booking directly with the hotel company.

Choice Privileges Loyalty Services, LLC is a Delaware limited liability company formed on June 12, 2017 ("CPLS"). CPLS owns, operates and administers the Choice Privileges® guest rewards program. Its principal business address is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. Except as set forth in this Item 1, we do not have any other parents, predecessors or affiliates that must be disclosed.

ASCEND HOTEL COLLECTION Hotels.

We have franchised full-service, upscale hotels under the trademark ASCEND HOTEL COLLECTION") since 2008, and under the trademark ASCEND RESORT COLLECTION since 2013 ("ASCEND hotels"). From April 1, 2005 through April 30, 2008, we offered memberships for a similar concept under the, CLARION COLLECTION trademark. As of December 31, 2017, there were 3 CLARION COLLECTION members.

ASCEND® member hotels are a special group of boutique, unique or historic hotels that have a strong local identity and share a common commitment to outstanding guest service. Every ASCEND hotel is an experience unto itself, satisfying travelers' growing desire for variety and creativity in the hotel sector. ASCEND member hotels range from historic to themed to contemporary and offer amenities, including the on-site operation of an upscale dining restaurant or are located within one city block of an upscale dining restaurant. ASCEND member hotels typically will be conversions of existing hotels; however, we will consider new construction if the proposed exterior and interior design meet the standards for an ASCEND member hotel. ASCEND member hotels retain their existing name followed by the words, "an ASCEND hotel" for local marketing and signage purposes. Neither we, nor any current affiliate or predecessor, has owned or operated an ASCEND hotel.

Your receipt of this disclosure document does not mean that you will be approved as a member or that you may develop or open any of our member hotels. Before you may develop and open any of our franchised or membership hotels, we must approve you as a member; we must approve the location of your proposed hotel; you must attend and successfully complete our training programs; we and you must sign the Membership Agreement (Exhibit D); and you must pay the affiliation fee. You should not acquire any interest in a site for a hotel franchise until, at the earliest, you are approved by us as a member.

General Market and Competition.

The market for your hotel is generally well developed but will largely depend on your hotel's location, size and type of operation (for example, resort location, hotel for frequent business travelers, etc.). Members typically seek customers and business referrals from the local community and solicit business from tour and travel groups on a regional and national level. Depending on the location of the hotel, sales may increase or decrease significantly on a seasonal basis.

Your competitors will include other chain-affiliated (including our hotel brands and memberships) and independent hotels and motels in the area where your hotel is located.

Other Choice Hotels Brands.

We franchise other hotel brands under the Choice Marks as defined in Item 13. We have franchised full-service, mid-priced hotels under the trademark QUALITY INN since 1968 and under the trademark CLARION since 1987. The nation's oldest hotel brand, QUALITY INN, provides an accommodating environment, friendly service and a free continental breakfast. All-suites hotels within the QUALITY brand are known as QUALITY SUITES hotels. CLARION branded hotels offer guests a quality of service, amenities and inviting atmosphere associated with finer hotels, but at an affordable price. These hotels offer free high-speed internet access, and most locations offer a full-service restaurant, room service, swimming pool and fitness center.

We have franchised limited-service, mid-scale hotels under the trademark COMFORT since 1981 and under the trademark SLEEP INN since 1987. We also have franchised limited-service economy and budget hotels under the trademark ECONO LODGE since 1990 and under the trademark RODEWAY INN® since 1990, respectively. COMFORT branded hotels, our largest brand, provides a warm atmosphere and personal, helpful service, including breakfast, in-room coffee and high-speed internet access. All-suites hotels under the COMFORT brand are offered under the COMFORT SUITES trademark. SLEEP INN branded hotels provide exceptional service and value in a familiar atmosphere with carefully maintained facilities. SLEEP INN branded hotels that contain at least 10% suites may operate under the SLEEP INN & SUITES trademark. ECONO LODGE branded hotels provide a comfortable stay at a great value for business and leisure travelers. RODEWAY INN branded hotels are budget segment hotels for value-oriented travelers that offer a welcoming and efficient environment at an economy price.

We have franchised extended-stay, limited-service hotels under the trademark MAINSTAY SUITES® since 1996 and under the trademark SUBURBAN since 2005. MAINSTAY SUITES offers residential style amenities and affordable rates. Each MAINSTAY SUITES hotel room offers ample space for an extended stay, with areas for dressing, relaxing, sleeping and eating, and includes a well-equipped kitchen. SUBURBAN offers competitive rates for stays of one week or more. Rooms at a SUBURBAN property are spacious and feature a well-equipped kitchen and free high-speed internet access.

On December 15, 2017, we entered into a unit purchase agreement ("Purchase Agreement") with, among other parties, WoodSpring Hotels Franchise Services LLC, a Kansas limited liability company ("WHFS") for the purchase of all issued and outstanding units of WHFS. The transaction closed on February 1, 2018 and we became the sole owner of WHFS. On February 1, 2018, WHFS transferred certain assets to us, including all existing WOODSPRING SUITES franchise agreements, and its intellectual property. WHFS' principal business address is the same as our principal business address. From 2004 to April 2015, WHFS offered extended-stay franchises under the name "VALUE PLACE," and in 2015 WHFS changed the brand to "WOODSPRING SUITES." A former affiliate of WHFS previously owned hotels using the "WOODSPRING SUITES" name, but no longer owns those hotels. We began offering franchises under the trademarks WOODSPRING SUITES and WOODSPRING SUITES SIGNATURE in February 2018. We also are the franchisor of the remaining hotels that operate under the trademark VALUE PLACE, but we do not plan to franchise any new VALUE PLACE hotels in the future. WOODSPRING SUITES, WOODSPRING SUITES SIGNATURE, and VALUE PLACE hotels are extended stay, limited services hotels that offer customers the value of a furnished room with kitchen facilities, together with terms and conditions, services and amenities associated with extended-stay hotels, including easy check-in, one-week stays, and periodic housekeeping.

We have franchised all-suites hotels under the trademark CAMBRIA since 2004. CAMBRIA is an upscale, select-service hotel brand designed for guests who want to take their lifestyle with them when traveling. CAMBRIA branded hotels feature a stylish design that is more intimate than traditional hotel décor, with guest suites that are approximately 25% larger than standard hotel rooms.

On December 31, 2017, there were 36 CAMBRIA hotel franchises, 1,542 QUALITY hotel franchises, 1,081 COMFORT INN and COMFORT INN & SUITES hotel franchises, 565 COMFORT SUITES hotel franchises, 163 CLARION hotel franchises, 157 ASCEND hotel franchises, 3 CLARION COLLECTION hotel franchises, 384 SLEEP INN and SLEEP INN & SUITES hotel franchises, 600 RODEWAY INN hotel franchises, 840 ECONO LODGE hotel franchises, 60 MAINSTAY SUITES hotel franchises and 61 SUBURBAN franchises, 230 WOODSPRING SUITES hotel franchises and 10 VALUE PLACE hotel franchises open in the United States. Choice does not operate any hotels under any of the Choice Marks.

Industry Specific Laws and Regulations.

Your member hotel will be subject to significant federal, state and local laws and regulations applicable to businesses generally and those specific to the hotel industry, including regulations regarding zoning and building, occupational health and safety, labor, licensing and bonding, food, insurance, advertising, liquor licenses, sales, income and other taxes, the Americans with Disabilities Act, privacy and data collection, and posting of hotel room rates and registration and identification of guests. There may be other laws and regulations applicable to the hotel industry or businesses generally, with which you must comply. You should consult with your attorney concerning these laws and regulations.

Except as described in this Item 1, we have not offered franchises in any other line of business, and we do not engage in any business not related to those described in this Item 1.

ITEM 2

BUSINESS EXPERIENCE

OFFICERS

President and Chief Executive Officer: Patrick S. Pacious

Mr. Pacious has been a Director and Chief Executive Officer since September 2017 and President since May 2016. He was Chief Operating Officer from December 2013 to September 2017. He was Executive Vice President, Global Strategy and Operations from February 2012 to December 2013.

Senior Vice President, Human Resources and Administration: Patrick J. Cimerola

Mr. Cimerola has been Senior Vice President, Human Resources and Administration since September 2009.

Senior Vice President, Chief Development Officer: David A. Pepper

Mr. Pepper has been Senior Vice President, Chief Development Officer since May 2015. Mr. Pepper was Senior Vice President, Global Development from October 2009 to April 2015.

Chief Financial Officer: Dominic Dragisich

Mr. Dragisich has been Chief Financial Officer since March 2017. He was Chief Financial Officer at XO Communications in Herndon, Virginia from July 2015 to February 2016, where he also had been Vice President, Financial Planning and Analysis (FP&A) and Strategic Finance from September 2014 to July 2015. Mr. Dragisich was Senior Director, IR Business Consultancy of Marriott International, Inc. in

Bethesda, Maryland from October 2013 to September 2014. Previously, he served as Global Director of FP&A of NII Holdings, Inc. in Reston, Virginia from March 2012 to October 2013.

Senior Vice President, General Counsel and Corporate Secretary: Simone Wu

Ms. Wu has been Senior Vice President, General Counsel and Corporate Secretary since February 2012.

Senior Vice President, Upscale Brand Management: Janis Cannon

Ms. Canon has been Senior Vice President, Upscale Brand Management since April 2016. She was Vice President & Global Brand Leader of InterContinental Hotels Group PLC in Atlanta, Georgia from July 2006 to March 2016.

Senior Vice President, Performance Analytics: William R. Carlson

Mr. Carlson has been Senior Vice President, Performance Analytics since July 2010.

Senior Vice President, Finance & Chief Accounting Officer: Scott E. Oaksmith

Mr. Oaksmith has been Senior Vice President, Finance & Chief Accounting Officer since May 2016. Mr. Oaksmith was Controller from September 2006 to April 2016.

Assistant General Counsel and Chief Compliance Officer: Bret L. Limage

Mr. Limage has been Assistant General Counsel since 2000 and Chief Compliance Officer since September 2015. Previously, he was Assistant Secretary from July 2008 to September 2015.

Deputy General Counsel and Assistant Secretary: Jeff Lobb

Mr. Lobb has been Deputy General Counsel since February 2017 and has been Assistant Secretary since September 2015. Mr. Lobb was Assistant General Counsel from March 2011 and to January 2017.

OTHER EXECUTIVES WITH MANAGEMENT RESPONSIBILITY RELATING TO THE SALE OR OPERATION OF OUR FRANCHISES

Chief Technology Officer: Brian Kirkland

Mr. Kirkland has been Chief Technology Officer since January 2018. He was Vice President, Engineering from December 2015 to December 2017. Previously, he was Vice President, Engineering of Media Temple in Los Angeles, California from October 2014 to December 2015, and he was Vice President, eCommerce of GoDaddy in Scottsdale, Arizona from January 2012 to September 2014.

Senior Vice President, Corporate Development: Thomas Song

Mr. Song has been Senior Vice President, Corporate Development since September 2013. He was Vice President, Corporate Development at the Hanover Insurance Group, in Worcester, Massachusetts from September 2010 to August 2013.

Senior Vice President, Global Distribution: Robert McDowell

Mr. McDowell has been Senior Vice President, Global Distribution since May 2011.

Senior Vice President, Strategy & Services: John Bonds

Mr. Bonds has been Senior Vice President, Strategy & Services since December 2012.

Managing Director, Steve Stoycos

Mr. Stoycos has been Managing Director since 2008.

Vice President, Owner Relations & Franchise Management: Timothy R. Shuy

Mr. Shuy has been Vice President, Owner and Portfolio Strategy since September 2015. Previously, he was Vice President, Owner Relations & Franchise Management from June 2009 to August 2015.

Vice President, Brand Management and Design: Anne Smith

Ms. Smith has been Vice President, Brand Management and Design since April 2017. Previously, she was Vice President, Brand Strategy from June 2013 to April 2017, and she was Director of Brand and Member Experience at AARP Services, Inc., in Washington, DC from March 2012 to June 2013.

Vice President, Upscale Brands Development: Mark Shalala

Mr. Shalala has been Vice President, Upscale Brands Development since January 2017. He was Vice President, Development from March 2015 to December 2016 and was Director of Development, Cambria Suites from April 2008 to October 2012. He was Senior Director of Development Southeast/Caribbean for Starwood Hotels & Resorts Worldwide, Inc. in Stamford, Connecticut from November 2012 to February 2015.

Vice President, Signature Brands Development: Brian Quinn

Mr. Quinn has been Vice President, Signature Brand Development since January 2017. He was Chief Franchise Officer of Red Lion Hotels Corporation in Spokane, Washington from May 2014 to December 2016, and he was Executive Vice President, Principal Development of Driftwood Hospitality Management in North Palm Beach, Florida from May 2011 to May 2014.

Vice President, Foundation Brands Development: Tom Nee

Mr. Nee has been Vice President, Foundation Brands Development since January 2017. Mr. Nee was Regional Vice President, Franchise Sales from January 2014 to December 2016, and he was Director, Franchise Sales from June 1995 to December 2013.

Vice President, Franchisee Onboarding and Learning: Timothy Tobin

Mr. Tobin has been Vice President, Franchisee Onboarding and Learning since February 2018. Previously, he was Senior Director, Performance Training from January 2016 to January 2018 and he was Vice President, Global Learning and Leadership Development for Marriott International Inc., in Bethesda, Maryland from January 2010 to August 2015.

Vice President, Procurement Services: Frederick H. Summa, III

Mr. Summa has been Vice President, Procurement Services since November 2008.

Regional Vice President, Franchise Services: Byron Bean

Mr. Bean has been Regional Vice President, Franchise Services since January 2014. He was Regional Vice President, Brand Performance from February 2008 to December 2013.

Regional Vice President, Franchise Services: Lisa Adams

Ms. Adams has been Regional Vice President, Franchise Services since September 2016. She was Regional Area Director from June 2016 to September 2016, and she was Area Director from October 2013 to June 2016. Previously, Ms. Adams was Brand Performance Consultant from December 2006 to October 2013.

Regional Vice President, Franchise Services: Patrick J. Mandas

Mr. Mandas has been Regional Vice President, Franchise Services since January 2014. He was Regional Vice President, Brand Performance from December 2006 to December 2013.

Regional Vice President, Franchise Services: Kevin Muttart

Mr. Muttart has been Regional Vice President, Franchise Services since January 2014. He was Regional Vice President, Brand Performance from June 2006 to December 2013.

Regional Vice President, Franchise Services: Michael Fruin

Mr. Fruin has been Regional Vice President, Franchise Services since January 2017. Previously, he was Senior Vice President, Real Estate Development of Extended Stay America in Charlotte, North Carolina from March 2015 to January 2017, and he was President, Chief Operating Officer and Senior Vice President, Development & Operations of High Hotels LTD in Lancaster, Pennsylvania from June 2010 to January 2015.

Regional Vice President, Franchise Sales: Brian Parker

Mr. Parker has been Regional Vice President, Franchise Sales since January 2012.

Regional Vice President, Franchise Sales: Jason Cowan

Mr. Cowan has been Regional Vice President, Franchise Sales since January 2012.

Regional Vice President, Franchise Sales: Thomas P. Bernardo

Mr. Bernardo has been Regional Vice President, Franchise Sales since February 2013. He has been owner of Giammarco's Italian Restaurant in Westerville, Ohio since 2003.

Regional Vice President, Franchise Sales: Nick DePaolo

Mr. DePaolo has been Regional Vice President, Franchise Sales since January 2017. Mr. DePaolo was Director, Franchise Sales from April 2008 to December 2016.

Regional Vice President, Franchise Sales: Keith Biumi

Mr. Biumi has been Regional Vice President, Franchise Sales since January 2017. Mr. Biumi was Regional Vice President of InterContinental Hotels Group PLC in Atlanta, Georgia from May 2005 to January 2017.

Regional Vice President, Franchise Sales: Anthony Goldstein

Mr. Goldstein has been Regional Vice President, Franchise Sales since July 2017, and was Director of Franchise Sales from April 2013 to August 2015. Mr. Goldstein was Regional Vice President of Red Roof Hotels in Columbus, Ohio from August 2015 to June 2017.

Regional Vice President, Franchise Sales: Jared Meabon

Mr. Meabon has been Regional Vice President, Franchise Sales since January 2015. Mr. Meabon was Regional Development Director for Wyndham Worldwide Corporation in Parsippany, New Jersey from October 2008 to December 2014.

Senior Director, Relicensing: James Rudeau

Mr. Rudeau has been Senior Director, Relicensing since April 2005.

Project Director, Relicensing: Phil Carandang

Mr. Carandang has been Project Director, Relicensing since March 2015. Mr. Carandang was Manager, Retention & Re-Licensing for Wyndham Worldwide Corporation in Parsippany, NJ from February 2002 to February 2015.

Senior Director, Opening Support: Bill Weimer

Mr. Weimer has been Senior Director, Opening Support since August 2007.

DIRECTORS

Chairman of the Board: Stewart W. Bainum, Jr.

Mr. Bainum has been a Director and Chairman of the Board of Choice Hotels since October 1997. He has also been Chairman of the Board of Realty Investment Company, Inc., in Silver Spring, Maryland since December 2005. Mr. Bainum has been Chairman of the Board of Sunburst Hospitality Corporation, in Silver Spring, Maryland since November 1996.

Director: Ervin Shames

Mr. Shames has been a Director since April 2002. He has been an independent management advisor to consumer goods and services companies based out of Wilton, Connecticut since January 1995.

Director: William Jews

Mr. Jews has been a Director since March 2006, and was also a Director from 2000 to 2005. Mr. Jews has also been Chairman of the Ryland Group, in Calabasas, California since February 2010. He has been a Director of Fortress International Group, in Columbia, Maryland since August 2007 and a Director of KCI Technologies, Inc., in Sparks, Maryland since December 2009.

Director: Scott A. Renschler

Dr. Renschler has been a Director since February 2008. He has been a clinical psychologist in private practice since July 2007. Dr. Renschler has also been a Director of The Commonwealth Foundation, Inc., in Silver Spring, Maryland since 1993 and a Director of The Mental Wellness Foundation, Inc., in Silver Spring, Maryland since 2000.

Director: John Tague

Mr. Tague has been a Director since February 2012. He has been Chief Executive Officer of Greatwide Logistics Services, Inc., in Dallas, Texas since July 2011.

Director: Barbara T. Alexander

Ms. Alexander has been a Director since February 2012. She has been a Director of KB Home, in Los Angeles, California since October 2010. She has been a Director of Allied World Assurance Company Holdings, Ltd., in Zug, Switzerland since August 2009. She has been a Director of QUALCOMM Incorporated, in San Diego, California since July 2006. She has been an independent consultant since February 2004.

Director: Monte J. M. Koch

Mr. Koch has been a Director since March 2014. He has been Vice Chairman of the Board of Directors of Auction.com, in Irvine, California since July 2012, and was co-Chief Executive Officer of Auction.com, in Irvine, California from June 2012 to June 2013. He has been a Director of the National Business Aviation Association located in Washington, DC since November 2005.

Director: Liza K. Landsman

Ms. Landsman has been a Director since October 2014. She has been Chief Customer Officer at Jet.com, Inc. in Montclair, New Jersey since March 2015. She was Execute Vice President and Chief Marketing Officer of E*Trade Financial Corporation in New York, New York from May 2013 to February 2015, and she was Managing Director of Digital Marketing of BlackRock, Inc., in New York, New York from March 2012 to April 2013.

ITEM 3

LITIGATION

I. PENDING LITIGATION AND ARBITRATION DEMANDS

(1) Onkar Lodging, Inc., Harbhajan Nahal and Maljinder Singh v. Choice Hotels International, Inc.
In the District Court, 102nd Judicial District, Bowie County, Texas, Case #15C0621-202

On May 11, 2015, Onkar Lodging, Inc., Harbhajan Nahal and Maljinder Singh (collectively "Onkar Lodging") filed an action against Choice Hotels International, Inc. seeking damages in an unspecified amount. The complaint alleges claims for breach of contract, fraud and material misrepresentations. The Texas action was stayed pending arbitration. On or about October 18, 2016, Onkar Lodging filed an arbitration demand with the American Arbitration Association against Choice to pursue the same allegations referenced in the Texas action. On August 14, 2017, the arbitration panel entered judgment in favor of Choice. On September 7, 2017, Onkar Lodging filed a First Amended Petition in the Texas court, re-asserting their claims, and requesting a new jury trial. On October 3, 2017 Choice filed a Petition to Confirm Arbitration Award in the Circuit Court of Montgomery County, Maryland. In response, Onkar Lodging filed an Application for Temporary Restraining Order in the Texas court on October 18, 2017, seeking to enjoin Choice from prosecuting its petition in the Maryland court. The Texas Court granted the application, and set a trial for May 15, 2018. Choice has since filed a Motion to Confirm the Arbitration Award in the Texas court which is pending.

(2) Choice Hotels International, Inc. v. Roya International Hotel Investments, LLC, Ali Fuat Cercer and Faruk Cercer
American Arbitration Association, Case # 01-17-0004-0997

On July 13, 2017, Choice Hotels International, Inc. filed an arbitration demand against its former franchisees, Roya International Hotel Investments, LLC, Ali Fuat Cercer and Faruk Cercer (collectively "Roya"), for past due franchise fees and liquidated damages associated with the hotel's early termination from the Choice system. On August 3, 2017, Roya filed an Answer and Counterclaim against Choice seeking damages for breach of contract. This case is pending.

II. ACTIONS INVOLVING THE FRANCHISE RELATIONSHIP IN PRIOR FISCAL YEAR

A. ACTIONS INITIATED BY CHOICE HOTELS INTERNATIONAL, INC. TO RECOVER ROYALTIES, LIQUIDATED DAMAGES AND/OR OTHER DEBTS OWED TO CHOICE

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
M&S Hospitality, Inc., Kuldeep Mand, Tarvinder Saini, and Dilpreet Saini	American Arbitration Association	01-17-0000-2137	January 10, 2017
CI Milton Capital, LLC, Ketan Patel, Kirit Patel and Vijay Patel	American Arbitration Association	01-17-0000-2243	January 11, 2017
H&D Hospitality Corporation, Harshad Patel, Dipak Patel and Hiralal Zaver	American Arbitration Association	01-17-0000-2748	January 12, 2017
PI Hospitality, LLC and Sudhir Patel	American Arbitration Association	01-17-0000-2585	January 12, 2017
Wanda Bertoia	American Arbitration Association	01-17-0000-2581	January 12, 2017
VJP Investment LLC, Vishnu Patel, Dashrath Patel, Bhagabhai Patel and Jagdish Bhai Patel	American Arbitration Association	01-17-0000-3017	January 13, 2017
Peachtree Lodging, Inc., Prakash Patel and Tara Patel	American Arbitration Association	01-17-0000-3003	January 17, 2017
Gurnee Property Management, Inc. and Syed Khan	United States District Court for the District of Maryland, Southern Division	8:17-cv-00225	January 24, 2017
Soo Hospitality, LLC and Ihsan Atto	United States District Court for the District of Maryland, Southern Division	8:17-cv-00224	January 24, 2017
Gopi Hospitality, LLC, Vipul M. Patel and Upesh Shah	American Arbitration Association	01-17-0000-6807	January 31, 2017
Katumbh, LLC and Kulvinder Singh	American Arbitration Association	01-17-0000-6726	January 31, 2017
AKS Hospitality LLC, Surekha Patel and Suresh Patel	American Arbitration Association	01-17-0000-7347	February 2, 2017

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Parc England Holding, LLC and Fred Rosenfeld	American Arbitration Association	01-17-0000-7961	February 6, 2017
Neal Hospitality, LLC, Sarojini Kasanbhai and Mahendra Kasanbhai	American Arbitration Association	01-17-0000-8163	February 7, 2017
Falih Venture, Ltd., SA Holdings, Inc., Mehboob Jaffer, Nayla Jaffer, Najmudin Jamal and Carla Jamal	American Arbitration Association	01-17-0000-9336	February 14, 2017
ASJS, Inc.; Maninderjit Bath, Ajaypal Bath and Charanbir Kandhola	American Arbitration Association	01-17-0000-9642	February 15, 2017
RSB of Fredericksburg, LLC, Rita V. Patel, Rakesh G. Shah, Lalit D. Gohil and Chirag Patel	American Arbitration Association	01-17-0000-9887	February 16, 2017
Diamond Hospitality Corp., Kamlesh Brahmbhatt, AALIA Hospitality Corporation and Taj A. Khan	American Arbitration Association	01-17-0001-0304	February 17, 2017
RKHTK, LLC, and Ron Davis	American Arbitration Association	01-17-0001-0254	February 17, 2017
GCR Hospitality, LLC and Vipul Patel	American Arbitration Association	01-17-0001-1245	February 22, 2017
Choa Hope, LLC, Kim Sik, Kidae Lee and Mi Parkyoon	United States District Court for the District of Maryland, Southern Division	8:17-cv-00592	March 1, 2017
Laxmi Lodging, Inc., Bhupendra Patel, Hasmuk Patel, Pravina Patel, Amrat Patel and Sunita Patel	Circuit Court for Montgomery County, Maryland	430612V	March 3, 2017
Gunatitprakash Patel	Circuit Court for Montgomery County, Maryland	431184V	March 3, 2017
K2-04, LLC, Krishna Patel, Indu Patel and Keyur Patel	United States District Court for the District of Maryland, Southern Division	8:17-cv-00637	March 6, 2017
Archdale Development, LLC, and Kamieshkumar Shah	American Arbitration Association	01-17-0001-4365	March 9, 2017
Welcome Investments, Inc., Ramesh C. Purohit, Yogesh Purohit, and Indumati Sharma	American Arbitration Association	01-17-0001-4485	March 10, 2017
North Brunswick Hospitality Group, LLC, Sunil M. Nayak, Rajendra Patel and Minesh Patel	American Arbitration Association	01-17-0001-5901	March 17, 2017
Golconda Company, LLC, John Nobel and Mahin Nobel	Circuit Court for Montgomery County, Maryland	431185V	March 17, 2017
Wen Chuan Chen	Circuit Court for Montgomery County, Maryland	431186V	March 17, 2017
Raghav Enterprice, Inc., Pritika Patel and Bhagubhai Patel	Circuit Court for Montgomery County, Maryland	431187V	March 17, 2017
Padmavati Devi, Inc., Himansu Parikh and Punita Purikh	United States District Court for the District of Maryland, Southern Division	8:17-cv-00783	March 21, 2017

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Express Hospitality, LLC and Arvind N. Vira	American Arbitration Association	01-17-0001-7490	March 24, 2017
Meng Xing Investment, Inc. and Yang Bai	American Arbitration Association	01-17-0001-7504	March 24, 2017
Guru Lodging, LLC, Harinder Singh, Jagtar Otal, Satwant Sran and Daljeet Mann	United States District Court for the District of Maryland, Southern Division	8:17-cv-00817	March 27, 2017
Maruti Hospitality, Inc., Nirav Patel and Jayendra Patel	American Arbitration Association	01-17-0001-8046	March 28, 2017
Lorraine M. Dinvaut and Barry M. Dinvaut	American Arbitration Association	01-17-0001-9166	April 3, 2017
Devchandra Hospitality, Inc. and Manish Patel	United States District Court for the District of Maryland, Southern Division	8:17-cv-00896	April 3, 2017
Avsar Hotel Enterprise, Inc., Hiren Shah and Nilesh Sheth	American Arbitration Association	01-17-0002-0225	April 6, 2017
Tomy Group Atlanta, LLC and Tamer Mansour	American Arbitration Association	01-17-0002-3590	April 24, 2017
Immanuel Corporation and Gaurau S. Holkar	American Arbitration Association	01-17-0002-3771	April 24, 2017
Haley Hospitality, Inc.; Pankaj Desai and Sangita Desai	American Arbitration Association	01-17-0002-3778	April 24, 2017
JMSDM CORP., Jan Wolanin and Maria Wolanin	American Arbitration Association	01-17-0002-3895	April 25, 2017
Jayanti Patel	American Arbitration Association	01-17-0002-3392	April 27, 2017
Durga, LLC and Sasikala Vemulapalli	American Arbitration Association	01-17-0002-4453	April 27, 2017
Andaman Limited, Inc. and Harkishin Bhambhani	American Arbitration Association	01-17-0002-4430	April 27, 2017
IB Properties, LLC and Arun Patel	United States District Court for the District of Maryland, Southern Division	8:17-cv-01205	May 2, 2017
Crown Hospitality, Inc. and Ramendra Chakravarty	Circuit Court for Montgomery County, Maryland	432566V	May 4, 2017
Waloon Properties, Inc., William Wang and Cindy Zhao	United States District Court for the District of Maryland, Southern Division	8:17-cv-01241	May 5, 2017
Falguni K. Patel and Minesh J. Patel	United States District Court for the District of Maryland, Southern Division	8:17-cv-01260	May 8, 2017
AFCO Lodges - Columbus, LLC, AFCO Lodges, LLC, Teton Partners, L.P. and Samuel Friedman	American Arbitration Association	01-17-0002-7641	May 11, 2017
Arch Hospitality, Inc. and Rashmikant Patel	American Arbitration Association	01-17-0002-7645	May 11, 2017

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Shivganga, LLC, Mukesh Patel and Rashmi Patel	American Arbitration Association	01-17-0002-9144	May 18, 2017
Truckee River Ranch, LLC, Gary L. Hutchings, Richard G. Hutchings and R. Mark Hyde	American Arbitration Association	01-17-0002-9229	May 18, 2017
Jai Chaher MA, LLC, Chirayu Patel, Dipali Patel and Hema Patel	American Arbitration Association	01-17-0002-9176	May 18, 2017
Octon Holdings, Inc., Rajinder S. Kang, Avtar Purewal, Parwinder Dhanda, Jasvir K. Randhawa, Tarsem Buttar, Avtar S. Sumra, Nirbhai S. Dhat and Santokh S. Sidhu	American Arbitration Association	01-17-0003-1282	May 24, 2017
Kingson & Kingson, Inc. and Muhammad Kingson	American Arbitration Association	01-17-0003-1890	June 1, 2017
Jagtar Otal and Daljeet S. Mann	American Arbitration Association	01-17-0003-1904	June 1, 2017
Robax, LLC, Samuel Cherian and Shirley Samuel	Circuit Court for Montgomery County, Maryland	433335V	June 6, 2017
Kakalia Management, LLC and Sonny Shah	Circuit Court for Montgomery County, Maryland	433336V	June 6, 2017
La Riya, LLC, Vimalkumar B. Jariwala and Riya V. Jariwala	United States District Court for the District of Maryland, Southern Division	8:17-cv-01567	June 7, 2017
Britney Chau, LLC and Thanh Chau	American Arbitration Association	01-17-0003-4260	June 12, 2017
Ashapura Lodging, LLC and Sangita Patel	American Arbitration Association	01-17-0003-4202	June 12, 2017
OM Parmatma, Inc., Beena Patel and Sanjay Patel	American Arbitration Association	01-17-0003-5072	June 15, 2017
Janusz Kustwan and Danuta Kustwan	American Arbitration Association	01-17-0003-6451	June 22, 2017
Ramdas Investment Company, Hasmuchlal Patel, Madanlal Patel and Shailesh Kuber	American Arbitration Association	01-17-0003-6601	June 22, 2017
Kapil, LLC and Ritesh Patel	American Arbitration Association	01-17-0003-7151	June 26, 2017
Seven Oaks, Inc., David Stone and Jennifer Stone	American Arbitration Association	01-17-0003-7054	June 26, 2017
RWN 102-110 Saint Paul Street Owner, LLC and Hung Tranh	American Arbitration Association	01-17-0003-7055	June 26, 2017
Roya International Hotel Investments, LLC, Ali Fuat Cercer and Faruk Cercer	American Arbitration Association	01-17-0004-0997	July 13, 2017
JC Hotel Group, LLC, Tina Suk and Daniel Yoon	American Arbitration Association	01-17-0004-1146	July 13, 2017
OM Capital, LLC and Dipesh K. Patel	American Arbitration Association	01-17-0004-3681	July 25, 2017
Nikul, LLC, Rajendra M. Patel and Navin Jayantilal Patel	American Arbitration Association	01-17-0004-4418	July 26, 2017
Sai Krupa, Inc. and Manoj P. Patel	American Arbitration Association	01-17-0004-4249	July 27, 2017

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Omkara Hospitality, LLC, Shailesh Tailor, Mahendra Modi, Maya Kapadia, Nisha Roy, Jalpesh Darji and Snahel Patel	American Arbitration Association	01-17-0004-4729	July 28, 2017
S and R 1, Inc., S and N Shaikh, LLC, Sadiq Shaikh, and Rehana Shaikh	American Arbitration Association	01-17-0004-5391	July 31, 2017
Anjash, LLC, Mayuri A. Patel, Hardev A. Patel, Anjali A. Patel Irrevocable Trust and Asha P. Patel Irrevocable Trust	American Arbitration Association	01-17-0004-5404	August 1, 2017
A Royal Touch Hospitality LLC, Ujas B. Patel and Ketki Patel	American Arbitration Association	01-17-0004-5797	August 3, 2017
Hima Kunal, LLC and Nishil Patel	American Arbitration Association	01-17-0004-7515	August 9, 2017
JHM Fortune, LLC, Ashok Patel and Sumit Patel	American Arbitration Association	01-17-0004-8450	August 15, 2017
Hotel Charlie, LLC, Hong Nguyen and Men Ly	American Arbitration Association	01-17-0005-5221	August 25, 2017
Satpal Hospitality, Inc., Gurpreet Arora and Parmjit Garcha	American Arbitration Association	01-17-0005-5223	August 31, 2017
Bhole Hospitality Corp., Sunjay Patel and Vipul Patel	American Arbitration Association	01-17-0005-5225	September 12, 2017
Fine Hospitality Group, LLC, Kirit (Ken) Pansuria and Saurin Pansuria	American Arbitration Association	01-17-0005-5227	September 12, 2017
Omega Management Group, Inc. and Prince Tuhin	American Arbitration Association	01-17-0005-4748	September 13, 2017
KCM Bhakta Corporation, Linaben M. Bhakta and Mahesh Bhakta	American Arbitration Association	01-17-0005-7060	September 19, 2017
Monticello Motel, Inc., Subhash Patel, Ahmed Patel and Amit Patel	Circuit Court for Montgomery County, Maryland	437301V	September 19, 2017
Commodity Traders International, LLC and Ajay Patel	Circuit Court for Montgomery County, Maryland	437302V	September 19, 2017
L&L Investment Group, LLC, Kenneth Lobell, Stewart Family Trust, Lori Stewart, Vicksburg Hotel, LLC	American Arbitration Association	01-17-0005-8100	September 28, 2017
Uma Maheshwar, LLC, Vasant Patel, Bhagavandus Patel and Suresh Patel	Circuit Court for Montgomery County, Maryland	438157V	September 29, 2017
Ray's Hospitality, LLC, Niehal Rahim and Suborna Simontinee	American Arbitration Association	01-17-0005-9184	October 3, 2017
Dante Hahn	American Arbitration Association	01-17-0005-9189	October 3, 2017
Laxmee, Inc. and Vijay Patel	American Arbitration Association	01-17-0005-9179	October 3, 2017
Onkar Lodging, Inc., Maljinder Singh and Harbhajan Nahal	Circuit Court for Montgomery County, Maryland	238255V	October 3, 2017
Wise Motels, Inc., Kelly Wise and Norma Wise	American Arbitration Association	01-17-0006-1013	October 10, 2017
The Joseph Group, LLC and Charbel Joseph	American Arbitration Association	01-17-0006-1433	October 12, 2017
Parvatishver, LLC, Sudhir Patel and Yogini Patel	American Arbitration Association	01-17-0006-2554	October 17, 2017

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Veda LLC and Alka Joshi	American Arbitration Association	01-17-0006-2551	October 17, 2017
New Cumberland Hotel Corporation, Kishor C. Sheth, Girish Sheth and Aarti Sheth	American Arbitration Association	01-17-0006-3211	October 18, 2017
M&S Hospitality, Inc., Dilpreet Saini and Tarvinder Saini	United States District Court for the District of Maryland, Southern Division	8:17-cv-03074	October 20, 2017
Seaspray Resort, Ltd., Seaspray Ocean Resort, LLC and Prabhjot K. Benisasia	American Arbitration Association	01-17-0006-4926	October 26, 2017
Aashik Hospitality, LLC, Usha Baxi, Nimesh Desai, Samir Desai, Suketu Desai, Vivek Mehta and Manher Shah	American Arbitration Association	01-17-0006-6459	November 2, 2017
Khima, LLC and Ghulam Sarwar	American Arbitration Association	01-17-0006-6880	November 3, 2017
Barrington Development, LLC, Stewart Family Trust and Lori A. Stewart	American Arbitration Association	01-17-0006-8190	November 9, 2017
RG Properties, LLC, and Vijay R. Patel	American Arbitration Association	01-17-0006-9093	November 14, 2017
Express Hospitality, LLC and Arvind N. Vira	United States District Court for the District of Maryland, Southern Division	8:17-cv-03399	November 15, 2017
Pigeon Forge International Hospitality, LLC, and Radha Batta	American Arbitration Association	01-17-0006-9794	November 16, 2017
Shashikant Patel and Minakshi Patel	American Arbitration Association	01-17-0007-0831	November 16, 2017
9 Inntexas, Inc., Chul Chung and Jaihee Chung	United States District Court for the District of Maryland, Southern Division	8:17-cv-03428	November 17, 2017
Peachtree Lodging, Inc., Prakash Patel and Tara Patel	United States District Court for the District of Maryland, Southern Division	8:17-cv-03430	November 17, 2017
Pascales Investment, Inc., Atul Ratanji and Rita Ratanji	American Arbitration Association	01-17-0007-0845	November 21, 2017
Goodmark Hotels, LLC, Bimal Daftary, and Nita Daftary	American Arbitration Association	01-17-0007-1907	November 27, 2017
Four Diamond Enterprises, Inc., Perin Parabia, Rajul Shah, Kajal Shah, Kapil Shah, and Ratansha Parabi	American Arbitration Association	01-17-0007-2884	November 30, 2017
Haley Hospitality, Inc., Panjaj Desai and Sangita Desai	United States District Court for the District of Maryland, Southern Division	8:17-cv-03571	December 1, 2017
Muhammad Khan and Abdus Salam	United States District Court for the District of Maryland, Southern Division	8:17-cv-03572	December 1, 2017

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
LLA Evangeline, LLC, Jane McWilliams, Jack McWilliams, Alan Walker, Daniel Simons, John Mix, Keith Borg, Kim Shultz-Rainford, Kris Degraff-Tully and MGMT JEMC, LLC	American Arbitration Association	01-17-0007-3932	December 8, 2017
Sai Nath Acquisitions, LLC and Manoj Patel	American Arbitration Association	01-17-0007-4921	December 14, 2017
Jax Inns, Inc. and Jitendra B. Patel	American Arbitration Association	01-17-0007-5709	December 19, 2017
KBH, LLC, Kazi Hossain, and MD Khalequzzaman	American Arbitration Association	01-17-0007-6099	December 20, 2017
Sonny Thottumkal	American Arbitration Association	01-17-0007-6488	December 21, 2017
Krishna Enterprises, LLC, Ganesh Sonpatki and Anurag Patel	American Arbitration Association	01-17-0007-6759	December 22, 2017
Shree, Inc., Dinu R. Patel, and Mahesh Patel	American Arbitration Association	01-17-0007-7856	December 29, 2017

B. ACTIONS INITIATED BY CHOICE HOTELS INTERNATIONAL, INC. TO ENFORCE INTELLECTUAL PROPERTY RIGHTS – POST TERMINATION

DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Ikonkar Investments Incorporation, Anil K. Gabba and Maharani LLC	United States District Court for the Northern District of Indiana (Lafayette)	4:17-cv-00020	February 27, 2017
Ashapura Lodging, LLC and Sangita Patel	United States District Court for the Eastern District of North Carolina, Southern Division	7:17-cv-00135	June 29, 2017
S & V Enterprises of Gainesville, Inc., Bhupendra M. Patel, Sonal H. Patel, Ami D. Patel, Sonal B. Patel, Varsha H. Patel and Varsha D. Patel	United States District Court for the Northern District of Florida (Gainesville)	1:17-cv-00177	July 11, 2017
A Royal Touch Hospitality, LLC (NC), A Royal Touch Hospitality, LLC (VA), Ujas B. Patel, Ketki Patel	United States District Court for the Western District of Virginia (Roanoke)	7:17-cv-00381	August 15, 2017
Aditi Anya, LLC and Avadhesh Patel	United States District Court for the Southern District of Georgia (Brunswick)	2:17-cv-00101	August 29, 2017
Hari, LLC, Chandni Rejendra Patel, Jiten Rejendra Patel, Janki Rejendra Patel	United States District Court for the Eastern District of Virginia (Norfolk)	2:17-cv-00481	September 7, 2017
RAM Investment, Inc. and Nitin Bhakta	United States District Court for the District of Kansas (Topeka)	5:17-cv-04082	September 11, 2017

III. RESOLVED LITIGATION/PRIOR ACTIONS

(1) Choice Hotels International, Inc. v. Kuldep Deol, Daljeet Kaur and Bikramjit Singh
American Arbitration Association, Case #16 114 00169 07

On February 28, 2007, Bikramjit Singh, Kuldip Deol and Daljeet Kaur (collectively, "Singh") filed an action in the United States District Court for the Northern District of Texas captioned *Bikramjit Singh, et al. v. Choice,* Case No.: 3-07CV0378-D. The complaint alleged breach of contract and deceptive trade practices by Choice. The complaint sought unspecified damages in excess of $75,000.00. Specifically, Singh alleged that Choice dropped the "airport" designation from the hotel in Choice's 2004 Tour Book; granted a franchise to another property of the same brand (Quality Inn & Suites) in the area with the name Quality Inn & Suites Airport; and terminated the contract in retaliation for Singh's complaint concerning the loss of the "airport" designation. The litigation was stayed in favor of arbitration.

On March 6, 2007, Choice filed an arbitration demand with the American Arbitration Association in Maryland against Singh seeking $52,738.35 for fees and related charges due under the franchise agreement, $91,664.00 in lost profits due to premature termination of the franchise agreement and $16,230.24 for fees and damages due to the willful infringement on Choice's trademarks. Singh filed a counterclaim against Choice claiming that the loss of the airport designation resulted in losses to the property in excess of $3 million dollars. An arbitration hearing on this matter was held in March 2008 and a decision rendered in April 2008. The arbitrator held that hotel's airport designation had some value and awarded Singh approximately $225,000.00 in damages after deducting the past due fees and certain legal expenses incurred by Choice associated with the Texas litigation.

(2) Hare Krishna Ltd., a/k/a Hera Krishna Ltd., Jayantilal D. Patel, Pravin C. Patel, Urmilaben V. Patel, Piyush D. Patel, Ishwarbhai R. Patel, Manjulaben T. Patel, Vinay Patel and Jayesh Patel v. Choice Hotels International, Inc.
American Arbitration Association, Case # 16 114 00034 09

On or about January 9, 2009, Hare Krishna Ltd., a/k/a Hera Krishna Ltd., Jayantilal D. Patel, Pravin C. Patel, Urmilaben V. Patel, Piyush D. Patel, Ishwarbhai R. Patel, Manjulaben T. Patel, Vinay Patel and Jayesh Patel filed an arbitration demand against Choice with the American Arbitration Association in Maryland seeking $150,000.00 in damages for breach of implied covenant of good faith and fair dealing, misappropriation of trade secrets, unfair competition and constructive fraud.

On January 24, 2010, the Claimants dismissed their arbitration demand after the parties were able to settle their dispute. As part of the settlement, Choice made certain concessions to the franchisees concerning royalty rate, liquidated damages, secondary name and exclusive territory.

(3) Summit Hotel Properties, Inc., Summit Hotel OP, LP, Summit Hotel GP, LLC, Summit Hotel Properties, LLC, Summit Hospitality I, LLC, Summit Hospitality V, LLC, The Summit Group, Summit Hotel TRS, Inc., Summit Hotel TRS 002, LLC, Summit Hotel TRS 003, LLC, Summit Hotel TRS 006, LLC, Summit Hotel TRS 004, LLC, Summit Hotel TRS 012, LLC, Summit Hotel TRS 019, LLC, Summit Hotel TRS 025, LLC, Summit Hotel TRS 039, LLC, Summit Hotel TRS 045, LLC, Summit Hotel TRS 047, LLC and Summit Hotel TRS 077, LLC ("Summit") v. Choice Hotels International, Inc.
American Arbitration Association, Case # 16 114 Y 000166 11

On March 24, 2011, Summit filed an arbitration demand with the American Arbitration Association in Maryland seeking emergency injunctive relief and damages for breach of contract related to the termination of eleven franchises. On May 11, 2011, Choice filed a counterclaim against Summit seeking past due franchise fees, liquidated damages and trademark infringement damages.

The arbitration panel's ruling split the decision between the parties. The net result of the findings was in favor of Summit in the amount of $298,000.00.

(4) Trocki Hotels, LP, Trocki Holding, Inc., Ira Trocki and Shari Trocki v. Choice Hotels International, Inc.
Superior Court of New Jersey, Law Division, Atlantic County, Case # L-4370-10
United States District Court for the District of New Jersey, Case # 1:10-CV-05177

On August 16, 2010, Trocki Hotels, LP, Trocki Holding, Inc., Ira Trocki and Shari Trocki filed an action against Choice Hotels International, Inc. in the Superior Court of New Jersey, Law Division, Atlantic County. The Plaintiffs alleged that Choice's actions in terminating their franchise agreement violated the New Jersey Franchise Act, breached the contract and violated the covenant of good faith and fair dealing.

On June 26, 2013, the parties settled this dispute. As part of the settlement, Choice agreed to pay its former franchisee $200,000 in exchange for dismissal of the lawsuit.

(5) Rogers Hospitality, LLC and Brian Conneran v. Choice Hotels International, Inc.
American Arbitration Association, Case # 65 114 Y 00212 11

On December 22, 2011, Rogers Hospitality, LLC and Brian Conneran filed an arbitration demand against Choice Hotels International, Inc. The arbitration demand included eight counts that alleged violations of Minnesota and North Dakota franchise laws, unjust enrichment, intentional misrepresentations, negligent misrepresentation, breach of contract and the implied covenant of good faith and fair dealing.

On December 23, 2013, the arbitration panel presiding over the matter rendered a decision that found in favor of the former franchisee on one count. As part of its ruling the panel awarded the former franchisee $667,000 in damages and $533,000 in fees and other costs.

(6) Wydredge, L.L.C., H & P Investments, Clayton Wyman, Barry Eldredge and James Rumpsa v. Choice Hotels International, Inc.
American Arbitration Association, Case # 16-114-000517-12

On August 31, 2012, Wydredge, L.L.C., H & P Investments, Clayton Wyman, Barry Eldredge and James Rumpsa filed an arbitration demand against Choice Hotels International, Inc. The arbitration demand sought unspecified damages for unjust enrichment, intentional misrepresentation, negligent misrepresentation, breach of contract, and breach of implied covenant of good faith and fair dealing. On or about September 27, 2012, Choice filed a counterclaim alleging breach of contract.

On July 7, 2014, the parties settled this dispute. As part of the settlement, Choice made certain concessions to franchisees in connection with two franchise agreements for other properties owned by franchisees concerning royalty rate.

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Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

AFFILIATION FEE

You must pay us, for the rights granted to you in the ASCEND hotel membership agreement, an affiliation fee of $375 per room, with a $40,000 minimum. The entire affiliation fee is due no later than the time you sign the membership agreement and is non-refundable following our signing of the membership agreement. If for any reason we do not grant you a membership, or a membership agreement is not countersigned by us, the affiliation fee, less $5,000, will be refunded to you. Financing information is in Item 10. In the past, we have agreed to reduce the affiliation fee in certain circumstances for multiple unit franchisees or members, members with larger properties, members with whom we have previously dealt, members that are departing other hotel chains or franchised systems and joining our system, and members in other special circumstances. However, we do not always negotiate the affiliation fee even for members possessing these characteristics, and we may freely choose not to negotiate with you, even if you possess some or all of these characteristics. During the 12 months ending December 31, 2017, the affiliation fees ranged from $12,500 to $50,000 for new ASCEND membership agreements.

EXTENSION FEE

If you do not begin construction within 12 months after both you and we sign the membership agreement or if you do not complete a conversion within the time required under your membership agreement, you may apply for an additional 3 months in which to begin construction or complete a conversion. If we agree to grant an extension, you must pay us an additional $5,000 per extension. In special circumstances we may waive the extension fee, but we are not obligated to, and any decision to waive an extension fee will be determined solely by us.

PROPERTY MANAGEMENT SYSTEM

You are required to install, maintain, and use full functionality of the choiceADVANTAGE® property management and reservation system as specified by us. You must purchase from us, an initial software license to use choiceADVANTAGE. The software license includes up to three interfaces to choiceADVANTAGE and you may install additional optional interfaces to choiceADVANTAGE for an additional fee. You will receive implementation services for choiceADVANTAGE at your hotel and your General Manager, sales, marketing and front office staff must attend this training. The fees for the software license and the choiceADVANTAGE systems training and project management is between $10,750 and $14,750 depending on the size of the hotel and whether you install additional optional interfaces to choiceADVANTAGE. The initial software license and implementation fees do not include the monthly choiceADVANTAGE support fee to cover ongoing remote software support (see Item 6). There will be a rescheduling fee of between $500 and $2,100 if you need to reschedule implementation or if implementation is not completed due to circumstances that are within your control.

When a franchised hotel undergoes a 50% or greater change in its ownership and the new owners sign a membership agreement with Choice (known as a “re-licensing”), the hotel is also required to have a customized re-licensing training. This session is delivered remotely via webinar by a Choice University

Learning Facilitator. The fee for the re-licensing training is $500. For re-licensed hotels that prefer a Choice University Learning Facilitator on-site, a 2day option is available for $2,600.

ORIENTATION / HOSPITALITY TRAINING

We provide required training programs that you, your General Manager, or other key employees must complete before opening your hotel in the Choice franchise system. The total training fees you must pay for orientation and hospitality operations training is between $0 and $2,349 per person, plus travel, lodging and meals for you and your General Manager. Training consists of a 2.5-day Choice onboarding program at our headquarters in Maryland, as well as an online operator certification program that is offered virtually. Some or all of the training may not be required if you have previously owned a Choice branded hotel, obtained Choice Hotels training certification for another existing hotel and/or a hotel staff member has previously completed the training in a prior position.

Attendance is mandatory at the training programs identified in this Item 5. Failure to attend within the prescribed time frame may result in formal default, and failure to cure the formal default could result in the termination of your membership agreement. For more detailed information on each training program, see Item 11.

* * *

Except as identified in this Item 5, the affiliation fee, extension fee, property management system fees and training fees are uniform, are fully earned by us when paid by you, and we have no obligation to refund these fees. Except as set forth in Item 10, we do not offer financing for any part of the affiliation fee, and we do not offer financing for any other initial fees paid to us.

ITEM 6

OTHER FEES

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
GENERAL			
Membership Fee	5% of the preceding month’s Gross Room Revenues (“GRR”) (Note 2).	Payable monthly.	
RESERVATIONS, MARKETING AND DISTRIBUTION PROGRAMS			
System Fee	2.5% of the preceding month’s GRR (Note 2).	Payable monthly.	This fee covers the ongoing development, maintenance and upgrading of the property management and reservations systems, as well as advertising, publicity, public relations, marketing, reservations and similar services (Note 3).

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Rewards Programs Fee (Choice Privileges)	4.5% - 5.5% of room revenue generated by rewards program members.	Monthly (Commission invoice is transmitted each Sunday night and payment must be submitted to us no later than Friday).	This fee is established by us to administer the program, reimburse hotels for reward nights. Fee may vary within the stated amount range based on hotel's participation in the Performance Based Loyalty Fee program, which measures enrollment performance over three month periods and can adjust based on hotel size and hotel enrollment performance.
Airline/Amtrak Frequent Traveler Program Fee	5% of room revenue generated by airline/Amtrak frequent travelers.	Weekly (Commission invoice is transmitted each Sunday night and payment must be submitted to us no later than Friday). This fee may be charged monthly.	This fee is established by us to administer the program and pay for Amtrak guest rewards or airline miles awarded.
Affiliate and Enhanced Reservations Program Commissions	Standard commissions (currently up to 10%) for reservations delivered through our Affiliate Program or Choice Hotels Enhanced Reservations Program (CHERP).	Weekly (Commission invoice is transmitted each Sunday night and payment must be submitted no later than Friday). This fee may be charged monthly.	We have negotiated marketing arrangements with certain online providers such as Kayak and Commission Junction and may retain a portion of this fee to cover our expenses in administering the Affiliate Program. We also manage a pay for performance program where a commission is charged on certain reservations delivered through search engines such as Google, Yahoo!, and Bing.
Travel Agent Centralized Commission Processing Fee Reward Program / CHERP Processing Fee	$0.48 per Commissionable Transaction. $0.12 per Reward Programs or CHERP stay (not charged if the Travel Agent Centralized Commission Processing Fee above is charged).	Weekly (Commission invoice is transmitted each Sunday night and payment must be submitted no later than Friday). This fee may be charged monthly.	This fee covers our administrative costs of consolidating the billing and disbursements of the commission and processing program payments to airlines, Amtrak and Choice Privileges® (our frequent stay program for guests).

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Third Party Distribution Fee	$3.00 for each consumed reservation made through directly connected online travel agents and DerbySoft.	Weekly (Commission invoice is transmitted each Sunday night and payment must be submitted no later than Friday). This fee may be charged monthly.	Directly connected online travel agents include Expedia and Booking.com. DerbySoft is used to connect with other online travel agents, such as GTA, Hotelbeds, Ctrip, Priceline and Agoda.com.
Travel Agent and Other Reservation Based Commissions (Note 4)	Standard commission (currently 10% - 12%) through our Travel Agent Centralized Commission Program, including marketing programs developed by Choice and commissions from third party designated accounts (for example wholesale clubs, motorclubs, sports marketing).	Weekly (Commission invoice is transmitted each Sunday night and payment must be submitted no later than Friday). This fee may be charged monthly.	Interest at 1.5% is charged each month an invoice is overdue. Commissions are payable on retail or "rack" rates and not on net, non-commissionable rates.
General Sales Agents (GSA) Fee	5% commission in addition to any applicable Travel Agent Commission.	Weekly (Commission invoice is transmitted each Sunday night and payment must be submitted no later than Friday). This fee may be charged monthly.	This fee covers commissions for international sales agents when they book reservations for international guests staying at domestic Choice brand hotels.
Global Distribution System ("GDS") / DHISCO Fee	Currently $7.70 for each reservation received through a GDS with which we have an agreement or with DHISCO, an online hotel reservations service.	Weekly (Commission invoice is transmitted each Sunday night and payment must be submitted to us no later than Friday). This fee may be charged monthly.	This fee is a reimbursement of costs we incur by using a GDS or DHISCO and is subject to change.
Gift Card Redemption Processing Fee	2.5% of the value of the gift card. Hotels that are set up to receive check reimbursements are charged an additional $3 monthly check fee for each month gift cards are redeemed.	Upon redemption of the gift card.	It is mandatory that you redeem gift cards at your hotel. It is optional to sell gift cards. If you choose to sell gift cards at your hotel, you must purchase the Launch Kit for $99.95 (includes desk display and 100 gift cards).

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
PROPERTY MANAGEMENT SYSTEM			
choiceADVANTAGE Support Fee	$398 - $656/month, based on room count.	Payable monthly.	This fee includes selected interfaces, the mandatory choiceADVANTAGE remote security feature and the required credit card interface. Additional interfaces are optional and will add $50/month each to the support fee.
choiceADVANTAGE Database Clean Up Fee	$500.	As incurred.	This fee covers the cost to remove or repair information stored in the choiceADVANTAGE database, including reservations and account data and applies to existing or former Choice branded properties that change ownership or require prior database information be renewed or expunged.
OTHER			
Annual Convention Registration Fee	$1,025 plus travel, lodging and living expenses. The Late Registration Fee is $1,200	Annually, before Convention.	You must attend. General Manager attendance is recommended.
Educational Resources Program	$500 plus any applicable taxes.	Annually (billed in four even amounts on a quarterly basis).	This program provides unlimited access to training programs on Choice's learning management system.
Additional Training Programs	Reasonable charges ranging from $49 - $499.	On enrollment.	You also must pay travel, lodging and living expenses for all attending employees for any additional training requested by you or required by us.
Re-Licensed Hotel Training	$500 - $2,600	Within 90 days of transfer and membership agreement execution.	This training is required when a hotel changes ownership, and the new owners sign a membership agreement with Choice.
Room Count Change Fee	The per-room charge then being charged for new franchisees, but not less than $1,000.	Before expansion of sleeping rooms.	This fee is applicable only if you choose to change the room count by more than 5%. Our consent is required for any room count change greater than 5%.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Extension Fee (Note 5)	$5,000.	Upon expiration of your Construction Start or other renovation deadline.	If we agree to grant you an extension, you must pay us $5,000 for each 3-month extension.
Assumption Fee	$5,000.	Upon submission of application.	This fee is applicable if we consent to a transfer of less than 50% of the equity interest in you or the hotel.
Commitment to Your Satisfaction Program	Up to the cost of the dissatisfied guest's stay at your hotel.	Variable.	You must refund up to the cost for the number of nights during a stay that a customer is not completely satisfied (for example, if a customer is dissatisfied on 2 nights during a 3-night stay, you must refund the customer for 2 nights).
Property Improvement Plan Fee	$2,500.	Upon transferee's submission of application.	This fee is applicable only if we consent to a transfer of 50% or more of the equity interest in you or your hotel franchise. This fee is for the inspection of your hotel and the creation of a property improvement plan which will be integrated into the transferee's membership agreement.
Comfort Letter Fee	$2,000.	Upon request for a Comfort Letter.	The comfort letter is a document issued by us in our sole discretion that grants your lender certain rights under the membership agreement.
SmartRates Pricing Optimization system	$35 - $75 based on number of rooms.	Monthly.	This software provides forecasting and pricing recommendations.
Chip Enabled Credit Card Acceptance (EMV) Fee	$750 - $3,000 based on the number of EMV payment devices needed, which is based on hotel's number of rooms.	As incurred.	This fee is a reimbursement of costs we incur from paying our approved supplier to furnish your hotel with hardware needed to read EMV chips.
Choice Privileges Elite Recognition Program	Approximately $0.005 per Choice Privileges point awarded to guest, or the cost of the gift provided to guest.	Monthly for Choice Privileges point reimbursements. As incurred for other gifts provided.	At check-in, Choice Privileges Elite members will be given the option of receiving Choice Privileges points (amount determined by us) or a gift as required by us (such as snacks, drinks, or other items).

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Transfer Fee	The then current affiliation fee or $40,000, whichever is greater.	Upon transferee's submission of application.	This fee is applicable only if we consent to a transfer of 50% or more of the equity interest in you or your hotel franchise. Our consent is required for any transfer of more than 5% of the equity interests in you or the hotel.
OPTIONAL			
Sales Certification Training Program	$500 per attendee	On enrollment	This training program is optional and is a 3-day sales workshop. Attendees must pay travel, lodging, and living expenses.
Association Dues	$50/month.	Payable monthly.	This fee is established by the Association and may be changed from time to time. This fee is collected by us on behalf of the CHOC, but is managed by the Association for its benefit and covers its operating expenses. It is not mandatory that you join the CHOC.
Association's Regional Franchise Meeting Fee	$299 plus travel, lodging and living expenses. The Late Registration fee is an additional $50.	Annually, prior to the meetings.	If you are a member of the CHOC, then you must attend. General Manager attendance is recommended.
SmartMarketing	$15 - $45.	As incurred.	This program is an online toolkit of marketing materials that can be customized for your hotel. Members of a Marketing Cooperative (see Item 11) will not be charged a fee for using the SmartMarketing website.
choiceRM Revenue Management Program (Note 6)	$695 - $1,595 based on offering tier and room count.	Monthly.	Participation in the Revenue Management Program is optional.
Construction Design Services	Varies.	As incurred.	At your request, we can provide a conceptual site plan in sketch form including preliminary program ideas, custom tailored project renovation assistance, and initial feasibility / site planning.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Interior Design Waiver Fee	Not to exceed $15,000.	At the time of request.	If you request a waiver from using any pre-approved interior design schemes, you must pay our then-current fee, regardless of whether the waiver is granted.
Mega Agency and Consortia Pay for Performance Program (Note 7)	2.7% of total room revenue from consumed business (for example, actual room sold).	Weekly (Commission invoice is transmitted each Sunday night and payment must be submitted to us no later than Friday). This fee may be charged monthly.	You may opt out of this program.
Call Forwarding Fee	$2.95 per call transferred from your hotel to our central reservations system ("CRS") plus any additional costs necessary to update telephones to support the call forwarding system.	Payable monthly.	This is an optional program and we may change the fee at any time upon 60 days written notice to you. Exhibit F includes the Call Forwarding Terms of Use and Call Forwarding Plus Terms of Use.
Choice Privileges Meeting/Group Planner Point Program	$0.005 per Choice Privileges point awarded.	Payable monthly.	Meeting organizers will be awarded 4 Choice Privileges per dollar spent on meeting related activities (meeting room rental, food and beverage, and meeting attendees' guest rooms)
Marketing Cooperative Fee	$400 - $2,400 annually.	Payable by November 15 of each year.	This fee is established by the regional franchisee marketing cooperatives and varies by region and hotel size. These fees are placed in a fund for each regional marketing cooperative and used for its operating expenses. Participation in a marketing cooperative is voluntary (See Item 11).

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
REMEDIES AND NON-COMPLIANCE			
Non-Compliance Penalty	$35 - $10,000 per instance of non-compliance.	As incurred.	Non-compliance penalty is charged as a result of a failure to meet quality assurance and/or guest satisfaction standards required for the brand, non-compliance with your Property Improvement Plan, or non-compliance with the membership agreement or the Rules and Regulations. This range of penalties may change from time to time.
Audit Fee	Cost of inspection or audit, including travel, lodging, meals, salaries, professional fees and other expenses. We anticipate the cost will be $1,000 - $6,000.	As incurred.	Payable only if any inspection or audit discloses a deficiency in any payments due under the membership agreement. If the deficiency in any payment is willful or exceeds 5% of the correct amount, you must immediately pay the deficient amount plus interest at 1.5% and the entire cost of the inspection or audit, including travel, lodging, meals, salaries, professional fees, and other expenses of the inspecting or auditing personnel.
Revenue Reporting Late Fee	1.5% of the preceding month's Membership Fee and System Fee.	Payable only if you do not send us the required reports on time.	Immediately payable if any report is not timely submitted.
Interest	1.5% of the delinquent amount.	Payable only if you do not pay your bills on time.	Immediately payable if your account is not timely paid.
Reservation System Reinstatement Fee	$5,000.	This fee must be paid prior to the reinstatement of reservation services.	Payable only if you are suspended from the reservation system due to your default and you wish to be reinstated.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Liquidated Damages (Note 8)	If terminated before opening, the number of sleeping rooms, multiplied by 36 months, multiplied by $75. If terminated after opening, the greater of (a) $75 multiplied by the number of sleeping rooms, multiplied by the number of months until the expiration of the membership agreement (not to exceed 36 months); or (b) the average monthly GRR for the last 12 months, multiplied by the Membership Fee, multiplied by the number of months until the expiration of the membership agreement (not to exceed 36 months).	Within 30 days after termination.	We will discount the Liquidated Damages by 20% (or by 5% if we terminate the membership agreement because you abandon the hotel or stop using the ASCEND Marks) if, within 15 days of termination you (i) pay all fees and charges due under the membership agreement and all other agreements between us, (ii) discontinue use of our intellectual property, and (iii) pay the discounted Liquidated Damages by certified or cashier's check.
Intellectual Property Liquidated Damages	$2,500 per day that you continue to use our intellectual property following the expiration or termination of the membership agreement.	Upon demand.	If you continue to use our intellectual property after the expiration or termination of the membership agreement, you must pay this fee to compensate us for damage to our ownership interests in our intellectual property.

Note 1: Unless otherwise stated, these fees are imposed by us, paid to us, and are non-refundable. The following fees are not paid to Choice: Data Communication Fee, and Commitment to Your Satisfaction Program. The Travel Agent and Other Reservation Based Commissions fee and the Travel Agent Centralized Commission Processing Fee may not be paid to Choice. Unless otherwise stated, all fees are uniformly imposed except when negotiated in special circumstances.

Note 2: "Gross Room Revenues" are revenues from the rental, sale, use or occupancy of sleeping rooms at the hotel for whatever purpose, including cash and credit transactions, whether or not collected by you, and any proceeds from business interruption insurance. Gross Room Revenues do not include taxes required by law, revenues from meeting rooms, telephone calls, movie rentals, vending machines, room service or food and beverage sales.

Note 3: We may increase the System Fee for increases in inflation or costs of advertising, publicity, public relations, marketing or for increases in our cost of providing the property management system or reservation system or any other aspect of our franchise system, so long as the increases apply to all or most of the U.S. hotels in our franchise system, unless you approve a greater amount. We may also assess additional fees and charges for various components of the System and other services (including promotional programs and use of proprietary software) as described in the Rules and Regulations.

Note 4: A "Travel Agent" includes traditional travel agents, such as American Express, Carlson Wagonlit, and others, as well as online travel agents such as Expedia if those online travel agents book through our global distribution system ("GDS"). For all reservations originating in a foreign country in which there is a Choice-approved General Sales Agent or which is serviced by a Choice sales team, a hotel will be required to pay a 5% commission in addition to the standard Travel Agent Commission. The additional commission will apply to reservations via travel agents, GDS, and Choice's central reservation system, but will not apply to reservations through online travel agents (for example, Expedia) that are designated by an International Air Transport Association number.

Note 5: This fee is payable only if you fail to cause Construction Start to occur or you do not complete any renovations which are required to be completed prior to the opening of the hotel in the Choice franchise system within the deadlines specified in your membership agreement.

Note 6: The ChoiceRM Revenue Management System includes a revenue management technology solution, revenue management reporting and revenue management consultation. The cost will be determined by the number of rooms in the hotel and offering tier.

Note 7: Choice has secured preferred status with leading "mega" travel agencies (for example, multi-national travel management companies) and consortia of travel agencies so that our franchisees receive a high level of exposure within the Global Distribution System, corporate online booking tools, highlighted listings, and access to travel counselors in call centers. Reservations made through Carlson Wagonlit Travel will be subject to an 8.5% fee, in which case the Travel Agent and Other Reservation Based Commissions Fee and Travel Agent Centralized Commission Processing Fee may not apply to these reservations.

Note 8: This fee is payable only if the membership agreement is terminated due to your breach and does not apply where state law prohibits it.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
ASCEND CONVERSION HOTEL (Note 1)

TYPE OF EXPENDITURE	AMOUNT (Note 2)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Affiliation Fee (Note 3)	$375/room ($40,000 minimum)	Lump sum	Upon application	Us
Property Improvements (Note 4)	$77,000-$1,617,000	As incurred	Before opening	Your general contractor
Insurance (Note 5)	$2,000-$70,000	As incurred	Before opening	Your insurance carriers
Advertising	$2,500-$40,000	As incurred	Before opening	Various advertising media
Hardware to operate choiceADVANTAGE property management system	$2,000-$5,000	Lump sum	Before opening	Insight

TYPE OF EXPENDITURE	AMOUNT (Note 2)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
choiceADVANTAGE Software License and Systems Training (Note 6)	$10,750-$14,750	Lump sum	Before opening	Us
Opening Inventory of Supplies (Note 7)	$0-$123,200	As incurred	Before opening	Your suppliers or Qualified Vendor
Hospitality Training Fees (Note 8)	$0 - $999	As incurred	Before opening	Us
Mandatory On-Premise Plaque	$200 - $750	As incurred	Before opening	Qualified Vendors
Working Capital Required Before Operations Begin (Note 9)	$15,000-$40,000	As incurred	Before opening	Us, your suppliers, your employees, utilities, consultants
Additional Funds for 3-Month Initial Period (Note 10)	$25,000-$50,000	Monthly payment for recurring fees; as incurred for other expenses	After opening	Us, your suppliers, your employees, utilities
TOTAL ESTIMATED INITIAL INVESTMENT (Note 11)	$174,450-$2,001,699			
TOTAL COST PER ROOM (Based on 77 Rooms)	$2,266-$25,996			

Note 1: This table is an estimate of the initial investment required to convert an existing hotel and the estimate provided is based on our experience and our brand standards. Estimates are based on an 77-guestroom hotel. The cost of renovating or constructing each hotel has the potential to vary greatly and will depend on factors unique to your situation and your hotel. Therefore, your actual costs may fall outside the estimated ranges provided. Unusually high locally imposed development fees as well as the condition of an existing hotel's upgrades necessary to meet our standards might impact initial expenses.

Note 2: Costs paid to Choice are not refundable, unless otherwise stated. Whether any costs paid to third parties are refundable will vary based on the particular third party and on where your hotel is located.

Note 3: The full affiliation fee is due no later than the time you sign the membership agreement and is non-refundable following our signing of the membership agreement. If for any reason we do not grant you a membership or a membership agreement is not countersigned by us, the affiliation fee, less $5,000, will be refunded to you.

Note 4: Renovation costs vary considerably and the estimate provided is based on a typical property improvement plan provided by us that the hotel must complete to upgrade to our standards. The costs provided includes an estimate for furniture fixture and equipment that must be refurbished, replaced, or removed. Upon application, we will provide you a customized property improvement plan unique to your hotel. Your costs to upgrade the hotel to our standards may depend on local contractor and material costs in your area as well as the condition of your hotel at the time you apply for a franchise and may fall outside the estimated range provided.

Note 5: These policies cover construction, General Liability, Cyber Liability, and Workers

Compensation, including Statutory Workers Compensation and Employers Liability insurance, and must provide minimum limits per location of coverage as stated in the membership agreement.

Note 6: choiceADVANTAGE software license and systems training costs include the costs of the initial software license, systems training and project management and the credit card interface. Your costs may fall on the higher end of this range if you choose to purchase software interface licenses or where the hotel was a previously Choice branded hotel and you pay to have the information in choiceADVANTAGE renewed or expunged. The fees do not include the monthly choiceADVANTAGE support fee to cover ongoing remote software support

Note 7: Opening inventory of supplies includes linen, paper supplies and housekeeping supplies that meet our system requirements.

Note 8: Hospitality training includes the cost to attend Hospitality Operations Success Training ("HOST"). Our HOST training fee is $999 and covers an operator certification program that is offered virtually, consisting of self-paced online lessons, live interactive virtual workshops, and exams. Some or all of the training may not be required if a hotel staff member has previously earned the HOST certification.

Note 9: We estimate that you will need this amount in working capital before the Hotel opens. The actual amount of working capital you will need depends on a variety of factors, such as the number of paid employees you hire and their rate of pay, your own management and operational skills, economic conditions, and competition.

Note 10: We based these estimates on our experience with hotel franchises and memberships, discussions with hotel business people and recent trends in pricing from other relevant companies.

Note 11: The total investment above assumes the hotel is currently open and operating at the time you apply for a franchise and has real estate, furniture, fixtures, and equipment, hotel staff, a high speed internet access solution for in-room, in-lobby, public areas, and meeting rooms, current marketing and advertising programs, and other standards to operate a hotel. If the hotel does not have a solution for high speed internet access, the cost could be $0-$20,000 to convert an existing hotel to our brand standards, including wiring, routers, software, server, splitters, access points, gateway, etc. In addition, your total investment may be higher if you are required to participate in our Re-Licensing Systems Training. This program is not required for all owners. The Re-Licensing Systems Training fee is $950 and is payable only when a member hotel has changed ownership and the new owner signs a membership agreement with us. The Re-Licensing Systems Training fee covers the cost of 2 days of remote training concerning our proprietary choiceADVANTAGE property management and reservation system.

YOUR ESTIMATED INITIAL INVESTMENT FOR A NEWLY-CONSTRUCTED HOTEL

ASCEND NEW CONSTRUCTION HOTEL (Note 1)

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT (Note 2)	WHEN DUE	TO WHOM PAYMENT IS MADE
Affiliation Fee (Note 3)	$375/room ($40,000 minimum)	Lump sum	Upon application	Us

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT (Note 2)	WHEN DUE	TO WHOM PAYMENT IS MADE
Architectural Plans & Inspections (Note 4)	$80,000-$160,000	As incurred	Before opening	Your architect
Legal Fees	$10,000-$45,000	As incurred	Before opening	Your attorneys
Environmental Impact Study (if necessary)	$0-$16,000	As incurred	Before opening	Your consultants
Market Study	$10,000-$15,000	As incurred	Before opening	Your consultants
Construction (excluding soft costs) (Note 5)	$6,400,000-$8,400,000	As incurred	Before opening	Your general contractor
Insurance (Note 6)	$11,500-$83,000	As incurred	Before opening	Your insurance carriers
Pre Opening Advertising	$5,000-$60,000	As incurred	Before opening	Various advertising media
Furniture, Fixtures & Equipment (Note 7)	$1,011,520-$1,328,480	As incurred	Before opening	Your suppliers or Qualified Vendor
Hardware to operate choiceADVANTAGE property management system	$2,000-$5,000	Lump sum	Before opening	Insight
choiceADVANTAGE Software License and Systems Training (Note 8)	$10,750-$14,750	Lump sum	Before opening	Us
Opening Inventory of Supplies (Note 9)	$176,000-$272,000	As incurred	Before opening	Your suppliers or Qualified Vendor
Hospitality Training Fee (Note 10)	$0 - $999	As incurred	Upon enrollment	Us
High Speed Internet Access for in-room, in-lobby, public areas and meeting rooms (Note 11)	$10,000-$20,000	As incurred	Before opening	Your supplier or Qualified Vendor
Mandatory On-Premise Plaque	$200 - $750	As incurred	Before opening	Qualified Vendor
Working Capital Required Before Operations Begin (Note 12)	$135,000-$295,000	As incurred	Before opening	Us, your suppliers, your employees, utilities, consultants
Additional Funds for 3-Month Initial Period (Note 13)	$75,000-$150,000	Monthly payment for recurring fees; as incurred for other expenses	After opening	Us, your suppliers, your employees, utilities

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT (Note 2)	WHEN DUE	TO WHOM PAYMENT IS MADE
TOTAL ESTIMATED INITIAL INVESTMENT (Note 14)	$7,976,970-$10,945,979			
TOTAL COST PER ROOM (Based on 80 Rooms)	$99,712-$136,825			

Note 1: This table is an estimate of the initial investment required to construct and open a new construction hotel and the estimate provided is based on our experience and our brand standards. Estimates are based on an 80-guestroom hotel. The cost of renovating or constructing each hotel has the potential to vary greatly and will depend on factors unique to your situation and your hotel. Therefore, your actual costs may fall outside the estimated ranges provided. Unusually high locally imposed development fees might impact initial expenses. In addition, any new construction projects for an ASCEND hotel will be unique and tailored to the individual hotel, rather than developed according to a Choice-specified prototype. The table does not include the cost of purchasing or leasing real estate, which cannot be estimated with any certainty due to variables such as location, acreage, terms and whether leased or purchased.

Note 2: Costs paid to Choice are not refundable, unless otherwise stated. Whether any costs paid to third parties are refundable will vary based on the particular third party and on where your hotel is located.

Note 3: The full affiliation fee is due at the time you sign the membership agreement and is non-refundable following our signing of the membership agreement. If for any reason we do not grant you a membership or a membership agreement is not countersigned by us, the affiliation fee, less a $2,500 application fee, will be refunded.

Note 4: You must submit architectural plans to an architect approved by us. These plans must be site adapted for a specific site and structural, mechanical, electrical and plumbing drawings must be added. You must commission an architect directly and make payments directly to your architect.

Note 5: The cost of construction may vary substantially from location to location. The type of construction used, site conditions, cost of materials, labor costs, local code requirements, competitive conditions, and other factors will affect the cost. This estimate does not include site work, project management fees, general contractor profits, or other "soft" costs, which may vary substantially. The estimate also does not include the cost of permits and licenses. Because of the wide variation in cost based on location and other factors, we do not represent that your initial investment will be as low as the low end of the range or that it will not be higher than the high end of the range.

Note 6: These policies cover construction, General Liability, Cyber Liability, and Workers Compensation, including Statutory Workers Compensation and Employers Liability insurance, and must provide minimum limits per location of coverage as stated in the membership agreement.

Note 7: This amount does not include taxes, shipping, procurement fees or installation costs.

Note 8: choiceADVANTAGE software license and systems training costs include the costs of the initial software license, systems training and project management, software interface licenses, credit card interface, and fees to clean up the choiceADVANTAGE database in the event a previously Choice branded hotel repositions or relicenses within the Choice franchise system. The fees do not include the monthly choiceADVANTAGE support fee to cover ongoing remote software support.

Note 9: Opening inventory of supplies includes linen, paper supplies and housekeeping supplies that meet our system requirements. It also includes supplies required to operate the hotel's kitchen, fitness room, guest laundry, hotel laundry, and phone system.

Note 8: Hospitality training includes the cost to attend Hospitality Operations Success Training ("HOST"). Our HOST training fee is $999 and covers an operator certification program that is offered virtually, consisting of self-paced online lessons, live interactive virtual workshops, and exams. Some or all of the training may not be required if a hotel staff member has previously earned the HOST certification.

Note 10: The estimate of $10,000-$20,000 is based on a wired solution for a hotel that is to be newly constructed for the hotel size indicated. This estimate includes wiring, routers, software, server, splitters, etc. A wireless solution could range from $4,500-$9,500 depending upon the number of access points, wiring to the access points, gateway, etc. You must also arrange and pay for the incoming broadband service, which is typically delivered by a commercial grade T-1 or Digital Subscriber Line ("DSL"). You may purchase this from any available broadband supplier; however, we reserve the right to require a single supplier as necessary to ensure that all hotels in the Choice franchise system meet required standards as well as to promote more efficient communications between Choice and your hotel. If you obtain this service through vendors with whom we have made arrangements, we currently estimate that the cost will range from $1,800-$12,800 per year. This estimate is based on the hotel size indicated and currently includes high speed internet access (delivered by a commercial grade T-1, DSL or a Fractional T-1) and 24/7 support provided by a third party with Tier I and Tier II levels. Your costs will vary depending upon bandwidth usage and your hotel's size and location. Although we currently permit you to purchase these services from any available source, in the future we may require you to use a designated source, as necessary to maintain overall membership standards.

Note 11: We estimate that you will need this amount in working capital before the Hotel opens. This includes salaries that you will need to pay to your General Manager, salespeople, and other essential personnel. The actual amount of working capital you will need depends on a variety of factors, such as the number of paid employees you hire and their rate of pay, your own management and operational skills, economic conditions, and competition. The estimate in the table does not include loan original points. The origination points you may be charged will depend on your specific lender and will vary by the loan type you select. Our experiences estimate that origination points have ranged between 1 and 2 percent of the amount borrowed. We also have not included real estate taxes, which will vary based on location and local real estate costs.

Note 12: We based these estimates on our experience with hotel franchises and memberships, discussions with hotel business people and recent trends in pricing from other relevant companies.

Note 13: This table does not include land costs or real estate taxes. In addition, your total investment may be higher if you are required to participate in our Re-Licensing Systems Training. This program is not required for all owners. The Re-Licensing Systems Training fee is $950 and is payable only when a member hotel has changed ownership and the new owner signs a membership agreement with us.

The Re-Licensing Systems Training fee covers the cost of 2 days of remote training concerning our proprietary choiceADVANTAGE property management and reservation system.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must equip the hotel with furniture, fixtures and equipment, bath and bed linens, draperies, bed coverings, floor coverings, wall coverings, lighting, ice machines, telephone systems and other amenities that meet our minimum standards. We may modify our standards in writing as we determine appropriate from time to time and may add new specifications or member guidelines, in writing, including any manuals or policies regarding, among other things, our standards and requirements for construction, equipment, furnishings, supplies, maintenance and marketing that are applicable to ASCEND hotels ("Rules and Regulations").

Our Procurement Services Department maintains a list of "Qualified Vendors" of products and services for our franchisees. Certain Qualified Vendors are designated in the Rules and Regulations as exclusive suppliers. Unless required by the Rules and Regulations, you do not have to purchase products that otherwise meet brand standards from Qualified Vendors. You do have to purchase certain Choice Mark-bearing items, such as signs and bath amenities, only from Qualified Vendors. You must also purchase bedding, computer hardware, and other brand standard items per brand specifications through a Qualified Vendor. Neither Choice nor any persons affiliated with Choice are currently Qualified Vendors.

Vendors that are not on the Qualified Vendor list may apply to become "Qualified," and you may recommend new vendors to us. Among the criteria that we consider is the financial stability of the company, whether the product or service meets brand standards and if the product or service is of use to our franchisees. Our criteria are available to you for review upon your request. Where applicable, the vendor may be asked to submit product samples and specifications to us. We usually make our decision and notify the vendor within 90 days after all information and samples have been submitted, although a longer period may be required for products or services that, due to their cost or importance to the brand, may have significant financial impact on our franchisees. We may limit the number of Qualified Vendors to obtain volume discounts and to promote consistent quality and adequate supplies for the particular brand. We may revoke a vendor's "Qualified" status if the vendor no longer meets our criteria, if they breach their agreement with us or if the product or service offered is no longer competitive in price or quality, among other reasons.

None of our officers own an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers of our franchise system. From time to time, our officers may own non-material interests in publicly-held companies that are suppliers to our franchise system.

We receive certain commissions or rebates from Qualified Vendors that typically range from 1% to 2% (but may be up to 20%) of net sales volume to franchisees, as well as a flat fee that we typically receive annually from each Qualified Vendor. In exchange for these fees, we may provide each vendor with certain services, which may include one or more of the following: marketing services from our Procurement Managers and/or marketing personnel, space on our ChoiceBuys.com website, a booth at our annual convention, advertisements in our print and electronic publications (Choice e-Connections and Choice Connections) and sponsorship opportunities, among other benefits. We do not provide franchisees with any material benefits, such as opportunities to acquire additional franchises, based on their purchases of particular products or services from Qualified Vendors or use of particular Qualified Vendors.

You must display at your hotel entrance the number and type of identity signs required by the Rules and Regulations. Such signs must display the approved brand name and logo of your hotel. Signs are available from manufacturers who must be approved by us and who must comply with brand specifications. Each sign manufacturer must meet certain business, financial and insurance requirements (available on request). We derive income from appointment fees, limited trademark licenses, drawing charges and commissions on signs sold that are purchased through signage Qualified Vendors. All highway billboards and printed advertising, among other electronic or printed media, must use the Choice Marks in accordance with our specifications.

You must display at your hotel an ASCEND plaque at the front entrance to the hotel. If the ASCEND plaque does not conform to the hotel's décor, we may approve a custom sign.

ASCEND members must also display ASCEND airline code (GDS code) on all promotional literature that is intended for use in the travel trade.

Except as described in this Item 8, ASCEND hotels are not currently required to use the ASCEND trademark. In the future, we may require you to clearly display the ASCEND trademark on all hotel-related brochures, letterheads, business cards, in-room stationery, promotional literature, advertising, press releases, websites and other significant promotional items that may be viewed by existing and potential clients.

As indicated in Item 6, you must participate in the Choice Gift Card Program by allowing guests the option of redeeming Choice Gift Cards at your hotel. You must also enter into an enrollment agreement with SVM, LP, the administrator of the program (see Exhibit G).

We also periodically negotiate preferred marketing agreements with corporations and other organizations for joint marketing efforts, which may result in commissionable stays at your hotel. If you make inventory available to these organizations, we may retain up to 50% of any commissions payable by you in consideration of our marketing services and program administration costs.

As described in Item 7, you must obtain and maintain insurance which will include, at a minimum, insurance policies of the kinds, and in the amounts, required by us (Membership Agreement Section 12). These written insurance policies include, at a minimum, the following coverage during construction or complete renovation of the hotel: commercial general liability insurance (including automobile liability, bodily injury and property damage) for all types of liabilities, together with the costs of defense and/or adjustments arising out of the operations to construct the hotel, providing limits of coverage of not less than $1,000,000 per occurrence, and including coverage for contractual liability, explosion, collapse and underground property damage hazard liability, personal injury liability, products and completed operations liability, owner's and contractor's protective liability, and independent contractor's liability; all-risk builder's insurance to insure the hotel buildings under construction to 100% of their replacement cost value; and a workers' compensation policy as required by statute. During the operation of the hotel, required insurance policies include, at a minimum: all-risk physical damage coverage insuring the hotel and its contents for full replacement costs; commercial automobile and commercial general liability insurance policies written on an occurrence form, which must include contractual, products and completed operations, independent contractors, personal injury, property damage, bodily injury and host liquor liability coverage, together with the costs and expenses of the defense and/or adjustment of injury or damage, providing limits of coverage, per location, of not less than $5,000,000 ($10,000,000 if the hotel has 6 or more stories) per occurrence; cyber liability insurance coverage that provides minimum coverage of $1,000,000 workers' compensation and employers' liability insurance with minimum employers liability limits of $1,000,000 bodily injury by accident (each accident); $1,000,000 bodily injury by disease (policy limit); and $1,000,000 bodily injury by disease (each employee), whether or not required by the state where the hotel is located; dram shop/liquor liability insurance with limits of not less than $5,000,000 per occurrence if alcoholic beverages are sold at the hotel (whether or not you own the establishment that sells alcohol) and business interruption insurance that provides coverage for a minimum of six (6) months in the event the hotel is not operational.

You must also obtain and attach endorsements to your insurance policies adding us and our affiliates and subsidiaries, our and their respective officers, directors, agents, partners and employees, as additional insureds and provide waiver of subrogation on commercial automobile, commercial general and umbrella insurance policies and dram shop/liquor liability (if applicable). If you fail to procure or maintain the minimum insurance described above (or as designated by us from time to time in the brand standards), we may procure the insurance on your behalf and charge you the cost of the insurance and, at our option, a reasonable penalty. You will be required to reimburse us for the cost of such insurance and for any reasonable out-of-pocket costs that we incur should we elect to obtain the insurance on your behalf.

You must purchase from us a software license to use choiceADVANTAGE and implementation services. You also must purchase the mandatory hardware package we specify that meets or exceeds specifications needed to operate choiceADVANTAGE. You are required to purchase and install a dedicated, wired, business grade High Speed Internet Access solution located at the front desk for access to choiceADVANTAGE (see Items 5, 7 & 11 for more details).

Unless mandated by the brand standards contained in the then-current version of the Rules and Regulations, you do not have to participate in any purchasing or distribution cooperative we maintain. However, the Choice Procurement Services Department attempts to negotiate pricing believed to be favorable from its Qualified Vendors for franchisees, and we may from time to time offer cooperative buying programs to provide additional savings for those hotels that commit to any such program. In addition, you will automatically become a member of a cooperative buying program at no additional cost to you. You may opt out of being a member of such program at any time by completing and sending us the opt out electronic form located within the FAQs on Choicebuys.com. Most product and services offerings are accessible via ChoiceBuys.com, a proprietary web-based electronic catalogue.

In the year ended December 31, 2017, our total revenues were about $1.0 billion. Revenues attributable to franchisee purchases were about $68.0 million, or about 6.7% of our total revenues in 2017, which includes revenues from Qualified Vendors and choiceADVANTAGE installation and support fees.

We estimate that the cost of your opening inventory for items that must be purchased from Qualified Vendors or subject to our standards should not exceed 2% of your initial investment in a conversion or new construction facility. Your annual expenditures on these items should not exceed 2% of your annual purchases.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Membership Agreement	Section in choiceADVANTAGE Terms of Use	Section in Call Forwarding Program Terms of Use	Disclosure Document Item
(a) Site selection & acquisition/lease	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(b) Pre-opening purchases/leases	Terms and Conditions, Sections 5(b), (e), & (f), 6(c)	Not Applicable	Not Applicable	Items 5, 7, 8 & 11
(c) Site development & other pre-opening requirements	Terms and Conditions, Sections 5(j), 6	Not Applicable	Not Applicable	Items 5, 6, 7, 8 & 11
(d) Initial & ongoing training	Terms and Conditions, Section 5(e)	Not Applicable	Not Applicable	Items 6, 7 & 11
(e) Opening	Terms and Conditions, Sections 2(e), 6	Not Applicable	Not Applicable	Item 11
(f) Fees	Section 5, Terms and Conditions, Sections 5, 8, 9, 10(c) & (d), 12, 16	Not Applicable	Section 3	Items 5, 6, 11 & 17
(g) Compliance with Standards & Policies/Operating Manual	Terms and Conditions, Sections 2(j), 4(a) & (b), 5, 10	Not Applicable	Not Applicable	Items 8 & 11
(h) Trademarks & proprietary information	Section 2(d), Terms and Conditions, Sections 2(a), 6(d), 7	COPYRIGHTS & TRADEMARKS	Section 8	Items 13 & 14
(i) Restrictions on products/services offered	Terms and Conditions, Sections 5(b), (c) & (d)	Not Applicable	Not Applicable	Items 8 & 16
(j) Warranty & customer service requirements	Terms and Conditions, Section 5(k)	WARRANTIES	Section 6	Not Applicable

Obligation	Section in Membership Agreement	Section in choiceADVANTAGE Terms of Use	Section in Call Forwarding Program Terms of Use	Disclosure Document Item
(k) Territorial development and sales quotas	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(l) Ongoing product/service purchases	Terms and Conditions, Section 5	Not Applicable	Not Applicable	Item 8
(m) Maintenance, appearance and remodeling requirements	Terms and Conditions, Sections 6, 7, 8	Not Applicable	Not Applicable	Items 6, 8 & 11
(n) Insurance	Terms and Conditions, Section 12	Not Applicable	Not Applicable	Items 6, 7 & 8
(o) Advertising	Terms and Conditions, Section 6(d)	Not Applicable	Not Applicable	Items 6, 8 & 11
(p) Indemnification	Terms and Conditions, Section 13	INDEMNIFICATION	Section 7	NONE
(q) Owner's Participation/ Management/Staffing	Not Applicable	Not Applicable	Not Applicable	Item 15
(r) Records and Reports	Terms and Conditions, Sections 3, 6(c), 10(b)(v), 12(e)	Not Applicable	Not Applicable	Item 6
(s) Inspections and Audits	Terms and Conditions, Sections 3, 4(b), 5(g), 6(d)	Not Applicable	Not Applicable	Items 6 & 11
(t) Transfer	Terms and Conditions, Section 9	SOFTWARE USE AND SITE ACCESS; GENERAL	Section 10	Items 6 & 17
(u) Renewal	Not Applicable	Not Applicable	Not Applicable	Item 17
(v) Post-termination obligations	Terms and Conditions, Section 11	Not Applicable	Not Applicable	Items 6 &17
(w) Non-competition covenants	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(x) Dispute resolution	Section 7, Terms and Conditions, Sections 16, 21, 22, 23	GOVERNING LAW	Section 9	Item 17

ITEM 10

FINANCING

AFFILIATION FEE PROMISSORY NOTE

In our sole discretion and on approval of your credit, we may offer to finance the affiliation fee without interest. In that event, you must sign a promissory note (see Exhibit H). Note payment is in one full lump sum generally within three months after the note is signed. The note may be accelerated upon default and provides for a waiver of presentment, demand for payment, notice of dishonor, protest, and includes a confession of judgment clause. Personal guarantees may be required. The note contains no pre-payment penalty.

DIVERSITY AND VETERAN INCENTIVE PROGRAM

We participate in the International Franchise Association's Veteran's Transition Franchise Initiative (known as VetFran®). We are currently offering a diversity and veteran incentive program to encourage and increase the diversity of our franchise system and the hospitality industry as well as to encourage entrepreneurs that have served in the United States military and been honorably discharged from service ("Diversity and Veteran Incentive"). The Diversity and Veteran Incentive Program is intended to attract top hotel developers from diverse backgrounds and involves our commitment of capital to incentivize qualifying franchisees to develop either a newly constructed Choice-branded hotel or convert an existing hotel to a Choice-branded hotel. Qualifying franchisees who enter into membership agreements to re-license Choice branded hotels that are currently part of the Choice franchise system are not eligible to receive a Diversity and Veteran Incentive; however these members will be given a 50% discount on the then-current affiliation fee due in connection with the re-licensed membership agreement (see below).

Qualifications

To qualify for the Diversity and Veteran Incentive Program, you must meet all of the following conditions: you must request the Diversity and Veteran Incentive at the time of application; you must meet our then-current qualifications for new franchisees (including our standard credit review); you must own the hotel; if you are an individual, you must identify to us the characteristics and background that will contribute to the diversity of our franchise system and the hospitality industry or if you are veteran you must demonstrate that you have served in the United States military and have been honorably discharged from service; or if you are a legal entity, you must be at least 51% legally and beneficially owned by persons that can demonstrate to us characteristics and background that will contribute to the diversity of our franchise system and the hospitality industry or meet the requirements of a veteran stated above. The Diversity and Veteran Incentive Program may not be combined with any other incentive program that we may be offering at the time of your application and we may discontinue the Diversity and Veteran Incentive Program at any time.

Incentive

Each Diversity and Veteran Incentive we make for a hotel using the ASCEND Marks will be for $1,500 per room in the hotel (maximum of $125,000). Each incentive will be evidenced by a 10-year forgivable promissory note (see Exhibit I) (the "Note"). We will pay the proceeds of the Note to you only after the Opening Date of your hotel. You may use the proceeds of the Note for any purpose related to the hotel. We do not require collateral for this Note, but may require personal guaranties. Forgiveness of the Note will be amortized over 10 years (beginning on the Opening Date of your hotel) using a straight-line method, so that the Note will be completely forgiven if you do not commit certain defaults under the Note beginning upon signing of the membership agreement and ending 10 years after the Opening Date. The Note is structured to provide for one payment at the end of 10 years; however, you do not have to make payments on the Note if you remain in good standing under your membership agreement. If you default in the obligations of your membership agreement, your membership agreement is terminated or expires, you die or you file for bankruptcy, then the entire remaining unforgiven principal balance is immediately due along with interest (accruing on the remaining unforgiven balance only) from the original date of the Note at an interest rate of prime plus 2%. The maximum interest rate in California is 10% annually. Under the Note, you must waive demand, presentment for payment, protest, notice of dishonor and your right to a jury trial. On your default, you also must pay all reasonable expenses, costs and attorneys' fees that we incur in collecting the Note. The Note contains no pre-payment penalty.

If you qualify for a Diversity and Veteran Incentive, you may request amortization over 5 years instead (beginning on the Opening Date of your hotel) using a straight-line method, so that the Note will be completely forgiven if you do not commit certain defaults under your membership agreement upon signing of the membership agreement and ending 5 years after the Opening Date. If you request a 5 year Note, the incentive will be 50% of the amount of the 10 year Note, but will be limited to a maximum of $62,500. Each incentive will be evidenced by a 5 year Note in the same form attached as Exhibit I. The Note is structured to provide for one payment at the end of 5 years; however, you do not have to make payments on the Note if you remain in good standing under your membership agreement. If you default in the obligations of your membership agreement, your membership agreement is terminated or expires, you die or you file for bankruptcy, then the entire remaining unforgiven principal balance is immediately due along with interest (accruing on the remaining unforgiven balance only) from the original date of the Note at an interest rate of prime plus 2%. The maximum interest rate in California is 10% annually. Under the Note, you must waive demand, presentment for payment, protest, notice of dishonor and your right to a jury trial. On your default, you also must pay all reasonable expenses, costs and attorneys' fees that we incur in collecting the Note. The Note contains no pre-payment penalty.

Termination Rights

In addition, unless you have signed a 5 year promissory note, you and we must agree to waive our right to terminate the membership agreement, without cause, on the 5th anniversary of the Opening Date.

DIVERSITY AND VETERAN RE-LICENSING INCENTIVE

If you: (1) qualify for the Diversity and Veteran Incentive Program; and (2) purchase a hotel that is an ASCEND member operating as part of the Choice franchise system at the time of purchase; and (3) enter into a membership agreement with Choice to re-license the hotel as a ASCEND member hotel, you will be granted a 50% discount on the then-current affiliation fee due in connection with your membership agreement. Franchisees that enter into membership agreements with Choice for the re-licensing of an existing Choice brand hotel and qualify and accept the Diversity and Veteran Incentive are not eligible to participate in any other incentive program.

PMC COMMERCIAL TRUST

We have entered into a non-exclusive Qualified Vendor agreement with a third party named PMC Commercial Trust (previously known as PMC Capital, Inc.) ("PMC"), which is a company authorized to provide loans. Under this agreement, PMC may offer conventional and Small Business Administration ("SBA") financing to those of our franchisees that qualify and choose to use PMC to finance some of the following costs: affiliation fee, site acquisition, construction or remodeling, equipment and/or fixtures, opening inventory or supplies, ongoing inventory or supplies, replacement of equipment or fixtures, and other continuing expenses. These loans are generally for up to 70% to 85% of the value of the collateral and range from $500,000 to $5,000,000 for acquisitions, refinances and construction/permanent loans.

Interest rates are generally variable and are at PMC's discretion. You are not required to use PMC as your lender. If you choose to use PMC as your lender, you must enter into agreements with PMC, substantially in the form attached as Exhibit J or as PMC may otherwise require depending on your specific loan. The loan will be for up to 25 years and will require monthly payments, with the amount of the payments based on the terms agreed upon. You must grant a first lien on land and building, a first lien on furniture, fixtures and equipment and, if necessary, a lien on your personal assets. PMC will require that you personally guarantee the loan. The loans can be pre-paid but there may be a pre-payment penalty.

If you default on the note, the entire remaining principal balance becomes due and the lender may have the right to take possession of the collateral and/or sell or lease the collateral. You must waive your rights to presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands or notices. On default, the note will bear interest at the maximum rate permitted by applicable law. You must also pay PMC all the costs of collection or costs of exercising its remedies, including attorneys' fees. You must waive your right to object to jurisdiction in the courts of Dallas, Texas as the venue for the resolution of disputes and must waive your right to a trial by jury. See the sample documents in Exhibit J for PMC's additional rights and remedies.

In consideration of Choice's agreement to grant PMC access to our marketing channels, Choice will receive from PMC a flat payment annually.

BALBOA CAPITAL CORPORATION

We have entered into a non-exclusive Qualified Vendor agreement with a third party named Balboa Capital Corporation ("Balboa"), which is a company authorized to provide loans. Under this agreement, Balboa may offer conventional and lease financing to those of our franchisees that qualify and choose to use Balboa to finance some of the following costs: affiliation fee, costs to meet brand standards, property improvement or remodeling, equipment and/or fixtures, replacement of equipment or fixtures, and other continuing expenses. These loans are generally available for up to 100% of the value of the collateral and generally range from $5,000 to $1,000,000.

Interest rates are fixed and are determined at Balboa's discretion in accordance with its standard underwriting practices. You are not required to use Balboa as your lender. If you choose to use Balboa as your lender, you must enter into one or more agreements with Balboa, substantially in the form attached as Exhibit J or as Balboa may otherwise require depending on your specific financing agreement. The financing agreement will be for between 24 to 84 months and will require monthly or quarterly installment payments, with the amount of the payments based on the terms agreed upon. You must grant a first lien on the financed equipment and, if applicable, a security interest and lien on the land or building. Balboa may require that you personally guarantee the financing agreement. The financing agreement can be pre-paid and there is no pre-payment penalty.

If you default on the financing agreement, the entire remaining balance becomes due and Balboa may have the right to take possession of the collateral and/or sell or lease the collateral. You must waive your rights to presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands or notices. On default, the loan will bear interest at the rate set forth in the loan agreement. You must also pay Balboa all the costs of collection or costs of exercising its remedies, including attorneys' fees. You must waive your right to object to jurisdiction in the courts of California as the venue for the resolution of disputes and must waive your right to a trial by jury. See the sample documents in Exhibit J for Balboa's additional rights and remedies.

In consideration of Choice's agreement to grant Balboa access to our marketing channels, Choice will receive from Balboa a flat payment annually.

ACCESS POINT FINANCIAL

We have entered into a non-exclusive Qualified Vendor agreement with a third party named ACCESS POINT FINANCIAL ("APF"), which is a company authorized to provide loans. Under this agreement, APF may offer financing to those of our franchisees that qualify and choose to use APF to finance some of the following costs: affiliation fee, site acquisition, construction or remodeling, equipment and/or fixtures, opening inventory or supplies, replacement of equipment or fixtures, and other continuing expenses. These loans are generally for up to 70% to 85% of the value of the hotel and typically range from $200,000 to $10,000,000 for bridge financing, acquisitions, refinance, renovation and brand conversion loans.

Interest rates are fixed and are at APF's discretion. You are not required to use APF as your lender. If you choose to use APF as your lender, you must enter into agreements with APF, substantially in the form attached as Exhibit J or as APF may otherwise require depending on your specific loan. The loan will be for 3 to 10 years and will require monthly payments, with the amount of the payments based on the terms agreed upon. Depending on your scenario, you may be requested to grant a first lien on land and building, or a first or second lien on furniture, fixtures and equipment or, if necessary, a lien on your personal assets. APF will require that you personally guarantee the loan. The loans can be pre-paid and there will be a pre-payment penalty.

If you default on the note, the entire remaining principal balance becomes due and the lender may have the right to take possession of the collateral and/or sell or lease the collateral. You must waive your rights to presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands or notices. On default, the note will bear interest at the maximum rate permitted by applicable law. You must also pay APF all the costs of collection or costs of exercising its remedies, including attorneys' fees. You must waive your right to object to jurisdiction in the courts of Atlanta, Georgia as the venue for the resolution of disputes and must waive your right to a trial by jury. See the sample documents in Exhibit J for APF additional rights and remedies.

In consideration of Choice's agreement to grant APF access to our marketing channels, Choice will receive from APF a flat payment annually.

ASCENTIUM CAPITAL LLC

We have entered into a non-exclusive Qualified Vendor agreement with a third party named Ascentium Capital LLC, which is a company authorized to provide loans. Under this agreement, ASCENTIUM CAPITAL LLC may offer conventional and lease financing to those of our franchisees that qualify and choose to use ASCENTIUM CAPITAL LLC to finance some of the following costs: affiliation fee, costs to meet brand standards, property improvement or remodeling, equipment and/or fixtures, replacement of equipment or fixtures, and other continuing expenses. These loans are generally available for up to 100% of the value of the collateral and range from $5,000 to $500,000.

Interest rates are fixed and are determined at ASCENTIUM CAPITAL LLC's discretion in accordance with its standard underwriting practices. You are not required to use ASCENTIUM CAPITAL LLC as your lender. If you choose to use ASCENTIUM CAPITAL LLC as your lender, you must enter into one or more agreements with ASCENTIUM CAPITAL LLC, substantially in the form attached as Exhibit J or as ASCENTIUM CAPITAL LLC may otherwise require depending on your specific loan. The loan will be for between 12 to 72 months and will require monthly payments, with the amount of the payments based on the terms agreed upon. You must grant a first lien on the financed equipment and, if applicable, a security interest and lien on the land or building. ASCENTIUM CAPITAL LLC may require that you personally guarantee the loan. The loans can be pre-paid with Ascentium Capital LLC's prior written consent and there is no pre-payment penalty.

If you default on the loan, the entire remaining balance becomes due and ASCENTIUM CAPITAL LLC may have the right to take possession of the collateral and/or sell or lease the collateral. You must waive your rights to presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands or notices. On default, the loan will bear interest at the rate set forth in the loan agreement. You must also pay ASCENTIUM CAPITAL LLC all the costs of collection or costs of exercising its remedies, including attorneys' fees. You must waive your right to object to jurisdiction in the courts of California as the venue for the resolution of disputes and must waive your right to a trial by jury. See the sample documents in Exhibit J for ASCENTIUM CAPITAL LLC's additional rights and remedies.

In consideration of Choice's agreement to grant ASCENTIUM CAPITAL LLC access to our marketing channels, Choice will receive from ASCENTIUM CAPITAL LLC a flat payment annually.

LIVE OAK BANK

We have entered into a non-exclusive Qualified Vendor agreement with a third party named Live Oak Bank, which is a company authorized to provide loans. Under this agreement, LIVE OAK BANK offers financing programs for qualified applicants. For those of our franchisees that qualify and choose to use LIVE OAK BANK, eligible loan purposes include some of the following costs: affiliation fee, costs to meet brand standards, property improvement or remodeling, equipment and/or fixtures, replacement of equipment or fixtures, and other continuing expenses. LIVE OAK BANK also offers construction and development financing to Franchisees.

LIVE OAK BANK offers several loan products to hotel operators; therefore, loan term, structure, down payment, and rate all depend on factors including but not limited to: loan use, loan size, and applicant's credit application. Loan amounts range from \$50,000 - \$15,000,000, typical down payments range from 0 - 15%, terms from 10-25 years (with shorter terms available upon occasion), and rates from Prime + 1.25% to Prime + 4.5%. Interest rates are typically adjustable tied to the prime rate (as noted in the wall street journal) or sometimes fixed and are determined at LIVE OAK BANK's discretion in accordance with its standard underwriting practices. You are not required to use LIVE OAK BANK as your lender.

If you choose to use LIVE OAK BANK as your lender, you must enter into one or more agreements with LIVE OAK BANK, substantially in the form attached as Exhibit J or as LIVE OAK BANK may otherwise require depending on your specific loan. Loan structure and terms are typically decided during the underwriting process and is dependent on the use of loan funds, and the loan product. Typical loan structure requires a first lien on all furniture, fixtures, and equipment being financed with loan proceeds, as well as a best available lien on your business assets. Based on the loan structure and use of funds, a security interest and lien on the land or building will be a requirement of development or construction financing. LIVE OAK BANK will require a personal guarantee of all owners owning 20% or more of the applicant business. Loans with a term of 15 years or less carry no pre-payment penalties, with loans of greater length carrying a 3 year prepayment penalty (5%, 3%, 1%).

In consideration of Choice's agreement to grant LIVE OAK BANK access to our marketing channels, Choice will receive from LIVE OAK BANK a flat payment annually.

NORTHEAST BANK

We have entered into a non-exclusive Qualified Vendor agreement with a third party named NORTHEAST BANK under which NORTHEAST BANK may offer conventional and Small Business Administration (SBA) financing to those of our franchisees that qualify and choose to use NORTHEAST BANK to finance some of the following costs: affiliation fee, costs to meet brand standards, property improvements or remodeling, equipment and/or fixtures, replacement of equipment or fixtures, debt refinancing, and other reasonable and permissible uses of business debt allowed by the SBA or NORTHEAST BANK's commercial lending policies. These loans are generally available for up to 90% of the value of the collateral and range from $350,000 to $10,000,000.

Interest rates are determined at NORTHEAST BANK's discretion in accordance with its standard underwriting practices. You are not required to use NORTHEAST BANK as your lender. If you choose to use NORTHEAST BANK as your lender, you must enter into one or more agreements with NORTHEAST BANK, substantially in the form attached as Exhibit K, or as NORTHEAST BANK may otherwise require, depending on your specific loan. The loan will be for between 12 to 300 months and will require monthly payments, with the amount of the payments based on the terms and conditions agreed upon. You must grant a first lien on the financed collateral, which may include a security interest upon business assets or lien on the land or building. NORTHEAST BANK may also require that you personally guarantee the loan and secure the guaranty with additional collateral. The loans can be pre-paid and there are limited pre-payment premiums.

In accordance with the guidelines of the SBA Standing Operating Procedures and NORTHEAST BANK's existing asset management practices, in the event of a default under the loan documents executed in conjunction with the proposed financing, including any payment default, NORTHEAST BANK reserves its right to exercise any and all rights and remedies afforded to it pursuant to the terms of the loan documents and/or applicable law. This may include, without limitation, foreclosure or liquidation of any and all collateral for the proposed loan.

In consideration of Choice's agreement to grant NORTHEAST BANK access to our marketing channels, Choice will receive from NORTHEAST BANK a flat annual payment, as well as a fixed percentage on a predetermined amount of every gross dollar lent.

AVANA CAPITAL

We have entered into a non-exclusive Qualified Vendor agreement with a third party named AVANA CAPITAL under which AVANA CAPITAL may offer conventional and SBA 504 loans amongst other products. These loans are generally available for up to a variable percentage rate that ranges from $1M to $45M.

Interest rates are determined at AVANA CAPITAL's discretion in accordance with its standard underwriting practices. You are not required to use AVANA CAPITAL as your lender. If you choose to use AVANA CAPITAL as your lender, you must enter into one or more agreements with AVANA CAPITAL, substantially in the form attached as Exhibit K or as AVANA CAPITAL may otherwise require depending on your specific loan. While loan durations vary depending on the amount and type, typically construction loans are up to 24 months and permanent loans are up to 10 years and will require monthly payments (or however specified in the agreement with AVANA CAPITAL), with the amount of the payments based on the terms agreed upon. AVANA CAPITAL may require that you personally guarantee the loan.

If you default on the loan, the entire remaining balance becomes due and AVANA CAPITAL may have the right to take possession of the assets/collateral and/or sell or lease the assets/collateral. You must waive your rights to presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands or notices. On default, the loan will bear interest at the rate set forth in the loan agreement. You must also pay AVANA CAPITAL all the costs of collection or costs of exercising its remedies, including attorneys' fees. You must waive your right to object to jurisdiction in the courts as specified in the agreement signed with AVANA CAPITAL. See the sample documents in Exhibit K for AVANA CAPITAL's additional rights and remedies.

In consideration of Choice's agreement to grant AVANA CAPITAL access to our marketing channels, Choice will receive from AVANA CAPITAL a flat payment annually.

* * *

We have not sold, assigned or discounted our commercial paper to anyone, nor do we intend to (although we are permitted to do so).

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Choice Hotels International, Inc. is not required to provide you with any assistance.

PRE-OPENING OBLIGATIONS. Before you open your hotel in the Choice franchise system, we will provide certain assistance, including:

SITE SELECTION

We must approve the site you select. We take into account the location, market and revenue potential as factors for approval. Our approval of your site does not assure that your business will be successful. Choice's Franchise Committee will review your application within 30 days of submission. If a site cannot be agreed upon and we reject your application, your affiliation fee will be refunded, less $5,000 and any pre-application property improvement plan fees that you may have paid and no membership agreement will be signed. The "typical" length of time between the signing of a membership agreement and the opening of a newly constructed hotel is between 18 and 24 months. For an existing hotel to be converted, the time table varies depending upon your ability to obtain any necessary financing, the amount of renovation required to meet our specifications and the process and time periods required to obtain all the necessary permits, licenses and approvals from various government agencies (Membership Agreement, Terms and Conditions, Section 6(c)).

CONSTRUCTION

If the hotel is to be newly constructed or your hotel is to be completely renovated, you must submit to us your architectural plans and drawings. We will review and comment on whether your preliminary drawings, final working drawings and architectural designs for the hotel satisfy our design specifications. Our approval of your designs does not assure that they are adequate (Membership Agreement, Terms and Conditions, Section 6(c)).

You must submit your preliminary drawings for our approval at least 6 months before Construction Start, and final working drawings and final architectural designs for the hotel for our approval at least 3 months prior to Construction Start. If Construction Start does not commence within 6 months of our written approval of your final architectural designs for the hotel, then you must resubmit final architectural designs for approval at least 60 days prior to your revised Construction Start. Our review of your architectural designs is for compliance with our membership standards only and does not assure that your business will be successful, that your designs are suitable for architectural or engineering purposes, or that your designs are in compliance with local, state, or federal laws. It will be your responsibility to comply with all local, state, and national code requirements applicable to the construction of your hotel (Membership Agreement, Terms and Conditions, Section 6(c)).

You must begin construction of your hotel within 12 months after the date of the membership agreement, and, within 5 days after Construction Start, notify us that the Construction Start has occurred (Membership Agreement, Terms and Conditions, Section 6(c)(ii)), continue construction of the hotel, in accordance with the designs without interruption, until the hotel is ready for our inspection and complete construction of the hotel, including furnishing, equipping and preparing for opening, within 12 months of Construction Start (Membership Agreement, Terms and Conditions, Section 6(f)).

RULES & REGULATIONS

Members may view the current Rules and Regulations at our proprietary intranet site, www.choicecentral.com. We may periodically revise, add to or update membership standards and other requirements by issuing revisions to the Rules and Regulations and other manuals that we may publish (Membership Agreement, Terms and Conditions, Section 5(a)). As of the date of this disclosure document, the Rules and Regulations were a minimum of 106 pages in length. The Table of Contents for our Rules and Regulations manual is attached as Exhibit K to this disclosure document.

OPENING SERVICES SUPPORT

Our Opening Services department will assist you to open your hotel in the Choice franchise system. We will assign an Onboarding Project Director and Opening Services Coordinator to monitor your project's progress and to assist you to meet contractual milestones (for example architectural and/or property improvement plan reviews). Your Onboarding Project Director will introduce you to Choice's organizational support departments, enroll your hotel in appropriate marketing programs, and help coordinate training course attendance/resource utilization. Finally, your Onboarding Project Director will help you to make sure that your hotel meets brand standards and that you have the knowledge and tools to assist you to successfully pass the hotel's first Quality Assurance Review (QAR). Once your hotel opens in the Choice franchise system, your Onboarding Project Director will arrange for a meeting with your assigned Area Director, who will be your ongoing liaison with Choice for most day-to-day questions related to our programs and policies.

TRAINING

TRAINING PROGRAM

We will provide training, as described below (Membership Agreement, Terms and Conditions, Section 5(e)):

CHOICE ONBOARD
(Notes 1, 2, and 3)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Choice History, Mission, and Culture	2	None	Rockville, Maryland
Choice Privileges Loyalty Program	1	None	Rockville, Maryland
Choice Resources (including Choice University, ChoiceCentral, choiceAdvantage	4	None	Rockville, Maryland
Legislative Advocacy	0.5	None	Rockville, Maryland
Franchise Services and Support	2.5	None	Rockville, Maryland
Staff Retention Best Practices	0.5	None	Rockville, Maryland
Owner Portfolio Strategy (including PIP management)	1	None	Rockville, Maryland
Performance Metrics	1.5	None	Rockville, Maryland
Global Sales and SmartMarketing Tools	1	None	Rockville, Maryland
Guest Insight Reporting and Operations	2.5	None	Rockville, Maryland
Brand Identities, Standards and Culture (including Compliance and Awards)	2.5	None	Rockville, Maryland
Procurement	0.5	None	Rockville, Maryland
Crisis Management	0.5	None	Rockville, Maryland
TOTAL	20	0	

Note 1: This training is mandatory for all owners and General Managers of new hotels, conversions and transfers to new owners and must be completed to our satisfaction. Choice Onboard classes are held 12 times per year at our headquarters in Rockville, Maryland.

Note 2: Instructional materials for the Choice Onboard Orientation Program include handouts or electronic training materials and videos. Choice Onboard is led by our Choice University Learning Facilitators and Franchise Services Area Directors. Members of other Choice Hotels International teams, (including, but not limited to: Brand Strategy and Management, Choice Privileges, Global Sales, Owner Portfolio Strategy, Franchise Services and Compliance, Procurement, Distribution and Revenue Management), provide expertise during the session. Experience of Choice Onboard instructors ranges from 10 years to 30 plus years

Note 3: Each owner and General Manager must attend the Choice Onboard Orientation Program within 90 days of opening in the Choice franchise system. The cost of the training classes will not exceed $1,350 each for the owner and the General Manager plus travel, lodging and meals while attending the 2.5-day Choice Onboard Orientation Program. Instructional materials are included. Attendance at the Choice Onboard Orientation Program is open to other members of your staff at a cost not to exceed $600 each plus travel, lodging and meals while attending the program. Your Area Director may require your attendance at this Choice Onboard Orientation Program, at any time, based on less than expected results at an open and operating hotel.

Attendance at the Choice Onboard Orientation Program is mandatory. Failure to attend within the prescribed time frame may result in a formal default under your membership agreement, and failure to cure the formal default could result in the termination of your membership agreement.

* * *

You must have a certified General Manager at your hotel. We will provide our Certified General Manager training under the HOST, as described below:

You must have at least one hotel staff member that is operations certified by attending the HOST program. We will provide our operations certification training under the HOST, as described below:

HOSPITALITY OPERATIONS SUCCESS TRAINING (HOST)
(Notes 1, 2 and 3)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Self-Paced Online Modules covering: 1) Room Condition Program 2) Breakfast Operations 3) Choice Privileges 4) Guest Experience 5) Compliance 6) choiceADVANTAGE 7) Revenue Management 8) Introduction to Sales 9) Distribution 10) Reputation Management 11) Crisis/Emergency Management 12) Lodging Legal Fundamentals 13) Management and Talent Skills	10	None	Any location with internet access

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Live Online Virtual Workshops and related activities covering: 1) Guest Experience 2) Reputation Management 3) Rooms Management 4) Standards and Compliance 5) eCommerce and Channel Management 6) Talent Management 7) Financial Management	12	None	Any location with internet access
Online Exams covering: 1) Choice Operations 2) Choice Distribution 3) Business Operations	3	None	Any location with internet access
TOTAL	25	0	

Note 1: It is mandatory that at least one hotel staff member that has completed HOST training is on the hotel premises at all times. The cost of the training class will is $999.

Note 2: Instructional materials for the HOST training program include interactive online learning, virtual workshops, activities, and online examinations. Instructors for the program include from the Choice University Learning Facilitators and their experiences range from 13 years to 32 years.

Note 3: At least one hotel staff member must complete HOST within 90 days after the opening of the hotel in the Choice franchise system, and at least one hotel staff member that has completed HOST training must be on the hotel premises at all times. As described in Item 5, the HOST requirement will be waived if a hotel staff member has previously completed HOST training.

* * *

In addition, we will provide training Sales Certification Program, as described below:

SALES CERTIFICATION TRAINING PROGRAM (NOTES 1 AND 2)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
LEVEL ONE: Self-Paced Online Modules with topics to include: 1) Hotel Buyers Process 2) Guest Segmentation 3) Research Tools 4) The Booking Process 5) Key Buying Criteria 6) Market Segmentation and Tracking 7) Front Desk Sales 8) Responsive Sales	3	None	Any location with internet access or at an open and operating Choice branded hotel
LEVEL TWO: Live Online Virtual Workshops and Related Activities with topics to include: 1) The Sales Process 2) The Buying Process 3) Sales Resources 4) Practical Applications	12	None	Any location with internet access or at an open and operating Choice branded hotel
TOTAL	15	0	

Note 1: The Sales Certification program is optional and is designed to help hoteliers sharpen their sales skills by building a knowledge foundation then live interaction and skill practice. The fee for Levels 1 and 2 will not exceed $500.

Note 2: Instructors for the Sales Certification includes Choice University Learning Facilitators and Franchise Services Area Directors. Each instructor has a minimum of 10 years of hotel operations, sales, and training experience. All instructional materials are included in any training fee, including participant guides, case studies, and presentations.

*   *   *

In addition, we will provide Re-Licensed Hotel Training, as described below:

REMOTE RE-LICENSED HOTEL TRAINING

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
One-on-one training with the General Manager on choiceADVANTAGE and ChoiceCentral. Subjects include: ChoiceU, RSS, e-brochure, choiceADVANTAGE hotel configuration, rates management, direct bill and company profiles, housekeeping functionality, night audit procedures and additional resources.	3	None	Any location with internet access
TOTAL	3	0	

When a Choice branded hotel changes owners and the new owners sign a membership agreement with Choice (known as a "re-licensing"), the hotel is required to attend a customized virtual training session. This session is delivered remotely via webinar by a Choice University Learning Facilitator. The fee for this training is $500.

ONSITE RE-LICENSED HOTEL TRAINING

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Day one – Learning Facilitator arrives. One-on-one training with General Manager on choiceADVANTAGE and ChoiceCentral. Subjects include: ChoiceU, RSS, e-brochure, choiceADVANTAGE hotel configuration, rates management, direct bill and company profiles, housekeeping functionality, night audit procedures and additional resources.	None	8	Your Hotel
Day two – One-on-one training with General Manager on choiceADVANTAGE and ChoiceCentral. Subjects include: ChoiceU, RSS, e-brochure, choiceADVANTAGE hotel configuration, rates management, direct bill and company profiles, housekeeping functionality, night audit procedures and additional resources.	None	8	Your Hotel
TOTAL	0	16	

When a re-licensing occurs, and the new franchisees prefer to have a member of Choice University come onsite to the hotel, an onsite option is available. In this onsite training, a member of Choice University will spend 2 days at the hotel working directly with the new owner and General Manager. The fee for this onsite training is $2,600.

Instructional materials for the Re-licensed Hotel Training include a participant guide and a choiceADVANTAGE Quick Reference Guide. The training materials have been developed and produced by Choice University Learning Facilitators with an average experience of 10 plus years.

* * *

We also provide choiceADVANTAGE training, as described below:

choiceADVANTAGE SYSTEMS TRAINING (Notes 1, 2, 3, and 4)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-SITE TRAINING	LOCATION
Day one – Learning Facilitator arrives, checks equipment and sets up the training room.	None	None	Your Hotel
Day two – Training with General Manager on choiceADVANTAGE and ChoiceCentral. Subjects include rates and inventory, user admin, invoice review, accounts receivables, and resources available.	None	4-6	Your Hotel
Day three – Training with Front Desk Staff on the use of Choice's proprietary software systems. Subjects include reservations management, check-ins and basic functions of choiceADVANTAGE and ChoiceCentral.	8-12	None	Your Hotel
Day four – Additional training on Choice's systems. Subjects include check-outs, folio management, night audit, emergency procedures and groups.	2-4	3-4	Your Hotel
Day five – Conversion Day. Learning Facilitator assists the General Manager and front desk staff with transferring guest information to the new system, including reservations, balances, accounts receivables and groups. Learning Facilitator will also complete General Manager training on Mandatory Rates Center Certification.	None	4-8	Your Hotel
Day six – Live on-site support for choiceADVANTAGE. System interfaces are set up. Learning Facilitator also reviews additional system functionality.	None	4-8	Your Hotel
Day seven – Learning Facilitator departs.	None	None	Your Hotel
TOTAL	10-16	15-26	

Note 1: choiceADVANTAGE training is mandatory for all General Managers, assistant General Managers, front office managers and all front desk staff and must be completed to our satisfaction.

The training is held at your hotel preferably in a meeting room and required to have High Speed Internet Access.

Note 2: choiceADVANTAGE systems training is conducted by members of Choice University with average experience of 10 plus years. Instructional materials for the training include a participant guide and reproducible forms.

Note 3: The hotel is required to provide one free hotel room per Learning Facilitator per night for the on-site training outlined above. In the event you are unable to accommodate the Learning Facilitator to stay at your property for reasons of safety, occupancy permits, or other reasons, you are responsible for reimbursing the costs and expense of the Learning Facilitator’s stay at a comparable neighboring hotel selected by Choice.

Note 4: choiceADVANTAGE training modules must be completed at ChoiceU.com by the General Manager and at least one front desk agent prior to the Learning Facilitator arriving at the hotel.

Attendance at choiceADVANTAGE systems training sessions is open to and encouraged for other members of your staff. The fee for choiceADVANTAGE training and project management is $8,000. There will be a rescheduling fee of $2,100 if you need to reschedule within 14 days of the Learning Facilitator travel date or if training is not completed and a Learning Facilitator needs to be rescheduled to complete the training program due to your postponement or circumstances that are within your control that have led to a cancellation. Each additional reschedule will result in a $500 rescheduling fee. You may reschedule the training without paying an additional fee by providing written notice of your need to postpone the training program to your Implementation Services Representative at least 14 days prior to the Learning Facilitator travel date.

Any supplemental or replacement General Manager must also complete the program, preferably before assuming his or her duties, but no later than 30 days after doing so.

* * *

We may provide Ascend Onboard training, as described below:

ASCEND ONBOARD TRAINING

We may require all owners and/or General Managers to attend, participate and successfully complete, to our satisfaction, an upscale onboarding program (“Ascend Onboard”). Ascend Onboard may cover various topics, such as, distribution, sales, opening services, operational support, brand immersion and Choice Privileges. Ascend Onboard classes are held periodically at our headquarters in Rockville, Maryland. Owners and/or General Managers may be required to successfully complete up to 16 hours of classroom training. Instructors for Ascend Onboard include facilitators, brand managers, members of our architectural design team, marketing staff and members of the Choice University Department. Ascend Onboard instructors’ have at least 3 years of experience. You will be responsible for all costs associated with Ascend Onboard. The subject matter, time required, location and costs associated with Ascend Onboard are subject to change from time to time.

* * *

You will also participate in the Educational Resources Program, which provides training on various topics through our online learning management system. The cost of the Educational Resources Program is $500 annually plus any applicable state tax.

Additional training may be required based on individual hotel needs. We reserve the right to charge you a tuition fee for these additional training programs as established by us from time to time. You also will be required to pay all travel, living and other expenses incurred by your employees while attending any required additional training programs.

We also offer many optional training programs throughout the year, including the regional workshops. In these educational workshops, you and your staff can gain valuable knowledge on a wide variety of topics designed to help your hotel become more effective and efficient.

Any training provided by us to any of your employees will be limited to training or guiding the employees regarding the delivery of approved services to guests in a manner that reflects the brand standards of the System. You are, and will remain, the sole employer of your employees during all training programs, and you are solely responsible for all employment decisions and actions related to your employees. It is your obligation to ensure that your employees receive adequate training.

POST-OPENING ASSISTANCE. During the operation of the hotel in the Choice franchise system, we will provide the following services:

QUALITY ASSURANCE

We may administer a mystery shopper program or quality assurance review that may include periodic visits to your hotel (by us or authorized third parties) and/or guest satisfaction surveys to evaluate your compliance with your membership agreement and the Rules and Regulations. If necessary, we will advise you of changes that you must make to the hotel or its operations to comply with the membership agreement and/or the Rules and Regulations (Membership Agreement, Terms and Conditions, Section 4(b)).

MARKETING AND RESERVATIONS

We will provide an advance reservation system for your hotel and other Choice branded or member hotels using the System Fee that you will pay each month during the term of your membership agreement.

ASCEND members must participate in and honor the terms of any loyalty, discount or promotional program and pay any fees associated with such program (Membership Agreement, Terms and Conditions, Section 5(i)). Members will be required to offer one (1) complimentary room night for every ten (10) rooms at the hotel (with a maximum of fifty (50) room nights per year) for visits by Choice staff and for sales, marketing and other promotional activities.

We will provide national, international and regional advertising, promotion, publicity, marketing research, system programs and related programs for the benefit of the entire Choice franchise system as we reasonably determine, using the System Fee. Marketing and advertising for the Choice franchise system is primarily disseminated via media such as direct sales efforts, digital media, trade publications, directories and other collateral materials. National advertising and promotion agencies are primarily used to create and place advertisements with the participation and supervision of our in-house marketing department. Funding for the advertising program comes from the System Fee that each Choice Hotels franchisee or member pays each month during the term of their franchise or membership agreement. We do not use any of the System Fee to solicit new franchisees or members. See Item 6 for a description of the System Fee.

You must display at your hotel an ASCEND plaque at the front entrance to the hotel. If the ASCEND plaque does not conform to the hotel's décor, we may approve a custom sign.

ASCEND hotels that elect to use an ASCEND trademark on hotel-related brochures, letterheads, business cards, in-room stationery, promotional literature, advertising, press releases, websites and other significant promotional items that may be viewed by existing and potential clients must use the ASCEND trademarks in conformity with membership standards, including proper trademark usage.

ASCEND members must also display ASCEND airline code (GDS code) on all promotional literature that is intended for use in the travel trade.

Currently, the Choice Hotels Owners Council, the Econo Lodge Franchise Association and the Rodeway Owners' Association administer 13 voluntary regional marketing cooperatives ("Marketing Cooperatives"), which we support. Each Marketing Cooperative establishes an annual fee for participating hotels, and we also provide funding. The participating hotels in a Marketing Cooperative, along with the assistance of a Choice representative, create an annual budget and an annual marketing plan. As of the date of this disclosure document, participation in the Marketing Cooperatives is voluntary, and you may opt out on an annual basis. However, we may require participation in the Marketing Cooperatives in the future and we have the right to audit the Marketing Cooperatives program at any time.

You may conduct your own local marketing program provided that all materials comply with brand standards, including proper trademark usage, and are approved in writing by us, typically within 30 days after you submit your materials to us for review. The SmartMarketing program provides marketing and promotional materials that help you promote your hotel professionally and within brand standards. The fee for customizing some materials (for example, business cards and sales flyers) ranges from $15 to $45, but members of a Marketing Cooperative will not be charged any fee for using the website. We are not required to use any portion of the System Fee for advertising in your area.

Any website created for your hotel must follow the Choice Property Website Guidelines, Internet Distribution Policy and Domain Name Policy. We retain the right to pre-approve your hotel's website design and use of linking between your internet web pages (or other networks) and all other websites. All websites that are accessed from a domain name that uses one of more of the Choice Marks must conform to the Choice Hotels Property Website Guidelines and Internet Distribution Policy and cannot contain, or link to other web pages that contain, logos or information on non-Choice brand hotels. We have the right to determine the content and use of online or electronic media associated with any of the Choice Marks. You may not participate in any website or other electronic media (including social media) that markets goods and services under the Choice Marks unless it is first approved in writing by us. Your general conduct on the internet or other electronic media, including your use of the Choice Marks or any advertising is subject to the terms and conditions of the membership agreement and any other rules, requirements or policies that we may identify from time to time.

We administer the allocation of the System Fee, although recommendations by our franchisee associations with respect to our marketing and reservation efforts are considered. Audited financial statements of the System Fee aggregated into one fund and used for marketing and reservation purposes are prepared each year and provided to the associations. They are provided to you upon request. Any unspent System Fees remaining at the end of the fiscal year generally are carried over for use in the following year unless there is a deficit from a preceding year. In that case, the monies will be applied to pay down the deficit and any remaining funds will be carried over. We pay administrative costs to provide the goods and services described above using a portion of the System Fee. Our internal costs associated with marketing the goods and services of our franchise system are reflected in the percentages below, including our media (broadcast and digital), creative, supplies and graphics. In calendar year 2017, approximately 9.6% of all System Fees collected from the Choice franchise system was spent on media and other advertising, 29.6% on the Choice Privileges Loyalty Program, which includes national advertising (broadcast and digital), 45.4% on marketing and distribution (for example, reservations services, global sales, eCommerce, publicity, research & analytics) and 15.3% on general and administrative expenses, including the salaries of applicable personnel.

COMPUTER HARDWARE AND SOFTWARE

You will be required to purchase and install a dedicated, wired, business grade High Speed Internet Access solution at the front desk for access to choiceADVANTAGE, to electronically update your hotel's information in our advance reservations system; to receive reservations from our advance reservations system; to collect data on reservations made by travel agents; to collect daily revenue and occupancy figures; and to manage your front desk operations.

The costs and fees for purchasing a license to use the choiceADVANTAGE system include:

choiceADVANTAGE Software License and Administrative Fee -- $2,350-$4,350 (payable to us)

choiceADVANTAGE Systems Training and Project Management Fee -- $8,000 (payable to us)

choiceADVANTAGE Software Interface Implementation Fee (optional) -- $1,500 (payable to us)

choiceADVANTAGE Credit Card Interface Implementation Fee -- $400 (payable to us)

choiceADVANTAGE Database Clean Up Fee -- $500 (payable to us)

Dell hardware -- $2,000-5,000 depending on the configuration (payable to Insight)

We will also provide the following:

- Ongoing remote support relating to maintenance of the choiceADVANTAGE software, 24 hours a day, 7 days a week.
- Enhancements or updates to the choiceADVANTAGE software with training bulletins.
- Online training on ChoiceU.com relating to the use of the choiceADVANTAGE software.
- The choiceADVANTAGE software.

You are required to purchase the mandatory Dell hardware package through our preferred hardware vendor, Insight. Your Dell hardware will be subject to Dell's warranty and support provisions. The cost of the computer hardware listed above does not include the cost of any peripheral items such as credit card processing machines, printers, or other network needs unique to your hotel.

You are required to install the choiceADVANTAGE Remote Security feature at your property. With this feature, you will control permissions and user access to choiceADVANTAGE. This enhancement is mandatory and is included in the monthly choiceADVANTAGE Support fee.

You will be required to refresh the choiceADVANTAGE system with Dell hardware and required peripherals in order to comply with specifications mandated by us. Dell hardware and required peripherals should be refreshed every 48 months or upon expiration of your hardware warranty. We estimate that the cost to refresh and install new Dell hardware and peripherals will be between $2,000 and $5,000 depending on the configuration at your hotel (number of workstations, printers, etc.). However, there is no limit on the frequency or cost of this obligation.

We will have independent access to the information that will be generated by the choiceADVANTAGE property management system and will use the information and data to identify trends, as well as to perform statistical analysis for improvement of the membership standards, as well as the overall Choice franchise system.

We require chip enabled credit card acceptance (EMV) hardware for use in your hotel. We estimate the cost of each device to be approximately $750. Fees may vary based on the number of devices required for your hotel. We also require EMV software for use in your hotel. The required EMV software for processing credit card payments through choiceADVANTAGE property management system is only available from Shift4, a Nevada corporation, with a business address at 1491 Center Crossing Road, Las Vegas, Nevada 89144. You will make payments directly to Shift4. Shift4 is a Qualified Vendor. See Item 8.

CHANGE IN SLEEPING ROOM COUNT

We will review and, where appropriate, approve requests to add or remove guest rooms to your hotel after receipt of your room count change fee (if applicable) and construction plans (Membership Agreement, Terms and Conditions, Section 8).

ITEM 12

TERRITORY

We grant memberships for specific sites only. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, we may, depending on local market conditions or other factors such as your prior history with us (if any) and number of hotels franchised by us, grant territories in which no other hotel of the same brand will be franchised or operated, for a period of time that we determine. Preferred regions and exclusive territories, if any, are determined by us. Our grant of a preferred region or exclusive territory can be terminated by us if you default under your membership agreement, including failing to maintain quality standards or failing to pay fees due on a timely basis.

We expressly reserve the right to grant franchises and memberships or open company owned hotels at any location under any brand name or membership other than the location specified in your membership agreement. We may open company-owned hotels under any brand and offer hotel franchises or memberships for upscale, mid-priced and budget hotels under any of the Choice Marks.

If you wish to relocate or establish additional facilities, you must follow our usual application procedures and sign additional membership agreements. Customarily, we do not grant to members options, rights of first refusal or similar rights to acquire additional sites.

We may take reservations for rooms through any method of distribution, including sales through such channels of distribution as the internet, catalog sales, telemarketing, or other direct marketing sales ("Alternative Distribution Channels"). You will receive no compensation for our sales through Alternative Distribution Channels, unless we make a reservation on your behalf.

You may solicit or accept reservations from customers at any location (including outside your territory, if applicable). You may use Alternative Distribution Channels to make sales if you comply with all of our standards, including any approval process that we may require (see Item 11). We, our affiliates, franchisees and members can use Alternative Distribution Channels to make sales anywhere (including within your territory, if applicable) of products or services under trademarks different from the trademarks that you are permitted to use under your membership agreement. See Item 1 for additional information on other Choice brands.

We have implemented a Fair Franchising Policy (attached as Exhibit L) that sets general guidelines on how Choice will maintain the overall Choice franchise system of brands and memberships, including principles for informal resolution of disputes between Choice and our franchisees and members. The Fair Franchising Policy is an internal policy, not a contractual obligation and can be changed or revoked by Choice in our sole discretion and at any time on reasonable notice. The Incremental Impact Policy, which is referenced in the Fair Franchising Policy, does not apply to ASCEND hotels.

As noted in Item 1, we currently grant franchises for hotels operated under the following brands or extensions of these brands: ASCEND, CAMBRIA, CLARION, COMFORT INN, COMFORT SUITES, ECONO LODGE, MAINSTAY SUITES, QUALITY, RODEWAY, SLEEP INN, SUBURBAN and WOODSPRING SUITES. We have the right to operate and franchise these hotels at any location in accordance with the terms of your membership agreement and you may compete with any of our brands in the operation of your hotel. We also have the right to operate or franchise a hotel or other business under a different trademark. We do not maintain physically separate offices or training facilities for the other Choice brands that may compete with your hotel.

ITEM 13

TRADEMARKS

You will receive in the membership agreement a limited license and obligation to use one or more of the trademarks and trade names identified below together with the related logo(s), including designs, stylized letters and colors that we permit you to use at your hotel and in advertising for your hotel, and any other additional or substituted trademarks, trade names, service marks or logos that we later adopt and authorize you in writing to use.

We own and license to you some of the following service marks and trademarks registered on the Principal Register with the U.S. Patent and Trademark Office that correspond to the membership you may be granted to use in your membership agreement:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
ASCEND	4275921	15-Jan-2013
ASCEND HOTEL COLLECTION	3577603	17-Feb-2009
ASCEND HOTEL COLLECTION & Design	3647257	30-Jun-2009
ASCEND RESORT COLLECTION	4467665	14-Jan-2014
ASCEND (simplified logo)	5334550	14-Nov-2017

We have filed all required affidavits and renewals in connection with these trademarks.

You must follow the policies and rules we establish from time to time governing your use of the trademarks that your membership agreement permits you to use. "Choice Marks" means collectively all of our trademarks or trade names, the trademarks and trade names ASCEND®, CAMBRIA®, CLARION®, COMFORT INN®, COMFORT SUITES®, ECONO LODGE®, MAINSTAY SUITES®, QUALITY®, RODEWAY INN®, SLEEP INN®, SUBURBAN®, WOODSPRING SUITES®, the names of our property management system, reservation system, guest loyalty program and any other additional or substituted trademarks, trade names, service marks or logos. You cannot use any Choice Marks or anything similar to these words in your name or the name of any of your affiliates, whether a partnership, corporation, limited liability company, joint venture or any other type of business organization. You may not establish a website on the internet using the Choice Marks, or anything similar to the aforementioned words that does not comply with our Domain Name Policy, Internet Distribution Policy or our Property Website Guidelines (or such similar policies or regulations adopted by us from time to time). We retain the right to pre-approve your use of linking and framing between your internet web pages (or other network) and all other websites. All websites that are accessed from a domain name that uses a Choice Mark must conform to the Choice Hotels Property Website Guidelines and Internet Distribution Policy and cannot contain, or link to other web pages that contain, logos or information relating to non-Choice branded hotels. We have the right to determine the content and use of online or electronic media associated with any of the Choice Marks. You may not participate in any website or other electronic media (including social media) that markets goods and services under the Choice Marks unless it is first approved in writing by us.

If you are required by law to register any of the Choice Marks, your trademark application must specify that you use the Choice Marks: (1) only at your hotel and in advertising for your hotel; (2) only during the term of your membership agreement; and (3) without claiming any property right in the Choice Marks during or after the term of your membership agreement.

There are no effective material determinations by the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court; pending infringement, opposition or cancellation proceedings; or pending material litigation involving the Choice Marks that your membership agreement permits you to use.

We have no agreements currently in effect that significantly limit our rights to use or license our use of the Choice Marks. We do not know of any superior prior rights or material infringing uses of the Choice Marks that could materially and adversely affect your permitted use of the Choice Marks in any state.

You will not interfere with our use or registration of any of the Choice Marks, or with use of the Choice Marks by other hotels. You have no right to sublicense anyone else to use any Choice Marks and you have no right to use them for any purpose other than as permitted in connection with your hotel.

You must promptly notify us of any suit filed or demand made against you challenging the validity of any of the Choice Marks ("Mark Claim"). Using our attorneys, we agree to protect and defend you against a Mark Claim, and to defend and indemnify you against your loss, cost or expense related to the Mark Claim, except where the Mark Claim arose because you used the Choice Marks in violation of your membership agreement. You may not settle or compromise a Mark Claim without our prior written consent, and you agree to cooperate with us in defending against any Mark Claim.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We have no patents or copyright registrations or pending patent or copyright applications that are material to the franchise. However, we claim copyrights on certain forms, advertisements, promotional materials, our proprietary software, our rules and regulations and other written materials. We also claim copyrights and other proprietary rights in the Rules and Regulations and the Choice Marks. There are no agreements currently in effect that significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the U.S. Patent and Trademark Office, the U.S. Copyright Office (Library of Congress), or any court pertaining to or affecting any of our copyrights discussed above. As of the date of this disclosure document, we are unaware of any infringing uses of, or superior rights to, any of our copyrights that materially and adversely affect your use of them in any state.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Trademarks described in Item 13 of this disclosure document.

Proprietary Information

Except as provided in your membership agreement, the Rules and Regulations, or as otherwise authorized by us, you may never – during the term of your membership agreement or after your membership agreement expires or is terminated – reveal any of our proprietary information to another person or use it for any other purpose or business. You may not copy any of our proprietary information or give it to a third party except as we authorize in writing prior to any such transfer.

Our proprietary information includes any manuals, automated advance reservation and property management methods, our ecommerce offerings, any other automated systems techniques, our business referral, gift card and credit card agreements, your membership agreement, the Rules and Regulations, and those identifying brand or membership characteristics of the Choice franchise system as we may reasonably designate. In addition, you are required to restrict your General Managers, Office Managers, Directors of Sales, and any third party property management company from revealing any of our proprietary information to another person or using it for any other person or business. This includes requiring your General Manager, Office Mangers, Director of Sales, and any third party property management company to maintain Choice's trade secrets and proprietary information in confidence and to protect against such information being copied or given to a third party except as we authorize.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We do not require you to personally participate in the direct operation of the franchised hotel nor do we make any recommendation regarding your personal participation in the direct operation of the franchise business. However, you must have a certified General Manager at your hotel. We provide Choice Hotels Certified General Manager training under the Hospitality Operations Success Training ("HOST") and each new or replacement General Manager must be certified. A General Manager can waive certification if he or she has at least 3 years' experience operating an upscale Choice brand such as CAMBRIA SUITES or a member hotel and has received a passing score on HOST testing; or if he or she has earned a CHA or CLM designation from the American Hotel & Lodging Educational Institute; or if you will be the General Manager for your hotel and you have a CHO designation from the Asian American Hotel Owners Association. A General Manager is not required to hold any ownership interest in the hotel in order to operate the franchise business.

If your hotel does not meet certain performance metrics, we may require that you contract with a hotel management company that is pre-approved by us to operate your hotel.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Goods or services that you offer at your hotel must be consistent with high moral and ethical principles. You must offer accommodations and accompanying goods and services that comply with our Rules and Regulations and applicable local, state, and federal law. We may, periodically, modify the Rules and Regulations to require you to provide additional services or amenities to your guests. See Item 8 for additional information.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

These tables list certain important provisions of the membership and related agreements. You should read these provisions in the agreements attached to this disclosure document.

MEMBERSHIP AGREEMENT

PROVISION	SECTION IN MEMBERSHIP AGREEMENT	SUMMARY
a. Length of the membership term	Section 4	Term is 10 years from the Opening Date, subject to (f) below. If you are entering into a replacement franchise agreement for your existing Ascend brand hotel, we have the discretion to offer you a term of less than 10 years.
b. Renewal or extension of the term	Not Applicable	No provision for renewal after the 10 year term expires.
c. Requirements for you to renew or extend	Not Applicable	
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Terms and Conditions, Sections 10(a) and (b)	We may terminate if you are in default and fail to cure within the applicable time period.
g. "Cause" defined – curable defaults	Terms and Conditions, Section 10(a)	You have 10 days to cure non-payment of fees and non-submission of reports and 30 days to cure any other breach of your obligations under the membership agreement.

PROVISION	SECTION IN MEMBERSHIP AGREEMENT	SUMMARY
h. "Cause" defined – non-curable defaults	Terms and Conditions, Section 10(b)	Non-curable defaults: threat of danger due to condition of hotel; abandonment; loss of possession; criminal behavior; unauthorized transfer; knowingly false statements on application, submission of false reports or maintenance of false books and records; failure to open hotel; becoming insolvent or making a general assignment for the benefit of creditors; failure to maintain the required insurance coverage; we send you 2 notices of default for the same or similar cause in any consecutive 12 month-period, whether or not cured; failure to begin construction or renovation of the hotel on or before the required date or failure to begin or complete construction or renovation of the hotel on or before the required dates; failure to complete required property improvements by their deadlines; engaging in conduct that damaged our brand; unauthorized disclosure of confidential information; or breach of another agreement with us or our affiliates, or relating to the possession of the hotel.
i. Your obligations upon termination/non-renewal	Terms and Conditions, Sections 10(d) and 11	Obligations include complete de-identification; payment of all fees due; cancellation of any assumed name filing containing any Choice Marks; return of all materials we provided for the operation of the hotel and payment of any damages as a result of enforcing Section 10 or 11 of the membership agreement.
j. Assignment of contract by us	Terms and Conditions, Section 9	No restrictions on our right to assign.
k. "Transfer" by you- defined	Terms and Conditions, Section 9	Includes sale, assignment, lease, or other encumberment of the membership agreement, the hotel, or ownership change.
l. Our approval of transfer by you	Terms and Conditions, Section 9	We must approve all transfers of more than 5% of the ownership interest in the hotel with certain exceptions.
m. Conditions for our approval of transfer	Terms and Conditions, Section 9	You and the transferee must comply with all reasonable conditions we require, including the transferee signing the then-current form of membership agreement and paying the then-current affiliation fee.
n. Our right of first refusal to acquire your business	Not Applicable	
o. Our option to purchase your business	Not Applicable	
p. Your death or disability	Not Applicable	
q. Non-competition covenants during the term of the franchise	Not Applicable	

PROVISION	SECTION IN MEMBERSHIP AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	
s. Modification of the agreement	Terms and Conditions, Section 20(h)	The membership agreement may only be modified in writing and signed by both parties.
t. Integration/merger clause	Terms and Conditions, Section 20(k)	Only the terms of the membership agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Terms and Conditions, Section 21	Except for certain claims, all disputes must be arbitrated.
v. Choice of forum	Terms and Conditions, Section 21	Arbitration must be in Maryland (subject to state law). See Exhibit D, Addenda to the Membership Agreement.
w. Choice of law	Terms and Conditions, Section 20(a)	Maryland law applies (subject to state law). See Exhibit D, Addenda to the membership agreement.
x. Other – Liquidated Damages	Terms and Conditions, Sections 10(d) and 11(a)	If we terminate the membership agreement due to your default, or if you use our trademarks after the membership agreement is terminated, you may be subject to liquidated damages.

choiceADVANTAGE® SOFTWARE TERMS OF USE

PROVISION	SECTION IN choiceADVANTAGE SOFTWARE TERMS OF USE	SUMMARY
a. Length of the agreement term	TERMINATION	The Terms of Use will begin when you accept the terms and will terminate if the membership agreement terminates or expires, if you are in default of the Terms of Use or if you fail to make payments for the use of the software.
b. Renewal or extension of the term	Not Applicable	
c. Requirements for you to renew or extend	Not Applicable	
d. Termination by you	Not Applicable	
e. Termination by us without cause	TERMINATION	Upon expiration of the membership agreement.
f. Termination by us with "cause"	TERMINATION	We may terminate if you are in default.

PROVISION	SECTION IN choiceADVANTAGE SOFTWARE TERMS OF USE	SUMMARY
g. "Cause" defined – curable defaults	Not Applicable	
h. "Cause" defined – defaults that cannot be cured	TERMINATION	Non-curable defaults: breach of any provision in the Terms of Use; failure to make payments for use of the software; termination of the membership agreement.
i. Your obligations upon termination/non-renewal	Not Applicable	
j. Assignment of contract by us	Not Applicable	
k. "Transfer" by you – defined	SOFTWARE USE AND SITE ACCESS; GENERAL	You may not transfer or assign the software, your right to access the site, or any rights under the Terms of Use.
l. Our approval of transfer	SOFTWARE USE AND SITE ACCESS; GENERAL	You may not assign without Choice's written permission to do so.
m. Conditions for our approval of transfer	Not Applicable	
n. Our right of first refusal to acquire your business	Not Applicable	
o. Our option to purchase your business	Not Applicable	
p. Your death or disability	Not Applicable	
q. Non-competition covenants during the term of the franchise	Not Applicable	
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	
s. Modification of the agreement	PREAMBLE	We may modify, add or remove any terms and conditions without notice or liability to you. You accept and agree to any modifications, additions, or removals by your subsequent use of the software.
t. Integration/merger clause	ENTIRE AGREEMENT	Only the terms of the Terms of Use and the membership agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable	

PROVISION	SECTION IN choiceADVANTAGE SOFTWARE TERMS OF USE	SUMMARY
v. Choice of forum	Not Applicable	
w. Choice of law	GOVERNING LAW	Maryland law applies except the Maryland Uniform Computer Information Transactions Act, which is expressly disclaimed.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our membership.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Table 1: 2017 Average Occupancy Rate, Average Daily Rate, RevPAR and Total Choice Contribution for ASCEND hotels in the Performance Sample (Notes 1, 2 and 3)

	For Year Ended December 31, 2017
Average Occupancy Rate	68.6%
Average Daily Rate	$129.16
Revenue per Available Room ("RevPAR")	$88.66
Total Choice Proprietary Contribution	41.6%

As of December 31, 2017, there were 157 open and operating ASCEND hotels in the United States. Of these 157 hotels, all were franchised ASCEND hotels and 58 were ASCEND hotels that met the definition of the Performance Sample. The data presented in the above table are based on the 58 hotels in the Performance Sample. For the 58 hotels that were included in the sample, 28 hotels or 48.3% met or exceeded the Average Occupancy Rate; 36 hotels or 62.1% met or exceeded the Average Daily Rate; 26 hotels or 44.8% met or exceeded the average RevPAR, and 41 hotels or 70.7% met or exceeded the Total Choice Proprietary Contribution presented. For the 58 hotels in the Performance Sample, the median Average Occupancy Rate equaled 67.6%; the median Average Daily Rate equaled $139.68; the median RevPAR equaled $81.50; and the median Total Choice Proprietary Contribution equaled 48.4%.

Table 2: 2017 Net Reservations Contribution and CRS Average Daily Rate for ASCEND hotels in the Performance Sample (Notes 1, 2 and 3)

	For Year Ended December 31, 2017
Net Reservations Contribution	60.2%
CRS Average Daily Rate	$147.66

For the one-year period ending December 31, 2017, reservations generated through the CRS distribution sources presented in the above table represented an average of 60.2% of gross room revenue at an Average Daily Rate of $147.66 for the 58 ASCEND hotels that met the definition of the Performance Sample. For the hotels that were included in the sample, 32 hotels or 55.2% met or exceeded the Net Reservations Contribution presented in the table above, and 25 hotels or 43.1% met or exceeded the CRS Average Daily Rate presented in the table above. For the 58 hotels in the Performance Sample, the median Net Reservations Contribution equaled 62.2%; and the median CRS Average Daily Rate equaled $141.53.

Note 1: "Performance Sample" means all ASCEND branded hotels that were open and operating as of December 31, 2017, and that were franchised by Choice and operating as ASCEND, on or after January 1, 2016, excluding hotels that: (1) had reservations suspended by Choice of more than 30 consecutive days during the period beginning January 1, 2016 and ending December 31, 2017; (2) experienced an interruption in operations (for example, due to renovation, natural disaster, etc.) of more than 30 consecutive days during the period beginning January 1, 2016 and ending December 31, 2017; (3) had no hotel room inventory changes resulting in greater than 10% fluctuation of annual available room nights during the period beginning January 1, 2017 and ending December 31, 2017; and/or (4) repositioned from another Choice brand to the ASCEND brand since January 1, 2017.

Note 2: From April 1, 2005 through April 30, 2008, we offered franchises under the name CLARION COLLECTION. We began the similar offering called ASCEND in 2008 and we no longer offer CLARION COLLECTION franchises. As of December 31, 2017, there were 3 CLARION COLLECTION memberships that had not converted to ASCEND. Financial performance data for these 3 CLARION COLLECTION memberships have not been included in the preceding tables.

Note 3: We used the following definitions in the preceding tables: "Average Occupancy Rate" is the average of each hotel's occupied rooms reported for each hotel divided by its total number of available rooms. "Average Daily Rate" is the average of each hotel's gross room revenue reported divided by its total number of occupied rooms reported. "RevPAR" is the average of each hotel's gross room revenues reported divided by its number of available rooms. "Total Choice Proprietary Contribution" is the average of each hotel's revenue generated through the CRS (excluding online travel agent bookings) and non-CRS marketing channels, including members of our Choice Privileges and affiliated guest loyalty programs that booked directly with Choice Hotels branded properties as well as reservation revenue from wholesale group accounts and global sales accounts, excluding cancelled reservations, divided by that hotel's gross room revenues. "Net Reservations Contribution" is the average of each hotel's revenue generated through the CRS, excluding cancelled reservations, divided by that hotel's gross room revenues. "CRS Average Daily Rate" is the Average Daily Rate for reservations generated through the CRS, excluding cancelled reservations.

* * *

The financial performance representations in Tables 1 and 2 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your hotel. Members or former members, listed in this disclosure document, may be one source of this information.

The data presented in Tables 1 2 above relate to historical performance of franchised ASCEND hotels in the United States and represent average performance of ASCEND hotels in a specific performance sample. We do not claim that you can expect to achieve the same results. Actual results vary from hotel to hotel and depend on the specific size, location, and seasonality of your hotel, and on factors such as your real estate and construction costs, financing terms and arrangements, the length of time that your hotel has been open and operating, the efficiency with which you operate your hotel, and the competitive factors affecting demand for your hotel. In addition, this is an offering of a new concept under a different name. We cannot, therefore, estimate the results of any particular location. Typically, a new hotel requires at least two years of operating experience to reach a stabilized performance, and new franchisees should not expect the same results as the data presented in Tables 1 and 2 above.

Some franchised ASCEND hotels have earned the results indicated above. Your individual results may differ. There is no assurance that you'll earn as much.

The data presented in Tables 1 2 are based on information that individual members provided to us and verified as accurate. We have not audited or otherwise verified the accuracy of the information that the members provided to us. Written substantiation of the financial information that forms the bases for our financial performance representations will be made available to you within a reasonable period of time following receipt of your written request.

Except as stated in this Item 19, we do not furnish to you or authorize our salespersons to furnish to you any oral or written information or representation on the actual or potential sales, income or profits of any ASCEND hotel membership.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
ASCEND HOTEL COLLECTION and ASCEND RESORT COLLECTION
System-wide Outlet Summary
For Years 2015 to 2017

Outlet Type	Year	Outlets at Start of the Year	Outlets at End of the Year)	Net Change
Franchised	2015	105	107	+2
	2016	107	121	+14
	2017	121	157	+36
Company Owned	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Total Outlets	2015	105	107	+2
	2016	107	121	+14
	2017	121	157	+36

Table No. 2
Transfers of ASCEND HOTEL COLLECTION and ASCEND RESORT COLLECTION Outlets from Franchisees to New Owners
(Other than Choice)
For Years 2015 to 2017

State	Year	Number of Transfers
Arizona	2015	1
	2016	0
	2017	1
Arkansas	2015	1
	2016	0
	2017	1
California	2015	0
	2016	1
	2017	0
Connecticut	2015	1

State	Year	Number of Transfers
	2016	0
	2017	0
Florida	2015	0
	2016	2
	2017	1
Illinois	2015	0
	2016	1
	2017	0
New York	2015	1
	2016	1
	2017	0
Utah	2015	0
	2016	1
	2017	0
Total	2015	4
	2016	6
	2017	3

Table No. 3
Status of ASCEND HOTEL COLLECTION and ASCEND RESORT COLLECTION Franchised Outlets
For Years 2015 to 2017

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Choice	Ceased Operations – Other Reason	Outlets at End of the Year
Alabama	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	1	0
	2017	0	0	0	0	0	0	0
Arizona	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
Arkansas	2015	2	1	0	0	0	0	3
	2016	3	0	0	0	0	0	3

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Choice	Ceased Operations – Other Reason	Outlets at End of the Year
	2017	3	2	0	0	0	0	5
California	2015	10	2	0	0	0	1	11
	2016	11	2	0	0	0	1	12
	2017	12	10	0	0	0	0	22
Colorado	2015	2	1	0	0	0	0	3
	2016	3	1	0	0	0	0	4
	2017	4	1	0	0	0	1	4
Connecticut	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
Florida	2015	11	2	0	0	0	0	13
	2016	13	0	1	0	0	1	11
	2017	11	6	0	0	0	2	15
Georgia	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	1	0	0	0	0	3
Hawaii	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	1	0	0	0	0	2
Illinois	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	0	0	1	0	1	2
Kansas	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Louisiana	2015	6	0	1	0	0	0	5
	2016	5	0	0	0	0	0	5
	2017	5	2	1	1	0	0	5
Maine	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Maryland	2015	4	0	0	0	0	0	4

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Choice	Ceased Operations – Other Reason	Outlets at End of the Year
	2016	4	2	0	0	0	0	6
	2017	6	0	0	0	0	1	5
Massachusetts	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	2	0	0	0	0	5
Michigan	2015	2	0	0	0	0	0	2
	2016	2	2	0	0	0	0	4
	2017	4	0	0	0	0	0	4
Minnesota	2015	0	0	0	0	0	0	0
	2016	0	2	0	0	0	0	2
	2017	2	1	0	0	0	0	3
Mississippi	2015	2	0	0	0	0	1	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Missouri	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	3	0	0	0	0	5
Montana	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Nebraska	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Nevada	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
New Hampshire	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	1	0	0	0	0	4
New Jersey	2015	2	0	0	0	0	1	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Choice	Ceased Operations – Other Reason	Outlets at End of the Year
New Mexico	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
New York	2015	11	3	0	0	0	3	11
	2016	11	2	0	0	0	1	12
	2017	12	4	0	0	0	1	15
North Carolina	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	1	0	0	0	0	2
Ohio	2015	0	0	0	0	0	0	0
	2016	0	4	0	0	0	0	4
	2017	4	1	0	0	0	0	5
Oregon	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Pennsylvania	2015	7	0	1	0	0	0	6
	2016	6	0	0	0	0	0	6
	2017	6	2	0	0	0	0	8
Rhode Island	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
South Carolina	2015	3	1	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	5	0	0	0	0	9
South Dakota	2015	3	0	0	0	0	1	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	1	1
Tennessee	2015	2	0	0	0	0	0	2
	2016	2	1	0	0	0	0	3
	2017	3	1	0	0	0	0	4
Texas	2015	3	0	0	0	0	0	3
	2016	3	0	1	0	0	0	2

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Choice	Ceased Operations – Other Reason	Outlets at End of the Year
	2017	2	0	0	0	0	0	2
Utah	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Virginia	2015	5	2	2	0	0	0	5
	2016	5	2	0	0	0	0	7
	2017	7	0	0	0	0	0	7
Wisconsin	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	1	0	0	0	0	3
Wyoming	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	1	0
	2017	0	0	0	0	0	0	0
Total	2015	105	13	4	0	0	7	107
	2016	107	21	2	0	0	5	121
	2017	121	47	1	2	0	8	157

Table No. 4
Status of Company-Owned Outlets
For Years 2015 to 2017

State	Year	Outlets At Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Choice	Ceased Operations – Other Reason	Outlets at End of the Year
Total	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0

Table No. 5
Projected ASCEND HOTEL COLLECTION and ASCEND RESORT COLLECTION Openings as of December 31, 2017 (Note 1)

State	Membership Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in Fiscal Year 2018	Projected Company-Owned Outlets in 2018
Arizona	1	1	0
California	10	8	0
Colorado	2	2	0
Florida	3	3	0
Illinois	1	1	0
Indiana	1	1	0
Kansas	2	1	0
Louisiana	2	2	0
Massachusetts	1	1	0
Michigan	2	1	0
New Jersey	2	2	0
New York	10	6	0
North Carolina	3	3	0
Pennsylvania	4	3	0
Tennessee	1	1	0
Texas	2	1	0
Washington	1	1	0
West Virginia	1	1	0
Total	49	39	0

Note 1: Projected openings are based on management's current beliefs, assumptions and expectations, which in turn are based on information currently available to management. We caution you not to place undue reliance on these projections, which are made as of December 31, 2017. Projected openings are not a guarantee of future performance and involve uncertainties and other factors.

The number of members as of year-end may differ from that in the 2017 audited financial statements as the financial statements also include franchises and memberships in Puerto Rico, Dominican Republic, Turks & Caicos, the Cayman Islands and the Bahamas. The data provided for each table above is as of December 31st of each year presented.

The data provided for each table above are as of December 31st of each year presented.

Attached as Exhibit N is a list of the names, addresses and telephone numbers of all ASCEND members in the United States as of December 31, 2017.

Attached as Exhibit O is the name, last known address and telephone number of each ASCEND member in the United States who had a member hotel terminated, canceled or not renewed or who otherwise voluntarily or involuntarily ceased to do business under a membership agreement during the period January 1, 2017 to December 31, 2017 or have not communicated with Choice within 10 weeks before the issuance date of this disclosure document. If you buy this membership, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have signed confidentiality clauses with current and former members. In some instances, current and former members sign provisions restricting their ability to speak openly about their experience with Choice. You may wish to speak with current and former members, but be aware that not all such members will be able to communicate with you.

Exhibit M lists, to the extent known, the names, addresses, telephone numbers, e-mail addresses and Web addresses of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed.

ITEM 21

FINANCIAL STATEMENTS

Our audited consolidated financial statements for the years ended December 31, 2017, 2016 and 2015 are included in this disclosure document as Exhibit C.

ITEM 22

CONTRACTS

Attached as Exhibits D through J as well as Exhibit P to this disclosure document are copies of the agreements you may be required to sign or accept. These are the Membership Agreement, Personal Guaranty and State Addenda to the Membership Agreement, choiceADVANTAGE Software Terms of Use, Call Forwarding Terms of Use, Gift Card Enrollment Form, Promissory Note, Incentive Promissory Note, Lender Documents and Franchise Disclosure Questionnaire.

ITEM 23

RECEIPT

The last two pages of this disclosure document (Exhibit Q) are detachable receipt pages. Please sign and date each of them as of the date you received this disclosure document and return one copy to us.

EXHIBIT A

STATE SPECIFIC ADDENDA FOR THE FOLLOWING STATES:

CALIFORNIA
HAWAII
ILLINIOS
MARYLAND
MICHIGAN
MINNESOTA
NEW YORK
NORTH DAKOTA
RHODE ISLAND
VIRGINIA
WASHINGTON
WISCONSIN

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR CALIFORNIA

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions will supersede and apply to all franchises offered and sold in the State of California:

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

ITEM 3 LITIGATION

1. We, nor any person identified in Item 2, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78 a et seq., suspending or expelling these persons from membership in such association or exchange.

ITEM 6 OTHER FEES

1. The maximum interest rate in California is 10% annually

ITEM 10 FINANCING

1. We will comply with all appropriate laws governing any direct financing offered by us to you including, if applicable, the California Finance Lenders Law.
2. The maximum interest rate in California is 10% annually

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

3. The Franchise Agreement contains a provision requiring application of the laws of Maryland. This provision may not be enforceable under California law.

4. The Franchise Agreement requires venue to be limited to Maryland. This provision may not be enforceable under California law.

5. The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).

6. California Corporations Code, Section 31125 requires Choice Hotels International, Inc. to give you a disclosure document, approved by the Department of Corporations prior to a solicitation of a proposed material modification of an existing franchise.

7. The Franchise Agreement contains a liquidated damages clause. Under Civil Code, Section 1671 certain liquidated damages clauses are unenforceable.

8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

9. The Franchise Agreement requires binding arbitration. The arbitration will occur at our headquarters in Rockville, Maryland with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of a franchise agreement restricting venue to a forum outside the State of California.

10. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

1. The financial performance representations do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business, Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE HAWAII FRANCHISE INVESTMENT LAW

These franchises have been filed under the Franchise Investment law of the State of Hawaii. Filing does not constitute approval, recommendation or endorsement by the director of the Department of Commerce and Consumer Affairs or a finding by the director of the Department of Commerce and Consumer Affairs that the information provided herein is true, complete, and not misleading.

The Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee or subfranchisor, at least seven (7) days prior to the execution by the prospective franchisee, of any binding franchise or other agreement, or at least seven (7) days prior to the payment of any consideration by the franchisee or subfranchisor, whichever occurs first, a copy of all proposed agreements relating to the sale of the franchise.

This Franchise Disclosure Document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

1. A. This proposed registration is or will be effective in California, Hawaii, Illinois, Indiana, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Washington and Virginia.

   B. This proposed registration is on file in all states with franchise disclosure legislation.

   C. No states have refused, by order or otherwise, to register these franchises.

   D. No states have revoked or suspended the right to offer these franchises.

   E. The proposed registration of these franchises has not been withdrawn from any states.

2. No release language stated in the Franchise Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws on franchising in Hawaii.

Item 5.

We will defer payment of the Affiliation Fee as described in Item 5 until we have completed our initial pre-opening obligations under the Franchise Agreement and you are open for business.

Item 7.

We will defer payment of the Affiliation Fee as described in Item 5 and as itemized in the Item 7 Initial Investment chart (the fee will be deferred until we have completed our initial pre-opening obligations under the Franchise Agreement and you are open for business).

ILLINIOS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT

1. Item 17.v. and 17.w. of the "Franchise Agreement," chart are supplemented by the following:

   The conditions under which the Franchise Agreement can be terminated and not renewed may be affected by the Illinois Franchise Disclosure Act ("Act").

   The Act will govern any franchise agreement if it applies to a franchise located or domiciled in Illinois.

   The parties waive all question of personal jurisdiction or venue. However, any condition in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void as to any cause of action that otherwise is enforceable in Illinois, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.

ADDENDUM TO THE DISCLOSURE DOCUMENT FOR MARYLAND

The following provisions will apply to all franchises offered and sold in the State of Maryland. Item numbers correspond to those in the main body of the disclosure document.

ITEM 17

1. Any claims arising under the Maryland Franchise Registration and Disclosure law must be brought within 3 years after we grant you a franchise.

2. Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.)

3. The release language set forth in the Franchise Agreement will not apply to any liability under the Maryland Franchise Registration and Disclosure Law (COMAR 02.02.08.16L).

Choice Hotels International, Inc.
1 Choice Hotels Circle, Suite 400
Rockville, Maryland 20850
301-592-5000
www.choicehotels.com

DISCLOSURES REQUIRED BY MICHIGAN LAW

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THE NOTICE OF INTENT IS ON FILE WITH THE ATTORNEY GENERAL IN MICHIGAN DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL OF THE FRANCHISE OFFERING.

Any questions regarding the notice should be directed to the Department of Attorney General, Consumer Protection Division, 525 W. Ottawa Street, 670 Law Building, Landing, MI 48913 (517) 373-7117 (www.ag.state.mi.us/cp).

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE MINNESOTA FRANCHISE INVESTMENT LAW

If and to the extent the Minnesota Franchise Investment Law applies to the Franchise Agreement, the following provisions supersede the Franchise Disclosure Document and apply to all franchises offered and sold in Minnesota.

1. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, Subdivisions 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

2. According to Minnesota Statute Section 2860.4400 (D), no release language stated in the Franchise Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws on franchising in Minnesota, provided, that this part will not bar the voluntary settlement of disputes.

3. Any provision in a franchise agreement that requires the franchisee to consent to liquidated damages and/or termination penalties is deleted from any franchise agreement issued in Minnesota.

4. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logos, slogans and other commercial symbols, or indemnify the franchisee from any loss, costs, or expenses arising out of the use of any trade or service mark in compliance with the Franchise Agreement.

5. The following language will appear at the end of Paragraph 20(f) of any Franchise Agreement issued in the State of Minnesota: Pursuant to Minnesota Statutes, Section 80C.21, this Section does not abrogate or reduce any rights of the franchisee as provided for in the Minnesota Statutes 1987, Chapter 80C.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR NEW YORK

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document or Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold under the laws of the State of New York:

ITEM 2. BUSINESS EXPERIENCE

Item 2 of the Franchise Disclosure Document lists the directors, principal officers and other executives who will have management responsibility in connection with the operation of Choice Hotels International, Inc.'s business relating to the franchises offered by this franchise disclosure document, with a statement for each regarding his principal occupations over the past five years.

ITEM 3. LITIGATION

Neither Choice Hotels International, Inc., its affiliates nor any person named in Item 2 above has pending any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither Choice Hotels International, Inc., its affiliates nor any person named in Item 2 above has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding, if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither Choice Hotels International, Inc., its affiliates, nor any person named in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to franchises in general or the franchise offered or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

ITEM 4. BANKRUPTCY

Except as listed in Item 4 of the disclosure document, Choice Hotels International, Inc. nor any predecessor, affiliate, officer or general partner of Choice Hotels International, Inc. has, during the ten year period immediately preceding the date of this franchise disclosure document, (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of Choice Hotels International, Inc. held this position in the company or partnership.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. You may utilize whatever legal rights you may possess to suspend or discontinue operations due to a breach by Choice Hotels International, Inc. and you may terminate the Agreement on any grounds available by law.

2. The following language is added to Item 17 (w) ("Choice of law"):

   "The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York."

3. No assignment will be made by us, except to an Assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

4. Franchisor represents that this disclosure document does not knowingly omit any material fact or contain any untrue statement of material fact

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR NORTH DAKOTA

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions will supersede and apply to all franchises offered and sold in the State of North Dakota:

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees:

1. Restrictive Covenants: Franchise disclosure documents with disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

2. Situs of Arbitration/Litigation Proceedings: Franchise agreements providing that the parties must agree to arbitrate/litigate disputes at a location that is remote from the site of the franchisee's business.

3. Restriction of Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside North Dakota.

4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

5. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

6. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

8. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

9. Limitation of Claims: Requiring that North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

10. Enforcement of Agreement: Requiring that North Dakota franchisees pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

ADDENDUM TO THE FRANCHISE DISLCOSURE DOCUMENT FOR RHODE ISLAND

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions will supersede and apply to all franchises offered and sold in the State of Rhode Island.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

§19-28.1.-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

ADDENDUM TO THE FRANCHISE DISLCOSURE DOCUMENT FOR VIRGINIA

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions will supersede and apply to all franchises offered and sold in the State of Virginia.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE WASHINGTON FRANCHISE INVESTMENT LAW

Item 17, "Renewal, Termination, Transfer, and Dispute Resolution," is amended by adding the following at the end of the Item:

1. The state of Washington has a statute, the Washington Franchise Investment Protection Act, RCW 19.100.010 to 19.100.940 (the "Act"), which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination, renewal, and transfer of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, Washington law requires that the arbitration site be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

3. A release or waiver of rights executed by a franchisee shall not include rights under the Act; except when a release or waiver is executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the franchise agreement that unreasonably restrict or limit a franchise's rights or remedies under the Act, such provisions may not be enforceable.

4. In the event of a conflict of laws, the provisions of the Act will prevail.

5. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR WISCONSIN

Notwithstanding anything to the contrary set forth in the Franchise Disclosure document, the following provisions will supersede and apply to all franchises offered and sold in the State of Wisconsin:

1. Registration does not constitute approval, recommendation or endorsement by the Commissioner of Securities of the State of Wisconsin.

2. The following will apply to Franchise Agreements in the State of Wisconsin:

   a. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 will apply to and govern the provisions of Franchise Agreements issued in the State of Wisconsin.

   b. That Act's requirement, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, will supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Act's requirements. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

EXHIBIT B

REGISTERED AGENTS FOR SERVICE OF PROCESS

CALIFORNIA
Department of Business Oversight
2730 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833
Or
California Corporations Commissioner
One Sansome Street, Suite 600
San Francisco, CA 94104

HAWAII
Corporation Service Company
1003 Bishop Street, Suite 1600
Pauahi Tower
Honolulu, HI 96813
And
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration / Securities Compliance
335 Merchant Street, Room 203
Honolulu, HI 96813

ILLINOIS
Corporation Service Company
801 Adlai Stevenson Drive
Springfield, IL 62703
Or
Attorney General State of Illinois
500 South Second Street
Springfield, IL 62706

INDIANA
Corporation Service Company
Two Market Square Center
251 East Ohio Street, Suite 500
Indianapolis, IN 46204
Or
Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indiana Government Center South
Indianapolis, IN 46204

MARYLAND
Corporation Service Company
7 St. Paul Street, Suite 1660
Baltimore, MD 21202
Or
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020

MICHIGAN
Corporation Service Company
601 Abbot Road
East Lansing, MI 48823

MINNESOTA
Corporation Service Company
380 Jackson Street, Suite 700
St. Paul, MN 55101
Or
Commissioner of Commerce
85 7th Place East, Suite 280
Minneapolis, MN 55101-2198

NEW YORK
Corporation Service Company
80 State Street
Albany, NY 12207-2543
Or
Secretary of State
41 State Street
Albany, NY 12231

NORTH DAKOTA
Corporation Service Company
316 North 5th Street
P.O. Box 1695
Bismarck, ND 58202
Or
Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept 414
Bismarck, ND 58505

RHODE ISLAND
Director of Department of Business Regulation
Securities Division
Building 69, First Floor, John O. Pastore Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920

SOUTH DAKOTA
Corporation Service Company
503 South Pierre Street
Pierre, SD 57501
And
Department of Labor and Regularions
Director of the Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

VIRGINIA
Bank of America Center, 16th Floor
111 East Main Street
Richmond, VA 23219
Or
Clerk of the State Corporation Commission
1300 E. Main Street, 1st Floor
Richmond, VA 23219

WASHINGTON
Department of Financial Institutions
150 Israel Rd SW
Tumwater, WA98501

WISCONSIN
Corporation Service Company
8040 Excelsior Drive
Suite 400
Madison, WI 53717

REGULATORY AUTHORITIES

CALIFORNIA

Department of Business Oversight
1-866-275-2677

Los Angeles
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

Sacramento
1515 K Street, Suite 200
Sacramento, CA 95814-4052
(916) 445-7205

San Diego
1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233

San Francisco
One Sansome Street, Suite 600
San Francisco, CA 94104-4428
(415) 972-8565

HAWAII

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration / Securities Compliance
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA

Securities Commissioner
Securities Division
302 West Washington Street, Room E-111
Indianapolis, IN 46204
(317) 232-6681

MARYLAND

Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

MICHIGAN

Consumer Protection Division
Attn: Antitrust and Franchise Unit
G. Mennen Williams Building
525 W. Ottawa Street
Lansing, MI 48913
(517) 373-7117

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1616

NEW YORK

New York State Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, NY 10271
(212) 416-8222

NORTH DAKOTA

Office of the Securities Commissioner
State of North Dakota
State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

OREGON

Division of Finance & Corp. Securities
Department of Consumer & Business Services
350 Winter Street NE
Room 410
Salem, OR 97301-3881
(503) 378-4140

RHODE ISLAND

Department of Business Regulation
Securities Division
Building 69, First Floor, John O. Pastore Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9527

SOUTH DAKOTA

Department of Labor and Regulations
Division of Securities
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities & Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

WASHINGTON

Director of Securities Division
Department of Financial Institutions
150 Israel Road, SW
Olympia, WA 98501
(360) 902-8760

WISCONSIN

Division of Securities
Department of Financial Institutions, 4th Floor
345 W. Washington Avenue
Madison, WI 53703
(608) 266-8557

EXHIBIT C

FORM 10-K

CHOICE HOTELS INTERNATIONAL INC /DE - CHH

Filed: March 01, 2018 (period: December 31, 2017)

Annual report with a comprehensive overview of the company

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-13393

CHOICE HOTELS INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**52-1209792**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
1 Choice Hotels Circle, Suite 400, Rockville, Maryland	**20850**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code (301) 592-5000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value $0.01 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Smaller reporting company ☐	Non-accelerated filer ☐
Emerging growth company ☐			(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ☐ No ☒

The aggregate market value of common stock of Choice Hotels International, Inc. held by non-affiliates was $2,202,259,728 as of June 30, 2017 based upon a closing price of $64.25 per share.

The number of shares outstanding of Choice Hotels International, Inc.'s common stock at February 15, 2018 was 56,922,908.

DOCUMENTS INCORPORATED BY REFERENCE.

Certain portions of our definitive proxy statement, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the Annual Meeting of Shareholders to be held on April 20, 2018, are incorporated by reference under Part III of this Form 10-K.

CHOICE HOTELS INTERNATIONAL, INC.
Form 10-K

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PART I

Throughout this report, we refer to Choice Hotels International, Inc., together with its subsidiaries as "Choice," "we," "us" or the "Company".

Forward-Looking Statements

Certain matters discussed in this report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Generally, our use of words such as "expect," "estimate," "believe," "anticipate," "should," "will," "forecast," "plan," "project," "assume" or similar words of futurity identify such forward-looking statements. These forward-looking statements are based on management's current beliefs, assumptions and expectations regarding future events, which in turn are based on information currently available to management. Such statements may relate to projections of the Company's revenue, expenses, earnings and other financial and operational measures, Company debt levels, ability to repay outstanding indebtedness, payment of dividends, and future operations, among other matters. We caution you not to place undue reliance on any such forward-looking statements. Forward-looking statements do not guarantee future performance and involve known and unknown risks, uncertainties and other factors.

Several factors could cause actual results, performance or achievements of the Company to differ materially from those expressed in or contemplated by the forward-looking statements. Such risks include, but are not limited to, changes to general, domestic and foreign economic conditions; changes in law and regulation applicable to the lodging and franchising industries; foreign currency fluctuations; operating risks common in the lodging and franchising industries; changes to the desirability of our brands as viewed by hotel operators and customers; changes to the terms or termination of our contracts with franchisees and our relationships with our franchisees; our ability to keep pace with improvements in technology utilized for marketing and reservations systems and other operating systems; the commercial acceptance of our SkyTouch division's products and services; our ability to grow our franchise system; exposure to risks related to our hotel development activities; fluctuations in the supply and demand for hotel rooms; our ability to realize anticipated benefits from acquired businesses; the level of acceptance of alternative growth strategies we may implement; cyber security and data breach risks; operating risks associated with our international operations; the outcome of litigation; and our ability to manage our indebtedness. These and other risk factors are discussed in detail in Item 1A. "Risk Factors" of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Our SEC filings are available to the public over the internet at the SEC's web site at http://www.sec.gov. Our SEC filings are also available free of charge on our website at http://www.choicehotels.com as soon as reasonably practicable following the time that they are filed with or furnished to the SEC. You may also read and copy any document we file with the SEC at its public reference room located at 100 F Street, NE Washington DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on its public reference room. Information on or connected to our website is neither part of nor incorporated by reference into this Annual Report on Form 10-K or any other SEC filings.

Item 1. Business.

Overview

We are one of the largest hotel franchisors in the world with 6,627 hotels open and 923 hotels under construction, awaiting conversion or approved for development as of December 31, 2017 representing 525,573 rooms open and 72,917 rooms under construction, awaiting conversion or approved for development in 50 states, the District of Columbia and over 40 countries and territories outside the United States. Choice franchises lodging properties under the following proprietary brand names: Comfort Inn®, Comfort Suites®, Quality®, Clarion®, Sleep Inn®, Econo Lodge®, Rodeway Inn®, MainStay Suites®, Suburban Extended Stay Hotel®, Cambria® hotels & suites, and Ascend Hotel Collection® (collectively, the "Choice brands"). On December 18, 2017, we announced that we had reached a definitive agreement to acquire the brand and franchise business of Woodspring Suites for approximately $231 million. The acquisition closed on February 1, 2018 and added 239 new extended-stay hotels in 35 states to our portfolio. Data for the Woodspring Suites® brand is not included in the tables below that provide information as of December 31, 2017.

The Company's primary segment is the hotel franchising business, which represents approximately 99% of the Company's total revenues. The Company's domestic franchising operations are conducted through direct franchising relationships while its international franchise operations are conducted through a combination of direct franchising and master franchising relationships. With a focus on hotel franchising instead of ownership, we benefit from the economies of scale inherent in the franchising business. The fee and cost structure of our business provides opportunities to improve operating results by increasing the number of franchised hotel rooms and effective royalty rates of our franchise contracts resulting in increased initial and relicensing fee revenue, ongoing royalty fees and procurement services revenues. In addition to these revenues, we also collect marketing and reservation system fees to provide support activities for the franchise system. Our operating results can also be improved through our company-wide efforts related to improving property level performance.

The principal factors that affect the Company’s franchising results are: the number and mix of franchised hotel rooms in the various hotel lodging price categories; growth in the number of hotel rooms under franchise; occupancy and room rates achieved by the hotels under franchise; the effective royalty rate achieved; the level of franchise sales and relicensing activity; and our ability to manage costs. The number of rooms at franchised properties and occupancy and room rates at those properties significantly affect the Company’s results because our royalty and marketing and reservation system fees are primarily based upon room revenues or the number of rooms at franchised hotels. The key industry standard for measuring hotel-operating performance is revenue per available room ("RevPAR"), which is calculated by multiplying the percentage of occupied rooms by the average daily room rate realized. Our variable overhead costs associated with franchise system growth of our established brands have historically been less than incremental royalty fees generated from new franchises. Accordingly, continued growth of our franchise business should enable us to realize benefits from the operating leverage in place and improve operating results.

We are required by our franchise agreements to use the marketing and reservation system fees we collect for system-wide support activities. These expenditures, which include advertising costs and costs to maintain our central reservations and property management systems, help to enhance awareness and increase consumer preference for our brands and deliver guests to our franchisees. Greater awareness and preference promotes long-term growth in business delivery to our franchisees and increases the desirability of our brands to hotel owners and developers, which ultimately increases franchise fees earned by the Company.

Our Company articulates its mission as a commitment to our franchisees’ profitability by providing them with hotel franchises that strive to generate the highest return on investment of any hotel franchise. We have developed an operating system dedicated to our franchisees’ success that focuses on delivering guests to our franchised hotels and reducing costs for our hotel owners.

Our capital allocation decisions, including capital structure and uses of capital, are intended to maximize our return on invested capital and create value for our shareholders. We believe our strong and predictable cash flows create a strong financial position that provides us a competitive advantage. We maintain a capital structure that generates high financial returns and use our excess cash flow to provide returns to our shareholders primarily through share repurchases, dividends or investing in growth opportunities.

Historically, we have returned value to our shareholders in two primary ways: share repurchases and dividends. In 1998, we instituted a share repurchase program which has generated substantial value for our shareholders. Since the program's inception through December 31, 2017, we repurchased 48.7 million shares (including 33.0 million prior to the two-for-one stock split effected in October 2005) of common stock at a total cost of $1.3 billion. Considering the effect of the two-for-one stock split, the Company repurchased 81.7 million shares at an average price of $15.38 per share. As of December 31, 2017, the Company had 4.0 million shares remaining under the current share repurchase authorization. We currently believe that our cash flows from operations will support our ability to complete the current board of directors repurchase authorization and upon completion of the current authorization, our board of directors will evaluate the advisability of additional share repurchases.

The Company commenced paying quarterly dividends in 2004 and in 2012 the Company elected to pay a special cash dividend totaling approximately $600 million. The Company currently maintains the payment of a quarterly dividend on its common shares outstanding; however the declaration of future dividends is subject to the discretion of the board of directors. The annual dividend in 2017 was $0.86 per share. We expect to continue to pay dividends in the future, subject to quarterly declaration by our board of directors as well as future business performance, economic conditions, changes in income tax regulations and other factors.

The Company also allocates capital to exploring growth opportunities in business areas that are adjacent or complementary to our core hotel franchising business, which leverage our core competencies and are additive to our franchising business model. The timing and amount of these investments are subject to market and other conditions.

Our direct lodging property real estate exposure is limited to activity in the United States and consists of three parcels of real estate that the Company has acquired and intends to resell to incent franchise development in strategic markets or to pursue hotel development through joint ventures. In addition, our development activities that involve financing, equity investments and guaranty support to hotel developers create limited additional exposure to the real estate markets.

The Company was incorporated in 1980 under the laws of the State of Delaware.

The Lodging Industry

Companies participating in the lodging industry primarily do so through a combination of one or more of the three primary lodging industry activities: ownership, franchising and management. A company's relative reliance on each of these activities determines which drivers most influence its profitability.

- Ownership requires a substantial capital commitment and involves the most risk but offers high returns due to the owner's ability to influence margins by driving RevPAR, managing operating expenses and financial leverage. The ownership model has a high fixed-cost structure that results in a high degree of operating leverage relative to RevPAR performance. As a result, profits escalate rapidly in a lodging up-cycle but erode quickly in a downturn as costs rarely decline as fast as revenue. Profits from an ownership model increase at a greater rate from RevPAR growth attributable to average daily rate ("ADR") growth, than from occupancy gains since there are more incremental costs associated with higher guest volumes compared to higher pricing.
- Franchisors license their brands to a hotel owner, giving the hotel owner the right to use the brand name, logo, operating practices, and reservations systems in exchange for a fee and an agreement to operate the hotel in accordance with the franchisor's brand standards. Under a typical franchise agreement, the hotel owner pays the franchisor an initial fee, a percentage-of-revenue royalty fee and a marketing/reservation fee. A franchisor's revenues are dependent on the number of rooms in its system and the top-line performance of those hotels. Earnings drivers include RevPAR increases, unit growth and effective royalty rate improvement. Franchisors enjoy significant operating leverage in their business model since it typically costs little to add a new hotel franchise to an existing system. Franchisors normally benefit from higher industry supply growth, because unit growth usually outpaces lower RevPAR resulting from excess supply. As a result, franchisors benefit from both RevPAR growth and supply increases which aids in reducing the impact of lodging industry economic cycles.
- Management companies operate hotels for owners that do not have the expertise and/or the desire to self-manage. These companies collect management fees predominately based on revenues earned and/or profits generated. Similar to franchising activities, the key drivers of revenue based management fees are RevPAR and unit growth and similar to ownership activities, profit based fees are driven by improved hotel margins and RevPAR growth.

Similarly to other industries, lodging experiences both positive and negative operating cycles. Positive cycles are characterized as periods of sustained occupancy growth, increasing room rates and hotel development. These cycles usually continue until either the economy sustains a prolonged downturn, excess supply conditions exist or some external factor occurs such as war, terrorism or natural resource shortages. Negative cycles are characterized by hoteliers reducing room rates to stimulate occupancy and a reduction of hotel development. Industry recovery usually begins with an increase in occupancy followed by hoteliers increasing room rates. As demand begins to exceed room supply, occupancies and rates continue to improve. These factors result in increased hotel development.

Hotel room supply growth is cyclical as hotel construction responds to interest rates, construction and material supply conditions, capital availability and industry fundamentals. Historically, the industry has added hotel rooms to its inventory through new construction due largely to favorable lending environments that encouraged hotel development. Typically, hotel development continues during favorable lending environments until the increase in room supply outpaces demand. The excess supply eventually results in lower occupancies, which results in hoteliers reducing room rates to stimulate demand, and reduced hotel development. Over time, the slow growth in hotel supply results in increased occupancy rates and allows hotels to again raise room rates. The increase in occupancy and room rates serves as a catalyst for increased hotel development.

The following chart demonstrates these trends over the last fifteen years:

US Lodging Industry Trends: 2003 - 2017

Year	Occupancy Rates	Average Daily Room Rates (ADR)	Change in ADR Versus Prior Year	Change in CPI Versus Prior Year	Revenue Per Available Room (RevPAR)	New Rooms Added (Gross)
2003	59.1%	$83.19	0.1 %	2.3 %	$49.20	65,876
2004	61.3%	$86.41	3.9 %	2.7 %	$52.93	55,245
2005	63.1%	$90.84	5.1 %	3.4 %	$57.34	65,900
2006	63.4%	$97.31	7.1 %	3.2 %	$61.69	73,308
2007	63.1%	$104.04	6.9 %	2.8 %	$65.61	94,541
2008	60.3%	$106.96	2.8 %	3.8 %	$64.49	146,312
2009	54.5%	$98.17	(8.2)%	(0.4)%	$53.50	142,287
2010	57.5%	$98.06	(0.1)%	1.6 %	$56.43	73,976
2011	59.9%	$101.85	3.9 %	3.2 %	$61.02	38,409
2012	61.3%	$106.25	4.3 %	2.1 %	$65.15	43,879
2013	62.2%	$110.30	3.8 %	1.5 %	$68.58	54,020
2014	64.4%	$114.92	4.2 %	0.8 %	$74.04	63,346
2015	65.4%	$120.30	4.7 %	0.7 %	$78.68	85,596
2016	65.4%	$124.13	3.2 %	2.1 %	$81.15	100,757
2017	65.9%	$126.72	2.1 %	2.1 % 81.68	$83.57	118,947

(Source: Smith Travel Research and US Department of Labor)

As a franchisor, we believe we are well positioned in any stage of the lodging cycle as our fee-for-service business model has historically delivered predictable, profitable, long-term growth in a variety of lodging and economic environments. We have historically benefited from both the RevPAR gains typically experienced in the early stages of recovery, as our revenues are based on our franchisees’ gross room revenues, and the supply growth normally occurring in the later stages as we increase our portfolio size.

The Company’s portfolio of brands offers both new construction and conversion opportunities. Our new construction brands typically benefit from periods of supply growth and favorable capital availability and pricing. Our conversion brands also benefit from periods of supply growth as the construction of hotels increases the need for existing hotels to seek new brand affiliations. Furthermore, the Company's conversion brands benefit from lodging cycle downturns as our unit growth has been historically driven from the conversion of independent and other hotel chain affiliates into our system as these hotels endeavor to improve their performance.

The lodging industry can be divided into chain scale categories or groupings of generally competitive brands as follows:

Chain Scale	Brand Examples	Room Count	% of Total	Avg. No. of Rooms Per Hotel
Luxury	Four Seasons, Ritz Carlton, W Hotel, JW Marriott	122,890	2.4%	320.0
Upper Upscale	Marriott, Hilton, Hyatt, Sheraton	599,096	11.5%	344.5
Upscale	Cambria hotels & suites, Courtyard, Residence Inn, Hilton Garden Inn	759,161	14.6%	151.7
Upper Midscale	Comfort Inn, Holiday Inn Express, Hampton Inn, Fairfield Inn	946,260	18.2%	97.4
Midscale	Quality Inn, Sleep Inn, La Quinta, Baymont	485,640	9.3%	83.7
Economy	Econo Lodge, Super 8, Days Inn, Motel 6	782,403	15.0%	75.3
Sub-Total Brand Affiliated		**3,695,450**	**71.0%**	**111.9**
Independents		1,506,727	29.0%	67.8
Total All Hotels		**5,202,177**	**100%**	**94.1**

According to Smith Travel Research, the lodging industry consisted of approximately 55,300 hotels representing approximately 5.2 million rooms open and operating in the United States at December 31, 2017. During the year ended December 31, 2017, the industry added approximately 119,000 gross rooms to the industry supply and net room growth was approximately 1.7%. Approximately, 78% of the new rooms opened during the year were positioned in the Upscale, Upper Midscale, Midscale and Economy chain scale segments in which we primarily operate.

The lodging industry consists of independent operators of hotels and those that have joined national hotel franchise chains. Independent operators of hotels not owned or managed by major lodging companies have increasingly joined national hotel franchise chains as a means of remaining competitive with hotels owned by or affiliated with national lodging companies. Over the years, the industry has seen a significant movement of hotels from independent to chain affiliation, with affiliated hotels increasing from 46% of the rooms in the market in 1990 to 71% of the market in 2017. However, the pace of this increase has moderated over the last several years and in 2017 the percentage of rooms in the market affiliated with a chain increased by approximately 80 basis points from 70.2% to 71.0%.

Due to the fact that a significant portion of the costs of owning and operating a hotel are generally fixed, increases in revenues generated by affiliation with a franchise lodging chain can improve a hotel's financial performance. The large franchise lodging chains, including us, generally provide a number of support services to hotel operators designed to improve the financial performance of their properties including central reservation and property management systems, marketing and advertising programs, training and education programs, revenue enhancement services and relationships with qualified vendors to streamline purchasing processes and make lower cost products available. We believe that national franchise chains with a large number of hotels enjoy greater brand awareness among potential guests and greater bargaining power with suppliers than those with fewer hotels, and that greater brand awareness and bargaining power can increase the desirability of a hotel to its potential guests and reduce operating costs of a hotel. Furthermore, we believe that hotel operators choose lodging franchisors based primarily on the perceived value and quality of each franchisor's brand and its services, and the extent to which affiliation with that franchisor may increase the hotel operator profitability.

Choice's Franchising Business

Choice operates primarily as a hotel franchisor offering 12 brands. This family of well-known and diversified new construction and conversion brands competes at various hotel consumer and developer price points.

Economics of Franchising Business. The fee and cost structure of our business provides opportunities for us to improve operating results by increasing the number of franchised hotel rooms, improving RevPAR performance and increasing the effective royalty rates of our franchise contracts. As a hotel franchisor, we derive our revenue primarily from various franchise fees. Our franchise fees consist primarily of an initial fee and ongoing royalty, marketing and reservation system fees that are typically based on a percentage of the franchised hotel's gross room revenues. The initial fee and ongoing royalty portion of the franchise fees are intended to cover our operating expenses, such as expenses incurred in business development, quality assurance, administrative support, certain franchise services and to provide us with operating profits. The marketing and reservation system fees are used for the expenses associated with marketing, media, advertising, providing a central reservation system, property management systems, e-commerce initiatives and certain franchise services.

Our fee stream depends on the number of rooms in our system, the gross room revenues generated by our franchisees and effective royalty rates under our franchise contracts. We enjoy significant operating leverage since the variable operating costs associated with the franchise system growth of our established brands have historically been less than incremental royalty fees generated from new franchises. We believe that our business is well positioned in the lodging industry since we benefit from both increases in RevPAR and unit growth from new hotel construction or conversion of existing hotel assets into our system. In addition, improving business delivery to our franchisees should allow us to improve the effective royalty rate of our franchise contracts.

Our family of well-known and diversified brand offerings positions us well within the lodging industry. Our new build brands such as Cambria hotel and suites, Comfort and Sleep Inn offer hotel developers an array of choices at various price points for transient and extended stay business during periods of supply growth. Our brands such as Quality, Ascend Hotel Collection and Econo Lodge offer conversion opportunities during both industry contraction and growth cycles to independent operators and non-Choice affiliated hotels who desire to affiliate with our brands and take advantage of the services we have to offer.

Strategy. Our mission is a commitment to franchisee profitability by providing our franchisees with hotel franchises that strive to generate the highest return on investment of any hotel franchise. Our business strategy is to create franchise system growth by leveraging Choice's large and well-known hotel brands, franchise sales capabilities, effective marketing and reservation delivery efforts, training and education programs, RevPAR enhancing services and technologies and financial strength created by our significant free cash flow. We believe our brands' growth will be driven by our ability to create a compelling return on investment for franchisees. Our strategic objective is to improve profitability of our franchisees by providing services which increase business delivery, enhance RevPAR, reduce hotel operating and development costs, and/or improve guest satisfaction. Specific elements of our strategy include: building strong brands, delivering exceptional services, reaching more consumers and leveraging our size, scale and distribution to reduce costs for hotel owners. We believe that by focusing on these elements we can increase the gross room revenues generated by our franchisees by increasing the business delivered to existing franchisees and expanding our market share of franchised hotels in the chain scale segments in which we operate or seek to operate. Improving the desirability of our brands should also allow us to continue to improve the effective royalty rate of our contracts.

Building Strong Brands. Each of our brands has particular attributes and strengths, including awareness with both consumers and developers. Our strategy is to utilize the strengths of each brand for room growth, RevPAR gains and royalty rate improvement that create revenue growth. We believe brand consistency, brand quality and guest satisfaction are critical in improving brand performance and building strong brands.

We have multiple brands that are positioned to meet the needs of many types of guests. These brands can be developed at various price points and are suitable for both new construction properties and existing hotels. This flexibility ensures that we have brands suitable for creating room growth in various types of markets, with various types of customers, and during both industry contraction and growth cycles. During times of lower industry supply growth and tighter capital markets, we can target conversions of existing non-Choice affiliated hotels seeking the awareness and proven performance provided by our brands. During periods of strong industry supply growth, we expect a greater portion of our room growth to come from our new construction brands. We believe that a large number of markets can still support our hotel brands and that the growth potential for our brands remains strong.

We strive to maintain the strength of our brands by enhancing product consistency and quality. We attempt to achieve consistency and quality for new entrants into the franchise system by placing prospective hotels in the appropriate brand based on the physical characteristics, performance and amenities of the hotel and by requiring property improvement plans, when necessary, to ensure the new hotel meets the quality standards of the brand. Furthermore, we may require hotels currently in our franchise system to execute property improvement plans at specified contractual windows to ensure that they continue to maintain the product consistency and quality standards of the brand.

We believe each of our brands appeals to targeted hotel owners and guests because of unique brand standards, marketing campaigns, loyalty programs, reservation delivery, revenue enhancing programs, service levels and pricing.

Delivering Exceptional Services. We provide a combination of services and technology based offerings to help our franchisees improve performance. We have field services staff members located nationwide that help franchisees improve RevPAR performance and guest satisfaction. In addition, we provide our franchisees with education and training programs as well as revenue management technology and services designed to improve property level performance. These services and products promote revenue gains for franchisees and improve guest satisfaction which translate into both higher royalties for the

Company and improved returns for owners, leading to further room growth by making our brands even more attractive to prospective franchisees. We develop our services based on customer needs and focus on activities that generate high return on investment for our franchisees.

Reaching More Consumers. We believe hotel owners value and benefit from the large volume of guests we deliver through a mix of activities including brand marketing, reservation systems, account sales (corporate, government, social, military, educational and fraternal organizations), and the Company's loyalty program, Choice Privileges®. Our strategy is to maximize the effectiveness of these activities in delivering both leisure and business travelers to Choice-branded hotels.

The Company intends to continue to increase awareness of its brands through its national marketing campaigns and its Choice Privileges loyalty program promotions. These campaigns are intended to generate a compelling message to consumers to create even greater awareness for our brands with the ultimate goal of driving business through our central reservation system. Local and regional co-op marketing campaigns will continue to be utilized to leverage the national marketing programs to drive business to our franchised properties at a local level. We expect our efforts at marketing directly to individual guests and corporate customers will continue to be enhanced through the use of our customer relationship management technology and programs; as well as, our field based sales agents that are focused on increasing our share of business travelers. Our continued focus on overall brand quality coupled with our marketing initiatives is designed to stimulate room demand for our franchised hotels through improved guest awareness and satisfaction.

Our central reservations system is a critical technology used to deliver guests to our franchisees through multiple channels, including our call centers, proprietary web and mobile sites, global distribution systems (e.g., SABRE and Amadeus), on-line travel agents ("OTAs") (e.g., Expedia and Bookings.com) and internet referral or booking services (e.g., Kayak and Trip Advisor). We believe our well-known brands, combined with our relationships with many internet distribution web sites benefits our franchisees, by facilitating increased rate and reservations delivery, and reducing costs and operational complexity.

Leveraging Size, Scale and Distribution. We continually focus on identifying methods for utilizing the significant number of hotels in our system to reduce costs and increase returns for our franchisees. For example, we create relationships with qualified vendors to: (i) make low-cost products available to our franchisees; (ii) streamline the purchasing process; and (iii) maintain brand standards and consistency. We also create relationships with vendors to market their services directly to our guests. These relationships provide value-added travel related services to our guests and generate revenues for the Company. We plan to expand these relationships and identify new methods for decreasing hotel-operating costs by increasing penetration within our existing franchise system and enhancing our existing vendor relationships and/or creating new vendor relationships. We believe our efforts to leverage the Company's size, scale and distribution benefit the Company by enhancing brand quality and consistency, improving our franchisees returns and satisfaction, and creating procurement services revenues.

Domestic Franchise System

Our standard domestic franchise agreements grant franchisees the non-exclusive right to use certain of our trademarks and receive other benefits of our franchise system to facilitate the operation of their franchised hotel at a specified location. The majority of our standard domestic franchise agreements are 10 to 20 years in duration with certain rights for each of the franchisor and franchisee to terminate their franchise agreement, such as upon designated anniversaries of the agreement, before the 20th (or 10th, as applicable) year. Our franchisees operate domestically under one of twelve Choice brand names: Comfort Inn, Comfort Suites, Cambria hotels and suites, Quality, Clarion, Ascend Hotel Collection, Sleep Inn, Econo Lodge, Rodeway Inn, MainStay Suites, Woodspring Suites and Suburban Extended Stay Hotel.

The following table presents key statistics related to our domestic franchise system over the five years ended December 31, 2017.

COMBINED DOMESTIC FRANCHISE SYSTEM

	As of and For the Year Ended December 31,				
	2013	2014	2015	2016	2017
Number of properties, end of period	5,180	5,221	5,276	5,362	5,501
Number of rooms, end of period	400,585	398,661	400,372	404,498	413,015
Royalty fees ($000)	$ 242,887	$ 262,675	$ 281,100	$ 300,383	$ 323,674
Average royalty rate(1)	4.33%	4.28%	4.30%	4.41%	4.60%
Average occupancy percentage(1)	56.4%	59.5%	61.1%	61.7%	62.2%
Average daily room rate (ADR)(1)	$ 74.76	$ 77.03	$ 79.86	$ 82.64	$ 84.02
Revenue per available room (RevPAR)(1),(2)	$ 42.20	$ 45.80	$ 48.78	$ 51.00	$ 52.25

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(1) 2013 through 2015 amounts exclude operating statistics from Cambria hotel and suites properties open during these periods as the operating statistics are not representative of a stabilized brand which the Company defines as having at least 25 units open and operating for a twelve month period.
(2) The Company calculates RevPAR based on information as reported to the Company by its franchisees.

Currently, no individual domestic franchisee accounts for more than 1% of the Company's total revenues.

Industry Positioning

Our brands offer consumers and developers a wide range of options, including economy, mid-scale, upper mid-scale and upscale hotels. Our brands are as follows:

Cambria hotels and suites: Cambria hotels and suites is predominantly a new construction select service hotel chain that operates in the upscale lodging category, targeting primary market locations. The brand has expanded to target growth through conversions and adaptive reuse projects in markets where new construction has an extremely high barrier to entry. Designed for the modern traveler, Cambria offers guests a distinct experience with simple, guilt-free indulgences allowing them to treat themselves while on the road. The brand is designed to provide guests with the freedom to be their best self. The environment matches guests' casual lifestyle but tailored to their business travel needs. Properties feature compelling design inspired by the location, spacious and comfortable rooms, spa inspired bathrooms, flexible meeting space, and locally sourced prepared food and craft beer. Principal competitor brands include Courtyard by Marriott, Aloft, Hyatt Place, Hotel Indigo and Hilton Garden Inn. The Cambria hotels and suites brand was launched in January 2005 and the first properties opened during 2007.

Ascend Hotel Collection: Ascend Hotel Collection is an innovative membership program that enables individual hotels (unique, boutique and/or historic) to retain their individuality and identity but have access to Choice Hotels' global distribution, technology, services, training and loyalty benefits. Ascend Hotel Collection offers the best of both worlds: independence backed up by a powerful global distribution network. Principal competitors include Tapestry, Autograph Collection, BW Premier Collection, BW Signature Collection and Small Luxury Hotels. The Ascend Hotel Collection membership was launched in October 2008.

Comfort Inn: Comfort Inn and Comfort Inn & Suites hotels are primarily upper mid-scale limited service hotels that offer a warm and welcoming guest experience designed to help travelers feel refreshed and ready to take on the day. One of the original brands in the limited service category, Comfort Inn has built a reputation for consistent high-value accommodations for both business and leisure travelers. Comfort Inn hotels offer complimentary hot breakfast with hearty and healthy options, a swimming pool and/or fitness center, and free high-speed internet access. Comfort Inn has joined Comfort Suites in going 100% smoke-free, making Comfort the largest smoke-free hotel brand in the United States and Canada. Principal competitor brands include Holiday Inn Express.

Comfort Suites: Part of the Comfort brand family, Comfort Suites hotels deliver all the extras to help guests feel refreshed and ready to take on the day. All hotels are 100% smoke-free with oversized suites featuring separate areas for working and relaxing to meet the demands of today’s business traveler. In addition, each suite has a sleeper sofa, refrigerator and microwave. Comfort Suites hotels offer a complimentary hot breakfast with healthy and hearty options, fitness center and swimming pool, business center, marketplace and free high-speed internet access. The brand competes with Hampton, Holiday Inn Express, and Fairfield Inn & Suites.

Sleep Inn: Sleep Inn is a midscale new construction brand offering developers a lower cost to build with competitive mid-scale average daily rates. Sleep Inn delivers a reliable, simply stylish guest experience, providing both business and leisure travelers with free high-speed internet access, a complimentary Morning Medley hot breakfast, and an exercise room and/or pool. Sleep Inn's competitors include Microtel and La Quinta.

Clarion: Clarion helps owners of existing midscale assets with food and beverage capabilities achieve strong returns with reasonable investment. Clarion allows a more focused and efficient food and beverage operational model that works well with a variety of conversion property configurations. Clarion helps business and leisure guests "get together" by providing meeting/banquet facilities with catering, hot breakfast, a simplified menu of basic evening meals and lounge with at least beer and wine selections. Amenities include free high-speed internet access, a pool or fitness center, and a business center. Principal competitor brands include Four Points by Sheraton and Radisson.

Quality: Quality helps both guests and owners "get your money's worth" in the midscale category. Quality hotels provide clean, comfortable, and affordable accommodations, as well as the "Value Qs:" Q Bed, Q Breakfast, Q Shower, Q Service, and the Q Essentials including free high-speed internet access, coffee, local phone calls, and a daily newspaper. Principal competitor brands include Best Western and Ramada.

MainStay Suites: MainStay Suites competes in the mid-scale extended stay category. The Mainstay Suites guest experience delivers on a "Live Like Home" promise for guests whose stays are longer than a few nights. Typically, longer hotel stays involve relocation, training, or temporary job assignments. MainStay guest rooms feature free high-speed internet access, fully equipped kitchens with a two-burner range, dishes, utensils, dishwasher, sink with disposal, microwave, and full size refrigerator. All suites include a sleeper sofa, comfortable work area with ergonomic chair and large walk-in closets. MainStay Suites' principal competitors include TownePlace Suites and Candlewood Suites.

Suburban Extended Stay Hotel: Suburban Extended Stay Hotel suites are built with today's value-conscious extended stay guest in mind. All suites provide well-equipped kitchens, free high-speed internet access, and access to on-site laundry facilities. Suburban's "just what you need" philosophy matches attractive weekly pricing with weekly housekeeping to provide extended stay guests with the all-suite accommodations they want without the cost of services they do not need. All hotels offer complimentary high-speed internet access. Principal competitors include Extended Stay America, InTown Suites, and Studio 6.

WoodSpring Suites: The Company acquired WoodSpring Suites on February 1, 2018 adding 239 new hotels to its portfolio. WoodSpring hotels are value-engineered, purpose built new construction hotels that operate in the economy extended stay category. WoodSpring guests stay longer than guests at a traditional hotel with guest stay occasions including government/military temporary duty, traveling medical practitioners, relocations, home renovations, vacations, continuing education, crew projects, and life circumstances necessitating alternatives to traditional hotels. WoodSpring developers adhere to strict prototype/design specifications. Every room is a suite with chairs or sofa, flat panel TV, free movie channel, desk/work table, well-designed kitchenette with full-size refrigerator, twin-burner cooktop, and microwave oven. Free basic Wi-Fi is included, and bi-weekly housekeeping is provided. Guests may purchase additional linen replacement/housekeeping services. All hotels are pet-friendly and offer a 24/7 guest laundry room. WoodSpring's essential value proposition is: Simple, done better. The brand was founded in 2003 as Value Place and re-launched as WoodSpring Suites in 2015. Principal national competitors include Extended Stay America and Studio 6.

Econo Lodge: Econo Lodge is the premier brand in the economy hotel category that is an easy stop on the road for value-oriented travelers. Free high speed internet, a premium movie channel and complimentary continental breakfast are just some of the amenities that position Econo Lodge as a great value in the economy category. The brand competes primarily with Days Inn, Super 8 and Red Roof Inn.

Rodeway Inn: Rodeway Inn is a brand that also serves the economy segment and offers sensible lodging for travelers on a budget. Rodeway offers a welcoming environment at an affordable rate. With free coffee to get guests started in the morning, free high-speed internet and a free premium movie channel, Rodeway is a great option for practical travelers. Principal competitor brands include Americas Best Value Inn and Motel 6.

The following table presents key statistics related to the domestic system for our brands over the five years ended December 31, 2017:

	As of and For the Year Ended December 31,				
	2013	**2014**	**2015**	**2016**	**2017**
COMFORT INN DOMESTIC SYSTEM					
Number of properties, end of period	1,302	1,240	1,156	1,113	1,083

Number of rooms, end of period	101,673	95,862	89,545	86,310	84,626
Royalty fees ($000)	$ 88,774	$ 93,630	$ 96,546	$ 96,497	$ 97,616
Average occupancy percentage	60.1%	63.3%	65.0%	65.6%	66.0%
Average daily room rate (ADR)	$ 83.27	$ 86.08	$ 89.68	$ 92.56	$ 94.23
RevPAR	$ 50.05	$ 54.50	$ 58.25	$ 60.70	$ 62.23
COMFORT SUITES DOMESTIC SYSTEM					
Number of properties, end of period	589	577	569	565	567
Number of rooms, end of period	45,451	44,632	43,949	43,610	44,029
Royalty fees ($000)	$ 44,717	$ 48,278	$ 51,114	$ 53,057	$ 55,393
Average occupancy percentage	62.9%	66.5%	68.3%	69.3%	70.1%
Average daily room rate (ADR)	$ 86.99	$ 90.24	$ 93.89	$ 96.32	$ 97.01
RevPAR	$ 54.75	$ 60.01	$ 64.16	$ 66.74	$ 67.96
QUALITY DOMESTIC SYSTEM					
Number of properties, end of period	1,223	1,284	1,379	1,447	1,542
Number of rooms, end of period	101,143	104,454	110,116	114,582	120,227
Royalty fees ($000)	$ 47,471	$ 52,589	$ 59,554	$ 69,799	$ 80,924
Average occupancy percentage	53.1%	56.1%	58.2%	59.1%	59.8%
Average daily room rate (ADR)	$ 70.22	$ 71.98	$ 75.06	$ 77.80	$ 79.25
RevPAR	$ 37.27	$ 40.39	$ 43.69	$ 45.99	$ 47.41
CLARION DOMESTIC SYSTEM					
Number of properties, end of period	190	178	175	167	166
Number of rooms, end of period	27,501	25,049	24,449	22,941	22,138
Royalty fees ($000)	$ 10,953	$ 11,480	$ 11,479	$ 12,137	$ 12,589
Average occupancy percentage	51.2%	54.5%	57.2%	58.3%	59.3%
Average daily room rate (ADR)	$ 75.15	$ 77.65	$ 79.85	$ 82.35	$ 84.62
RevPAR	$ 38.46	$ 42.34	$ 45.63	$ 48.01	$ 50.14
SLEEP INN DOMESTIC SYSTEM					
Number of properties, end of period	382	371	377	379	384
Number of rooms, end of period	27,623	26,811	27,047	27,097	27,410
Royalty fees ($000)	$ 17,447	$ 18,914	$ 20,226	$ 21,925	$ 23,093
Average occupancy percentage	58.7%	62.5%	63.9%	65.1%	65.5%
Average daily room rate (ADR)	$ 74.39	$ 77.13	$ 80.41	$ 82.08	$ 82.96
RevPAR	$ 43.66	$ 48.24	$ 51.41	$ 53.47	$ 54.35
MAINSTAY SUITES DOMESTIC SYSTEM					
Number of properties, end of period	43	45	52	56	60
Number of rooms, end of period	3,331	3,568	3,846	4,108	4,249
Royalty fees ($000)	$ 2,259	$ 2,608	$ 2,693	$ 2,909	$ 3,252
Average occupancy percentage	68.1%	71.4%	67.1%	65.2%	68.4%
Average daily room rate (ADR)	$ 72.44	$ 74.82	$ 77.02	$ 76.29	$ 76.70
RevPAR	$ 49.36	$ 53.40	$ 51.71	$ 49.70	$ 52.47
ECONO LODGE DOMESTIC SYSTEM					
Number of properties, end of period	830	856	856	857	840
Number of rooms, end of period	50,694	52,878	52,978	52,791	51,233
Royalty fees ($000)	$ 17,189	$ 18,896	$ 20,784	$ 22,598	$ 23,867
Average occupancy percentage	48.8%	51.6%	53.5%	54.1%	54.5%
Average daily room rate (ADR)	$ 56.51	$ 57.85	$ 59.61	$ 61.41	$ 62.95
RevPAR	$ 27.55	$ 29.86	$ 31.90	$ 33.22	$ 34.29
RODEWAY INN DOMESTIC SYSTEM					
Number of properties, end of period	438	474	513	565	600
Number of rooms, end of period	24,677	26,172	28,880	32,515	34,488
Royalty fees ($000)	$ 5,357	$ 5,532	$ 6,006	$ 7,010	$ 8,799
Average occupancy percentage	51.9%	55.1%	56.3%	55.7%	56.0%
Average daily room rate (ADR)	$ 54.28	$ 56.68	$ 59.75	$ 63.04	$ 64.51
RevPAR	$ 28.14	$ 31.25	$ 33.64	$ 35.08	$ 36.09

SUBURBAN EXTENDED STAY HOTEL DOMESTIC SYSTEM					
Number of properties, end of period	63	65	62	59	61
Number of rooms, end of period	7,167	7,198	6,994	6,561	6,698
Royalty fees ($000)	$ 2,832	$ 3,111	$ 3,395	$ 3,511	$ 3,716
Average occupancy percentage	70.2%	71.8%	75.5%	75.5%	76.0%
Average daily room rate (ADR)	$ 42.67	$ 45.25	$ 47.61	$ 49.96	$ 51.76
RevPAR	$ 29.96	$ 32.51	$ 35.95	$ 37.72	$ 39.31
CAMBRIA DOMESTIC SYSTEM (1)					
Number of properties, end of period	18	22	25	27	36
Number of rooms, end of period	2,119	2,642	3,113	3,503	4,917
Royalty fees ($000)	$ 2,147	$ 2,687	$ 3,745	$ 4,955	$ 6,731
Average occupancy percentage(1)	N/A	N/A	N/A	76.3%	73.8%
Average daily room rate (ADR)(1)	N/A	N/A	N/A	$ 131.73	$ 137.86
RevPAR(1)	N/A	N/A	N/A	$ 100.46	$ 101.70
ASCEND HOTEL COLLECTION DOMESTIC SYSTEM					
Number of properties, end of period	102	109	112	127	162
Number of rooms, end of period	9,206	9,395	9,455	10,480	13,000
Royalty fees ($000)	$ 3,741	$ 4,950	$ 5,558	$ 5,985	$ 7,694
Average occupancy percentage	64.0%	60.3%	58.5%	58.1%	55.5%
Average daily room rate (ADR)	$ 119.76	$ 121.49	$ 127.27	$ 129.97	$ 127.96
RevPAR	$ 76.60	$ 73.20	$ 74.47	$ 75.52	$ 71.05

(1) Statistics for average occupancy percentage, ADR and RevPAR exclude years in which the Cambria brand did not have 25 units open and operating for a twelve month period.

International Franchise Operations

The Company conducts its international franchise operations through a combination of direct franchising and master franchising relationships. Master franchising relationships are governed by master franchising agreements that generally provide the master franchisee with the right to use and sub-license the use of our brands in a specific geographic region, usually for a fee.

Our business philosophy has been to conduct direct franchising in those international markets where both franchising is an accepted business model and we believe our brands can achieve significant distribution. We typically elect to enter into master franchise agreements in those markets where direct franchising is currently not a prevalent or viable business model. When entering into master franchising relationships, we strive to select partners that have professional hotel and asset management capabilities together with the financial capacity to invest in building the Choice brands in their respective markets. Master franchising relationships typically provide lower revenues to the Company as the master franchisees are responsible for managing certain necessary services (such as training, quality assurance, reservations and marketing) to support the franchised hotels in the master franchise area and therefore retain a larger percentage of the hotel franchise fees to cover their expenses. In certain circumstances, the Company has and may continue to make equity investments in our master franchisees.

In some territories outside the United States hotel franchising is less prevalent, and many markets are served primarily by independent operators. We believe that chain and franchise affiliation will increase in certain international markets as local economies grow and hotel owners seek the economies of centralized reservations systems and marketing programs. We believe that international franchise operations will provide a significant long-term growth opportunity for the Company and as a result we have embarked on a multi-year investment in information technology and marketing which is expected to enhance the value proposition for prospective international franchisees.

As of December 31, 2017, we had 1,126 franchise hotels open and operating in over 40 countries and territories outside of the United States. The following chart summarizes our franchise system outside of the United States.

COMBINED INTERNATIONAL FRANCHISE SYSTEM(1)

	As of and For the Year Ended December 31,				
	2013	2014	2015	2016	2017
Number of properties, end of period	1,160	1,158	1,147	1,152	1,126
Number of rooms, end of period	105,473	106,617	107,111	111,624	112,558
Royalty fees ($000)	$ 24,721	$ 24,515	$ 20,166	$ 19,887	$ 21,396

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(1) Reporting of operating statistics (e.g., average occupancy percentage and average daily room rate) of international franchisees is not required by all master franchise contracts, thus these statistics and RevPAR are not presented for international franchisees.

Scandinavia. We conduct our operations in Scandinavia through a master franchise relationship with Nordic Choice Commercial Services A/S ("NCH"), formerly known as Choice Hotels Scandinavia. As of December 31, 2017, NCH had 187 open properties in its development territory, which includes Denmark, Norway and Sweden on an exclusive basis and Latvia, Lithuania and Finland on a non-exclusive basis. The Company's master franchise agreement with NCH grants rights to the Comfort, Quality, Sleep and Clarion brand and expires in 2023. Through a separate agreement signed in 2010, NCH also possesses the right to franchise Ascend Hotel Collection hotels in its territory. This agreement also expires in 2023.

Japan. The Company conducts its operations in Japan through a master franchise relationship with Choice Hotels Japan Co. Ltd ("CHJ"). CHJ possesses exclusive rights to develop the Comfort and Quality brands and non-exclusive rights to the Sleep and Clarion brands. The Company's master franchise agreement with CHJ expires in December 2023. As of December 31, 2017, CHJ had 54 open properties.

Continental Europe. The Company conducts franchising operations in Germany, Italy, Czech Republic, Austria and Hungary, and portions of Switzerland through Choice Hotels Licensing B.V. ("Choice BV"), a wholly-owned subsidiary, and in France, Portugal, Belgium and the French speaking Cantons of Switzerland through a wholly-owned subsidiary of Choice BV, Choice Hotels France SAS. At December 31, 2017, the Company's subsidiaries had 170 properties open and operating in continental Europe.

Ireland. The Company is a party to a master franchising agreement with Luckwell Limited for the exclusive right to develop our Clarion, Quality and Comfort brands in Ireland and Northern Ireland. The agreement also provides Luckwell Limited with limited rights to franchise Ascend Hotel Collection hotels in the territory. The master franchise agreement with Luckwell Limited expires in 2027. As of December 31, 2017, Luckwell Limited had 5 properties open and operating in Ireland and Northern Ireland.

United Kingdom. The Company conducts direct franchising operations in the United Kingdom through Choice BV. At December 31, 2017, the Company's subsidiary had 28 properties open and operating in the United Kingdom.

Canada. We conduct our operations in Canada for all of our brands except Cambria hotel and suites, MainStay Suites and Suburban Extended Stay Hotel through Choice Hotels Canada Inc. ("CHC") a joint venture owned 50% by us and 50% by InnVest Management Holdings Ltd. CHC is one of the largest lodging organizations in Canada with 324 of our franchised properties open and operating as of December 31, 2017. The Company conducts direct franchising operations for its extended stay and Cambria hotel and suites brands in Canada through its wholly-owned subsidiary, Choice Hotels International Licensing ULC, and had 5 properties open and operating at December 31, 2017.

India. The Company conducts direct franchising operations in India through wholly-owned subsidiaries for the Comfort, Quality, Sleep and Clarion brands. As of December 31, 2017, the Company had 28 franchised properties open and operating.

Australasia. The Company conducts direct franchising operations in Australia, New Zealand, and Singapore through a wholly-owned subsidiary, Choice Hotels Asia-Pac Pty. Ltd. ("CHAP"). As of December 31, 2017, CHAP had 200 franchised properties open and operating in Australasia.

Mexico. The Company's wholly-owned subsidiary Choice Hotels Mexico S. de R.L. de C.V. ("CHM") conducts direct franchising operations in Mexico on behalf of Choice BV, which acts as the franchisor in Mexico. CHM is focused on establishing Clarion, Quality, Sleep and Comfort brands through conversion of hotels in Mexico. At December 31, 2017, the Company's subsidiary had 31 properties open and operating.

South America. We conduct our operations in Brazil and certain other South American territories through a master franchise relationship with Atlantica Holdings International, Ltd. ("Atlantica"). As of December 31, 2017, Atlantica had 68 open properties in its development territory. The Company's master franchise agreement with Atlantica grants rights to the Comfort, Quality, Sleep and Clarion brands, which rights are exclusive in Brazil and non-exclusive in Atlantica's remaining territory. The agreement expires in December 2024.

Central America. We conduct our operations in certain Central American territories through a master franchise relationship with Real Hotels and Resorts, Inc. ("Real"). As of December 31, 2017, Real had 15 open properties in its development territory which consists of Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, and Panama. The Company's master franchise agreement with Real grants rights to the Comfort, Quality, Sleep and Clarion brands. The agreement was executed in 1994 and is currently scheduled to expire in May of 2034, with certain rights by both parties to terminate the contract early. Through a separate agreement signed in 2011, we have also granted Real limited non-exclusive rights to franchise Ascend Hotel Collection hotels in Colombia, Costa Rica, Ecuador, Honduras and Panama.

Other International Relationships. We also have non-exclusive master development and area representative arrangements in place with local hotel management and franchising companies doing business in China. At December 31, 2017, six properties were open and operating in China. In addition, the Company through Choice BV, has direct franchise relationships with properties in Malaysia and Turkey. At December 31, 2017, one property was open and operating in Malaysia and four properties were open and operating in Turkey.

The following table summarizes Choice's international franchise system as of December 31, 2017:

	Comfort	Comfort Suites	Quality	Clarion	Sleep	Ascend	Mainstay	Suburban	Econo Lodge	Rodeway	Total
Australia	85	—	57	6	—	6	—	—	19	—	173
Austria	4	—	3	—	—	—	—	—	—	—	7
Belgium	—	—	1	—	—	—	—	—	—	—	1
Canada	—	—	—	—	—	—	2	3	—	—	5
Czech Republic	—	—	—	9	—	—	—	—	—	—	9
France	60	8	23	4	—	1	—	—	—	—	96
Germany	18	—	17	2	—	—	—	—	—	—	37
Hungary	1	—	—	—	—	—	—	—	—	—	1
India	12	—	11	5	—	—	—	—	—	—	28
Italy	4	—	7	2	—	—	—	—	—	—	13
Malaysia	—	—	1	—	—	—	—	—	—	—	1
Mexico	14	—	9	—	8	—	—	—	—	—	31
New Zealand	8	—	14	—	—	—	—	—	4	—	26
Portugal	3	—	1	1	—	—	—	—	—	—	5
Singapore	—	—	1	—	—	—	—	—	—	—	1
Switzerland	1	—	—	—	—	—	—	—	—	—	1
Turkey	—	—	—	3	—	1	—	—	—	—	4
United Kingdom	13	—	6	7	—	2	—	—	—	—	28
Direct Franchise Agreements	**223**	**8**	**151**	**39**	**8**	**10**	**2**	**3**	**23**	**—**	**467**
Brazil	23	8	28	3	6	—	—	—	—	—	68
Canada*	146	5	94	9	3	14	—	—	49	4	324
China	1	1	1	3	—	—	—	—	—	—	6
Costa Rica	—	—	1	—	1	—	—	—	—	—	2
Denmark	1	—	2	1	—	1	—	—	—	—	5
Dominican Republic	—	—	1	—	—	—	—	—	—	—	1
Ecuador	—	—	1	—	—	1	—	—	—	—	2
El Salvador	2	—	1	1	—	—	—	—	—	—	4
Finland	—	—	—	2	—	1	—	—	—	—	3
Guatemala	—	—	—	1	—	—	—	—	—	—	1
Honduras	—	—	—	4	—	—	—	—	—	—	4
Ireland	—	—	2	1	—	2	—	—	—	—	5
Japan	54	—	—	—	—	—	—	—	—	—	54
Latvia	—	—	—	1	—	—	—	—	—	—	1
Lithuania	1	—	—	—	—	—	—	—	—	—	1
Norway	18	—	33	31	—	9	—	—	—	—	91
Panama	—	—	—	1	—	—	—	—	—	—	1
Sweden	10	—	25	39	—	12	—	—	—	—	86
Master Franchise Agreements	**256**	**14**	**189**	**97**	**10**	**40**	**—**	**—**	**49**	**4**	**659**
Total Number of Properties	**479**	**22**	**340**	**136**	**18**	**50**	**2**	**3**	**72**	**4**	**1,126**

* The Company has a 50% equity investment in this master franchisor.

The following table presents key worldwide system size statistics as of and for the year ended December 31, 2017:

	Open and Operational		Approved for Development		Units		
	Hotels	Rooms	Hotels	Rooms	Additions	Repositionings	Terminations
Comfort	1,562	125,121	180	14,824	57	(48)	(62)
Comfort Suites	589	46,671	135	11,525	13	(4)	(8)
Quality	1,882	156,825	93	7,900	101	52	(65)
Ascend Hotel Collection	212	19,158	57	5,130	52	5	(18)
Clarion	302	42,798	24	2,996	31	—	(30)
Sleep Inn	402	29,429	145	7,669	19	(2)	(6)
MainStay Suites	62	4,450	112	4,986	5	(1)	—
Econo Lodge	912	54,482	39	2,482	47	(14)	(57)
Rodeway Inn	604	34,712	43	2,692	72	13	(50)
Suburban	64	7,010	9	651	3	(1)	—
Cambria	36	4,917	86	12,062	10	—	(1)
Totals	6,627	525,573	923	72,917	410	—	(297)

Franchise Sales

Brand growth is important to our business model. We have identified key market areas for hotel development based on supply/demand relationships and our strategic objectives. Development opportunities are typically offered to: (i) existing franchisees; (ii) developers of hotels; (iii) owners of independent hotels and motels; (iv) owners of hotels leaving other franchisors' brands; and, (v) franchisees of non-hotel related products such as restaurants.

Our franchise sales organization is structured to support the Company's efforts to leverage its core strengths in order to take advantage of opportunities for further growth. The franchise sales organization employs both sales managers as well as franchise sales directors. This organization emphasizes the benefits of affiliating with the Choice system, our commitment to improving hotel profitability, our central reservation delivery services, our marketing and customer loyalty programs, our revenue management services, our training and support systems (including our proprietary property management systems) and our Company's track record of growth and profitability to potential franchisees. Franchise sales directors are assigned to specific brands to leverage their brand expertise to enhance product consistency and deal flow. Our sales managers ensure each prospective hotel is placed in the appropriate brand, facilitate teamwork and information sharing amongst the sales directors and provide better service to our potential franchisees. The structure of this organization supports the Company's efforts to leverage its core strengths in order to take advantage of opportunities for further growth. Integrating our brands and strategies allow our brand teams to focus on understanding, anticipating and meeting the unique needs of our customers.

Our objective is to continue to grow our portfolio by continuing to sell our existing brands, creating extensions of our existing brands and introducing new brands, either organically or via acquisition, within the various lodging chain categories. Based on market conditions and other circumstances, we may offer certain incentives to developers to increase development of our brands such as discounting various fees such as the initial franchise fee, royalty rates and marketing and reservation system rates as well as provide financing for property improvements and other purposes.

Because retention of existing franchisees is important to our growth strategy, we have a formal impact policy. For most of our brands, this policy offers existing franchisees protection from the opening of a same-brand property within a specified distance, depending upon the market in which the property is located.

Investment, Financing and Guaranty Franchisee Support

Our board of directors authorized a program which permits us to offer financing, investment, and guaranty support to qualified franchisees as well as allows us to acquire and resell real estate to incent franchise development for certain brands in strategic markets. We expect to deploy capital pursuant to this program opportunistically to promote growth of our emerging brands. The amount and timing of the investment in this program will be dependent on market and other conditions and we generally expect to recycle these investments within a three to five year period.

Franchise Agreements

Our standard domestic franchise agreements grant franchisees the non-exclusive right to use certain trademarks we own and receive other benefits of our franchise system to facilitate the operation of their franchised hotel at a specified location. Our standard domestic franchise agreements generally have terms ranging between 10 and 30 years. Generally, either party to our standard domestic franchise agreement can terminate the agreement prior to the conclusion of the agreement's term under certain circumstances, such as upon designated anniversaries of the agreement, subject to applicable law. Early termination options give us flexibility in eliminating or re-branding properties for reasons other than contractual failure by the franchisee. This allows us the opportunity to strengthen our brand portfolio in various markets by replacing weaker performing hotels. We also have the right to terminate a franchise agreement if a franchisee fails to bring the property into compliance with contractual or quality standards within specific time periods. The franchise agreements also typically contain liquidated damages provisions which represent a fair and reasonable measure of damages that our franchisee and we agree should be paid to us upon an early termination of the franchise agreement.

When the responsibility for development is transferred to an international master franchisee, that party has the responsibility to develop and grow our brands in the master franchise area. Additionally, the master franchisee generally must manage the delivery of certain necessary services (such as quality assurance, reservations and marketing) to support the franchised hotels in the master franchise area. The master franchisee collects the fees paid by the local franchisee and remits an agreed upon share to us. Master franchise agreements generally have a term of at least 10 years. We have only entered into master franchise agreements with respect to franchised hotels outside the United States.

Franchise agreements are individually negotiated and vary among the different Choice brands and franchises, but we believe they are competitive with the industry standard within their market group. Franchise fees usually have three primary components: an initial, one-time affiliation fee; a royalty fee; and a marketing and reservation system fee.

Our standard franchise fees are as follows:

QUOTED FEES BY BRAND AS OF DECEMBER 31, 2017

Brand	Initial Fee Per Room/Minimum	Royalty Fees (3)	Marketing and Reservation System Fees (3)
Cambria hotel and suites	$500/$60,000	5.00%	4.00%
Comfort Inn	$500/$50,000(1)	6.00%	3.50%
Comfort Suites	$500/$50,000(1)	6.00%	3.50%
Quality Inn	$300/$35,000(2)	5.25%	3.50%
Ascend Hotel Collection	$375/$30,000	5.00%	2.50%
Clarion	$300/$40,000	5.00%	3.00%
Sleep Inn	$300/$40,000	5.50%	3.50%
MainStay Suites(4)	$300/$30,000	5.50%	2.50%
Econo Lodge	$250/$25,000	5.00%	3.00%
Rodeway Inn	$125/$15,000	4.50%	2.50%
Suburban Extended Stay Hotel(4)	$225/$30,000	5.50%	2.50%

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(1) $55,000 minimum for transfers
(2) $40,000 minimum for transfers
(3) Fees are based on a percentage of gross room revenue
(4) For dual brand hotels that combine either the Mainstay Suites or Suburban Extended Stay Hotel brand with another Choice brand, we may increase the System Fee up to the standard amount for such other Choice brand.

As previously noted, the Company's franchise agreements are individually negotiated and therefore actual fees may differ from those noted above. From time to time, the Company may discount the standard royalty fees and/or marketing and reservation system fees in the initial years of the agreement as a franchisee acquisition strategy. Typically, these discounts expire as the contract matures until the contractual fees reach the standard franchise fees in effect at the time the agreement was executed.

Franchise Operations

Our operations are designed to help our franchisees improve RevPAR and lower their operating and development costs, as these are the measures of performance that most directly impact franchisee profitability. Our focus is to not only to help increase the number of reservations delivered to our franchisees but also to help increase the percentage of guest reservations processed through our proprietary channels. We believe that our proprietary channels, which include our loyalty program, propriety internet sites (including mobile and tablet applications), global sales programs and interfaces with global distribution systems, help deliver guests to our franchisees' hotels at the lowest cost and the highest average daily rates. We believe that by helping our franchisees become more profitable we will enhance our ability to both retain our existing franchisees, attract new franchisees, and improve the pricing of our franchise agreements. The key aspects of our franchise operations are:

Brand Name Marketing and Advertising. Our franchised hotels are typically located in areas conveniently accessible to business and leisure travelers and therefore a significant portion of hotel room nights are sold to guests who either walk-in or contact the hotel directly. As a result, we believe that brand name recognition and the strength of the brand reputation are important factors in influencing business and leisure traveler hotel accommodation choices.

Our marketing and advertising programs are designed to heighten consumer awareness and preference for our brands as offering the greatest value and convenience in the lodging categories in which we compete. Marketing and advertising efforts include national television, internet and radio advertising, on-line advertising, social media/digital advertising, print advertising in consumer and trade media and promotional events, including joint marketing promotions with qualified vendors and corporate partners. We also actively seek to maximize our presence on the internet by purchasing key search related terms from the various search engine providers to help ensure that our franchisees' hotels are prominently displayed to all potential guests.

We conduct numerous marketing and sales programs and deploy field based sales agents which target specific groups, including business travelers, senior citizens, automobile club members, families, government and military employees, educational organizations and meeting planners. Other marketing efforts include domestic and international trade show programs, publication of group and tour rate directories, direct-mail programs, electronic direct marketing e-mail programs, centralized commissions for travel agents, fly-drive programs in conjunction with major airlines, and the publication of electronic travel and vacation directories.

We operate a loyalty program, Choice Privileges, for all of the Choice brands to attract and retain travelers by rewarding stays with points towards free hotel nights and other rewards. Choice Privileges participants can earn points redeemable for free nights in Choice brand properties. The Company also offers guests the ability to earn airline miles for qualifying stays redeemable for flights with various airline partners as well as redeem points for gift certificates at participating retailers. These programs allow us to conduct lower cost, more targeted marketing campaigns to our consumers, help deliver incremental business to our franchised hotels and are an important selling point for our franchise sales personnel. The Choice Privileges program had approximately 35 million members worldwide as of December 31, 2017. Growing the membership of the Choice Privileges program as well as increasing the number of room nights consumed by existing members will continue to be a focus of the Company.

Marketing and advertising programs are directed by our marketing department, which utilizes the services of independent advertising agencies. We also employ home-based sales personnel geographically located across the United States using personal sales calls, telemarketing and other techniques to target specific customer groups, such as potential corporate clients in areas where our franchised hotels are located, the group travel market, and meeting planners.

Our field based franchise services area directors work with franchisees to help them maximize RevPAR. These consultants advise franchisees on topics such as marketing their hotels, improving quality and maximizing the benefits offered by the Choice reservations system. Our proprietary property management system includes a rate and selling management tool to help our franchisees better manage rates and inventory which are designed to help them improve RevPAR by optimizing ADR and occupancy. In addition, we have recently added revenue management services to our service offerings to assist franchisees in maximizing their room rates.

Central Reservation System ("CRS"). Our central reservation system consists of our toll-free telephone reservation system, our proprietary internet site, mobile phone and tablet reservation applications, interfaces with global distribution systems, and other internet reservations sites. We strive to improve the percentage of business delivered by our CRS as room nights reserved through these channels are typically at higher average daily rates than reservations booked directly through the property. In addition, increasing the percentage of business delivered through the CRS improves our value proposition to a hotel owner and therefore assists in retention of existing and acquisition of new franchisees.

Our CRS provides a data link to our franchised properties as well as to travel reservation systems such as Amadeus, Galileo, SABRE and Worldspan that facilitate the reservation process for travel agents and corporate travelers. We also offer rooms for sale on our own proprietary internet site (www.choicehotels.com) and mobile applications as well as those of OTA's and other third-party internet referral or booking services.

Our toll-free telephone reservation system primarily utilizes third party call center service providers. Reservation agents trained on the reservation system can match each caller with a Choice-branded hotel meeting the caller’s needs. We also operate a call forwarding program through which our franchisees can leverage our central reservation system capabilities by forwarding reservation calls received directly by the property to one of our reservation centers. Typically, this helps reduce the hotel’s front desk staffing needs, improves customer service and results in a higher average daily rate than reservations booked directly through the property.

We continue to implement our integrated reservation and distribution strategy to help improve reservations delivery, reduce franchisee costs and improve franchisee satisfaction by enhancing our website, choicehotels.com. We design our marketing campaigns to drive reservation traffic directly to our proprietary channels to minimize the impact that third party reservation sites may have on the pricing of our franchisees' inventory. In addition, we have introduced programs such as our Best Internet Rate Guarantee program which has greatly reduced the ability of the travel intermediaries to undercut the published rates at our franchisees' hotels. Further, we selectively distribute our franchisees' inventory to key third party travel intermediaries that we have established agreements with to help drive additional business to our franchisees' hotels. These agreements typically offer our brands preferred placement on these third party sites at reduced transaction fees. We continue to educate our individual franchisees about the unfavorable impact to their business of contracting with sites with which we do not have preferred agreements. We currently have agreements with many but not all major online third party booking sites.

We also continue to upgrade our technology to ensure that our CRS can effectively handle the current and future volume on digital channels and support the industry's shift toward accelerated digital communications and guest experience personalization. In support of these initiatives, the Company will transition in the first quarter of 2018 to choiceEDGE, a cloud-based software developed by the Company to manage all distribution for the Company by optimizing rate, inventory, availability, shopping, booking and reservations for its website, mobile apps and third-party distribution partners.

Property Management Systems. Our proprietary property and yield management system, choiceADVANTAGE, is designed to help franchisees maximize profitability and compete more effectively by assisting them in managing their room inventory, rates and reservations. choiceADVANTAGE synchronizes each hotel’s inventory with our central reservation system, giving our reservation sales agents last room sell capabilities at every hotel. Our property management system also includes a proprietary revenue management feature ("SmartRates") that calculates and suggests optimum rates based on each hotel’s past performance and projected occupancy. These tools are critical to business delivery and yield improvement as they facilitate a franchisees’ ability to effectively manage hotel operations, determine appropriate rates, help drive occupancy and participate in our marketing programs. As a cloud based solution, the choiceADVANTAGE system helps reduce each hotel’s investment in on-site computer equipment typically resulting in a lower total cost of ownership for property management systems than traditional on-site solutions.

Quality Assurance Programs. Consistent quality standards are critical to the success of a hotel franchise. We have established quality standards for all of our franchised brands that cover cleanliness conditions, brand standards and minimum service offerings. We inspect properties for compliance with our quality standards when application is made for admission to the franchise system. The compliance of existing franchisees with quality standards is monitored through scheduled and unannounced quality assurance reviews conducted periodically at the property and through the use of guest surveys. Properties that fail to maintain a minimum score are reinspected on a more frequent basis until deficiencies are cured, or until such properties are terminated. To encourage compliance with quality standards, various brand-specific incentives and awards are used to reward franchisees that maintain consistent quality standards. We identify franchisees whose properties operate below minimum quality standards and assist them to comply with brand specifications. Franchisees who fail to improve on identified quality matters may be subject to consequences ranging from written warnings, the payment of re-inspection, non-compliance and guest satisfaction fees, attendance at mandatory training programs and ultimately to the termination of the franchise agreement. Actual consequences, if any, are determined in the Company’s discretion on a case-by-case basis and may take into account a variety of factors apart from a franchisee’s level of compliance with our quality standards and brand specifications.

Training. We maintain a training department that conducts mandatory and voluntary training programs for all franchisees and general managers. Regularly scheduled regional and national training meetings are also conducted for owners and general managers. We offer an interactive computer and mobile-based training system to help train hotel employees in real-time as well as at their own pace. Additional training is conducted through a variety of methods, including group instruction seminars and live on-line instructor-led programs.

Opening Services. We maintain an opening services department that ensures incoming hotels meet or exceed brand standards and are properly displayed in our various reservation distribution systems to help ensure that each incoming hotel opens successfully. We also maintain a design and construction department to assist franchisees in refurbishing, renovating, or constructing their properties prior to or after joining the system. Department personnel assist franchisees in meeting our brand specifications by providing technical expertise and cost-savings suggestions.

Competition

Competition among franchise lodging brands is intense in attracting potential franchisees, retaining existing franchisees and generating reservations for franchisees. Franchise contracts are typically long-term in nature, but most allow the hotel owner to opt-out of the agreement at mutually agreed upon anniversary dates.

We believe that hotel operators choose lodging franchisors based primarily on the value and quality of each franchisor’s brand(s) and services and the extent to which affiliation with that franchisor may increase the franchisee’s reservations and profits. We also believe that hotel operators select a franchisor in part based on the franchisor’s reputation among other franchisees and the success of its existing franchisees.

Since our franchising revenues are based on franchisees’ gross room revenues or number of rooms, our prospects for growth are largely dependent upon the ability of our franchisees to compete in the lodging market, our ability to return existing franchises, our ability to convert competitor franchises and independent hotels to our brands and the ability of existing and potential franchisees to obtain financing to construct new hotels.

The ability of a hotel to compete may be affected by a number of factors, including the location and quality of the property, the abilities of the franchisee, the number and quality of competing lodging facilities nearby, its affiliation with a recognized name brand and general regional and local economic conditions. We believe the effect of local economic conditions on our results is substantially reduced by our range of products and room rates and the geographic diversity of our franchised properties, which are open and operating in 50 states, the District of Columbia and over 40 countries and territories outside the United States.

We believe that our focus on core business strategies, combined with our financial strength and size, geographic diversity, scale and distribution will enable us to remain competitive.

Service Marks and Other Intellectual Property

The service marks Choice Hotels International, Comfort Inn, Comfort Suites, Quality, Clarion, Sleep Inn, Econo Lodge, Rodeway Inn, MainStay Suites, Cambria hotels & suites, Suburban Extended Stay Hotel, Ascend Hotel Collection, Choice Privileges, SkyTouch Technology and related marks and logos are material to our business. We, directly and through our franchisees, actively use these marks. All of the material marks are registered with the United States Patent and Trademark Office. In addition, we have registered certain of our marks with the appropriate governmental agencies in the countries where we are doing business or anticipate doing business in the foreseeable future. We seek to protect our brands and marks throughout the world, although the strength of legal protection available varies from country to country. Depending on the jurisdiction, trademarks and other registered marks are valid as long as they are in use and/or their registrations are properly maintained and they have not been found to have become generic.

Seasonality

The hotel industry is seasonal in nature. For most hotels, demand is lower in November through February than during the remainder of the year. Our principal source of revenues is franchise fees based on the gross room revenues of our franchised properties. The Company's franchise fee revenues reflect the industry's seasonality and historically have been lower in the first and fourth quarters than in the second and third quarters.

Regulation

The Federal Trade Commission ("FTC"), various states and certain other foreign jurisdictions (including Australia, France, Canada, and Mexico) regulate the sale of franchises. The FTC requires franchisors to make extensive disclosure to prospective franchisees but does not require registration. A number of states in which our franchisees operate require registration and disclosure in connection with franchise offers and sales. In addition, several states have "franchise relationship laws" that, among other things, limit the ability of the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. While our franchising operations have not been materially adversely affected by such regulations, we cannot predict the effect of future regulation or legislation.

Our franchisees are responsible for compliance with all laws and government regulations applicable to the hotels they own or operate. The lodging industry is subject to numerous federal, state and local government regulations, including those relating to the preparation and sale of food and beverage (such as health and liquor license laws), building and zoning requirements and laws governing employee relations, including minimum wage requirements, overtime, working conditions and work permit requirements.

Impact of Inflation and Other External Factors

Franchise fees can be impacted by external factors including, in particular, the supply of hotel rooms within the lodging industry relative to the demand for rooms by travelers and inflation.

We expect to benefit in the form of increased franchise fees from future growth in consumer demand for hotel rooms as well as growth in the supply of hotel rooms, to the extent it does not result in excess lodging industry capacity. However, a prolonged decline in demand for hotel rooms would negatively impact our business.

Although we believe that increases in the rate of inflation will generally result in comparable increases in hotel room rates, severe inflation could contribute to a slowing of the economies in which we operate. Such a slowdown could result in reduced travel by both business and leisure travelers, potentially resulting in less demand for hotel rooms, which could result in a reduction in room rates and fewer room reservations, negatively impacting our revenues. A weak economy could also reduce demand for new hotels, negatively impacting the franchise fees received by us.

Among other unpredictable external factors, which may negatively impact us, are wars, acts of terrorism, airline strikes, gasoline shortages, severe weather and the risks described below under the Item 1A. Risk Factors.

SkyTouch Technology

SkyTouch Technology ("SkyTouch") is a division of the Company that develops and markets cloud-based technology products to the hotel industry including inventory management, pricing and connectivity to third party channels to hoteliers not under franchise agreements with the Company. SkyTouch was announced in March 2013 and represented less than 1% of both the Company's total revenues and operating expenses for the year ended December 31, 2017.

SkyTouch sells, manages, and supports a large, widely distributed cloud-based property management system, known as SkyTouch Hotel OS®, to branded chains and independent hotels, which is designed to help them to achieve growth and to improve operating performance and the guest experience. SkyTouch Hotel OS® is based on the Company’s award-winning, proprietary technology platform, choiceADVANTAGE, that was first introduced over a decade ago to meet the needs of its franchisees and is currently utilized by over 6,000 of the Company's franchised hotels. SkyTouch Hotel OS® offers many of the same functions of the choiceADVANTAGE platform, including managing reservations, guest stays, and rates on any device with an internet connection as well as the ability to connect seamlessly with other systems used by branded chains and independent hotels. SkyTouch Hotel OS® has been enhanced to add distribution management services, and offers central reservation system interfaces utilizing hotel technology next generation specifications for ease of deployment and partnership with other technology providers.

The SkyTouch platform includes a mobile-native interface that offers fast and secure mobile functionality to the major elements of property management and housekeeping. The interface includes quick, mobile-friendly views of key operational data such as ADR, Occupancy, "Availability for Tonight," which is designed to help improve management efficiency. Housekeeping functionality allows real-time, two-way communication between managers and staff that helps improve the guest experience. Developed with a responsive design and an adaptable mobile support strategy, the interface is optimized as a true cloud-based application for smart phones and tablets, while still accessible from desktops.

SkyTouch also provides onsite and remote installation and training, and 24/7 phone support to its clients. SkyTouch’s online training includes simulation-based, highly interactive e-Learning modules with the option to modify and create additional content to meet the needs of hoteliers.

The hotel property management system market is highly competitive and SkyTouch competes on various bases, including product functionality, service capabilities, price, and geography. SkyTouch competes with companies that have several hotel related software products, as well as companies that offer a single product or service aimed at a particular niche. In addition, SkyTouch products and services compete with room reservation systems developed and marketed by major hotel chains for their corporate-owned operations and franchisees.

Employees

We employed approximately 1,987 people in our global operations as of February 15, 2018. None of our employees are represented by unions or covered by collective bargaining agreements. We consider our relations with our employees to be good.

EXECUTIVE OFFICERS OF CHOICE HOTELS INTERNATIONAL, INC.

The name, age, title, present principal occupation, business address and other material occupations, positions, offices and employment of each of the executive officers of the Company as of December 31, 2017 are set forth below. The business address of each executive officer is 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850.

Name	Age	Position
Stewart W. Bainum, Jr.	71	Chairman of the Board of Directors
Patrick S. Pacious	51	President and Chief Executive Officer
Dominic E. Dragisich	35	Chief Financial Officer
David A. Pepper	50	Chief Development Officer
Simone Wu	52	Senior Vice President, General Counsel, Corporate Secretary & External Affairs
John E. Bonds	46	Senior Vice President, Enterprise Operations and Technology
Robert McDowell	51	Chief Commercial Officer
Patrick J. Cimerola	49	Chief Human Resources Officer
Scott E. Oaksmith	46	Senior Vice President, Finance and Chief Accounting Officer

Stewart W. Bainum, Jr. Director from 1977 to 1996 and since 1997. Chairman of the Board of Choice Hotels International, Inc., from March 1987 to November 1996 and since October 1997; Director of the Board of Realty Investment Company, Inc., a real estate management and investment company, from December 2005 through December 2016 and Chairman from December 2005 through June 2009; Director of the Board of Sunburst Hospitality Corporation, a real estate developer, owner and operator, from November 1996 through December 2016 and Chairman from November 1996 through June 2009. Director of SunBridge Manager, LLC from September 2011 through December 2016. He was a director of Manor Care, Inc., from September 1998 to September 2002, serving as Chairman from September 1998 until September 2001. From March 1987 to September 1998, he was Chairman and Chief Executive Officer of Manor Care, Inc. He served as President of Manor Care of America, Inc., and Chief Executive Officer of ManorCare Health Services, Inc., from March 1987 to September 1998, and as Vice Chairman of Manor Care of America, Inc., from June 1982 to March 1987.

Patrick S. Pacious. President and Chief Executive Officer since September 2017; President and Chief Operating Officer from May 2016 until September 2017; and Chief Operating Officer from January 2014 until May 2016. He was Executive Vice President, Global Strategy & Operations from February 2011 through December 2013. He was Senior Vice President Corporate Strategy and Information Technology from August 2009 to February 2011. He was Senior Vice President, Corporate Development and Strategy from December 2007 to August 2009. He was Vice President, Corporate Development and Innovation from May 2006 to December 2007 and was Senior Director of Corporate Strategy from July 2005 to May 2006. Prior to joining the Company, he was employed by Bearingpoint Inc. as a Senior Manager from 2002 until 2005 and Arthur Andersen Business Consulting LLP as a Senior Manager from 1996 until 2002.

Dominic E. Dragisich. Chief Financial Officer since joining the Company in March 2017. Prior to joining the Company, he was employed by XO Communications as Chief Financial Officer from July 2015 to February 2017 and Vice President, Financial Planning and Analysis ("FP&A") and Strategic Finance from September 2014 to July 2015. Before that, he was Senior Director, IR Business Consultancy of Marriott International from October 2013 to September 2014, Global Director of FP&A of NII Holdings, Inc. from March 2012 to October 2013, and held various management positions at Deloitte Consulting from 2004 to 2012.

David A. Pepper. Chief Development Officer since May 2015. He was Senior Vice President, Global Development from October 2009 to May 2015. He was Senior Vice President, Franchise Development & Emerging Brands from July 2007 to October 2009. He was Senior Vice President and Division President Cambria Suites and Extended Stay Market Brands from January 2007 to July 2007 and was Senior Vice President, Franchise Growth and Performance of Choice from December 2005 until January 2007. He was Senior Vice President, Development of Choice from January 2005 until December 2005. He was Vice President, Franchise Sales from June 2002 until January 2005. He was Vice President, Franchise Sales with USFS in Atlanta, Georgia from 1996 through June 2002.

Simone Wu. Senior Vice President, General Counsel, Corporate Secretary & External Affairs since 2015. She was Senior Vice President, General Counsel, Corporate Secretary & Chief Compliance Officer from 2012 to 2015. Prior to joining the Company in 2012, she was employed by XO Communications and its affiliates as Executive Vice President, General Counsel and Secretary from 2011 until 2012, Senior Vice President, General Counsel and Secretary from 2006 to 2011, Vice President, the acting General Counsel and Secretary from 2005 to 2006, Vice President and Assistant General Counsel from 2004 until 2005, and Senior Corporate Counsel from 2001 until 2004. Before that she was Vice President of Legal and Business Affairs at LightSource Telecom, held legal and business positions at MCI and AOL, and began her legal career in 1989 at Skadden, Arps, Slate, Meagher & Flom.

John E. Bonds. Senior Vice President, Enterprise Operations and Technology since September 2017. He was Senior Vice President, Strategy and Services from January 2013 to August 2017. He was Vice President, Corporate Strategy from March 2011 to December 2012. Prior to joining the Company in 2006, he was employed by Navigant Consulting from 2003 to 2006, BearingPoint from 2002 to 2003 and Arthur Andersen Business Consulting from 1999 to 2002.

Robert McDowell. Chief Commercial Officer since February 2016. He was Senior Vice President, Marketing and Distribution from May 2011 until January 2016. Prior to joining the Company, he was employed by United Airlines from 1995 to 2006 and 2006 to 2011 as Managing Director of Distribution and eCommerce and C&H International as Chief Operating Officer from January 2007 to December 2007.

Patrick J. Cimerola. Chief Human Resources Officer since 2015. He was Senior Vice President, Human Resources and Administration from September 2009 to 2015. He was Vice President of Human Resources from January 2003 to September 2009. He was Sr. Director of Human Resources from January 2002 to January 2003.

Scott E. Oaksmith. Senior Vice President, Finance & Chief Accounting Officer since May 2016 and Controller of the Company from September 2006 until May 2016. He was Senior Director & Assistant Controller of Choice from February 2004 to September 2006. He was Director, Marketing and Reservations, Finance from October 2002 until February 2004. Prior to joining the Company, he was employed by American Express Tax & Business Services, Inc. from January 1994 to October 2002, last serving as Senior Manager from October 2000 to October 2002.

Item 1A. Risk Factors.

Choice Hotels International, Inc. and its subsidiaries are subject to various risks, which could have a negative effect on the Company and its financial condition. These risks could cause actual operating results to differ from those expressed in certain “forward looking statements” contained in this Form 10-K as well as in other Company communications. Before you invest in our securities you should carefully consider these risk factors together with all other information included in our publicly filed documents.

We are subject to the operating risks common in the lodging and franchising industries.

A significant portion of our revenue is derived from fees based on room revenues at hotels franchised under our brands. As such, our business is subject, directly or through our franchisees, to the following risks common in the lodging and franchising industry, among others:

- changes in the number of hotels operating under franchised brands;
- changes in the relative mix of franchised hotels in the various lodging industry price categories;
- changes in occupancy and room rates achieved by hotels;
- desirability of hotel geographic location;
- changes in general and local economic and market conditions, which can adversely affect the level of business and leisure travel, and therefore the demand for lodging and related services;
- level of consumer unemployment;
- increases in operating costs that may not be able to be offset by increases in room rates, such as through increases in minimum wage levels;
- increases in corporate-level operating costs resulting in lower operating margins;
- over-building in one or more sectors of the hotel industry and/or in one or more geographic regions, could lead to excess supply compared to demand, and to decreases in hotel occupancy and/or room rates;
- the availability and cost of capital to allow hotel owners and developers to build new hotels and fund investments;
- changes in travel patterns;
- travelers’ fears of exposure to contagious diseases or insect infestations in hotel rooms;

- changes in governmental regulations that influence or determine wages, benefits, prices or increase operating, maintenance or construction costs of our franchisees;
- changes by governmental agencies and within relevant legal systems of prevailing opinion and interpretation of new or existing rules, regulations and legal doctrine, particularly those limiting the liability of franchisors for employment and general liability claims involving franchisees;
- security concerns or travel restrictions (whether security-related or otherwise) imposed by governmental authorities that have the effect of discouraging or limiting travel to and from certain jurisdictions;
- the costs and administrative burdens associated with compliance with applicable laws and regulations, including, among others, franchising, lending, privacy, marketing and sales, licensing, labor, climate change, employment and regulations applicable under the Office of Foreign Asset Control and the Foreign Corrupt Practices Act;
- the financial condition of franchisees and travel related companies;
- franchisors' ability to develop and maintain positive relations with current and potential franchisees; and
- changes in exchange rates or economic weakness in the United States (affecting domestic travel) and internationally could also unfavorably impact future results.

We may not grow our franchise system or we may lose business by failing to compete effectively.

Our success and growth prospects depend on the strength and desirability of our brands, particularly the Comfort brand which represents a significant portion of our business. We believe that hotel operators choose lodging franchisors based primarily on the value and quality of each franchisor's brand and services, the extent to which affiliation with that franchisor may increase the hotel operator's reservations and profits, and the franchise fees charged. Demographic, economic or other changes in markets may adversely affect the desirability of our brands and, correspondingly, the number of hotels franchised under the Choice brands.

We compete with other lodging companies for franchisees. As a result, the terms of new franchise agreements may not be as favorable as our current franchise agreements. For example, competition may require us to reduce or change fee structures, make greater use of financial incentives such as loans and guarantees to acquire franchisees and/or reduce the level of property improvements required before operating under our brand names. This could potentially impact our margins negatively. New competition may also emerge using different business models with a lesser reliance on franchise fees. In addition, an excess supply of hotel rooms or unfavorable borrowing conditions may discourage potential franchisees from expanding or constructing new hotels, thereby limiting a source of growth of the franchise fees received by us.

In addition, each of our hotel brands competes with major hotel chains in national and international markets and with independent companies in regional markets. Our ability to remain competitive and to attract and retain business and leisure travelers depends on our success in distinguishing our products and services from those offered by our competitors. If we are unable to compete successfully in these areas, this could adversely affect our market share and our results of operations. An adverse incident involving our franchisees or their guests, and any media coverage resulting therefrom, could also damage our brands and reputation. The considerable increase in the use of social media over recent years has greatly accelerated the speed at which negative publicity could spread and the scope of its dissemination, and could lead to litigation, increase our costs or result in a loss of consumer confidence in our brands.

Increasing use by consumers of alternative internet reservation channels may decrease loyalty to our brands and our existing distribution channels, and may influence our distribution strategies, in ways that may adversely affect us.

A significant, and increasing, percentage of hotel rooms are booked through internet travel intermediaries. If these intermediaries are successful in continuing to increase their share of bookings, or are otherwise successful in executing strategies to strengthen their commercial and contractual ties to our hotels and hotel guests, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contractual and operational concessions from our franchisees or us.

Moreover, some of these internet travel intermediaries hope that consumers will eventually develop brand loyalties to their reservations systems rather than to our lodging brands and our existing distribution channels. As the internet travel intermediary industry continues to consolidate, and/or if well-known or well-financed companies decide to enter the internet travel intermediary space, the resources that the internet travel intermediaries have available and may be willing to apply toward their own marketing and customer loyalty could significantly exceed the resources that we are able to apply for the same purposes.

The increasing use of alternative internet reservation channels influences the way in which we utilize and market the benefits of our existing distribution channel. For example, we have introduced programs such as "Best Internet Rate

Guarantee" and a closed-user group pricing to encourage bookings directly through our distribution system. However, there can be no assurance that current margins or levels of utilization associated with these or other strategies will succeed in increasing the booking percentages to our direct channels at the expense of channels controlled by travel intermediaries. In addition, our implementation of programs such as closed-user group pricing may cause travel intermediaries to respond by diverting business away from our hotels, by removing or marginalizing our hotels in search results on their platforms.

Finally, there can be no assurance that we will be able to maintain stable commercial or contractual relationships with every significant internet travel intermediary, and any resulting instability may have a significant adverse impact on our business, if for example, our brands are not available through one or more of such intermediaries. Relatedly, we may not be able to negotiate mutually acceptable agreements, or renegotiate extensions of agreements with existing internet travel intermediaries upon their expiration, and any such renegotiated or extended agreement may not be entered into on terms as favorable as the provisions that existed before such expiration, replacement or renegotiation.

We and our franchisees are reliant upon technology and the disruption or malfunction in our information systems could adversely affect our business.

The lodging industry depends upon the use of sophisticated technology and systems including those utilized for reservations, property management, procurement, hotel revenue management, operation of our customer loyalty programs and our administrative systems. Consequently, disruptions or malfunctions in technology can impact our revenue as well as our ability to retain existing franchisees and attract new franchisees to our system. The operation of many of these systems is dependent upon third party data communication networks and software upgrades, maintenance and support. These technologies can be expected to require refinements and there is the risk that advanced new technologies will be introduced. There can be no assurance that as various systems and technologies become outdated or new technology is required we will be able to replace or introduce them as quickly as our competitors or within budgeted costs for such technology.

There can be no assurance that we will achieve the benefits that may have been anticipated from any new technology or system. Further, there can be no assurance that disruptions of the operation of these systems will not occur as a result of failures related to our internal or third party systems and support.

Information technology systems that we rely upon are also vulnerable to damage or interruption from:

- earthquakes, fires, floods and other natural disasters;
- power losses, computer systems failures, internet and telecommunications or data network failures, service provider negligence, improper operation by or supervision of employees, user error, physical and electronic losses of data and similar events; and
- computer viruses, penetration by individuals seeking to disrupt operations or misappropriate information and other breaches of security.

We are subject to risks related to cybersecurity.

The hospitality industry is under increasing attack by cyber-criminals. These attacks can be deliberate attacks or unintentional events that could result in unauthorized disclosure of sensitive information or cause interruptions or delays in our business, loss of data, or render us unable to process reservations. Accordingly, an extended interruption in any of our systems or the systems of our franchisees could significantly curtail, directly and indirectly, our ability to conduct our business and generate revenue. We have experienced, and expect to continue to be subject to, cybersecurity threats and incidents, none of which have been material to the Company to date.

We seek to minimize the impact of these attacks through various technologies, processes and practices designed to help protect our networks, systems, computers and data from attack, damage or unauthorized access. However, there are no guarantees that our cyber-security practices will be sufficient to thwart all attacks. While we carry cyber breach, property and business operation interruption insurance, we may not be sufficiently compensated for all losses we may incur. These losses include not only a loss of revenues but also potential reputational damage to our brands and litigation, fines or regulatory action against us. Furthermore, the Company may also incur substantial remediation costs to repair system damage as well as satisfy liabilities for stolen assets or information that may further reduce our profits.

We may not achieve our objectives for growth in the number of franchised hotels.

The number of properties and rooms franchised under our brands significantly affects our results. There can be no assurance that we will be successful in achieving our objectives with respect to growing the number of franchised hotels in our system or that we will be able to attract qualified franchisees. The growth in the number of franchised hotels is subject to numerous risks, many of which are beyond the control of our franchisees or us. Among other risks, the following factors affect our ability to achieve growth in the number of franchised hotels:

- the ability of our franchisees to open and operate additional hotels profitably. Factors affecting the opening of new hotels, or the conversion of existing hotels to a Choice brand, include, among others:
  - the availability of hotel management, staff and other personnel;
  - the cost and availability of suitable hotel locations;
  - the availability and cost of capital to allow hotel owners and developers to fund investments;
  - cost effective and timely construction of hotels (which construction can be delayed due to, among other reasons, availability of financing, labor and materials availability, labor disputes, local zoning and licensing matters, and weather conditions); and
  - securing required governmental permits.
- our ability to continue to enhance our reservation, operational and service delivery systems to support additional franchisees in a timely, cost-effective manner;
- our formal impact policy, which may offer certain franchisees protection from the opening of a same-brand property within a specified distance;
- the effectiveness and efficiency of our development organization;
- our failure to introduce new brands that gain market acceptance;
- our dependence on our independent franchisees' skills and access to financial resources necessary to open the desired number of hotels; and
- our ability to attract and retain qualified domestic and international franchisees.

In addition, we are currently planning to expand our international operations in many of the markets where we currently operate, as well as in selected new markets. This may require considerable management time as well as start-up expenses for market development before any significant revenues and earnings are generated. Operations in new foreign markets may achieve low margins or may be unprofitable, and expansion in existing markets may be affected by local economic and market conditions. Therefore, as we expand internationally, we may not experience the operating margins we expect, our results of operations may be negatively impacted and our stock price may decline.

We are subject to risks relating to the acquisition of new brands or lines of business

From time-to-time, we consider acquisitions of new brands that complement our current portfolio of brands. In many cases, we will be competing for these opportunities with third parties who may have substantially greater financial resources or different or lower acceptable return requirements than we do. There can be no assurance that we will be able to identify acquisition candidates, acceptable new markets or complete transactions on commercially reasonable terms or at all. If transactions are consummated or new markets entered, there can be no assurance that any anticipated benefits will actually be realized. Similarly, there can be no assurance that we will be able to obtain additional financing for acquisitions or investments, or that the ability to obtain such financing will not be restricted by the terms of our existing debt agreements. Furthermore, if events or changes in circumstances indicate that the carrying value of the acquisition costs are not recoverable, we may be required to record a significant non-cash impairment charge in our financial statements which may negatively impact our results of operations and shareholders' equity.

New brands may not be accepted by franchisees and consumers

We have developed and launched additional hotel brands, such as Cambria hotels and suites and Ascend Hotel Collection, and may develop and launch additional brands in the future. There can be no assurance regarding the level of acceptance of new brands in the development and consumer marketplaces, that costs incurred to develop the brands will be recovered or that the anticipated benefits from these new brands will be realized.

Our investment in new business lines is inherently risky and could disrupt our core business.

In March 2013, we launched our SkyTouch division which develops and markets cloud-based technology products to the hotel industry. In 2015, we acquired a Netherlands-based company that provides software as a service solutions for vacation rental management companies. We expect to continue to invest in these new alternate lines of business and may in the future invest in other new business strategies, products, services, and technologies.

Such investments generally involve significant risks and uncertainties, including distraction of management from our core franchising operations, unanticipated expenses, inadequate return of capital on our investments, and unidentified issues and risks not discovered in our development or analysis of such strategies and offerings. For SkyTouch, additional specific risks and uncertainties include, among others, a limited history as a stand-alone operating business, the willingness of our potential competitors to enter into a business relationship with one of our operating divisions, the ability to develop and offer innovative products that appeal to hoteliers, continuing market acceptance of SkyTouch's enterprise cloud-based technology products, security threats to processed and stored data, intense competition in the technology industry, protection of intellectual property rights, and claims of infringement of the intellectual property of third parties.

Because these ventures are software and technology businesses, they are inherently risky, and there can be no assurance that our investments will be successful. If we do not realize the financial or strategic goals that are contemplated at the time we commit to significant investments in support of these ventures, our reputation, financial condition, operating results and growth trajectory may be impacted.

Our international operations are subject to political and monetary risks.

We have franchised properties open and operating in more than 40 countries and territories outside of the United States. We also have, and may in the future make, investments in foreign hotel franchisors. International operations generally are subject to greater economic, political and other risks than those affecting United States operations. In certain countries, these risks include the risk of war or civil unrest, political instability, expropriation and nationalization.

Moreover, our international operations are subject to compliance with anti-corruption laws and other foreign laws and regulations. While we have policies in place to enforce and monitor internal and external compliance with anti-corruption laws, we cannot guarantee that our policies will always protect us from reckless or criminal acts committed by our employees, franchisees or third-parties with whom we work. The United States also imposes sanctions that restrict U.S. companies from engaging in business activities with certain persons or entities, foreign countries, or foreign governments that it determines are adverse to U.S. foreign policy interests. If we are found liable for violations of anti-corruption or sanctions laws, we could incur criminal or civil liabilities which could have a material and adverse effect on our results of operations, our financial condition and our reputation. Furthermore, the creation of new restrictions in these areas could increase our cost of operations, reduce our profits or cause us to forgo development opportunities that would otherwise contribute to our profitability.

Additional factors may also impact our international operations. The laws of some international jurisdictions do not adequately protect our intellectual property and restrict the repatriation of non-United States earnings. Various international jurisdictions also have laws limiting the right and ability of non-United States entities to pay dividends and remit earnings to affiliated companies unless specified conditions have been met. In addition, revenues from international jurisdictions typically are earned in local currencies, which subjects us to risks associated with currency fluctuations. Currency devaluations and unfavorable changes in international monetary and tax policies could have a material adverse effect on our profitability and financing plans, as could other changes in the international regulatory climate. Our future performance could be adversely affected by weak economic conditions in any region where we operate, and uncertainty regarding the pace of economic growth in different regions of the world makes it difficult to predict future profitability levels. We intend to continue to expand internationally, which would make the risks related to our international operations more significant over time.

We may have disputes with the owners of our franchised hotels or their representative franchisee associations.

Our responsibilities under our franchise agreements may be subject to interpretation and may give rise to disagreements in some instances. Such disagreements may be more likely when hotel returns are depressed as a result of economic conditions. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential hotel owners as well as their representative franchisee associations. However, failure to resolve such disagreements could result in litigation with outcomes that may be adverse to our economic interests.

Development activities that involve our co-investment or financing and guaranty support for third parties may result in losses.

As a result of our program to make financial support available to developers in the form of loans, credit support, such as guarantees, and equity investments, we are subject to investment and credit risks that we would not otherwise be exposed to as a franchisor. In particular, when we make loans to franchisees, agree to provide loan guarantees for the benefit of franchisees, or make equity investments in franchisees, we are subject to all generally applicable credit and investment risks, such as:

- construction delays, cost overruns, or acts of God such as earthquakes, hurricanes, floods or fires that may increase overall project costs or result in project cancellations;
- the possibility that the parties with which we have entered into a co-investment, financing or guaranty relationships could become bankrupt or otherwise lack the financial resources to meet their obligations, or could have or develop business interests, policies or objectives that are inconsistent with ours; and
- that conditions within credit or capital markets may limit the ability of franchisees to raise additional debt or equity that may be required for completion of projects.

In addition to general credit and capital markets risks, we face specific risks stemming from our ability to assess the existing and future financial strength of the franchisee and its principals, the development/construction abilities of the franchisee, the expected performance of the hotel in light of the forecasted general, regional and market-specific economic climate, and the ability to negotiate for, value, and if necessary collect security for our loans or obligations. If we do not accurately assess these risks, our assumptions used to make these estimates prove inaccurate, or situations in the credit market or hospitality industry change in a manner we did not anticipate, our loans and investments may become impaired and/or we may be required to make payment under guarantees we have issued. In such instances, there is no assurance that we will be able to recover any or all of such impaired or paid amounts, in which case we will experience losses which could be material.

Development activities that involve our investment in real estate to stimulate the development of new brands may result in exposure to losses.

The Company is engaged in a program to identify real estate for potential developers to acquire and be utilized for hotel development. The Company's intent is to identify potential development sites so that developers may acquire the site and commence construction of a hotel franchised under one of the Company's brands. However, in certain circumstances, the Company has acquired, and continues to acquire, the real estate prior to identifying a potential developer for the project. As a result, we are subject to the investment risk that we would not otherwise be exposed to as a franchisor. In particular, we face specific risks stemming from (1) our ability to assess the fair market value of the real estate; (2) the location's suitability for development as a hotel; (3) the availability of zoning or other local approvals needed for development; and (4) the availability and pricing of capital. Although we actively seek to minimize these risks prior to acquiring real estate, there is no assurance that we will be able to recover the costs of our investments in which case we will experience losses which could be material.

Investing through joint ventures decreases our ability to manage risk.

We have invested, and expect to continue to invest in real estate and other hospitality related joint ventures. Joint venturers often have shared control over the operation of the joint venture assets and therefore these investments may involve risks such as the possibility that the co-venturer in an investment might become bankrupt or not have the financial resources to meet its obligations, or have economic or business interests or goals that are inconsistent with our business interests or goals. Consequently, actions by a co-venturer might subject us to additional risk, require greater financial support from the Company than initially forecasted or result in actions that are inconsistent with our business interests or goals.

Under certain circumstances our franchisees may terminate our franchise contracts.

We franchise hotels to independent third parties pursuant to franchise agreements. These agreements may be terminated, renegotiated or expire but typically have an initial term of between ten and thirty years. These agreements also typically contain provisions permitting either party to terminate the franchise agreement upon designated anniversaries of the agreement under certain circumstances and depending on the particular hotel brand that is licensed to the franchisee. While our franchise agreements provide for liquidated damages to be paid to us by franchisees whose agreements have been terminated as the result of a violation of the provisions of the agreement, these damage amounts are typically less than the fees we would have received if the terminated franchisee fulfilled its contractual obligations. In addition, there can be no assurance that we will be able to replace expired or terminated franchise agreements, or that the provisions of renegotiated or new agreements will be as favorable as the provisions that existed before such expiration, replacement or renegotiation. As a result, our revenues could be negatively impacted.

Deterioration in the general financial condition of our franchisees may adversely affect our results.

Our operating results are impacted by the ability of our franchisees to generate revenues at properties they franchise from us. An extended period of occupancy or room rate declines may adversely affect the operating results and financial condition of our franchisees. These negative operating conditions could result in the financial failure of our owners and result in a termination of the franchisee for non-payment of franchise fees or require the transfer of ownership of the franchise. In those instances where ownership is transferred, there can be no assurance that the new owners will choose to affiliate with our brands.

The hotel industry is highly competitive. Competition for hotel guests is based primarily on the level of service, quality of accommodations, convenience of locations and room rates. Our franchisees compete for guests with other hotel properties in their geographic markets. Some of their competitors may have substantially greater marketing and financial resources than our franchisees, and they may construct new facilities or improve their existing facilities, reduce their prices or expand and improve their marketing programs in ways that adversely affect our franchisees' operating results and financial condition. In addition, the ability of our franchisees to compete for guests directly impacts the desirability of our brands to current and prospective franchisees.

These factors, among others, could adversely affect the operating results and financial condition of our franchisees and result in declines in the number of franchised properties and/or franchise fees and other revenues derived from our franchising business. In addition, at times, the Company provides financial support to our franchisees via notes and guarantees. Factors that may adversely affect the operating results and financial condition of these franchisees may result in the Company incurring losses related to this financial support.

We may not be able to recover advances for system services that we may at certain times provide to our franchisees.

The Company is obligated to use the system fees it collects from the current franchisees comprising its various hotel brands to provide system services, such as marketing and reservations services, appropriate to fulfill our obligations under the Company's franchise agreements. In discharging our obligation to provide sufficient and appropriate system services, the Company has the right to expend funds in an amount reasonably necessary to ensure the provision of such services, regardless of whether or not such amount is currently available to the Company for reimbursement.

Under the terms of its franchise agreements, the Company has the contractually enforceable right to assess and collect from its current franchisees fees sufficient to pay for the system services the Company has provided or procured for the benefit of its franchisees, including fees to reimburse the Company for past services rendered. The Company's current franchisees are contractually obligated to pay any assessment the Company imposes on them to obtain reimbursement of any systems services advances regardless of whether the franchisees continue to generate gross room revenue and whether or not they joined the system following the deficit's occurrence. However, our ability to recover these advances may be adversely impacted by certain factors, including, among others, declines in the ability of our franchisees to generate revenues at properties they franchise from us. An extended period of occupancy or room rate declines or a decline in the number of hotel rooms in our franchise system could result in the generation of insufficient funds to recover system services advances as well as meet the ongoing system service needs of our franchisees.

Our franchisees may fail to make investments necessary to maintain or improve their properties, preference for our brands and our reputation could suffer and our franchise agreements with these franchisees could terminate.

Our franchised properties are governed by the terms of franchise agreements. Substantially all of these agreements require property owners to comply with standards that are essential to maintaining our brand integrity and reputation. We depend on our franchisees to comply with these requirements by maintaining and improving properties through investments, including investments in furniture, fixtures, amenities and personnel.

Franchisees may be unable to access capital or unwilling to spend available capital when necessary, even if required by the terms of our franchise agreements. If our franchisees fail to make investments necessary to maintain or improve the properties we franchise, our brand preference and reputation could suffer. In addition, if franchisees breach the terms of our agreements with them, we may elect to exercise our termination rights, which would eliminate the revenues we earn from these properties and cause us to incur expenses related to terminating these relationships. These risks become more pronounced during economic downturns.

We are dependent upon our ability to attract and retain key officers and other highly qualified personnel.

Our future success and our ability to manage future growth depend in large part upon the efforts and skills of our senior management and our ability to attract and retain key officers and other highly qualified personnel. Competition for such personnel is intense. There can be no assurance that we will continue to be successful in attracting and retaining qualified personnel. Accordingly, there can be no assurance that our senior management will be able to successfully execute and implement our growth and operating strategies.

We are subject to certain risks related to our indebtedness.

We cannot assure you that our business will generate sufficient cash flow from operations to enable us to pay our indebtedness or to fund our other liquidity needs. If we fail to generate sufficient cash flow from future operations to meet our debt service obligations, we may need to refinance all or a portion of our debt on or before maturity. We cannot assure you that we will be able to refinance any of our debt on attractive terms, commercially reasonable terms or at all. Our future operating performance and our ability to service, extend or refinance our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. Our present indebtedness and future borrowings could have important adverse consequences to us, such as:

- making it more difficult for us to satisfy our obligations with respect to our existing indebtedness;
- limiting our ability to obtain additional financing;
- requiring a substantial portion of our cash flow to be used for principal and interest payments on the debt, thereby reducing our ability to use cash flow to fund working capital, capital expenditures, pay dividends and/or repurchase our common stock;
- limiting our ability to respond to changing business, industry and economic conditions and to withstand competitive pressures, which may affect our financial condition;

- causing us to incur higher interest expense in the event of increases in interest rates on our borrowings that have variable interest rates or in the event of refinancing existing debt at higher interest rates;
- limiting our ability to make investments or acquisitions;
- increasing our vulnerability to downturns in our business, our industry or the general economy and restricting us from making improvements or acquisitions or exploring business opportunities;
- placing us at a competitive disadvantage to competitors with less debt or greater resources; and
- subjecting us to financial and other restrictive covenants in our indebtedness the non-compliance with which could result in an event of default.

A portion of our borrowings are at variable rates of interest, and to the extent not protected with interest rate hedges, could expose us to market risk from adverse changes in interest rates. Unless we enter into interest rate hedges, if interest rates increase, our debt service obligations on the variable-rate indebtedness could increase significantly even though the amount borrowed would remain the same.

Anti-takeover provisions may prevent a change in control.

Our restated certificate of incorporation and the Delaware General Corporation Law each contain provisions that could have the effect of making it more difficult for a party to acquire, and may discourage a party from attempting to acquire, control of our Company without approval of our board of directors. These provisions together with the concentration of our share ownership could discourage tender offers or other bids for our common stock at a premium over market price.

The concentration of share ownership may influence the outcome of certain matters.

The concentration of share ownership by our directors and affiliates allows them to substantially influence the outcome of matters requiring shareholder approval. As a result, acting together, they may be able to control or substantially influence the outcome of matters requiring approval by our shareholders, including the elections of directors and approval of significant corporate transactions, such as mergers, acquisitions and equity compensation plans.

Government franchise and tax regulation could impact our business.

The Federal Trade Commission (the "FTC"), various states and certain foreign jurisdictions where we market franchises regulate the sale of franchises. The FTC requires franchisors to make extensive disclosure to prospective franchisees but does not require registration. A number of states in which our franchisees operate require registration and disclosure in connection with franchise offers and sales. In addition, several states in which our franchisees operate have “franchise relationship laws” that limit the ability of the franchisor to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. While our business has not been materially affected by such regulation, there can be no assurance that this will continue or that future regulation or legislation will not have such an effect.

The determination of our worldwide provision for income taxes and other tax liabilities requires estimation and significant judgment and there are many transactions and calculations where the ultimate tax determination is uncertain. Like many other multinational corporations, we are subject to tax in multiple United States and foreign tax jurisdictions and have structured our operations to reduce our effective tax rate. Our determination of our tax liability is always subject to audit and review by applicable domestic and foreign tax authorities. Any adverse outcome of any such audit or review could have a negative effect on our business, operating results and financial condition, and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

In addition, recently enacted tax legislation in the United States has made significant changes to the taxation of United States corporations. Although the legislation generally provides for a decrease in federal corporate tax rates, the legislation is highly complex and will require interpretations and implementing regulations by the Internal Revenue Service and state tax authorities. Additionally, the legislation could be subject to potential challenges, future amendments and technical corrections, any of which could increase or decrease the impact of the legislation on us. Moreover, past economic downturns reduced tax revenues for United States federal and state governments and as a result proposals to increase taxes from corporate entities have been considered at various levels of government. At this time, while we expect the decrease in the federal corporate tax rates to provide increased cash flow compared to prior years, we cannot predict the ultimate impact of the tax legislation on our business or results of operations.

We are subject to certain risks related to litigation filed by or against us.

We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation filed by or against us, including, remedies or damage awards. This litigation may involve, but is not limited to, actions or negligence by franchisees outside of our control. Our franchise agreements provide that we are not liable for the actions of our franchisees; however, there is no guarantee that we would be insulated from liability in all cases. Moreover, we may be involved in matters such as class actions, administrative proceedings, employment and personal injury claims, and litigation with or involving our relationship with franchisees and the legal distinction between our franchisees and us for employment law or general liability purposes, for which the cost and other effects of defense, settlements or judgments may require us to make disclosures or take other actions that may affect perceptions of our brand and products and adversely affect our business results.

Failure to protect our trademarks and other intellectual property could impact our business.

We believe that our trademarks and other intellectual property are fundamental to our brands and our franchising business. We generate, maintain, license and enforce a substantial portfolio of trademarks and other intellectual property rights. We enforce our intellectual property rights to protect the value of our trademarks, our development activities, to protect our good name, to promote our brand name recognition, to enhance our competitiveness and to otherwise support our business goals and objectives. We rely on trademark laws to protect our proprietary rights. Monitoring the unauthorized use of our intellectual property is difficult. Litigation has been and may continue to be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resources, may result in counterclaims or other claims against us and could significantly harm our results of operations. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as do the laws of the United States. From time to time, we apply to have certain trademarks registered. There is no guarantee that such trademark registrations will be granted. We cannot assure you that all of the steps we have taken to protect our trademarks in the United States and foreign countries will be adequate to prevent imitation of our trademarks by others. The unauthorized reproduction of our trademarks could diminish the value of our brand and its market acceptance, competitive advantages or goodwill, which could adversely affect our business.

Failure to maintain the integrity of internal or customer data could result in faulty business decisions, damage of reputation and/or subject us to costs, fines or lawsuits.

Our business requires the collection and retention of large volumes of internal and customer data, including credit card numbers and other personally identifiable information of our employees and customers as such information is entered into, processed, summarized, and reported by the various information systems we use. The integrity and protection of that customer, employee, and company data is critical to us. Our customers have a high expectation that we will adequately protect their personal information, and the regulatory environment surrounding information security and privacy is increasingly demanding, both in the United States and in the international jurisdictions in which we operate. If the Company fails to maintain compliance with the various United States and international laws and regulations applicable to the protection of such data or with the Payment Card Industry ("PCI") data security standards, the Company's ability to process such data could be adversely impacted and expose the Company to fines, litigation or other expenses or sanctions.

Changes in privacy laws could adversely affect our ability to transfer guest data and market our products effectively and could impact our results from operations or result in costs and fines.

Our business operations are subject to various United States and international privacy and data protection laws. Any future changes or restrictions in United States or international privacy and data protection laws could adversely affect our operations, including our ability to transfer guest data, which could adversely impact guest bookings. For example, the European Union's General Data Protection Regulation (GDPR), which is effective beginning in May 2018, creates new compliance obligations and increases financial penalties for non-compliance. Compliance with requirements imposed by GDPR and similar laws, or any future changes or additional restrictions, could result in significant costs and require us to change some of our business practices. Failure to comply could expose the Company to fines, litigation, or other expenses or sanctions.

We also rely on a variety of direct marketing techniques, including telemarketing, email, marketing and postal mailings. Any future restrictions in laws such as Telemarketing Sales Rule, CANSPAM Act, and various United States state laws, or new federal laws regarding marketing and solicitation or international data protection laws that govern these activities could adversely affect the continuing effectiveness of telemarketing, email and postal mailing techniques and could force changes in our marketing strategies. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could impact the amount and timing of our revenues. We also obtain access to potential customers from travel service providers and other companies with whom we have substantial relationships and market to some individuals on these lists directly or by including our marketing message in the other company's marketing materials. If access to these lists was prohibited or otherwise restricted, our ability to develop new customers and introduce them to our products could be impaired.

We depend on the skill, ability and decisions of third party operators.

The Company utilizes third party operators to provide significant franchise services, such as providing general reservation call center services, providing loyalty member call center support, providing data center co-location services, inspecting its franchisees and providing support and data for the use of its property management and central reservation services systems. In addition, the Company relies on third party providers to provide market and competitor information that is utilized in the Company's strategic decision making process. The failure of any third-party operator or provider to make decisions, perform their services, discharge their obligations, deal with regulatory agencies, provide accurate information and comply with laws, rules and regulations could result in material adverse consequences to our business.

We may identify material weaknesses in our internal control over financial reporting which could, if not remediated, result in a material misstatement of our financial statements.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. However, our management does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

We are subject to risks relating to events such as acts of God, terrorist activity, epidemics and war.

Our financial and operating performance may be adversely affected by sudden or unexpected events such as acts of God, including natural disasters and/or pandemics, epidemics, the spread of contagious diseases, terrorist activities, political instability, civil unrest and acts of war affecting locations where we have a high concentration of franchisees and areas of the world from which our franchisees draw a large number of guests.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850 and are leased from a third party.

We lease two office buildings and own a third office building in Phoenix, AZ, which houses our reservation and property systems' information technology operations and our SkyTouch division. The Company also rents office space for regional offices in Australia, United Kingdom, Canada, Germany, Italy, France, the Netherlands, India, Mexico, Dallas, TX and Chevy Chase, MD.

Management believes that the Company’s existing properties are sufficient to meet its present needs and does not anticipate any difficulty in securing additional or alternative space, as needed, on terms acceptable to the Company. In addition, we believe that all properties owned and leased are in generally good physical condition with the need for only routine repairs and maintenance and periodic capital improvements.

Item 3. Legal Proceedings.

The Company is not a party to any litigation other than litigation in the ordinary course of business. The Company's management and legal counsel do not expect that the ultimate outcome of any of its currently ongoing legal proceedings, individually or collectively, will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The shares of the Company’s common stock are listed on the New York Stock Exchange. The following table sets forth information on the high and low sales prices of the Company’s common stock and cash dividends declared per share for each quarterly period for the two most recently completed years.

QUARTERLY MARKET PRICE RANGE OF COMMON STOCK AND CASH DIVIDENDS DECLARED

	Market Price Per Share		Cash Dividends
Quarters Ended	High	Low	Declared Per Share
2016			
March 31,	$ 54.32	$ 40.78	$ 0.205
June 30,	$ 53.76	$ 43.61	$ 0.205
September 30,	$ 50.08	$ 44.28	$ 0.205
December 31,	$ 57.38	$ 43.70	$ 0.215
2017			
March 31,	$ 64.00	$ 53.40	$ 0.215
June 30,	$ 67.80	$ 61.10	$ 0.215
September 30,	$ 65.60	$ 59.60	$ 0.215
December 31,	$ 79.80	$ 63.35	$ 0.215

The Company currently pays a quarterly dividend on its common stock. However, the declaration of future dividends is subject to the discretion of the board of directors. We expect that regular quarterly cash dividends will continue to be declared and paid at a comparable rate in the future, subject to various factors, including future business performance, economic conditions and changes in the current income tax regulations. In addition, the Company's unsecured revolving credit facility contains limitations on the Company's ability to pay dividends. For example, the Company may not pay dividends if there is an existing event of default under the credit facility or if the payment would create an event of default. Furthermore, if the Company's total leverage, as defined in the credit facility, exceeds 4.0 to 1.0, the Company is generally restricted from paying aggregate dividends in excess of $50 million during any calendar year.

As of February 15, 2018, there were 1,303 holders of record of the Company’s common stock.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth purchases and redemptions of the Company's common stock made by the Company during the year ended December 31, 2017.

Month Ending	Total Number of Shares Purchased or Redeemed	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1),(2)	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs, End of Period
January 31, 2017	—	$ —	—	4,019,895
February 28, 2017	39,214	59.13	—	4,019,895
March 31, 2017	79,717	62.13	—	4,019,895
April 30, 2017	879	63.06	—	4,019,895
May 31, 2017	—	—	—	4,019,895
June 30, 2017	1,324	65.35	—	4,019,895
July 31, 2017	729	64.73	—	4,019,895
August 31, 2017	—	—	—	4,019,895
September 30, 2017	23,305	61.24	3,100	4,016,795
October 31, 2017	140	67.38	—	4,016,795
November 30, 2017	10,003	70.08	—	4,016,795
December 31, 2017	2,739	76.12	—	4,016,795
Total	158,050	$ 62.05	3,100	4,016,795

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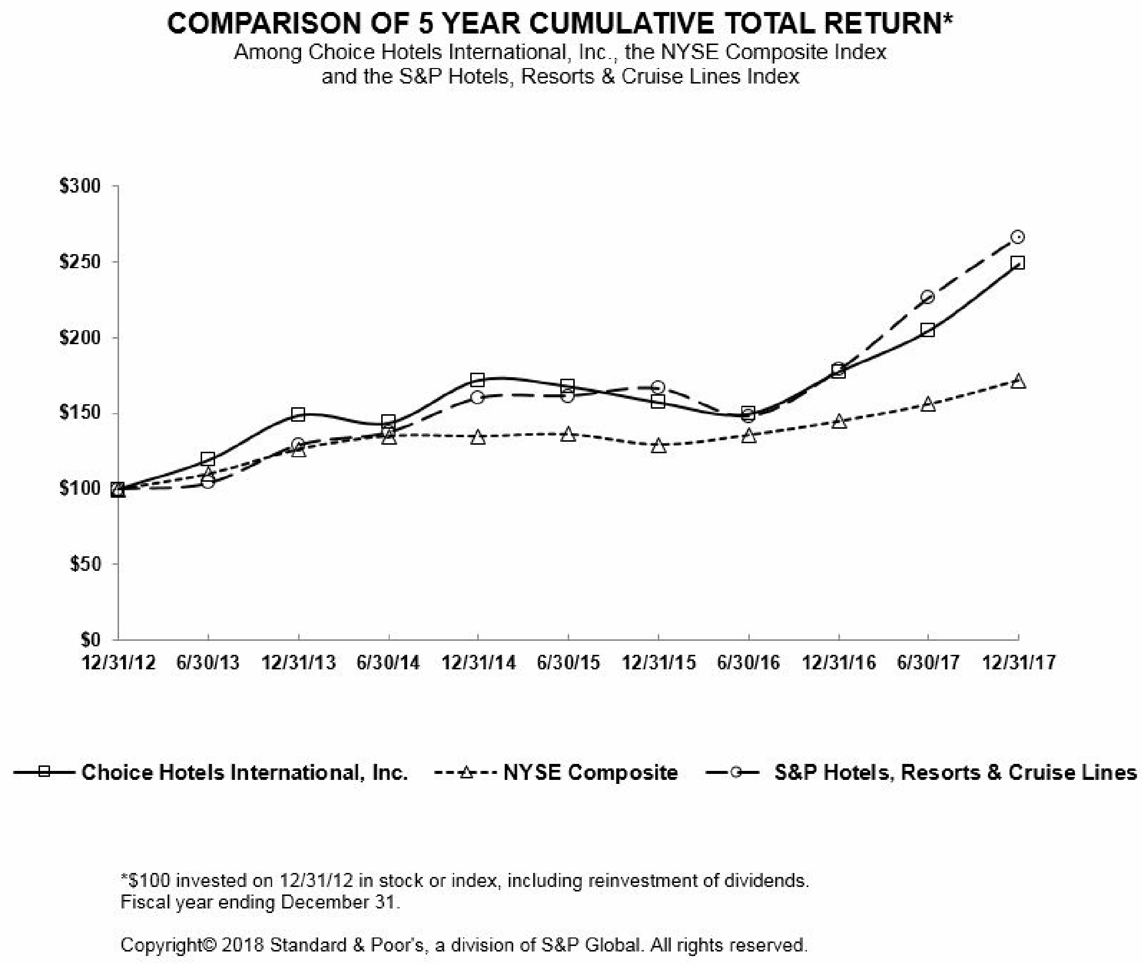
(1) The Company’s share repurchase program was initially approved by the board of directors on June 25, 1998. The program has no fixed dollar amount or expiration date. Since the program's inception through December 31, 2017, we repurchased 48.7 million shares (including 33.0 million prior to the two-for-one stock split effected in October 2005) of common stock at a total cost of $1.3 billion. Considering the effect of the two-for-one stock split, the Company repurchased 81.7 million shares at an average price of $15.38 per share.

(2) During the year ended December 31, 2017, the Company redeemed 154,950 shares of common stock from employees to satisfy the option price and minimum tax-withholding requirements related to the exercising of options and vesting of performance vested restricted stock units and restricted stock grants. These redemptions were not part of the board repurchase authorization.

STOCKHOLDER RETURN PERFORMANCE

The graph below matches Choice Hotels International, Inc.'s cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the NYSE Composite index and the S&P Hotels, Resorts & Cruise Lines index. The graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2012 to 12/31/2017.



	12/12	6/13	12/13	6/14	12/14	6/15	12/15	6/16	12/16	6/17	12/17
Choice Hotels International, Inc.	$ 100.00	$ 119.11	$ 148.60	$ 143.68	$ 172.06	$ 167.72	$ 157.12	$ 149.64	$ 177.62	$ 204.98	$ 249.09
NYSE Composite	100.00	109.99	126.28	135.01	134.81	136.08	129.29	135.62	144.73	155.99	171.83
S&P Hotels, Resorts & Cruise Lines	100.00	103.94	129.14	137.61	160.21	161.63	166.40	148.21	178.92	226.64	266.74

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data.

We derived the selected consolidated statements of income data for the years ended December 31, 2017, 2016 and 2015 and the selected consolidated balance sheet data as of December 31, 2017 and 2016 from our audited consolidated financial statements included in this annual report. We derived the selected consolidated statements of income data for the years ended December 31, 2014 and 2013 and the selected consolidated balance sheet data as of December 31, 2015, 2014 and 2013 from our previously issued consolidated financial statements which are not included in this annual report. Our historical results are not necessarily indicative of the results expected for any future period.

You should read the selected historical financial data together with the consolidated financial statements and related notes appearing in this annual report, as well as Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included elsewhere in this annual report.

Company results (in millions, except per share data)

	As of and for the year ended December 31,									
	2013		2014		2015		2016		2017	
Total Revenues	$	724.7	$	758.0	$	859.9	$	924.6	$	1,007.4
Operating Income	$	196.2	$	214.6	$	225.3	$	238.9	$	264.4
Income from continuing operations, net of income taxes	$	113.4	$	121.5	$	128.0	$	139.4	$	114.9
Income from discontinued operations, net of income taxes	$	0.4	$	1.7	$	—	$	—	$	—
Basic earnings per share:										
Continuing operations	$	1.94	$	2.08	$	2.24	$	2.48	$	2.03
Discontinued operations	$	—	$	0.03	$	—	$	—	$	—
Diluted earnings per share:										
Continuing operations	$	1.92	$	2.07	$	2.22	$	2.46	$	2.02
Discontinued operations	$	0.01	$	0.03	$	—	$	—	$	—
Total Assets	$	540.1	$	637.9	$	717.0	$	852.5	$	927.6
Long-Term Debt	$	772.3	$	772.7	$	812.9	$	839.4	$	725.3
Cash Dividends Declared Per Common Share	$	0.74	$	0.75	$	0.79	$	0.83	$	0.86

Matters that affect the comparability of our annual results are as follows:

- Operating and net income in 2013 reflect an increased investment in the Company's SkyTouch division, which was launched in March 2013, that develops and markets cloud-based technology products to the hotel industry, totaling approximately $6.6 million. Net income was further reduced by the issuance of unsecured senior notes in the principal amount of $400 million as well as a $350 million senior secured credit facility to pay a special cash dividend totaling approximately $600.7 million in the second and third quarters of 2012. The issuance of this debt resulted in interest expense for the year ended December 31, 2013 increasing by approximately $15.3 million over the prior year. These items represented a net decline in diluted EPS of $0.24 per share.
- Operating and net income in 2014 reflect a full year of operations for the Company's SkyTouch division which was launched in March 2013 as well as an increased investment in the sales and marketing capabilities of the division. As a result, the net operating loss of the division increased by approximately $7.1 million. In addition, 2014 operating and net income were reduced by termination benefits of $1.2 million resulting from the termination of certain employees. Discontinued operations for 2014 reflect the sale of the Company's three company-owned MainStay Suites hotels which resulted in a $2.8 million pre-tax gain.
- Total revenues and operating income were impacted by the acquisition of Maxxton in August 2015. The acquisition resulted in approximately $2.2 million of additional revenue and a $3.2 million negative impact on operating income in 2015. In addition, in December 2014 the Company acquired, through legal settlement of a

past due note receivable, an office building in Columbus, Ohio with existing tenants and operations. 2015 includes a full year of revenues and expenses related to its operations. The office building provided $1.0 million in additional revenue and $0.6 million in operating income for the year ended December 31, 2015.

- Total revenues for the year ended December 31, 2016 increased due to the recognition of previously deferred marketing and reservation system revenues resulting from a change in the Company's expiration policy for the Choice Privileges membership program and the recordation of a full-year of operations for the Company’s Maxxton vacation rentals software division, which was acquired in August of 2015. These items resulted in an increase in total revenues from the prior year of $17.1 million and $3.7 million, respectively. In addition, in 2016, operating and net income were reduced by termination benefits of $5.4 million resulting from the termination of an executive officer and certain employees. Net income was also favorably impacted by the adoption of Accounting Standards Update ("ASU") 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which requires that excess benefits and tax deficiencies be recognized as income tax expense or benefit to the income statement. The adoption of this ASU had a $3.4 million favorable impact to net income in 2016.
- Operating and net income in 2017 reflect $12.0 million in compensation expenses related to the acceleration of the Company's chief executive officer succession plan. SG&A expenses were reduced by a $1.2 million impairment of below market lease acquisition costs associated with an office building owned by the Company. Net income was further impacted by comprehensive tax legislation enacted on December 22, 2017. The legislation made broad and complex changes to the U.S. tax code, some of which were effective in 2017, including but not limited to (1) requiring a mandatory one-time transition tax on certain repatriated earnings of foreign subsidiaries and (2) bonus depreciation that allowed for full expensing of qualified property placed in after September 27, 2017. U.S. federal corporate income tax rates were also reduced from 35% to 21%, resulting in an impairment of the Company's net domestic deferred tax assets. The impact of the tax legislation on net income for the year ended December 31, 2017 was a reduction of approximately $40 million.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation.

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand Choice Hotels International, Inc. and its subsidiaries (together the "Company"). MD&A is provided as a supplement to—and should be read in conjunction with—our consolidated financial statements and the accompanying notes.

Overview

We are primarily a hotel franchisor with franchise agreements representing 6,627 hotels open and 923 hotels under construction, awaiting conversion or approved for development as of December 31, 2017, with 525,573 rooms and 72,917 rooms, respectively, in 50 states, the District of Columbia and more than 40 countries and territories outside the United States. Our brand names include Comfort Inn®, Comfort Suites®, Quality®, Clarion®, Ascend Hotel Collection®, Sleep Inn®, Econo Lodge®, Rodeway Inn®, MainStay Suites®, Suburban Extended Stay Hotel® and Cambria® hotels & suites (collectively, the "Choice brands"). On December 18, 2017, we announced that we had reached a definitive agreement to acquire the brand and franchise business of Woodspring Suites for approximately $231 million. The acquisition closed on February 1, 2018 and added 239 new extended-stay hotels in 35 states to our portfolio. Data for the Woodspring Suites® brand is not included in tables and text that provide information as of December 31, 2017.

The Company's domestic franchising operations are conducted through direct franchising relationships while its international franchise operations are conducted through a combination of direct franchising and master franchising relationships. Master franchising relationships are governed by master franchising agreements which generally provide the master franchisee with the right to use our brands and sub-license the use of our brands in a specific geographic region, usually for a fee.

Our business strategy is to conduct direct franchising in those international markets where both franchising is an accepted business model and we believe our brands can achieve significant scale. We typically elect to enter into master franchise agreements in those markets where direct franchising is currently not a prevalent or viable business model. When entering into master franchising relationships, we strive to select partners that have professional hotel and asset management capabilities together with the financial capacity to invest in building the Choice brands in their respective markets. Master franchising relationships typically provide lower revenues to the Company as the master franchisees are responsible for managing certain necessary services (such as training, quality assurance, reservations and marketing) to support the franchised hotels in the master franchise area and therefore, retain a larger percentage of the hotel franchise fees to cover their expenses. In certain circumstances, the Company has and may continue to make equity investments in our master franchisees. As a result of master franchise relationships and international market conditions, our revenues are primarily concentrated in the United States. Therefore, our description of the franchise system is primarily focused on the domestic operations.

Our Company generates revenues, income and cash flows primarily from initial, relicensing and continuing royalty fees attributable to our franchise agreements. Revenues are also generated from qualified vendor arrangements and other sources. The hotel industry is seasonal in nature. For most hotels, demand is lower in November through February than during the remainder of the year. Our principal source of revenues is franchise fees based on the gross room revenues of our franchised properties. The Company's franchise fee revenues reflect the industry's seasonality and historically have been lower in the first and fourth quarters than in the second and third quarters.

With a focus on hotel franchising instead of ownership, we benefit from the economies of scale inherent in the franchising business. The fee and cost structure of our business provides opportunities to improve operating results by increasing the number of franchised hotel rooms and effective royalty rates of our franchise contracts resulting in increased initial and relicensing fee revenue; ongoing royalty fees and procurement services revenues. In addition, our operating results can also be improved through our company-wide efforts related to improving property level performance. The Company currently estimates, based on its current domestic portfolio of hotels under franchise, that a 1% change in revenue per available room ("RevPAR") or rooms under franchise would increase or decrease royalty revenues by approximately $3.2 million and a 1 basis point change in the Company's effective royalty rate would increase or decrease domestic royalties by approximately $0.7 million. In addition to these revenues, we also collect marketing and reservation system fees to support centralized marketing and reservation activities for the franchise system.

The principal factors that affect the Company's franchising results are: the number and relative mix of franchised hotel rooms in the various hotel lodging price categories; growth in the number of hotel rooms under franchise; occupancy and room rates achieved by the hotels under franchise; the effective royalty rate achieved; the level of franchise sales and relicensing activity; and our ability to manage costs. The number of rooms at franchised properties and occupancy and room rates at those properties significantly affect the Company's results because our fees are based upon room revenues or the number of rooms at franchised hotels. The key industry standard for measuring hotel-operating performance is RevPAR, which is calculated by multiplying the percentage of occupied rooms by the average daily room rate realized. Our variable overhead costs associated with franchise system growth of our established brands have historically been less than incremental royalty fees generated from new franchises. Accordingly, continued growth of our franchise business should enable us to realize benefits from the operating leverage in place and improve operating results.

We are required by our franchise agreements to use the marketing and reservation system fees we collect for system-wide marketing and reservation activities. These expenditures, which include advertising costs and costs to maintain our central reservations and property management systems, help to enhance awareness and increase consumer preference for our brands and deliver guests to our franchisees. Greater awareness and preference promotes long-term growth in business delivery to our franchisees and increases the desirability of our brands to hotel owners and developers, which ultimately increases franchise fees earned by the Company.

Our Company articulates its mission as a commitment to our franchisees' profitability by providing our franchisees with hotel franchises that strive to generate the highest return on investment of any hotel franchise. We have developed an operating system dedicated to our franchisees' success that focuses on delivering guests to our franchised hotels and reducing costs for our hotel owners.

We believe that executing our strategic priorities creates value for our shareholders. Our Company focuses on two key goals:

Profitable Growth. Our success is dependent on improving the performance of our hotels, increasing our system size by selling additional hotel franchises, effective royalty rate improvement and maintaining a disciplined cost structure. We attempt to improve our franchisees' revenues and overall profitability by providing a variety of products and services designed to increase business delivery to and/or reduce operating and development costs for our franchisees. These products and services include national marketing campaigns, maintaining a guest loyalty program, a central reservation system, property and yield management programs and systems, revenue management services, quality assurance standards and qualified vendor relationships. We believe that healthy brands, which deliver a compelling return on investment for franchisees, will enable us to sell additional hotel franchises and raise royalty rates. We have established multiple brands that meet the needs of many types of guests, and can be developed at various price points and applied to both new and existing hotels. This ensures that we have brands suitable for creating growth in a variety of market conditions. Improving the performance of the hotels under franchise, growing the system through additional franchise sales and improving franchise agreement pricing while maintaining a disciplined cost structure are the keys to profitable growth.

Maximizing Financial Returns and Creating Value for Shareholders. Our capital allocation decisions, including capital structure and uses of capital, are intended to maximize our return on invested capital and create value for our shareholders. We believe our strong and predictable cash flows create a strong financial position that provides us a competitive advantage. Currently, our business does not require significant capital to operate and grow. Therefore, we can maintain a capital structure that generates high financial returns and use our excess cash flow to increase returns to our shareholders primarily through share repurchases, dividends or investing in growth opportunities.

Historically, we have returned value to our shareholders through share repurchases and dividends. In 1998, we instituted a share repurchase program which has generated substantial value for our shareholders. Since the program's inception through December 31, 2017, we have repurchased 48.7 million shares (including 33.0 million prior to the two-for-one stock split effected in October 2005) of common stock at a total cost of $1.3 billion. Considering the effect of the two-for-one stock split, the Company has repurchased 81.7 million shares at an average price of $15.38 per share. The Company purchased 3,100 shares of common stock under the share repurchase program at a total cost of $0.2 million for the year ended December 31, 2017. At December 31, 2017, we had approximately 4.0 million shares remaining under the current share repurchase authorization. We currently believe that our cash flows from operations will support our ability to complete the current repurchase authorization. Upon completion of the current authorization, our board of directors will evaluate the advisability of additional share repurchases.

The Company commenced paying quarterly dividends in 2004 and in 2012 the Company elected to pay a special cash dividend totaling approximately $600 million. The Company currently maintains the payment of a quarterly dividend on its common shares outstanding, however the declaration of future dividends is subject to the discretion of the board of directors. During the year ended December 31, 2017, the Company paid cash dividends totaling approximately $48.7 million. We expect to continue to pay dividends in the future, subject to declaration by our board of directors as well as future business performance, economic conditions, changes in income tax regulations and other factors, including limitations in the Company's credit facility. Based on our present dividend rate and outstanding share count, we expect that aggregate annual regular dividends for 2018 would be approximately $48.7 million.

The Company also allocates capital to exploring growth opportunities in business areas that are adjacent or complementary to our core hotel franchising business, which leverage our core competencies and are additive to our franchising business model. The timing and amount of these investments are subject to market and other conditions and include the following:

Our board of directors authorized a program which permits us to offer financing, investment and guaranty support to qualified franchisees as well as allows us to acquire and resell real estate to incent franchise development for certain brands in strategic markets. As a result, over the next several years we expect to deploy capital pursuant to this program opportunistically to promote growth of our emerging brands. The amount and timing of the investment in this program will be dependent on market and other conditions and we generally expect to recycle these investments within a five-year period.

In March 2013, the Company announced the launch of a new division, SkyTouch Technology ("SkyTouch"), which develops and markets cloud-based technology products for the hotel industry. From inception through 2016, the Company made significant investments in product development and sales efforts to expand its customer base. As a result, the division incurred significant costs in excess of revenues. Beginning in 2017, the same level of investment in product development and sale efforts was no longer required. As a result, the losses from the SkyTouch division have been significantly reduced.

In August 2015, the Company completed the acquisition of a company that provides software as a service solution for vacation rental management companies. This business provides central reservations systems, property management systems and integrated software applications including point-of-sale. The transaction has been accounted for using the acquisition method of accounting and accordingly, assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. The results of this business have been consolidated with the Company since August 2015.

Notwithstanding investments in SkyTouch and other alternative growth strategies, the Company expects to continue to return value to its shareholders over time through a combination of share repurchases and dividends.

We believe these investments and strategic priorities, when properly implemented, will enhance our profitability, maximize our financial returns and continue to generate value for our shareholders. The ultimate measure of our success will be reflected in the items below.

Results of Operation: Royalty fees, operating income, net income and diluted earnings per share ("EPS") represent key measurements of these value drivers. These measurements are primarily driven by the operations of our hotel franchise system and therefore, our analysis of the Company's operations is primarily focused on the size, performance and potential growth of the franchise system as well as our variable overhead costs. Since our hotel franchising activities represent approximately 99% of total revenues, our discussion of our results from operations primarily relate to our hotel franchising activities.

Refer to MD&A heading "Operations Review" for additional analysis of our results.

Liquidity and Capital Resources: Historically, the Company has generated significant cash flows from operations. Since our business has not historically required significant reinvestment of capital, we typically utilize cash in ways that management believes provide the greatest returns to our shareholders which include share repurchases and dividends. However, we may determine to utilize cash for acquisitions and other investments in the future. We believe the Company's cash flow from operations and available financing capacity is sufficient to meet the expected future operating, investing and financing needs of the business.

Refer to MD&A heading "Liquidity and Capital Resources" for additional analysis.

Inflation: Inflation has been moderate in recent years and has not had a significant impact on our business.

Non-GAAP Financial Statement Measurements

The Company utilizes certain measures which do not conform to generally accepted accounting principles accepted in the United States ("GAAP") when analyzing and discussing its results with the investment community. This information should not be considered as an alternative to any measure of performance as promulgated under GAAP. The Company's calculation of these measurements may be different from the calculations used by other companies and therefore, comparability may be limited. We have included a reconciliation of these measures to the comparable GAAP measurement below as well as our reasons for reporting these non-GAAP measures.

Hotel Franchising Revenues: The Company utilizes franchising revenues, which exclude revenues from marketing and reservation system activities, the SkyTouch Technology division, vacation rental activities including operations that provides software as a service technology solutions to vacation rental management companies, and revenue generated from the ownership of an office building that is leased to a third-party, rather than total revenues when analyzing the performance of the business. Marketing and reservation activities are excluded from franchising revenues since the Company is contractually required by its franchise agreements to use the fees collected for marketing and reservation activities; as such, no income or loss to the Company is generated. Cumulative marketing and reservation system fees not expended are recorded as a liability in the Company's financial statements and are carried over to the next fiscal year and expended in accordance with the franchise agreements. Cumulative marketing and reservation expenditures incurred in excess of fees collected for marketing and reservation activities are deferred and recorded as an asset in the Company's financial statements and recovered in future periods. SkyTouch is a division of the Company that develops and markets cloud-based technology products, including inventory management, pricing and connectivity to third party channels, to hoteliers not under franchise agreements with the Company. SkyTouch and our vacation rental technology solutions provider operations are excluded from hotel franchising revenues since those operations do not reflect the Company's core hotel franchising business but represent adjacent, complimentary lines of business. This non-GAAP measure is a commonly used measure of performance in our industry and facilitates comparisons between the Company and its competitors.

Calculation of Hotel Franchising Revenues

	Year Ended December 31, (in thousands)		
	2017	**2016**	**2015**
Total Revenues	**$ 1,007,356**	$ 924,641	$ 859,878
Adjustments:			
Marketing and reservation system revenues	**(567,083)**	(525,716)	(488,763)
Non-hotel franchising activities	**(10,818)**	(8,816)	(4,416)
Hotel Franchising Revenues	**$ 429,455**	$ 390,109	$ 366,699

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Operations Review

Comparison of 2017 and 2016 Operating Results

Summarized financial results for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
	(in thousands)	
REVENUES:		
Royalty fees	**$ 345,302**	$ 320,547
Initial franchise and relicensing fees	**26,262**	23,953
Procurement services	**34,661**	31,226
Marketing and reservation system	**567,083**	525,716
Other	**34,048**	23,199
Total revenues	**1,007,356**	924,641
OPERATING EXPENSES:		
Selling, general and administrative	**163,377**	148,728
Depreciation and amortization	**12,431**	11,705
Marketing and reservation system	**567,083**	525,716
Total operating expenses	**742,891**	686,149
Gain (loss) on sale of assets, net	**(32)**	403
Operating income	**264,433**	238,895
OTHER INCOME AND EXPENSES, NET:		
Interest expense	**45,039**	44,446
Interest income	**(5,920)**	(3,535)
Other gains	**(3,229)**	(1,504)
Equity in net (income) loss of affiliates	**4,546**	(492)
Total other income and expenses, net	**40,436**	38,915
Income before income taxes	**223,997**	199,980
Income taxes	**109,104**	60,609
Net income	**$ 114,893**	$ 139,371

Results of Operations

The Company recorded income before income taxes of $224.0 million for the year ended December 31, 2017, a $24.0 million or 12% increase from the same period of the prior year. The increase in income before income taxes primarily reflects a $25.5 million increase in operating income, a $2.4 million increase in interest income, an increase of $1.7 million in other gains, partially offset by a $5.0 million decrease in equity in net (income) loss of affiliates.

Operating income increased $25.5 million primarily due to a $39.3 million or 10% increase in the Company's hotel franchising revenues, an increase of $2.0 million in non-hotel franchising revenues, offset by a $14.6 million or 10% increase in SG&A expenses.

Hotel Franchising Revenues

Hotel franchising revenues were $429.5 million for the year ended December 31, 2017 compared to $390.1 million for the year ended December 31, 2016, a 10% increase. The increase in franchising revenues is primarily due to a $24.8 million or 8% increase in royalty revenues, a $2.3 million increase in initial franchising and relicensing revenues, a $3.4 million or 11% increase in procurement services fees and a $8.9 million increase in non-compliance and other revenues.

Royalty Fees

Domestic royalty fees for the year ended December 31, 2017 increased $23.2 million to $323.9 million from $300.7 million in 2016, an increase of 8%. The increase in domestic royalties is attributable to a 2.5% increase in domestic RevPAR, a 2.1% increase in the number of domestic franchised hotel rooms and an increase in the effective royalty rate. System-wide

RevPAR increased due to a 1.7% increase in average daily rates accompanied by a 50 basis point increase in occupancy rates. The Company's effective royalty rate of the domestic hotel system increased from 4.41% for the year ended December 31, 2016, to 4.60% for the year ended December 31, 2017. The increase in the effective royalty rate is attributable to improved royalty rate pricing on recently executed domestic franchise agreements as well as annual contractual royalty rate increases contained in existing franchise agreements.

A summary of the Company's domestic franchised hotels operating information for the years ending December 31, 2017 and 2016 is as follows:

	2017			2016			Change		
	Average Daily Rate	**Occupancy**	**RevPAR**	**Average Daily Rate**	**Occupancy**	**RevPAR**	**Average Daily Rate**	**Occupancy**	**RevPAR**
Comfort Inn	**$ 94.23**	**66.0%**	**$ 62.23**	$ 92.56	65.6%	$ 60.70	1.8 %	40 bps	2.5 %
Comfort Suites	**97.01**	**70.1%**	**67.96**	96.32	69.3%	66.74	0.7 %	80 bps	1.8 %
Sleep	**82.96**	**65.5%**	**54.35**	82.08	65.1%	53.47	1.1 %	40 bps	1.6 %
Quality	**79.25**	**59.8%**	**47.41**	77.80	59.1%	45.99	1.9 %	70 bps	3.1 %
Clarion	**84.62**	**59.3%**	**50.14**	82.35	58.3%	48.01	2.8 %	100 bps	4.4 %
Econo Lodge	**62.95**	**54.5%**	**34.29**	61.41	54.1%	33.22	2.5 %	40 bps	3.2 %
Rodeway	**64.51**	**56.0%**	**36.09**	63.04	55.7%	35.08	2.3 %	30 bps	2.9 %
MainStay	**76.70**	**68.4%**	**52.47**	76.29	65.2%	49.70	0.5 %	320 bps	5.6 %
Suburban	**51.76**	**76.0%**	**39.31**	49.96	75.5%	37.72	3.6 %	50 bps	4.2 %
Cambria hotel & suites	**137.86**	**73.8%**	**101.70**	131.73	76.3%	100.46	4.7 %	(250) bps	1.2 %
Ascend Hotel Collection	**127.96**	**55.5%**	**71.05**	129.97	58.1%	75.52	(1.5)%	(260) bps	(5.9)%
Total	**$ 84.02**	**62.2%**	**$ 52.25**	$ 82.64	61.7%	$ 51.00	1.7 %	50 bps	2.5 %

The number of domestic rooms on-line increased by 2.1% to 413,015 rooms as of December 31, 2017 from 404,498 as of December 31, 2016. The total number of domestic hotels on-line increased by 2.6% to 5,501 as of December 31, 2017, from 5,362 as of December 31, 2016. Our unit growth has outpaced the growth in our rooms primarily due to the Company's multi-year strategy to rejuvenate the Comfort family of brands by terminating under-performing hotels that no longer meet the Comfort brand standards. Hotels terminated from the Comfort brand family may be repositioned to a more suitable brand within the Company's family of brands or exit our franchise system. As a result of this strategy our unit growth has been driven primarily by brands with lower average room counts than the Comfort family of brands. A summary of the domestic hotels and available rooms at December 31, 2017 and 2016 by brand is as follows:

	December 31, 2017		December 31, 2016		Variance			
	Hotels	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**%**	**Rooms**	**%**
Comfort Inn	**1,083**	**84,626**	1,113	86,310	(30)	(2.7)%	(1,684)	(2.0)%
Comfort Suites	**567**	**44,029**	565	43,610	2	0.4 %	419	1.0 %
Sleep	**384**	**27,410**	379	27,097	5	1.3 %	313	1.2 %
Quality	**1,542**	**120,227**	1,447	114,582	95	6.6 %	5,645	4.9 %
Clarion	**166**	**22,138**	167	22,941	(1)	(0.6)%	(803)	(3.5)%
Econo Lodge	**840**	**51,233**	857	52,791	(17)	(2.0)%	(1,558)	(3.0)%
Rodeway	**600**	**34,488**	565	32,515	35	6.2 %	1,973	6.1 %
MainStay	**60**	**4,249**	56	4,108	4	7.1 %	141	3.4 %
Suburban	**61**	**6,698**	59	6,561	2	3.4 %	137	2.1 %
Cambria hotel & suites	**36**	**4,917**	27	3,503	9	33.3 %	1,414	40.4 %
Ascend Hotel Collection	**162**	**13,000**	127	10,480	35	27.6 %	2,520	24.0 %
Total Domestic Franchises	**5,501**	**413,015**	5,362	404,498	139	2.6 %	8,517	2.1 %

Domestic hotels open and operating increased by 139 hotels during the year ended December 31, 2017 compared to an increase of 86 domestic hotels open and operating during the year ended December 31, 2016. Gross domestic franchise additions increased from 299 for the year ended December 31, 2016 to 346 for the same period in 2017. New construction hotels represented 47 of the gross domestic additions during year ended December 31, 2017 compared to 45 hotels in the same period of the prior year. New construction hotel openings typically average 18 to 36 months to open after the franchise agreement is executed. The increase in new construction hotel openings reflects the variability in timing of hotel openings from period to period. Gross domestic additions for conversion hotels during the year ended December 31, 2017 increased by 45 from 254 hotels during the year ended December 31, 2016 to 299 hotels as of December 31, 2017. The timing of conversion hotel openings are impacted by various factors including the complexity of the property improvement plans required to be completed prior to opening but typically open with three to four months after the execution of the franchise agreement.

Net domestic franchise terminations decreased from 213 for the year ended December 31, 2016 to 207 for the year ended December 31, 2017.

International royalties increased $1.5 million from $19.9 million in the year ended December 31, 2016 to $21.4 million for the same period in 2017 primarily due to an increase in the number of rooms franchised and improvements in RevPAR and effective royalty rates. International rooms increased by 934 rooms to 112,558 as of December 31, 2017 from 111,624 as of December 31, 2016. The total number of international hotels decreased from 1,152 at December 31, 2016 to 1,126 at December 31, 2017. International rooms grew at a faster pace than unit growth due to a focus on new entrants with higher per room counts than currently in the Company's international franchised hotel portfolio and the termination of hotels with lower room counts.

Initial Franchise and Relicensing Fees

Domestic initial franchise fee revenue, included in the initial franchise and relicensing fees caption of the Company's statements of income, generated from executed franchise agreements increased $0.8 million to $12.5 million for 2017 from $11.8 million for 2016. Domestic initial franchise fee revenue increased approximately 7% due primarily to a 9% increase in the number of new executed franchise agreements. Executed franchise agreements increased from 645 franchise agreements, representing 50,336 rooms, executed in 2016 to 704 franchise agreements, representing 53,042 rooms executed as of December 31, 2017.

During 2017, 247 of the executed agreements were for new construction hotel franchises, representing 18,014 rooms, compared to 201 contracts, representing 15,566 rooms for 2016. The increase in new construction franchise agreements primarily reflect the continuing improvement in lodging fundamentals including an increasing RevPAR environment and demand above industry supply which is typically a catalyst for increased construction of new hotels. Conversion hotel franchise executed contracts totaled 457 representing 35,028 rooms for the year ended December 31, 2017 compared to 444 agreements representing 34,770 rooms for the year ended December 31, 2016.

Relicensing fees include fees charged to the new owners of a franchised property whenever an ownership change occurs and the property remains in the franchise system as well as fees required to renew expiring franchise contracts. Domestic relicensing contracts increased 7% from 412 during 2016 to 439 for the year ended December 31, 2017. Renewals of expired contracts declined from 42 during the year ended December 31, 2016 to 26 contracts for the year ended December 31, 2017. As a result of the 2% increase in relicensing and renewal contracts and an increase in the average fee per contract, domestic relicensing and renewal revenues increased 15% from $11.6 million in 2016 to $13.3 million for 2017.

As of December 31, 2017, the Company had 853 franchised hotels with 65,764 rooms under construction, awaiting conversion or approved for development in its domestic system compared to 721 hotels and 56,396 rooms at December 31, 2016. The number of new construction franchised hotels in the Company’s domestic pipeline increased 23% to 607 at December 31, 2017 from 492 at December 31, 2016. The growth in the number of new construction hotels in the domestic pipeline reflects the 23%, 16% and 9% increase in new construction franchise agreements executed in 2017, 2016 and 2015, respectively. New construction hotels typically average 18 to 36 months to open after the franchise agreement is executed. The number of conversion franchised hotels in the Company’s domestic pipeline increased by 17 units or 7% from December 31, 2016 to 246 hotels at December 31, 2017 primarily due to the timing of hotel openings and the timing of signing new conversion franchise agreements. Conversion hotels typically open within three to four months after the execution of the franchise agreement. The Company had an additional 70 franchised hotels with 7,153 rooms under construction, awaiting conversion or approved for development in its international system as of December 31, 2017 compared to 54 hotels and 6,151 rooms at December 31, 2016. While the Company’s hotel pipeline provides a strong platform for growth, a hotel in the pipeline does not always result in an open and operating hotel due to various factors.

Procurement Services: Revenues increased $3.4 million or 11% from $31.2 million for the year ended December 31, 2016 to $34.7 million for the year ended December 31, 2017. The increase in procurement services revenue primarily reflects the implementation of new brand programs as well as an increased volume of business transacted with existing and new qualified vendors and strategic alliance partners.

Other Income: Revenue increased $10.8 million from the year ended December 31, 2016 to $34.0 million for the year ended December 31, 2017. The increase in other income is primarily due to a $2.0 million increase in revenues related to the Company's non-hotel franchising divisions, $6.3 million related to the sale of chip-enabled credit card readers to our franchisees, as well as a $2.5 million increase in non-compliance and termination awards.

Selling, General and Administrative Expenses: The cost to operate the franchising business is reflected in SG&A on the consolidated statements of income. SG&A expenses were $163.4 million for 2017, an increase of $14.6 million from the 2016 total of $148.7 million.

SG&A expenses for the years end December 31, 2017 and 2016 include approximately $16.1 million and $28.1 million, respectively, related to the Company's SkyTouch and vacation rental divisions, and expenses related to the operations of an office building leased to a third party. The decline in SG&A expenses related to non-hotel franchising activities resulted primarily from lower SkyTouch related costs. In addition, the Company recorded a $1.2 million impairment of a below market lease acquisition costs associated with the office building that reduced 2017 SG&A costs. The decline in SkyTouch related SG&A was primarily due to the completion of a multi-year product development plan in 2016.

SG&A expenses for the year ended December 31, 2017 also include $12.0 million of compensation expenses related to the acceleration of the Company's chief executive officer succession plan. During the year ended December 31, 2016, the Company incurred $2.2 million of executive termination benefits related to the departure of its chief financial officer. In addition, the Company incurred $4.0 million and $3.3 million of acquisition related transition and transaction costs during the years ended December 31, 2017 and 2016, respectively.

Excluding the SG&A expenses for non-hotel franchising activities and other items noted above, SG&A for the year end December 31, 2017 increased $16.1 million or 14% from $115.1 million in the prior year to $131.2 million in the current year primarily due to $4.5 million of increased costs related to the distribution of chip-enabled card readers to our franchisees, a $1.7 million increase in expenses related to the fluctuation of the fair market value in the Company's non-qualified deferred compensation plans, and $4.4 million increase in variable sales compensation related to increased franchise sales and openings as well as increased costs related to franchise support.

Marketing and Reservation System: The Company's franchise agreements require the payment of franchise fees, which include marketing and reservation system fees. The fees, which are primarily based on a percentage of the franchisees' gross room revenues, are used exclusively by the Company for expenses associated with providing franchise services such as central reservation systems, national marketing and media advertising. The Company is contractually obligated to expend the marketing and reservation system fees it collects from franchisees in accordance with the franchise agreements; as such, no net income or loss to the Company is generated. Cumulative marketing and reservation fees not expended are deferred and recorded as a liability in the Company's financial statements and carried over to the next year and expended in accordance with the franchise agreements. Conversely, cumulative marketing and reservation expenditures incurred in excess of fees billed for marketing and reservation activities are deferred and recorded as an asset in the Company's financial statements and recovered in future periods.

Total marketing and reservation system revenues increased 8% or $41.4 million from $525.7 million for the year ended December 31, 2016 to $567.1 million for the year ended December 31, 2017. Marketing and reservation system revenues for the year ended December 31, 2016 were impacted by the recognition of $30.7 million of previously deferred revenues. The recognition of deferred revenues during the prior year period was primarily due to a change in the expiration policy for the Choice Privileges membership program. Excluding the impact of the recognition of these deferred revenues, marketing and reservation system revenues increased approximately $72.1 million. Revenue growth for the year ended December 31, 2017 primarily reflect new reservation delivery programs as well as improved revenues from the Choice Privileges loyalty program resulting from the growth in the program membership, increases in average daily rates, as well as a reduction in the actuarial estimate of points earned by members that will ultimately be redeemed.

At December 31, 2017, cumulative marketing and reservation system fees billed exceeded expenses by $4.9 million with the excess reflected as other long-term liability in the accompanying consolidated balance sheets. At December 31, 2016, cumulative marketing and reservation system costs exceeded cumulative marketing and reservation system revenues earned by $18.1 million, with the excess reflected as a long-term asset in the accompanying consolidated balance sheets.

Gain (Loss) on Sale of Assets, Net: The Company purchases real estate as part of a program to incent franchise development in strategic markets or to pursue hotel development through joint ventures. For the year ended December 31, 2017 and 2016, the Company recorded a net loss of $32 thousand and a gain of $0.4 million, respectively, pursuant to this program.

Interest Income: Interest income increased $2.4 million from $3.5 million for the year ended December 31, 2016, to $5.9 million in the current year. The increase in interest income primarily reflects the issuance of additional notes receivable related to the Company's program to incent development of its Cambria hotel & suites brand in new markets. See Note 3 to the Company's consolidated financial statements for additional information.

Other Gains: Other gains increased from a gain of $1.5 million for the year ended December 31, 2016, to a gain of $3.2 million. The increase is primarily due to a $1.7 million increase in gains resulting from the fluctuation in the fair value of the investments held in the Company's non-qualified employee benefit plans.

Equity in Net Income (Loss) of Affiliates: The Company recorded net losses of $4.5 million from its unconsolidated joint ventures during the year ended December 31, 2017 compared to net income of $0.5 million for the year ended December 31, 2016. The fluctuations in net income and loss from affiliates is primarily attributable to the results from operations during the ramp-up period for several recently opened hotels owned by unconsolidated joint ventures. These investments relate to the Company's program to offer equity support to qualified franchisees to develop and operate Cambria hotel and suites in strategic markets.

Income Taxes: On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code. Some of these changes are effective in 2017, including, but not limited to (1) requiring a mandatory one-time transition tax (the "Transition Tax") on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years; and (2) bonus depreciation that will allow for full expensing of qualified property placed in service after September 27, 2017. In addition, effective January 1, 2018, the U.S. federal corporate income tax rate is reduced from 35% to 21%.

The Company's effective income tax rates were 48.7% and 30.3%, for the years ended December 31, 2017 and 2016, respectively. The effective income tax rate for the year ended December 31, 2017 was higher than the United States federal statutory rate of 35% primarily due to the Transition Tax of $35.3 million and the $4.7 million impairment of our net domestic deferred tax assets resulting from the reduction of the U.S. federal corporate income tax rate to 21% effective January 1, 2018. The increase from these items was partially offset by the recurring impact of foreign operations and windfall tax benefits related to share-based compensation. The effective income tax rate for the year ended December 31, 2016 was lower than the U.S. federal statutory rate of 35% primarily due to the recurring impact of foreign operations and windfall tax benefits related to share-based compensation, partially offset by state income taxes.

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Operations Review

Comparison of 2016 and 2015 Operating Results

Summarized financial results for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
	(in thousands)	
REVENUES:		
Royalty fees	$ 320,547	$ 301,508
Initial franchise and relicensing fees	23,953	24,680
Procurement services	31,226	27,071
Marketing and reservation system	525,716	488,763
Other	23,199	17,856
Total revenues	924,641	859,878
OPERATING EXPENSES:		
Selling, general and administrative	148,728	134,254
Depreciation and amortization	11,705	11,542
Marketing and reservation system	525,716	488,763
Total operating expenses	686,149	634,559
Gain on sale of assets, net	403	—
Operating income	238,895	225,319
OTHER INCOME AND EXPENSES, NET:		
Interest expense	44,446	42,833
Interest income	(3,535)	(1,580)
Other gains	(1,504)	(820)
Equity in net (income) loss of affiliates	(492)	901
Total other income and expenses, net	38,915	41,334
Income before income taxes	199,980	183,985
Income taxes	60,609	55,956
Net income	$ 139,371	$ 128,029

Results of Operations

The Company recorded income before income taxes of $200.0 million for the year ended December 31, 2016, a $16.0 million or 9% increase from the same period of the prior year. The increase in income before income taxes primarily reflects a $13.6 million increase in operating income, a $2.0 million increase in interest income, an increase of $0.7 million in other gains, a $1.4 million increase in equity in net (income) loss of affiliates, partially offset by an increase in interest expense of $1.6 million.

Operating income increased $13.6 million primarily due to a $23.4 million or 6% increase in the Company's hotel franchising revenues, a $0.4 million gain on sale of assets, and an increase of $4.4 million in non-hotel franchising revenues, offset by a $14.5 million or 11% increase in SG&A expenses.

Hotel Franchising Revenues: Hotel franchising revenues were $390.1 million for the year ended December 31, 2016 compared to $366.7 million for the year ended December 31, 2015, a 6% increase. The increase in franchising revenues is primarily due to a $19 million or 6% increase in royalty revenues, a $4.2 million or 15% increase in procurement services fees and a $5.3 million increase in other revenues.

Royalty Fees

Domestic royalty fees for the year ended December 31, 2016 increased $19.3 million to $300.7 million from $281.3 million in 2015, an increase of 7%. The increase in domestic royalties is attributable to a 3.9% increase in domestic RevPAR, a 1.0% increase in the number of domestic franchised hotel rooms and an increase in the effective royalty rate. System-wide RevPAR increased due to a 3.0% increase in average daily rates accompanied by a 50 basis point increase in occupancy rates.

The Company's effective royalty rate of the domestic hotel system increased from 4.30% for the year ended December 31, 2015, to 4.41% for the year ended December 31, 2016. The increase in the effective royalty rate is attributable to improved royalty rate pricing on recently executed domestic franchise agreements as well as annual contractual royalty rate increases contained in existing franchise agreements.

A summary of the Company's domestic franchised hotels operating information for the years ending December 31, 2016 and 2015 is as follows:

	2016			2015*			Change		
	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR
Comfort Inn	$ 92.56	65.6%	$ 60.70	$ 89.68	65.0%	$ 58.25	3.2 %	60 bps	4.2 %
Comfort Suites	96.32	69.3%	66.74	93.89	68.3%	64.16	2.6 %	100 bps	4.0 %
Sleep	82.08	65.1%	53.47	80.41	63.9%	51.41	2.1 %	120 bps	4.0 %
Quality	77.80	59.1%	45.99	75.06	58.2%	43.69	3.7 %	90 bps	5.3 %
Clarion	82.35	58.3%	48.01	79.85	57.2%	45.63	3.1 %	110 bps	5.2 %
Econo Lodge	61.41	54.1%	33.22	59.61	53.5%	31.90	3.0 %	60 bps	4.1 %
Rodeway	63.04	55.7%	35.08	59.75	56.3%	33.64	5.5 %	(60) bps	4.3 %
MainStay	76.29	65.2%	49.70	77.02	67.1%	51.71	(0.9)%	(190) bps	(3.9)%
Suburban	49.96	75.5%	37.72	47.61	75.5%	35.95	4.9 %	— bps	4.9 %
Cambria hotel & suites	131.73	76.3%	100.46	NA	NA	NA	NA	NA	NA
Ascend Hotel Collection	129.97	58.1%	75.52	127.27	58.5%	74.47	2.1 %	(40) bps	1.4 %
Total	$ 82.64	61.7%	$ 51.00	$ 80.24	61.2%	$ 49.08	3.0 %	50 bps	3.9 %

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* Totals for the year ended December 31, 2015 have been revised from previous disclosures to include the operating statistics for the Cambria hotel & suites brand. Operating statistics for Cambria hotel & suites have been excluded for 2015 since the brand had fewer than 25 units open and operating for the 12 month period.

The number of domestic rooms on-line increased by 1.0% to 404,498 rooms as of December 31, 2016 from 400,372 as of December 31, 2015. The total number of domestic hotels on-line increased by 1.6% to 5,362 as of December 31, 2016, from 5,276 as of December 31, 2015. Our unit growth has outpaced the growth in our rooms primarily due to the Company's multi-year strategy to rejuvenate the Comfort family of brands by terminating under-performing hotels that no longer meet the Comfort brand standards. Hotels terminated from the Comfort brand family may be repositioned to a more suitable brand within the Company's family of brands or exit our franchise system. As a result of this strategy our unit growth has been driven primarily by brands with lower average room counts than the Comfort family of brands. A summary of the domestic hotels and available rooms at December 31, 2016 and 2015 by brand is as follows:

	December 31, 2016		December 31, 2015		Variance			
	Hotels	Rooms	Hotels	Rooms	Hotels	%	Rooms	%
Comfort Inn	1,113	86,310	1,156	89,545	(43)	(3.7)%	(3,235)	(3.6)%
Comfort Suites	565	43,610	569	43,949	(4)	(0.7)%	(339)	(0.8)%
Sleep	379	27,097	377	27,047	2	0.5 %	50	0.2 %
Quality	1,447	114,582	1,379	110,116	68	4.9 %	4,466	4.1 %
Clarion	167	22,941	175	24,449	(8)	(4.6)%	(1,508)	(6.2)%
Econo Lodge	857	52,791	856	52,978	1	0.1 %	(187)	(0.4)%
Rodeway	565	32,515	513	28,880	52	10.1 %	3,635	12.6 %
MainStay	56	4,108	52	3,846	4	7.7 %	262	6.8 %
Suburban	59	6,561	62	6,994	(3)	(4.8)%	(433)	(6.2)%
Cambria hotel & suites	27	3,503	25	3,113	2	8.0 %	390	12.5 %
Ascend Hotel Collection	127	10,480	112	9,455	15	13.4 %	1,025	10.8 %
Total Domestic Franchises	5,362	404,498	5,276	400,372	86	1.6 %	4,126	1.0 %

Domestic hotels open and operating increased by 86 hotels during the year ended December 31, 2016 compared to an increase of 55 domestic hotels open and operating during the year ended December 31, 2015. Gross domestic franchise additions decreased from 308 for the year ended December 31, 2015 to 299 for the same period in 2016. New construction hotels represented 45 of the gross domestic additions during year ended December 31, 2016 compared to 55 hotels in the same period of the prior year. Gross domestic additions for conversion hotels during the year ended December 31, 2016 increased by 1 from 253 hotels during the year ended December 31, 2015 to 254 hotels as of December 31, 2016. The decrease in new construction hotel openings reflects the variability in timing of hotel openings from period to period as the Company has experienced an increase in the execution of new construction franchise agreements over the last several years. The timing of new construction hotel openings typically average 18 to 36 months to open after the franchise agreement is executed. Conversion hotel openings reflect new conversion franchise agreements executed in 2016 which approximated 2015 levels. Conversion hotels typically open three to four months after the execution of a franchise agreement.

Net domestic franchise terminations decreased from 253 for the year ended December 31, 2015 to 213 for the year ended December 31, 2016. The decrease in net terminations primarily reflects a decline in the number of hotels removed from our franchise system for non-compliance with the Company's brand standards and rules and regulations.

International royalties decreased $0.3 million from $20.2 million in the year ended December 31, 2015 to $19.9 million for the same period in 2016 despite a 4.2% increase in the number of rooms available primarily due to unfavorable foreign currency fluctuations and RevPAR performance in the countries in which we operate as well as the timing of new room openings which occurred later in the year. International available rooms increased by 4,513 rooms to 111,624 as of December 31, 2016 from 107,111 as of December 31, 2015. The total number of international hotels on-line increased from 1,147 at December 31, 2015 to 1,152 at December 31, 2016. International rooms available grew at a faster pace than unit growth due to a focus on new entrants with higher per room counts than currently in the Company's international system.

Initial Franchise and Relicensing Fees

Domestic initial franchise fee revenue, included in the initial franchise and relicensing fees caption of the Company's statements of income, generated from executed franchise agreements decreased $1.8 million to $11.8 million for 2016 from $13.6 million for 2015. Domestic initial franchise fee revenue decreased approximately 13% despite a 2% increase in the number of new executed franchise agreements primarily due to an increase in franchise agreements containing forgivable promissory note incentives in 2016 compared to the same period of 2015. Executed franchise agreements increased from 630 franchise agreements, representing 47,744 rooms, executed in 2015 to 645 franchise agreements, representing 50,336 rooms executed as of December 31, 2016. Revenues associated with agreements including incentives are deferred and recognized when the incentive criteria are met or the agreement is terminated, whichever comes first.

During 2016, 201 of the executed agreements were for new construction hotel franchises, representing 15,566 rooms, compared to 173 contracts, representing 13,057 rooms for 2015. The increase in new construction franchise agreements primarily reflect continuing improvement in lodging fundamentals including an increasing RevPAR environment and demand above industry supply during 2016 which is typically a catalyst for increased construction of new hotels. Conversion hotel franchise executed contracts totaled 444 representing 34,770 rooms for the year ended December 31, 2016 compared to 457 agreements representing 34,687 rooms for the year ended December 31, 2015.

Relicensing fees include fees charged to the new owners of a franchised property whenever an ownership change occurs and the property remains in the franchise system as well as fees required to renew expiring franchise contracts. Domestic relicensing contracts increased 10% from 374 during 2015 to 412 for the year ended December 31, 2016. Renewals of expired contracts increased 24% from 34 for the year ended December 31, 2015 to 42 during the year ended December 31, 2016. As a result of the 11% increase in relicensing and renewal contracts, domestic relicensing and renewal revenues increased 12% from $10.4 million in 2015 to $11.6 million for 2016.

As of December 31, 2016, the Company had 721 franchised hotels with 56,396 rooms under construction, awaiting conversion or approved for development in its domestic system compared to 606 hotels and 46,441 rooms at December 31, 2015. The number of new construction franchised hotels in the Company’s domestic pipeline increased 24% to 492 at December 31, 2016 from 397 at December 31, 2015. The growth in the number of new construction hotels in the domestic pipeline reflects the 16%, 9% and 79% increase in new construction franchise agreements executed in 2016, 2015 and 2014, respectively. New construction hotels typically average 18 to 36 months to open after the franchise agreement is executed. The number of conversion franchised hotels in the Company’s domestic pipeline increased by 20 units or 10% from December 31, 2015 to 229 hotels at December 31, 2016 primarily due to the timing of hotel openings and the timing of signing new conversion franchise agreements. Conversion hotels typically open within three to four months after the execution of the franchise agreement. The Company had an additional 54 franchised hotels with 6,151 rooms under construction, awaiting conversion or approved for development in its international system as of December 31, 2016 compared to 114 hotels and 11,689 rooms at December 31, 2015. While the Company's hotel pipeline provides a strong platform for growth, a hotel in the pipeline does not always result in an open and operating hotel due to various factors.

Procurement Services: Revenues increased $4.2 million or 15% from $27.1 million for the year ended December 31, 2015 to $31.2 million for the year ended December 31, 2016. The increase in procurement services revenue primarily reflects the implementation of new brand programs as well as an increased volume of business transacted with existing and new qualified vendors and strategic alliance partners.

Other Income: Revenue increased $5.3 million from the year ended December 31, 2015 to $23.2 million for the year ended December 31, 2016. The increase in other income is primarily due to an increase of $0.7 million related to support and consulting fees earned by the Company's SkyTouch division and a $3.7 million increase in revenues related to the Company's vacation rental division.

Selling, General and Administrative Expenses: The cost to operate the franchising business is reflected in SG&A on the consolidated statements of income. SG&A expenses were $148.7 million for 2016, an increase of $14.5 million from the 2015 total of $134.3 million.

SG&A expenses for the year end December 31, 2016 and 2015 include approximately $28.1 million and $24.1 million, respectively related to the Company's SkyTouch division and vacation rental divisions, and expenses related to the operations of an office building leased to third parties. Excluding the SG&A expenses for non-hotel franchising activities, SG&A for the year end December 31, 2016 increased $10.5 million or 9.5% from $110.1 million in 2015 to $120.6 million in 2016 primarily due to a $4.5 million increase in employee termination benefits, a $2.3 million increase in expenses related to the fluctuation of the fair market value in the Company's non-qualified deferred compensation plans, as well as increased costs related to franchise support. SG&A expenses for the Company's non-hotel franchising activities increased $4 million in 2016, primarily due to the August 2015 acquisition of a company that provides software as a service solutions for vacation rental management companies, as well as increased spending on other vacation rental initiatives.

Marketing and Reservation System: The Company's franchise agreements require the payment of franchise fees, which include marketing and reservation system fees. The fees, which are primarily based on a percentage of the franchisees' gross room revenues, are used exclusively by the Company for expenses associated with providing franchise services such as central reservation systems, national marketing and media advertising. The Company is contractually obligated to expend the marketing and reservation system fees it collects from franchisees in accordance with the franchise agreements; as such, no net income or loss to the Company is generated. Cumulative marketing and reservation fees not expended are deferred and recorded as a liability in the Company's financial statements and carried over to the next year and expended in accordance with the franchise agreements. Conversely, cumulative marketing and reservation expenditures incurred in excess of fees billed for marketing and reservation activities are deferred and recorded as an asset in the Company's financial statements and recovered in future periods.

Total marketing and reservation system revenues increased 8% or $37.0 million from $488.8 million for the year ended December 31, 2015 to $525.7 million for the year ended December 31, 2016. Marketing and reservation system revenues reflect recognition of $30.7 million of previously deferred revenues in 2016 compared to $13.6 million in 2015. The increase in the recognition of these revenues was primarily due to a change in the Company's expiration policy for the Choice Privileges membership program. In addition, revenues increased due to improved system fees resulting from RevPAR increases and increasing revenues from the Choice Privileges loyalty program resulting from the growth in program membership and increases in the average daily rate.

At December 31, 2016, cumulative marketing and reservation system costs exceeded cumulative marketing and reservation system revenues earned by $18.1 million compared to cumulative marketing and reservation system fees billed exceeding expenses by $30.7 million as of December 31, 2015. The deficit and excess are reflected as an other long-term asset and liability, respectively, in the accompanying consolidated balance sheets.

Gain on Sale of Assets, Net: The Company purchased real estate as part of a program to incent franchise development in strategic markets or to pursue hotel development through joint ventures. For the year ended December 31, 2016, the Company sold properties to franchise developers for a net gain of $0.4 million pursuant to this program.

Interest Income: Interest income increased $1.9 million from $1.6 million for the year ended December 31, 2015, to $3.5 million for the year ended December 31, 2016. The increase in interest income primarily reflects the issuance of additional notes receivable related to the Company's program to incent development of its Cambria hotel & suites brand in new markets. See Note 3 to the Company's consolidated financial statements for additional information.

Other (Gains) Losses: Other (gains) and losses increased from a gain of $0.8 million for the year ended December 31, 2015, to a gain of $1.5 million. The $0.7 million increase is primarily due to a $2.0 million increase in gains resulting from the fluctuation in the fair value of the investments held in the Company's non-qualified employee benefit plans, partially offset by a nonrecurring $1.3 million gain from the sale of the Company's interest in an unconsolidated joint venture recognized in 2015.

Income Taxes: The Company's effective income tax rates for continuing operations were 30.3% and 30.4%, for the years ended December 31, 2016 and 2015, respectively. The effective income tax rates for the years ended December 31, 2016 and 2015 were lower than the United States federal statutory rate of 35% primarily due to the recurring impact of foreign operations, partially offset by state income taxes. The effective income tax rate for the year ended December 31, 2016 was further reduced by the adoption of Accounting Standards Update No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* in 2016*,* which requires that excess tax benefits and deficiencies from share-based compensation be recorded as tax expense or benefit in the income statement. The adoption resulted in a $3.4 million tax benefit for the year ended December 31, 2016. Additionally, the effective income tax rate for the year ended December 31, 2015 was reduced by the settlement of unrecognized tax positions.

Liquidity and Capital Resources

Operating Activities

Net cash flows provided by operating activities were $257.4 million for the year ended December 31, 2017 compared to $152.0 million for the same period of 2016, an increase of $105.3 million. The increase in cash flows from operating activities primarily reflects the $33.4 million improvement in operating income, excluding non-cash stock compensation and other charges, a $26.5 million decline in cash income tax payments, improved cash flows from marketing and reservation activities and the timing of working capital items. These items were partially offset by a $13.2 million increase in net disbursements of forgivable notes receivable provided to franchisees.

In conjunction with brand and development programs, the Company provides financing to franchisees for property improvements and other purposes in the form of forgivable notes receivable. If the franchisee remains in the system in good standing over the term of the promissory note, the Company forgives the outstanding principal balance and related interest. Since these forgivable notes are predominantly forgiven ratably over the term of the promissory note rather than repaid, the Company classifies the related issuance and collections of these notes as operating activities. During the years ended December 31, 2017, 2016 and 2015, the Company's net advances for these purposes totaled $30.6 million, $17.4 million, and $23.1 million, respectively. The timing and amount of these cash flows is dependent on various factors including the implementation of various development and brand incentive programs, the level of franchise sales and the timing of hotel openings. At December 31, 2017, the Company had commitments to extend an additional $240.0 million for these purposes provided certain conditions are met by its franchisees, of which $87.1 million is expected to be advanced in the next twelve months.

Investing Activities

Cash utilized in investing activities totaled $90.1 million, $98.5 million, and $99.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. The decrease in cash utilized for investing activities from 2016 to 2017 primarily reflects the following items:

During the years ended December 31, 2017, 2016 and 2015, capital expenditures in property and equipment totaled $23.4 million, $25.2 million, and $27.8 million, respectively. The decrease in capital expenditures primarily reflects decreased spending on upgrades of our central reservation system, yield management system, and purchases of technology hardware.

During the years ended December 31, 2017, 2016 and 2015, capital expenditures in intangible assets totaled $2.5 million, $2.6 million, and $0.7 million, respectively. The increase in capital expenditures in intangible assets in 2017 and 2016 primarily reflects the capitalization of qualified Software as a Service ("SaaS") contracts as a result of adopting Accounting Standards Update 2015-05, *Intangibles - Goodwill and Other - Internal Use Software*, which the Company adopted on January 1, 2016.

During the year ended December 31, 2017, the Company realized proceeds of $1.0 million from the sale of a parcel of land that will be developed into a Cambria hotel & suites. During the year ended December 31, 2016, the Company realized proceeds of $11.5 million from the sale of three parcels of land and an interest in an unconsolidated joint venture that will be developed into a Cambria hotel & suites. During the year ended December 31, 2015, the Company realized proceeds from the sale of assets totaling $6.3 million related to the sale of a parcel of land and an interest in an unconsolidated joint venture that developed and operated a Cambria hotel & suites.

There were no real estate acquisitions during the year ended December 31, 2017. During the year ended December 31, 2016, the Company completed four acquisitions of real estate as part of its program to incent franchise development in strategic markets for certain brands. The aggregate purchase price for these acquisitions was $29.0 million consisting of $28.7 million cash with an additional $0.3 million of current liabilities assumed. In addition, the Company incurred $0.5 million in acquisition related costs, which were expensed in the period. During the year ended December 31, 2015, the Company completed two acquisition of real estate as part of its program to incent franchise development in strategic markets for certain brands. The aggregate purchase price for these acquisitions was $9.2 million.

In August 2015, the Company completed the acquisition of a company that provides software as a service solutions ("Saas") for vacation rental management companies. The total consideration was $23.6 million, which consisted of cash paid, net of cash acquired, of $13.3 million, deferred purchase price payable of $6.8 million, and liabilities assumed totaling $3.5 million. The deferred purchase price is payable over 5 years and is contingent on achievement of certain targets and continued employment. During the year ended December 31, 2016, the Company paid $1.3 million of this deferred purchase price. There were no business acquisition related payments made in 2017.

During the year ended December 31, 2017, 2016 and 2015, the Company invested $50.6 million, $34.7 million, and $23.7 million in joint ventures accounted for under the equity method of accounting. In addition, the Company received distributions from these joint ventures totaling $4.6 million, $3.7 million, and $0.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company's investment in these joint ventures primarily pertain to ventures that either support the Company's efforts to increase business delivery to its franchisees or promote growth of our emerging brands. At December 31, 2017, the Company had a commitment to extend an additional $14.7 million for these purposes within the next twelve months provided certain conditions are met.

The Company provides financing to franchisees for hotel development efforts and other purposes in the form of mezzanine and other notes receivable. These loans bear interest and are expected to be repaid in accordance with the terms of the loan agreements. During the years ended December 31, 2017, 2016 and 2015, the Company advanced $19.7 million, $32.6 million, and $36.9 million for these purposes, respectively. In addition, the Company collected $0.7 million, $11.1 million, and $4.8 million of these advances during the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017, the Company had commitments to extend an additional $3.8 million for these purposes within the next twelve months provided certain conditions are met by its franchisees.

From time to time, our board of directors authorizes specific transactions and general programs which permit us to provide financing, investment and guarantees and similar credit support to qualified franchisees, as well as to acquire and resell real estate to incent franchise development. Since 2006, we have engaged in these financial support activities to encourage acceleration of the growth of our Cambria hotel & suites brand, primarily in strategic markets and locations. Over the next three to five years, depending on market and other conditions, we expect to continue to deploy capital in support of this brand and expect our investment to total approximately $475 million over that time period. The annual pace of future financial support activities will depend upon market and other conditions including among others, our franchise sales results, the environment for new construction hotel development and the hotel lending environment. Our support of the Cambria brand's growth is expected to be primarily in the form of joint venture investments, forgivable key money loans, senior mortgage loans, development loans, mezzanine lending, and through the operation of a land-banking program. With respect to our lending and joint venture investments, we generally expect to recycle these loans and investments within a five year period. At December 31, 2017, the Company had approximately $251.4 million outstanding pursuant to these financial support activities.

On December 18, 2017, the Company announced that it had reached a definitive agreement to acquire the brand and franchise business of WoodSpring Suites for approximately $231 million. The acquisition closed on February 1, 2018 and added nearly 240 new extended-stay hotels in 35 states to the Company's portfolio. The acquisition was funded with cash and borrowings under the Company's revolving credit facility.

Financing Activities

Financing cash flows relate primarily to the Company's borrowings, open market treasury stock repurchases, acquisitions of shares in connection with the exercise or vesting of equity awards and dividends.

Debt

Senior Unsecured Notes due 2022

On June 27, 2012 the Company issued unsecured senior notes with a principal amount of $400 million (the "2012 Senior Notes") at par, bearing a coupon of 5.75% with an effective rate of 6.0%. The 2012 Senior Notes will mature on July 1, 2022, with interest to be paid semi-annually on January 1st and July 1st. The Company utilized the net proceeds of this offering, after deducting underwriting discounts and commissions and other offering expenses, together with borrowings under the Company's senior credit facility, to pay a special cash dividend totaling approximately $600.7 million paid to stockholders on August 23, 2012. The Company's 2012 Senior Notes are guaranteed jointly, severally, fully and unconditionally, subject to certain customary limitations by certain of the Company's domestic subsidiaries.

The Company may redeem the 2012 Senior Notes at its option at a redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed and (b) the sum of the present values of the remaining scheduled principal and interest payments from the redemption date to the date of maturity discounted to the redemption date on a semi-annual basis at the Treasury rate, plus 50 basis points.

Senior Unsecured Notes due 2020

On August 25, 2010, the Company issued unsecured senior notes in the principal amount of $250 million (the "2010 Senior Notes") at a discount of $0.6 million, bearing a coupon of 5.70% with an effective rate of 6.19%. The 2010 Senior Notes will mature on August 28, 2020, with interest on the 2010 Senior Notes to be paid semi-annually on February 28th and August 28th. The Company used the net proceeds from the offering, after deducting underwriting discounts and other offering expenses, to repay outstanding borrowings and other general corporate purposes. The Company's 2010 Senior Notes are guaranteed jointly, severally, fully and unconditionally, subject to certain customary limitations, by certain of the Company's domestic subsidiaries.

The Company may redeem the 2010 Senior Notes at its option at a redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed and (b) the sum of the present values of the remaining scheduled principal and interest payments from the redemption date to the date of maturity discounted to the redemption date on a semi-annual basis at the Treasury rate, plus 45 basis points.

Revolving Credit Facility

On July 21, 2015, the Company refinanced its existing $350 million senior secured credit facility, comprised of a $200 million revolving credit tranche and a $150 million term loan tranche by entering into a new senior unsecured revolving credit agreement (“Credit Agreement”), with Deutsche Bank AG New York Branch, as administrative agent.

The Credit Agreement provides for a $450 million unsecured revolving credit facility (the “Revolver”) with an initial maturity date of July 21, 2020, subject to optional one-year extensions that can be requested by the Company prior to each of the first, second and third anniversaries of the closing date of the Revolver. The effectiveness of any such extensions is subject to the consent of the lenders under the Credit Agreement and certain customary conditions. On July 5, 2016, the Company exercised its option to extend the maturity date of the Revolver by one year. The new maturity date of the Revolver is July 21, 2021.

Up to $35 million of borrowings under the Revolver may be used for alternative currency loans and up to $15 million of borrowings under the Revolver may be used for swing line loans.

The Revolver is unconditionally guaranteed, jointly and severally, by certain of the Company’s domestic subsidiaries, which are considered restricted subsidiaries under the Credit Agreement. The subsidiary guarantors currently include all subsidiaries that guarantee the obligations under the Company's Indenture governing the terms of its 5.75% senior notes due 2022 and its 5.70% senior notes due 2020. If the Company achieves and maintains an Investment Grade Rating, as defined in the Credit Agreement, then the subsidiary guarantees will at the election of the Company be released and the Revolver will not be guaranteed.

The Company may at any time prior to the final maturity date increase the amount of the Revolver by up to an additional $150 million to the extent that any one or more lenders commit to being a lender for the additional amount and certain other customary conditions are met.

The Company currently may elect to have borrowings under the Revolver bear interest at a rate equal to (i) LIBOR plus a margin ranging from 135 to 175 basis points based on the Company’s total leverage ratio or (ii) a base rate plus a margin ranging from 35 to 75 basis points based on the Company’s total leverage ratio. If the Company achieves an Investment Grade Rating, then the Company may elect to use a different, ratings-based, pricing grid set forth in the Credit Agreement.

The Credit Agreement requires the Company to pay a fee on the undrawn portion of the Revolver, calculated on the basis of the average daily unused amount of the Revolver multiplied by 0.20% per annum. If the Company achieves an Investment Grade Rating and it elects to use the ratings-based pricing grid set forth in the Credit Agreement, then the Company will be required to pay a fee on the total commitments under the Revolver, calculated on the basis of the actual daily amount of the commitments under the Revolver (regardless of usage) times a percentage per annum ranging from 0.10% to 0.25% (depending on the Company’s senior unsecured long-term debt rating).

The Credit Agreement requires that the Company and its restricted subsidiaries comply with various covenants, including with respect to restrictions on liens, incurring indebtedness, making investments and effecting mergers and/or asset sales. With respect to dividends, the Company may not declare or make any payment if there is an existing event of default or if the payment would create an event of default. In addition, if the Company's total leverage ratio exceeds 4.0 to 1.0, the Company is generally restricted from paying aggregate dividends in excess of $50 million in any calendar year.

The Credit Agreement imposes financial maintenance covenants requiring the Company to maintain a total leverage ratio of not more than 4.5 to 1.0 and a consolidated fixed charge coverage ratio of at least 2.5 to 1.0. If the Company achieves and maintains an Investment Grade Rating, then the Company will not need to comply with the consolidated fixed charge coverage ratio covenant.

The Credit Agreement includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of the Company under the Credit Agreement to be immediately due and payable.

At December 31, 2017, the Company maintained a total leverage ratio of 2.24x and a consolidated fixed charge coverage ratio of 7.67x and was in compliance with all covenants under the credit agreement.

The proceeds of the Revolver are expected to be used for general corporate purposes, including working capital, debt repayment, stock repurchases, dividends, investments and other permitted uses set forth in the Credit Agreement.

Fixed Rate Collateralized Mortgage

On December 30, 2014, a court awarded the Company title to an office building as settlement for a portion of an outstanding loan receivable for which the building was pledged as collateral. In conjunction with the court award, the Company also assumed the $9.5 million mortgage on the property with a fixed interest rate of 7.26%. The mortgage, which is collateralized by the office building, requires monthly payments of principal and interest and matures in December 2020 with a a balloon payment due of $6.9 million. At the time of acquisition, the Company determined that the fixed interest rate of 7.26% exceeded market interest rates and therefore the Company increased the carrying value of the debt by $1.2 million to record the debt at fair value. The fair value adjustment will be amortized over the remaining term of the mortgage utilizing the effective interest method.

Economic Development Loans

The Company entered into economic development agreements with various governmental entities in conjunction with the relocation of its corporate headquarters in April 2013. In accordance with these agreements, the governmental entities agreed to advance approximately $4.4 million to the Company to offset a portion of the corporate headquarters relocation and tenant improvement costs in consideration of the employment of permanent, full-time employees within the jurisdictions. At December 31, 2017, the Company had been advanced approximately $3.7 million pursuant to these agreements and expects to receive the remaining $0.7 million over the next several years, subject to annual appropriations by the governmental entities. These advances bear interest at a rate of 3% per annum.

Repayment of the advances is contingent upon the Company achieving certain performance conditions. Performance conditions are measured annually on December 31st and primarily relate to maintaining certain levels of employment within the various jurisdictions. If the Company fails to meet an annual performance condition, the Company may be required to repay a portion or all of the advances including accrued interest by April 30th following the measurement date. Any outstanding advances at the expiration of the Company's ten year corporate headquarters lease in 2023 will be forgiven in full. The advances will be included in long-term debt in Company's consolidated balance sheets until the Company determines that the future performance conditions will be met over the entire term of the agreement and the Company will not be required to repay the advances. The Company accrues interest on the portion of the advances that it expects to repay. The Company was in compliance with all current performance conditions as of December 31, 2017.

Transfer of Interest

On September 12, 2017, the Company entered into an agreement to transfer $24.2 million of a $49.1 million outstanding note receivable with a maturity date of November 30, 2019 to a third party. The transaction did not qualify as a sale and therefore, the outstanding notes receivable was not derecognized on the balance sheet. The one-time cash proceeds were recorded as unrestricted cash and the future obligation to transfer principal and interest received under the note has been recorded within Other Long-Term Liabilities. In addition, the proceeds from the transfer of the interest in the note receivable have been reflected on the statement of cash flows as a financing activity. The Company retains responsibility for collecting and distributing cash received on the note and interest paid to the participant is reflected as interest expense in the Company's consolidated statements of income. At December 31, 2017, Other Long-Term Liabilities includes $24.2 million pursuant to this transaction.

Regular Quarterly Dividends

The Company currently maintains the payment of a quarterly dividend on its common shares outstanding, however, the declaration of future dividends are subject to the discretion of our board of directors. During the year ended December 31, 2017, 2016 and 2015, the Company paid cash dividends at a quarterly rate of $0.215, $0.205, $0.195, respectively, per share.

During the year ended December 31, 2017, 2016 and 2015, the Company paid regular quarterly cash dividends totaling $48.7 million, $46.2 million, and $45.2 million, respectively. We expect that cash dividends will continue to be paid in the future, subject to declaration by our board of directors, future business performance, economic conditions, changes in tax regulations and other matters. Based on our present dividend rate and outstanding share count, aggregate annual regular dividends for 2018 are estimated to be approximately $48.7 million.

Share Repurchases

During the year ended December 31, 2017, the Company repurchased 3,100 shares of its common stock under the repurchase program at a total cost of 0.2 million. Through December 31, 2017, the Company repurchased 48.7 million shares of its common stock (including 33.0 million prior to the two-for-one stock split effected in October 2005) under the share repurchase program at a total cost of $1.3 billion. As of December 31, 2017, the Company had 4.0 million shares remaining under the current share repurchase authorization. We currently believe that our cash flows from operations will support our ability to complete the current board of directors repurchase authorization and upon completion of the current authorization, our board of directors will evaluate the advisability of additional share repurchases.

Other items

Approximately $222.1 million of the Company's cash and cash equivalents at December 31, 2017 pertains to undistributed earnings of the Company's consolidated foreign subsidiaries. In accordance with the provisions of the recently enacted Tax Act, the Company recorded a mandatory one-time transition tax of approximately $35.3 million on certain unrepatriated earnings of foreign subsidiaries during the year ended December 31, 2017. The transition tax will be payable over eight years. The Company expects to repatriate approximately $200 million of its foreign cash in the first quarter of 2018.

The following table summarizes our contractual obligations as of December 31, 2017:

	Payment due by period (in millions)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt [(1)]	$ 901.4	$ 42.1	$ 339.6	$ 516.0	$ 3.7
Purchase obligations [(2)]	261.0	107.6	134.8	13.6	5.0
Operating lease obligations	55.3	12.6	21.7	17.7	3.3
Other long-term liabilities [(3)]	54.1	—	30.4	5.0	18.7
Total contractual obligations	$ 1,271.8	$ 162.3	$ 526.5	$ 552.3	$ 30.7

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(1) Long-term debt includes principal as well as interest payments. Assumes forward estimates of LIBOR rates as of December 31, 2017 for our variable interest rate debt.

(2) Purchase obligations also include commitments to provide loan and joint venture financing under various Company programs.

(3) Other long-term liabilities primarily consist of deferred compensation plan liabilities.

The total amount of unrecognized tax positions and the related interest and penalties totaled $2.9 million at December 31, 2017. Due to the uncertainty with respect to the timing of payments in individual years in connection with these tax liabilities, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, we have not included these amounts in the contractual obligations table above. See Note 17 to our consolidated financial statements for a discussion on income taxes.

The Company believes that cash flows from operations and available financing capacity are adequate to meet the expected future operating, investing and financing needs of the business.

Off Balance Sheet Arrangements

On October 9, 2012, the Company entered into a limited payment guaranty with regards to a variable interest entity's ("VIE") $18.0 million bank loan for the construction of a hotel franchised under one of the Company's brands in the United States. Under the terms of the limited guaranty, the Company has agreed to guarantee 25% of the outstanding principal balance for a maximum exposure of $4.5 million and accrued and unpaid interest, as well as any unpaid expenses incurred by the lender. The limited guaranty shall remain in effect until the maximum amount guaranteed by the Company is paid in full. In addition to the limited guaranty, the Company entered into an environmental indemnity agreement which indemnifies the lending institution from and against any damages relating to or arising out of possible environmental contamination issues with regards to the property.

On September 4, 2015, the Company entered into a limited payment guaranty with regards to a VIE's $13.3 million bank loan for the design, development and construction of a new hotel franchised under one of the Company's brands in the United States. Under the terms of the limited guaranty, the Company has agreed to guarantee a maximum of $1.8 million of the VIE's obligations under the loan. The limited guaranty shall remain in effect until (i) the VIE's bank loan is paid in full to the lender; (ii) the maximum amount guaranteed by the Company is paid in full; or (iii) the Company, through its affiliate, ceases to be a member of the VIE.

On June 2, 2016, one of the Company's VIEs obtained a $61.0 million term loan for purposes of refinancing a $46.2 million construction loan. In connection with the refinancing, the Company entered into three limited guarantees. Under the terms of the limited guarantees, the Company has agreed to guarantee a maximum obligation of $3.3 million in the aggregate, in addition to a percentage of any operating expenses and capital expenditures not covered by operating revenues and unpaid expenses incurred. The limited guarantees will remain in effect until the loan is repaid in full or the VIE reaches a specified debt yield for two consecutive quarters under the loan covenants. The maturity date of the VIE's loan is June 2019.

The Company believes the likelihood of having to perform under the aforementioned limited payment guarantees was remote at December 31, 2017 and 2016.

Critical Accounting Policies

Our accounting policies comply with principles generally accepted in the United States. We have described below those policies that we believe are critical and require the use of complex judgment or significant estimates in their application. Additional discussion of these policies is included in Note 1 to our consolidated financial statements.

Revenue Recognition

We recognize continuing franchise fees, including royalty, marketing and reservations system fees, when earned and realizable from our franchisees. Franchise fees are typically based on a percentage of gross room revenues or the number of hotel rooms of each franchisee. Franchise fees based on a percentage of gross room revenues are recognized in the same period that the underlying gross room revenues are earned by our franchisees. Our estimate of the allowance for uncollectible royalty fees is charged to SG&A expense and our estimate of the allowance for uncollectible marketing and reservation system fees is charged to marketing and reservation expenses.

Initial franchise and relicensing fees are recognized, in most instances, in the period the related franchise agreement is executed because the initial franchise and relicensing fees are non-refundable and the Company is not required to provide initial services to the franchisee prior to hotel opening. We defer the initial franchise and relicensing fee revenue related to franchise agreements which include incentives until the incentive criteria are met or the agreement is terminated, whichever occurs first.

The Company recognizes procurement services revenues from qualified vendors when the services are performed or the product delivered, evidence of an arrangement exists, the fee is fixed or determinable and collectability is reasonably assured. We defer the recognition of procurement services revenues related to certain upfront fees and recognize them over a period corresponding to the Company's estimate of the life of the arrangement.

Marketing and Reservation System Revenues and Expenses

The Company's franchise agreements require the payment of certain marketing and reservation system fees, which are used exclusively by the Company for expenses associated with providing franchise services such as national marketing, media advertising, central reservation systems and technology services. The Company is contractually obligated to expend the marketing and reservation system fees it collects from franchisees in accordance with the franchise agreements; as such, no net income or loss to the Company is generated. In accordance with our contracts, we include in marketing and reservation expenses an allocation of costs for certain activities, such as human resources, facilities, legal and accounting, required to carry out marketing and reservation activities.

The Company records marketing and reservation system revenues and expenses on a gross basis since the Company is the primary obligor in the arrangement, maintains the credit risk, establishes the price and nature of the marketing or reservation services and retains discretion in supplier selection. In addition, net advances to and recoveries from the franchise system for marketing and reservation activities are presented as cash flows from operating activities.

Marketing and reservation system fees not expended in the current year are deferred and recorded as a liability in the Company's balance sheet and are carried over to the next fiscal year and expended in accordance with the franchise agreements or utilized to repay previous advances. Marketing and reservation expenses incurred in excess of revenues are recorded as an asset in the Company's balance sheet, with a corresponding reduction in costs, and are similarly recovered in subsequent years. Under the terms of the franchise agreements, the Company may advance capital and incur costs as necessary for marketing and reservation activities and recover such advances through future fees. The Company believes that any credit risk associated with cost advances for marketing and reservation system activities is mitigated due to our contractual right to recover these amounts from a large geographically dispersed group of franchisees. However, our ability to recover advances may be adversely impacted by certain factors, including, among others, declines in the ability of our franchisees to generate revenues at properties they franchise from us, lower than expected franchise system growth, an extended period of occupancy or room rate declines or a decline in the number of hotel rooms in our franchise system. If these factors exist it could result in the generation of insufficient funds to recover marketing and reservation advances as well as meet the ongoing marketing and reservation needs of the overall system.

The Company evaluates the recoverability of marketing and reservation costs incurred in excess of cumulative marketing and reservation system revenues earned on a periodic basis. The Company will record a reserve when, based on current information and events, it is probable that it will be unable to recover the cumulative amounts advanced for marketing and reservation activities according to the contractual terms of the franchise agreements. These advances are considered to be unrecoverable if the expected net, undiscounted cash flows from marketing and reservation activities are less than the carrying amount of the asset.

Choice Privileges is our frequent guest incentive marketing program. Choice Privileges enables members to earn points based on their spending levels with our franchisees and, to a lesser degree, through participation in affiliated partners' programs, such as those offered by credit card companies. The points, which we accumulate and track on the members' behalf, may be redeemed for free accommodations or other benefits.

We provide Choice Privileges as a marketing program to franchised hotels and collect a percentage of program members' room revenue from franchises to operate the program. Revenues are deferred in an amount equal to the estimated fair value of the future redemption obligation. The Company develops an estimate of the eventual redemption rates and point values using various actuarial methods. These judgmental factors determine the required liability attributable to outstanding points. Upon redemption of points, the Company recognizes the previously deferred revenue as well as the corresponding expense relating to the cost of the awards redeemed. Revenues in excess of the estimated future redemption obligation are recognized when earned to reimburse the Company for costs incurred to operate the program, including administrative costs, marketing, promotion and performing member services.

Valuation of Intangibles and Long-Lived Assets

The Company evaluates the potential impairment of property and equipment and other long-lived assets, including franchise rights and other definite-lived intangibles, whenever an event or other circumstances indicates that the Company may not be able to recover the carrying value of the asset. When indicators of impairment are present, recoverability is assessed based on net, undiscounted expected cash flows. If the net, undiscounted expected cash flows are less than the carrying amount of the assets, an impairment charge is recorded for the excess of the carrying value over the fair value of the asset. We estimate the fair value of intangibles and long lived assets primarily using undiscounted cash flow analysis. Significant management judgment is involved in evaluating indicators of impairment and developing any required projections to test for recoverability or estimate the fair value of an asset. Furthermore, if management uses different projections or if different conditions occur in future periods, future-operating results could be materially impacted.

The Company evaluates the impairment of goodwill and trademarks with indefinite lives on an annual basis, or during the year if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the asset. In evaluating these assets for impairment, the Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit or the indefinite lived intangible asset is less than its carrying amount. If the conclusion is that it is not more likely than not that the fair value of the asset is less than its carrying value, then no further testing is required. If the conclusion is that it is more likely than not that the fair value of the asset is less than its carrying value, then a two-step impairment test is performed for goodwill. The Company may elect to forego the qualitative assessment and move directly to the two-step impairment test for goodwill and the the fair value determination for indefinite-lived intangibles. The Company determines the fair value of its reporting units and indefinite-lived intangibles using income and market methods.

Valuation of Investments in Equity Method Investments

The Company evaluates an investment in an equity method investment for impairment when circumstances indicate that the carrying value may not be recoverable, for example due to loan defaults, significant under performance relative to historical or projected operating performance, and significant negative industry or economic trends. When there is indication that a loss in value has occurred, the Company evaluates the carrying value compared to the estimated fair value of the investment. Fair value is based upon internally developed discounted cash flow models, third-party appraisals, and if appropriate, current estimated net sales proceeds from pending offers. If the estimated fair value is less than carrying value, management uses its judgment to determine if the decline in value is other-than-temporary. In determining this, the Company considers factors including, but not limited to, the length of time and extent of the decline, loss of values as a percentage of the cost, financial condition and near-term financial projections, the Company's intent and ability to recover the lost value and current economic conditions. For declines in value that are deemed other-than-temporary, impairments are charged to earnings.

Loan Loss Reserves

The Company segregates its notes receivable for the purposes of evaluating allowances for credit losses between two categories: *Mezzanine and Other Notes Receivable* and *Forgivable Notes Receivable*. The Company utilizes the level of security it has in the various notes receivable as its primary credit quality indicator (i.e. senior, subordinated or unsecured) when determining the appropriate allowances for uncollectible loans within these categories.

Mezzanine and Other Notes Receivables

The Company has provided financing to franchisees in support of the development of properties in strategic markets. The Company expects the owners to repay the loans in accordance with the loan agreements, or earlier as the hotels mature and capital markets permit. The Company estimates the collectability and records an allowance for loss on its mezzanine and other notes receivable when recording the receivables in the Company's financial statements. These estimates are updated quarterly based on available information.

The Company considers a loan to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. All amounts due according to the contractual terms means that both the contractual interest payments and the contractual principal payments of a loan will be collected as scheduled in the loan agreement. The Company measures loan impairment based on the present value of expected future cash flows discounted at the loan's original effective interest rate or the estimated fair value of the collateral. For impaired loans, the Company establishes a specific impairment reserve for the difference between the recorded investment in the loan and the present value of the expected future cash flows or the estimated fair value of the collateral. The Company applies its loan impairment policy individually to all mezzanine and other notes receivable in the portfolio and does not aggregate loans for the purpose of applying such policy. For impaired loans, the Company recognizes interest income on a cash basis. If it is likely that a loan will not be collected based on financial or other business indicators it is the Company's policy to charge off these loans to SG&A expenses in the accompanying consolidated statements of income in the quarter when it is deemed uncollectible. Recoveries of impaired loans are recorded as a reduction of SG&A expenses in the quarter received.

The Company assesses the collectability of its senior notes receivable by comparing the market value of the underlying assets to the carrying value of the outstanding notes. In addition, the Company evaluates the property's operating performance, the borrower's compliance with the terms of the loan and franchise agreements, and all related personal guarantees that have been provided by the borrower. For subordinated or unsecured receivables, the Company assesses the property's operating performance, the subordinated equity available to the Company, the borrower's compliance with the terms of the loan and franchise agreements, and the related personal guarantees that have been provided by the borrower.

The Company considers loans to be past due and in default when payments are not made when due. Although the Company considers loans to be in default if payments are not received on the due date, the Company does not suspend the accrual of interest until those payments are more than 30 days past due. The Company applies payments received for loans on non-accrual status first to interest and then principal. The Company does not resume interest accrual until all delinquent payments are received.

Forgivable Notes Receivable

In conjunction with brand and development programs, the Company may provide financing to franchisees for property improvements and other purposes in the form of forgivable promissory notes which bear interest at market rates. Under these promissory notes, the franchisee promises to repay the principal balance together with interest upon maturity unless certain conditions are met throughout the term of the promissory note. The principal balance and related interest are forgiven ratably over the term of the promissory note if the franchisee remains in the system in good standing. If during the term of the promissory note, the franchisee exits our franchise system or is not operating their franchise in accordance with our quality or credit standards, the Company may declare a default under the promissory note and commence collection efforts with respect to the full amount of the then-current outstanding principal and interest.

In accordance with the terms of the promissory notes, the initial principal balance and related interest are ratably reduced over the term of the loan on each anniversary date until the outstanding amounts are reduced to zero as long as the franchisee remains within the franchise system and operates in accordance with our quality and brand standards. As a result, the amounts recorded as an asset on the Company's consolidated balance sheet are also ratably reduced since the amounts forgiven no longer represent probable future economic benefits to the Company. The Company records the reduction of its recorded assets through amortization and marketing and reservation expense on its consolidated statements of income. Since these forgivable promissory notes receivable are predominately forgiven ratably over the term of the promissory note rather than repaid, the Company classifies the issuance and collection of these notes receivable as operating activities in its consolidated statement of cash flows.

The Company fully reserves all defaulted notes in addition to recording a reserve on the estimated uncollectible portion of the remaining notes. For those notes not in default, the Company calculates an allowance for losses and determines the ultimate collectibility on these forgivable notes based on the historical default rates for those unsecured notes that are not forgiven but are required to be repaid. The Company records bad debt expense in SG&A and marketing and reservation system expenses in the accompanying consolidated statements of income in the quarter when the note is deemed uncollectible.

See Note 3 to our consolidated financial statements for additional information.

Stock Compensation

The Company’s policy is to recognize compensation cost related to share-based payment transactions in the financial statements based on the fair value of the equity or liability instruments issued. Compensation expense related to the fair value of share-based awards is recognized over the requisite service period based on an estimate of those awards that will ultimately vest. The Company estimates the share-based compensation expense for awards that will ultimately vest upon inception of the grant and adjusts the estimate of share-based compensation for those awards with performance and/or service requirements that will not be satisfied so that compensation cost is recognized only for awards that ultimately vest.

Income Taxes

Income taxes are recorded using the asset and liability method of accounting for income taxes. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not such assets will be unrealized. Deferred United States income taxes have not been recorded for temporary differences related to investments in certain foreign subsidiaries and corporate affiliates.

With respect to uncertain income tax positions, a tax liability is recorded in full when management determines that the position does not meet the more likely than not threshold of being sustained on examination. A tax liability may also be recognized for a position that meets the more likely than not threshold, based upon management’s assessment of the position’s probable settlement value. The Company records interest and penalties on unrecognized tax benefits in the provision for income taxes. Additional information regarding the Company’s unrecognized tax benefits is provided in Note 17 to Consolidated Financial Statements.

New Accounting Standards

See Footnotes No. 1 “Recently Adopted Accounting Guidance” and Note 30 "Future Adoption of Accounting Standards" of the Notes to our Financial Statements for information related to our adoption of new accounting standards in 2017 and for information on our anticipated adoption of recently issued accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk from changes in interest rates and the impact of fluctuations in foreign currencies on the Company's foreign investments and operations. The Company manages its exposure to these market risks through the monitoring of its available financing alternatives including in certain circumstances the use of derivative financial instruments. We are also subject to risk from changes in debt and equity prices from our non-qualified retirement savings plan investments in debt securities and common stock, which have a carrying value of $22.6 million at December 31, 2017, which we account for as trading securities. The Company will continue to monitor the exposure in these areas and make the appropriate adjustments as market conditions dictate.

At December 31, 2017, the Company had $70.0 million of variable interest rate debt instruments outstanding at an effective rate of 2.84%. A hypothetical change of 10% in the Company's effective interest rate from December 31, 2017 levels would increase or decrease annual interest expense by $0.2 million. The Company expects to refinance its fixed and variable long-term debt obligations prior to their scheduled maturities.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Choice Hotels International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Choice Hotels International, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' deficit and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 1, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.

Tysons, Virginia
March 1, 2018

CONSOLIDATED FINANCIAL STATEMENTS

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2017	**2016**	**2015**
	(in thousands, except per share amounts)		
REVENUES:			
Royalty fees	**$ 345,302**	$ 320,547	$ 301,508
Initial franchise and relicensing fees	**26,262**	23,953	24,680
Procurement services	**34,661**	31,226	27,071
Marketing and reservation system	**567,083**	525,716	488,763
Other	**34,048**	23,199	17,856
Total revenues	**1,007,356**	924,641	859,878
OPERATING EXPENSES:			
Selling, general and administrative	**163,377**	148,728	134,254
Depreciation and amortization	**12,431**	11,705	11,542
Marketing and reservation system	**567,083**	525,716	488,763
Total operating expenses	**742,891**	686,149	634,559
Gain (loss) on sale of assets, net	**(32)**	403	—
Operating income	**264,433**	238,895	225,319
OTHER INCOME AND EXPENSES, NET:			
Interest expense	**45,039**	44,446	42,833
Interest income	**(5,920)**	(3,535)	(1,580)
Other gains	**(3,229)**	(1,504)	(820)
Equity in net (income) loss of affiliates	**4,546**	(492)	901
Total other income and expenses, net	**40,436**	38,915	41,334
Income before income taxes	**223,997**	199,980	183,985
Income taxes	**109,104**	60,609	55,956
Net income	**$ 114,893**	$ 139,371	$ 128,029
Basic earnings per share:	**$ 2.03**	$ 2.48	$ 2.24
Diluted earnings per share:	**$ 2.02**	$ 2.46	$ 2.22

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2017	**2016**	**2015**
		(in thousands)	
Net income	**$ 114,893**	$ 139,371	$ 128,029
Other comprehensive income (loss), net of tax:			
Amortization of loss on cash flow hedge	**862**	862	862
Foreign currency translation adjustment	**2,961**	(606)	(2,669)
Other comprehensive income (loss), net of tax	**3,823**	256	(1,807)
Comprehensive income	**$ 118,716**	$ 139,627	$ 126,222

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
	(in thousands, except share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ **235,336**	$ 202,463
Receivables (net of allowance for doubtful accounts of $12,221 and $8,557, respectively)	**125,452**	107,336
Income taxes receivable	—	316
Notes receivable, net of allowances	**13,904**	7,873
Other current assets	**28,241**	26,885
Total current assets	**402,933**	344,873
Property and equipment, at cost, net	**83,374**	84,061
Goodwill	**80,757**	78,905
Intangible assets, net	**14,672**	15,738
Notes receivable, net of allowances	**147,993**	110,608
Investments, employee benefit plans, at fair value	**20,838**	16,975
Investments in unconsolidated entities	**134,226**	94,839
Deferred income taxes	**13,335**	52,812
Other assets	**29,479**	53,657
Total assets	$ **927,607**	$ 852,468
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ **63,540**	$ 48,071
Accrued expenses and other current liabilities	**85,838**	80,388
Deferred revenue	**141,111**	133,218
Current portion of long-term debt	**1,232**	1,195
Income taxes payable	**2,776**	796
Total current liabilities	**294,497**	263,668
Long-term debt	**725,292**	839,409
Deferred compensation and retirement plan obligations	**25,566**	21,595
Income taxes payable	**29,041**	—
Deferred income taxes	**39**	292
Other liabilities	**65,274**	38,853
Total liabilities	**1,139,709**	1,163,817
Commitments and Contingencies		
Common stock, $0.01 par value; 160,000,000 shares authorized; 95,065,638 shares issued at December 31, 2017 and 2016 and 56,679,968 and 56,299,949 shares outstanding at December 31, 2017 and 2016, respectively	**951**	951
Additional paid-in-capital	**182,448**	159,045
Accumulated other comprehensive loss	**(4,699)**	(8,522)
Treasury stock (38,385,670 and 38,765,689 shares at December 31, 2017 and 2016, respectively), at cost	**(1,064,573)**	(1,070,383)
Retained earnings	**673,771**	607,560
Total shareholders' deficit	**(212,102)**	(311,349)
Total liabilities and shareholders' deficit	$ **927,607**	$ 852,468

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2017	2016	2015
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ **114,893**	$ 139,371	$ 128,029
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**12,431**	11,705	11,542
Gain (loss) on disposal of assets	**52**	(346)	(1,521)
Provision for bad debts, net	**3,440**	2,151	1,704
Non-cash stock compensation and other charges	**23,340**	15,458	11,805
Non-cash interest and other (income) loss	**(772)**	1,059	3,229
Deferred income taxes	**39,320**	(10,542)	615
Equity in net losses from unconsolidated joint ventures, less distributions received	**6,579**	1,025	3,279
Changes in assets and liabilities, net of acquisition:			
Receivables	**(23,126)**	(21,919)	401
Advances to/from marketing and reservation activities, net	**51,722**	(21,449)	11,074
Forgivable notes receivable, net	**(30,638)**	(17,410)	(23,066)
Accounts payable	**12,455**	(13,689)	6,493
Accrued expenses and other current liabilities	**7,176**	5,225	5,166
Income taxes payable/receivable	**31,383**	5,775	808
Deferred revenue	**7,797**	61,646	5,251
Other assets	**1,521**	(8,703)	(5,792)
Other liabilities	**(199)**	2,678	6,062
Net cash provided by operating activities	**257,374**	152,035	165,079
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in property and equipment	**(23,437)**	(25,191)	(27,765)
Investment in intangible assets	**(2,517)**	(2,580)	(733)
Proceeds from sale of assets	**1,000**	11,462	6,347
Acquisitions of real estate	—	(28,583)	(9,200)
Business acquisition, net of cash acquired	—	(1,341)	(13,269)
Contributions to equity method investments	**(50,554)**	(34,661)	(23,737)
Distributions from equity method investments	**4,569**	3,700	518
Purchases of investments, employee benefit plans	**(2,447)**	(1,661)	(3,220)
Proceeds from sales of investments, employee benefit plans	**2,245**	1,911	3,170
Issuance of mezzanine and other notes receivable	**(19,738)**	(32,604)	(36,884)
Collections of mezzanine and other notes receivable	**655**	11,070	4,849
Other items, net	**109**	11	114
Net cash used in investing activities	**(90,115)**	(98,467)	(99,810)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long-term debt	—	—	176
Net borrowings (repayments) pursuant to revolving credit facilities	**(115,003)**	25,795	158,867
Principal payments on long-term debt	**(660)**	(988)	(130,501)
Proceeds from other debt agreements	—	550	—
Debt issuance costs	—	(284)	(2,169)
Purchase of treasury stock	**(9,807)**	(35,926)	(72,873)
Dividends paid	**(48,651)**	(46,182)	(45,214)
Proceeds from transfer of interest in notes receivable	**24,237**	—	—
Proceeds from exercise of stock options	**14,107**	12,951	7,056
Net cash used in financing activities	**(135,777)**	(44,084)	(84,658)
Net change in cash and cash equivalents	**31,482**	9,484	(19,389)
Effect of foreign exchange rate changes on cash and cash equivalents	**1,391**	(462)	(2,049)
Cash and cash equivalents at beginning of period	**202,463**	193,441	214,879
Cash and cash equivalents at end of period	$ **235,336**	$ 202,463	$ 193,441
Supplemental disclosure of cash flow information:			
Cash payments during the year for:			

Income taxes, net of refunds	**$**	**39,181**	$	65,683	$	54,990
Interest, net of capitalized interest	**$**	**42,405**	$	41,992	$	40,056
Non-cash investing and financing activities:						
Dividends declared but not paid	**$**	**12,185**	$	12,112	$	11,548
Investment in property, equipment and intangibles acquired in accounts payable and accrued liabilities	**$**	**1,099**	$	3,648	$	3,717
Sale of investment in unconsolidated joint venture	**$**	**—**	$	2,350	$	—
Seller-financing to purchaser	**$**	**2,000**	$	—	$	—

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

(in thousands, except share amounts)

	Common Stock - Shares Outstanding	Common Stock - Par Value	Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total
Balance as of December 31, 2014	57,337,720	$ 573	$ 127,661	$ (6,971)	$ (982,463)	$ 432,399	$ (428,801)
Net income	—	—	—	— —	—	128,029	128,029
Other comprehensive income	—	—	—	(1,807) —	—	—	(1,807)
Share based payment activity	443,040	—	22,110	—	1,777	—	23,887
Dividends declared	—	—	—	— —	—	(45,531)	(45,531)
Treasury purchases	(1,444,194)	—	—	—	(72,873)	—	(72,873)
Other	—	378	124	—	695	—	1,197
Balance as of December 31, 2015	56,336,566	951	149,895	(8,778)	(1,052,864)	514,897	(395,899)
Net income	— —	— —	—	— —	—	139,371 —	139,371
Other comprehensive income	—	— —	—	256	—	— —	256
Share based payment activity	732,735	—	9,150	—	18,407	—	27,557
Dividends declared	—	— —	—	—	—	(46,708) —	(46,708)
Treasury purchases	(769,352)	— —	—	—	(35,926)	— —	(35,926)
Balance as of December 31, 2016	56,299,949	951 —	159,045	(8,522) —	(1,070,383)	607,560	(311,349)
Net income	**— —**	**— —**	**—**	**— —**	**—**	**114,893 —**	**114,893**
Other comprehensive income	**—**	**— —**	**—**	**3,823**	**—**	**— —**	**3,823**
Share based payment activity	**538,069**	**—**	**23,403**	**—**	**15,617**	**—**	**39,020**
Dividends declared	**—**	**— —**	**—**	**—**	**—**	**(48,682) —**	**(48,682)**
Treasury purchases	**(158,050)**	**— —**	**—**	**—**	**(9,807)**	**— —**	**(9,807)**
Balance as of December 31, 2017	**56,679,968**	**$ 951 —**	**$ 182,448**	**$ (4,699) —**	**$ (1,064,573)**	**$ 673,771**	**$ (212,102)**

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements present the financial position, results of operations and cash flows of Choice Hotels International, Inc., a Delaware corporation and subsidiaries (the "Company"). The Company consolidates entities under its control, including variable interest entities where it is deemed to be the primary beneficiary. Investments in unconsolidated affiliates where the Company is not deemed to be the primary beneficiary but where the Company exercises significant influence over the operating and financial policies of the investee are accounted for by the equity method. All significant inter-company accounts and transactions have been eliminated in consolidation.

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, ultimate results could differ from those estimates. In the opinion of management, the accompanying consolidated financial statements include all normal and recurring adjustments that are necessary to fairly present the financial position, results of operations and cash flows of the Company.

Revenue Recognition

The Company enters into franchise agreements to provide franchisees with various marketing services, a centralized reservation system and limited non-exclusive rights to utilize the Company’s registered trade names and trademarks. These agreements typically have an initial term from ten to thirty years with provisions permitting franchisees or the Company to terminate the franchise agreement under certain circumstances, such as upon designated anniversaries of the agreement, before the end of the agreement term. In most instances, initial franchise and relicensing fees are recognized upon execution of the franchise agreement because the initial franchise and relicensing fees are non-refundable and the Company is not required to provide initial services to the franchisee prior to hotel opening. The initial franchise and relicensing fees related to executed franchise agreements which include incentives, such as future potential cash rebates or forgivable promissory notes, are deferred and recognized when the incentive criteria are met or the agreement is terminated, whichever occurs first.

Royalty and marketing and reservation system revenues, which are typically based on a percentage of gross room revenues or the number of hotel rooms of each franchisee, are recorded when earned and realizable from the franchisee. Franchise fees based on a percentage of gross room revenues are recognized in the same period that the underlying gross room revenues are earned by the Company's franchisees. An estimate of uncollectible revenue is charged to bad debt expense and included in selling, general and administrative ("SG&A") and marketing and reservation expenses in the accompanying consolidated statements of income.

The Company generates procurement services revenues from qualified vendors. Procurement services revenues are generally based on the level of goods or services purchased from qualified vendors by hotel franchise owners and hotel guests who stay in the Company’s franchised hotels or based on marketing services provided by the Company on behalf of the qualified vendors to hotel owners and guests. The Company recognizes procurement services revenues when the services are performed or the product is delivered, evidence of an arrangement exists, the fee is fixed or determinable and collectibility is reasonably assured. The Company defers the recognition of procurement services’ revenues related to upfront fees. Such upfront fees are generally recognized over a period corresponding to the Company’s estimate of the life of the arrangement.

Marketing and Reservation System Revenues and Expenses

The Company’s franchise agreements require the payment of certain marketing and reservation system fees, which are used exclusively by the Company for expenses associated with providing franchise services such as national marketing, operating a guest loyalty program, media advertising, central reservation systems and technology services. The Company is contractually obligated to expend the marketing and reservation system revenue it collects from franchisees in accordance with the franchise agreements; as such, no income or loss to the Company is generated. In accordance with the franchise agreements, the Company includes in marketing and reservation system expenses an allocation of costs for certain activities, such as human resources, facilities, legal, and accounting required to carry out marketing and reservation activities.

The Company records marketing and reservation system revenues and expenses on a gross basis since the Company is the primary obligor in the arrangement, maintains the credit risk, establishes the price and nature of the marketing or reservation services and retains discretion in supplier selection. In addition, net advances to and recoveries from the franchise system for marketing and reservation activities are presented as cash flows from operating activities.

Marketing and reservation system revenues not expended in the current year are deferred and recorded as a liability in the Company's balance sheet and are carried over to the next fiscal year and expended in accordance with the franchise agreements or utilized to repay previous advances. Marketing and reservation system expenses incurred in excess of revenues are recorded as an asset in the Company's balance sheet, with a corresponding reduction in costs, and are similarly recovered in subsequent years. Under the terms of the franchise agreements, the Company may advance capital and incur costs as necessary for marketing and reservation activities and recover such advances through future fees.

The Company evaluates the recoverability of marketing and reservation costs incurred in excess of cumulative marketing and reservation system revenues, if any, earned on a periodic basis. The Company will record a reserve when, based on current information and events, it is probable that it will be unable to collect all amounts advanced for marketing and reservation activities according to the contractual terms of the franchise agreements. These advances are considered to be unrecoverable if the expected net, undiscounted cash flows from marketing and reservation activities are less than the carrying amount of the asset. The Company believes that any credit risk associated with cumulative cost advances for marketing and reservation system activities is mitigated due to the contractual right to recover these amounts from a large geographically dispersed group of franchisees.

Choice Privileges is the Company’s frequent guest incentive marketing program. Choice Privileges enables members to earn points based on their spending levels with franchisees and, to a lesser degree, through participation in affiliated partners’ programs, such as those offered by credit card companies. The points, which the Company accumulates and tracks on the members’ behalf, may be redeemed for free accommodations or other benefits.

The Company provides Choice Privileges as a marketing program to franchised hotels and collects a percentage of program members’ room revenue from franchises to operate the program. Revenues are deferred in an amount equal to the estimated fair value of the future redemption obligation. The Company develops an estimate of the eventual redemption rates and point values using various actuarial methods. These judgmental factors determine the required liability attributable to outstanding points. Upon redemption of points, the Company recognizes the previously deferred revenue as well as the corresponding expense relating to the cost of the awards redeemed. Revenues in excess of the estimated future redemption obligation are recognized when earned to reimburse the Company for costs incurred to operate the program, including administrative costs, marketing, promotion, and performing member services.

Accounts Receivable and Credit Risk

Accounts receivable consist primarily of franchise and related fees due from hotel franchisees and are recorded at the invoiced amount. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in the existing accounts receivable. The Company determines the allowance considering historical write-off experience and a review of aged receivable balances. However, the Company considers its credit risk associated with trade receivables to be partially mitigated due to the dispersion of these receivables across a large number of geographically diverse franchisees.

The Company records bad debt expense in SG&A and marketing and reservation system expenses in the accompanying consolidated statements of income based on its assessment of the ultimate realizability of trade receivables considering historical collection experience and the economic environment. When the Company determines that an account is not collectible, the account is written-off to the associated allowance for doubtful accounts.

Advertising Costs

The Company expenses advertising costs as the advertising occurs. Advertising expense was $114.1 million, $102.7 million, and $116.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company includes advertising costs primarily in marketing and reservation system expenses on the accompanying consolidated statements of income.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less at the date of purchase to be cash equivalents.

The Company maintains cash balances in domestic banks, which, at times, may exceed the limits of amounts insured by the Federal Deposit Insurance Corporation. In addition, the Company also maintains cash balances in international banks which do not provide deposit insurance.

Capitalization Policies

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or their useful lives. Major renovations and replacements incurred during construction are capitalized. Additionally, the Company capitalizes any interest incurred during construction of property and equipment or the development of software. Upon sale or retirement of property, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is recognized in the accompanying consolidated statements of income. Maintenance, repairs and minor replacements are charged to expense as incurred.

Costs for computer software developed for internal use are capitalized during the application development stage and depreciated using the straight-line method over the estimated useful lives of the software. Software licenses pertaining to cloud computing arrangements that are capitalized are amortized using the straight-line method over the shorter of the cloud computing arrangement term or their useful lives.

Leased property meeting certain capital lease criteria is capitalized and the present value of the related lease payments is recorded as a liability. The present value of the minimum lease payments are calculated utilizing the lower of the Company’s incremental borrowing rate or the lessor’s interest rate implicit in the lease, if known by the Company. Amortization of capitalized leased assets is computed utilizing the straight-line method over either the shorter of the estimated useful life of the asset or the initial lease term and included in depreciation and amortization in the Company's consolidated statements of income. However, if the lease meets the bargain purchase or transfer of ownership criteria the asset shall be amortized in accordance with the Company’s normal depreciation policy for owned assets.

Assets Held for Sale

The Company considers property to be assets held for sale when all of the following criteria are met:

- Management commits to a plan to sell an asset;
- It is unlikely that the disposal plan will be significantly modified or discontinued;
- The asset is available for immediate sale in its present condition;
- Actions required to complete the sale of the asset have been initiated;
- Sale of the asset is probable and the Company expects the completed sale will occur within one year; and
- The asset is actively being marketed for sale at a price that is reasonable given its current market value.

Upon designation as an asset held for sale, the Company records the carrying value of each asset at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and ceases recording depreciation. If at any time these criteria are no longer met, subject to certain exceptions, the assets previously classified as held for sale are reclassified as held and used and measured individually at the lower of the following:

a. the carrying amount before the asset was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the asset been continuously classified as held and used;
b. the fair value at the date of the subsequent decision not to sell.

Valuation of Intangibles and Long-Lived Assets

The Company evaluates the potential impairment of property and equipment and other long-lived assets, including franchise rights and other definite-lived intangibles, whenever an event or other circumstances indicates that the Company may not be able to recover the carrying value of the asset. When indicators of impairment are present, recoverability is assessed based on net, undiscounted expected cash flows. If the net, undiscounted expected cash flows are less than the carrying amount of the assets, an impairment charge is recorded for the excess of the carrying value over the fair value of the asset. We estimate the fair value of intangibles and long lived assets primarily using undiscounted cash flow analysis. The Company did not identify any indicators of impairment of long-lived assets during the years ended December 31, 2017, 2016 and 2015. Significant management judgment is involved in evaluating indicators of impairment and developing any required projections to test for recoverability or estimate the fair value of an asset. Furthermore, if management uses different projections or if different conditions occur in future periods, future-operating results could be materially impacted.

The Company evaluates the impairment of goodwill and intangible assets with indefinite lives on an annual basis, or during the year if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the asset. In evaluating these assets for impairment, the Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit or the indefinite lived intangible asset is less than its carrying amount. If the conclusion is that it is not more likely than not that the fair value of the asset is less than its carrying value, then no further testing is required. If the conclusion is that it is more likely than not that the fair value of the asset is less than its carrying value, then a two-step impairment test is performed for goodwill. For indefinite-lived intangibles, the carrying value is compared to the fair value of the asset and an impairment charge is recognized for any excess. The Company may elect to forgo the qualitative assessment and move directly to the two-step impairment test for goodwill and the the fair value determination for indefinite-lived intangibles. The Company determines the fair value of its reporting units and indefinite-lived intangibles using income and market methods. The Company did not record any impairment of goodwill or intangible assets with indefinite lives during the years ended December 31, 2017, 2016 and 2015.

Variable Interest Entities

In accordance with the guidance for the consolidation of variable interest entities, the Company analyzes its variable interests, including loans, guarantees, and equity investments, to determine if the entity in which the Company has a variable interest is a variable interest entity. The analysis includes both quantitative and qualitative consideration. For those entities determined to be variable interests entities, a further quantitative and qualitative analysis is performed to determine if the Company will be deemed the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. The Company consolidates those entities in which it is determined to be the primary beneficiary.

Investments in Unconsolidated Entities

The Company evaluates an investment in a venture for impairment when circumstances indicate that the carrying value may not be recoverable, for example due to loan defaults, significant under performance relative to historical or projected operating performance, and significant negative industry or economic trends. When there is indication that a loss in value has occurred, the Company evaluates the carrying value compared to the estimated fair value of the investment. Fair value is based upon internally developed discounted cash flow models, third-party appraisals, and if appropriate, current estimated net sales proceeds from pending offers. If the estimated fair value is less than carrying value, management uses its judgment to determine if the decline in value is other-than-temporary. In determining this, the Company considers factors including, but not limited to, the length of time and extent of the decline, loss of values as a percentage of the cost, financial condition and near-term financial projections, the Company's intent and ability to recover the lost value and current economic conditions. For declines in value that are deemed other-than-temporary, impairments are charged to earnings.

Sales Taxes

The Company presents taxes collected from customers and remitted to governmental authorities on a net basis and therefore they are excluded from revenues in the consolidated financial statements.

Foreign Operations

The United States dollar is the functional currency of the consolidated entities operating in the United States. The functional currency for the consolidated entities operating outside of the United States is generally the currency of the primary economic environment in which the entity primarily generates and expends cash. The Company translates the financial statements of consolidated entities whose functional currency is not the United States dollar into United States dollars. The Company translates assets and liabilities at the exchange rate in effect as of the financial statement date and translates income statement accounts using the weighted average exchange rate for the period. The Company includes translation adjustments from foreign exchange and the effect of exchange rate changes on inter-company transactions of a long-term investment nature as a separate component of shareholders' deficit. The Company reports foreign currency transaction gains and losses and the effect of inter-company transactions of a short-term or trading nature in SG&A expenses on the consolidated statements of income. Foreign currency transaction (gains) losses for the years ended December 31, 2017, 2016 and 2015 were $(3) thousand, $0.8 million, and $0.5 million, respectively.

Derivatives

The Company periodically uses derivative instruments as part of its overall strategy to manage exposure to market risks associated with fluctuations in interest rates. All outstanding derivative financial instruments are recognized at their fair values as assets or liabilities. The impact on earnings from recognizing the fair values of these instruments depends on their intended use, their hedge designation and their effectiveness in offsetting changes in the fair values of the exposures they are hedging. The Company does not use derivatives for trading purposes.

The effective portion of changes in fair value of derivatives designated as cash flow hedging instruments are recorded as a component of accumulated other comprehensive income (loss) and the ineffective portion is reported currently in earnings.

The amounts included in accumulated other comprehensive income are reclassified into earnings in the same period during which the hedged item affects earnings. Amounts reported in earnings are classified consistent with the item being hedged.

The Company formally documents all relationships between its hedging instruments and hedged items at inception, including its risk management objective and strategy for establishing various hedge relationships. Cash flows from hedging instruments are classified in the consolidated statements of cash flows consistent with the items being hedged.

Hedge accounting is discontinued prospectively when (i) the derivative instrument is no longer effective in offsetting changes in fair value or cash flows of the underlying hedged item, (ii) the derivative instrument expires, is sold, terminated or exercised, or (iii) designating the derivative instrument as a hedge is no longer appropriate. The effectiveness of derivative instruments is assessed at inception and on an ongoing basis.

At December 31, 2017 and 2016, there were no outstanding derivative positions.

Guarantees

The Company has historically issued certain guarantees to support the growth of its brands. A liability is recognized for the fair value of such guarantees upon inception of the guarantee and upon any subsequent modification, such as renewals, when the Company remains contingently liable. The fair value of a guarantee is the estimated amount at which the liability could be settled in a current transaction between willing unrelated parties. The Company evaluates these guarantees on a quarterly basis to determine if there is a probable loss requiring recognition.

Recently Adopted Accounting Guidance

In October 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-17, *Consolidation (Topic 810) - Interests Held through Related Parties That Are under Common Control* ("ASU No. 2016-17"). ASU No. 2016-17 alters the primary beneficiary assessment a reporting entity must perform as part of consolidation analysis to determine whether it should consolidate certain types of legal entities. Under legacy GAAP, indirect interests held through related parties under common control were to be considered in their entirety by the reporting entity in performing the primary beneficiary assessment. ASU No. 2016-17 revises the guidance such that indirect interests held through related parties under common control are considered on a proportionate basis in performing the primary beneficiary assessment. The Company adopted this ASU on January 1, 2017, and it did not have an impact on the Company's consolidated financial statements.

2. Other Current Assets

Other current assets consist of the following at:

	December 31, 2017	December 31, 2016
	(in thousands)	
Prepaid expenses	**$ 16,479**	$ 22,210
Other current assets	**4,762**	4,675
Land held for sale	**7,000**	—
Total	**$ 28,241**	$ 26,885

Land held for sale represents the Company's purchase of real estate as part of its program to incent franchise development in strategic markets for the Company's brands. During the year ended December 31, 2017 , the Company reclassified a parcel of land with a book value of $7.0 million to Land Held for Sale.

3. Notes Receivable and Allowance for Losses

The Company segregates its notes receivable for the purposes of evaluating allowances for credit losses between two categories: *Mezzanine and Other Notes Receivable* and *Forgivable Notes Receivable*. The Company utilizes the level of security it has in the various notes receivable as its primary credit quality indicator (i.e. senior, subordinated or unsecured) when determining the appropriate allowances for uncollectible loans within these categories.

The Company considers loans to be past due and in default when payments are not made when due. Although the Company considers loans to be in default if payments are not received on the due date, the Company does not suspend the accrual of interest until those payments are more than 30 days past due. The Company applies payments received for loans on non-accrual status first to interest and then principal. The Company does not resume interest accrual until all delinquent payments are received. For impaired loans, the Company recognizes interest income on a cash basis.

Mezzanine and Other Notes Receivables

The Company has provided financing to franchisees in support of the development of properties in strategic markets. Interest income associated with these notes receivable is reflected in the accompanying consolidated statements of income under the caption interest income. The Company expects the owners to repay the loans in accordance with the loan agreements, or earlier as the hotels mature and capital markets permit. The Company estimates the collectibility and records an allowance for loss on its mezzanine and other notes receivable when recording the receivables in the Company's financial statements. These estimates are updated quarterly based on available information.

The Company considers a loan to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. All amounts due according to the contractual terms means that both the contractual interest payments and the contractual principal payments of a loan will be collected as scheduled in the loan agreement. The Company measures loan impairment based on the present value of expected future cash flows discounted at the loan's original effective interest rate or the estimated fair value of the collateral. For impaired loans, the Company establishes a specific impairment reserve for the difference between the recorded investment in the loan and the present value of the expected future cash flows or the estimated fair value of the collateral. The Company applies its loan impairment policy individually to all mezzanine and other notes receivable in the portfolio and does not aggregate loans for the purpose of applying such policy. For impaired loans, the Company recognizes interest income on a cash basis. If it is likely that a loan will not be collected based on financial or other business indicators, it is the Company's policy to write off these loans to SG&A expenses in the accompanying consolidated statements of income in the quarter when it is deemed uncollectible. Recoveries of impaired loans are recorded as a reduction of SG&A expenses in the quarter received.

The Company assesses the collectibility of its senior notes receivable by comparing the market value of the underlying assets to the carrying value of the outstanding notes. In addition, the Company evaluates the property's operating performance, the borrower's compliance with the terms of the loan and franchise agreements, and all related personal guarantees that have been provided by the borrower. In addition, for properties under development, the Company evaluates the progress of development as compared to the project's development schedule and cost budget. For subordinated or unsecured receivables, the Company assesses the property's operating performance, the subordinated equity available to the Company, the borrower's compliance with the terms of loan and franchise agreements, and the related personal guarantees that have been provided by the borrower.

The Company determined that approximately $1.8 million and $1.9 million of its mezzanine and other notes receivable were impaired at December 31, 2017 and 2016, respectively. The Company recorded an allowance for credit losses on these impaired loans of $1.6 million for both the years ended December 31, 2017 and 2016. For the years ended December 31, 2017 and 2016, the average mezzanine and other notes receivable on non-accrual status was approximately $1.8 million and $1.4 million, respectively. The Company recognized approximately $44 thousand and $43 thousand of interest income on impaired loans during the years ended December 31, 2017 and 2016, respectively, on the cash basis. The Company provided loan reserves on non-impaired loans totaling $0.5 million and $0.8 million at December 31, 2017 and 2016, respectively.

Past due balances of mezzanine and other notes receivable by credit quality indicators are as follows:

	30-89 days Past Due		> 90 days Past Due		Total Past Due			Current		Total Mezzanine and Other Notes Receivables
As of December 31, 2017					(in thousands)					
Senior	$	—	$	—	$	—	$	73,186	$	73,186
Subordinated		—		—		— 0		18,647		18,647
Unsecured		—		—		—		3,182		3,182
	$	—	$	—	$	—	$	95,015	$	95,015
As of December 31, 2016										
Senior	$	—	$	—	$	—	$	61,482	$	61,482
Subordinated		—		—		— 0		9,336		9,336
Unsecured		—		—		—		3,618		3,618
	$	—	$	—	$	—	$	74,436	$	74,436

Variable Interest through Notes Issued

The Company has issued mezzanine and other notes receivables to certain entities that have created variable interests in these borrowers totaling $35.2 million and $33.5 million at December 31, 2017 and 2016, respectively. The Company has determined that it is not the primary beneficiary of these variable interest entities. Each of these loans have stated fixed and/or variable interest amounts. The Company has identified loans totaling approximately $2.1 million and $2.0 million, respectively, with stated interest rates that are less than market rate, representing a total discount of $0.1 million and $0.2 million, respectively, at December 31, 2017 and 2016. These discounts are reflected as a reduction of the outstanding loan amounts and are amortized over the life of the related loan.

Transfer of interest

On September 12, 2017, the Company entered into an agreement to transfer $24.2 million of a $49.1 million outstanding note receivable with a maturity date of November 30, 2019 to a third party. The transaction did not qualify as a sale and therefore the outstanding note receivable was not derecognized on the balance sheet. The one-time cash proceeds were recorded as unrestricted cash and the future obligation to transfer principal and interest received under the note has been recorded within Other Long-Term Liabilities. In addition, the proceeds from the transfer of the interest in the note receivable have been reflected on the statement of cash flows as a financing activity. The Company retains responsibility for collecting and distributing cash received on the note and interest paid to the participant is reflected as interest expense in the Company's consolidated statements of income. At December 31, 2017, Other Long-Term Liabilities includes $24.2 million pursuant to this transaction.

Forgivable Notes Receivable

In conjunction with brand and development programs, the Company may provide financing to franchisees for property improvements and other purposes in the form of forgivable unsecured promissory notes which bear interest at market rates. Under these promissory notes, the franchisee promises to repay the principal balance together with interest upon maturity unless certain conditions are met throughout the term of the promissory note. The principal balance and related interest are forgiven ratably over the term of the promissory note if the franchisee remains in the system in good standing. If during the term of the promissory note, the franchisee exits our franchise system or is not operating their franchise in accordance with our quality or credit standards, the Company may declare a default under the promissory note and commence collection efforts with respect to the full amount of the then-current outstanding principal and interest.

In accordance with the terms of the promissory notes, the initial principal balance and related interest are ratably reduced over the term of the loan on each anniversary date until the outstanding amounts are reduced to zero as long as the franchisee remains within the franchise system and operates in accordance with our quality and brand standards. As a result, the amounts recorded as an asset on the Company's consolidated balance sheet are also ratably reduced since the amounts forgiven no longer represent probable future economic benefits to the Company. The Company records the reduction of its recorded assets through amortization and marketing and reservation system expense on its consolidated statements of income. Since these forgivable promissory notes receivable are predominately forgiven ratably over the term of the promissory note rather than repaid, the

Company classifies the issuance and collection of these notes receivable as operating activities in its consolidated statement of cash flows.

The Company fully reserves all defaulted notes in addition to recording a reserve on the estimated uncollectible portion of the remaining notes. For those notes not in default, the Company calculates an allowance for losses and determines the ultimate collectability on these forgivable notes based on the historical default rates for those unsecured notes that are not forgiven but are required to be repaid. The Company records bad debt expense in SG&A and marketing and reservation system expenses in the accompanying consolidated statements of income in the quarter when the note is deemed uncollectible.

As of December 31, 2017 and 2016, the unamortized balance of these notes totaled $76.1 million and $51.5 million, respectively. The Company recorded an allowance for credit losses on these forgivable unsecured notes receivable of $7.1 million and $5.0 million at December 31, 2017 and 2016, respectively. Amortization expense included in the accompanying consolidated statements of income related to the notes was $10.0 million, $9.0 million and $8.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

	30-89 days Past Due	> 90 days Past Due	Total Past Due	Current	Total Notes Receivable
			(in thousands)		
As of December 31, 2017					
Forgivable Notes	$ 6	$ 1,609	$ 1,615	$ 74,470	$ 76,085
	$ 6	$ 1,609	$ 1,615	$ 74,470	$ 76,085
As of December 31, 2016					
Forgivable Notes	$ 116	$ 1,349	$ 1,465	$ 50,010	$ 51,475
	$ 116	$ 1,349	$ 1,465	$ 50,010	$ 51,475

A summary of the Company's notes receivable and related allowances are as follows:

	December 31, 2017			December 31, 2016		
			(in thousands)			
Credit Quality Indicator	Forgivable Notes Receivable	Mezzanine & Other Notes Receivable	Total	Forgivable Notes Receivable	Mezzanine & Other Notes Receivable	Total
Senior	$ —	$ 73,186	$ 73,186	$ —	$ 61,482	$ 61,482
Subordinated	—	18,647	18,647	—	9,336	9,336
Unsecured	76,085	3,182	79,267	51,475	3,618	55,093
Total notes receivable	**76,085**	**95,015**	**171,100**	51,475	74,436	125,911
Allowance for losses on non-impaired loans	7,066	1,647	8,713	5,013	1,647	6,660
Allowance for losses on receivables specifically evaluated for impairment	—	490	490	—	770	770
Total loan reserves	**7,066**	**2,137**	**9,203**	5,013	2,417	7,430
Net carrying value	**$ 69,019**	**$ 92,878**	**$ 161,897**	$ 46,462	$ 72,019	$ 118,481
Current portion, net	$ 648	$ 13,256	$ 13,904	$ 333	$ 7,540	$ 7,873
Long-term portion, net	68,371	79,622	147,993	46,129	64,479	110,608
Total	**$ 69,019**	**$ 92,878**	**$ 161,897**	$ 46,462	$ 72,019	$ 118,481

The Company classifies notes receivable due within one year as current assets.

The following table summarizes the activity related to the Company's Forgivable Notes Receivable and Mezzanine & Other Notes Receivable allowance for losses for the years ended December 31, 2017 and 2016:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Forgivable Notes Receivable	Mezzanine & Other Notes Receivable	Forgivable Notes Receivable	Mezzanine & Other Notes Receivable
	(in thousands)			
Beginning balance	**$ 5,013**	**$ 2,417**	$ 4,615	$ 2,150
Provisions	**2,910**	**—**	1,458	861
Recoveries	**(202)**	**—**	(96)	(164)
Write-offs	**(933)**	**(280)**	(666)	(430)
Other[(1)]	**278**	**—**	(298)	—
Ending balance	**$ 7,066**	**$ 2,137**	$ 5,013	$ 2,417

[(1)] Consists of default rate assumption changes and changes in foreign exchange rates

4. Property and Equipment

The components of property and equipment are:

	December 31,	
	2017	2016
	(in thousands)	
Land and land improvements	**$ 3,107**	$ 3,107
Facilities in progress and software under development	**13,243**	19,825
Computer equipment and software	**159,786**	132,610
Buildings and leasehold improvements	**37,764**	37,232
Furniture, fixtures and equipment	**18,002**	16,919
Assets under capital lease	**4,827**	4,827
	236,729	214,520
Less: Accumulated depreciation and amortization	**(153,355)**	(130,459)
Property and equipment, at cost, net	**$ 83,374**	$ 84,061

As facilities in progress and software development are completed and placed in service, they are transferred to appropriate property and equipment categories and depreciation begins. Interest capitalized as a cost of property and equipment totaled $0.4 million and $0.3 million for the years ended December 31, 2017 and 2016, respectively.

Unamortized capitalized software development costs at December 31, 2017 and 2016 totaled $40.7 million and $37.8 million, respectively. Amortization of software development costs for the years ended December 31, 2017, 2016 and 2015 totaled $11.7 million, $11.8 million, and $9.6 million, respectively.

Depreciation has been computed for financial reporting purposes using the straight-line method. A summary of the ranges of estimated useful lives upon which depreciation rates are based follows:

Computer equipment and software	2-7 years
Buildings and leasehold improvements	10-40 years
Furniture, fixtures and equipment	3-8 years
Assets under capital leases	3-8 years

Depreciation expense, excluding amounts attributable to marketing and reservation activities, for the years ended December 31, 2017, 2016 and 2015 was $5.2 million, $5.6 million and $4.3 million, respectively. Accumulated amortization of capital leases, included in accumulated depreciation and amortization above, at December 31, 2017 and 2016 totaled $4.5 million and $3.8 million, respectively.

5. Goodwill

The following table details the carrying amount of our goodwill at December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
	(in thousands)	
Goodwill	**$ 80,949**	$ 79,097
Accumulated impairment losses	**(192)**	(192)
Net carrying amount	**$ 80,757**	$ 78,905

The following is a summary of changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016:

	December 31, 2016	**Acquisitions**	**Foreign Exchange**	**Impairment**	**December 31, 2017**
Franchising	**$ 65,813**	**$ —**	**$ —**	**$ —**	**$ 65,813**
Other	**13,092**	**—**	**1,852**	**—**	**14,944**
	$ 78,905	**$ —**	**$ 1,852**	**$ —**	**$ 80,757**

	December 31, 2015	Acquisitions	Foreign Exchange	Impairment	December 31, 2016
Franchising	$ 65,813	$ —	$ —	$ —	$ 65,813
Other	13,514	—	(422)	—	13,092
	$ 79,327	**$ —**	**$ (422)**	**$ —**	**$ 78,905**

6. Intangible assets

The components of franchising rights and other intangible assets at December 31, 2017 and 2016 are as follows:

	As of December 31, 2017			As of December 31, 2016		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Unamortized Intangible Assets						
Trademarks (1)	**$ 1,014**	**$ —**	**$ 1,014**	$ 1,014	$ —	$ 1,014
Amortized Intangible Assets						
Capitalized SaaS Licenses(2)	**5,468**	**1,529**	**3,939**	5,007	313	4,694
Franchise Rights (3)	**75,728**	**75,658**	**70**	81,062	80,829	233
Trademarks (4)	**13,328**	**9,923**	**3,405**	12,672	9,261	3,411
Contract Acquisition Costs (5)	**5,643**	**1,306**	**4,337**	4,943	670	4,273
Acquired Lease Rights (6)	**2,237**	**330**	**1,907**	2,237	124	2,113
	102,404	**88,746**	**13,658**	105,921	91,197	14,724
Total	**$ 103,418**	**$ 88,746**	**$ 14,672**	$ 106,935	$ 91,197	$ 15,738

(1) Acquisition of the Suburban brand. The tradename is expected to generate future cash flows for an indefinite period of time.
(2) Software licenses capitalized under a SaaS agreement are amortized over a period of 3 to 5 years.

(3) Represents the purchase price assigned to long-term franchise contracts. The unamortized balance relates primarily to the acquisition of the Econo Lodge, Suburban and Choice Hotels Australia franchise rights. The franchise rights are being amortized over lives ranging from 5 to 25 years on a straight-line basis.
(4) Generally amortized on a straight-line basis over a period of 8 to 40 years.
(5) Customer contracts acquired in a business combination. Amortized on a straight-line basis over a period of 5 to 12 years.
(6) Acquired lease rights recognized in conjunction with the acquisition of an office building. The costs are being amortized over the 39 month term of the lease in place.

Amortization expense for the years ended December 31, 2017, 2016 and 2015 amounted to $2.7 million, $1.8 million, and $3.0 million, respectively.

The estimated annual amortization expense related to the Company's amortizable intangible assets for each of the years ending December 31, 2018 through 2022 is as follows:

Year	(in millions)	
2018	$	3.4
2019	$	3.0
2020	$	2.1
2021	$	1.2
2022	$	1.2

7. Marketing and Reservation System Activities

The Company's franchise agreements require the payment of franchise fees, which include marketing and reservation system fees. The Company is obligated to use the marketing and reservation system revenues it collects from the current franchisees comprising its various hotel brands to provide marketing and reservation services appropriate to support the operation of the overall system. In discharging its obligation to provide sufficient and appropriate marketing and reservation services, the Company has the right to expend funds in an amount reasonably necessary to ensure the provision of such services, whether or not such amount is currently available to the Company for reimbursement. The franchise agreements provide the Company the right to advance monies to the franchise system when the needs of the system surpass the balances currently available. As a result, expenditures by the Company in support of marketing and reservation services in excess of available revenues are deferred and recorded as an asset in the Company's financial statements. Conversely, cumulative marketing and reservation system revenues not expended are deferred and recorded as a liability in the financial statements and are carried over to the next fiscal year and expended in accordance with the franchise agreements or utilized to reimburse the Company for prior year advances.

Under the terms of these agreements, the Company has the contractually enforceable right to assess and collect from its current franchisees, fees sufficient to pay for the marketing and reservation services the Company has procured for the benefit of the franchise system, including fees to reimburse the Company for past services rendered. The Company has the contractual authority to require that the franchisees in the system at any given point repay any deficits related to marketing and reservation activities. The Company's current franchisees are contractually obligated to pay any assessment the Company imposes on its franchisees to obtain reimbursement of such deficit regardless of whether those constituents continue to generate gross room revenue and whether or not they joined the system following the deficit's occurrence.

At December 31, 2017, the Company's cumulative marketing and reservation system revenues exceeded expenses incurred by $4.9 million with the excess reflected as other long-term liability in the accompanying consolidated balance sheet. At December 31, 2016, cumulative marketing and reservation system costs exceeded cumulative marketing and reservation system revenues earned by $18.1 million with the excess reflected as an other long-term asset in the accompanying consolidated balance sheet. Depreciation and amortization expense attributable to marketing and reservation activities for the years ended December 31, 2017, 2016 and 2015 was $24.9 million, $25.0 million, and $23.0 million, respectively. Interest expense attributable to marketing and reservation system activities was $1 thousand, $6 thousand, and $27 thousand for the years ended December 31, 2017, 2016 and 2015, respectively.

8. Investments in Unconsolidated Entities

The Company maintains a portfolio of investments owned through noncontrolling interests in equity method investments with one or more partners. Investments in unconsolidated entities include investments in joint ventures totaling $130.2 million and $91.9 million at December 31, 2017 and 2016, respectively, that the Company has determined to be variable interest entities ("VIEs"). These investments relate to the Company's program to offer equity support to qualified franchisees to develop and operate Cambria hotels and suites in strategic markets. Based on an analysis of who has the power to direct the activities that most significantly impact these entities performance and who has an obligation to absorb losses of these entities or a right to receive benefits from these entities that could potentially be significant to the entity, the Company has determined that it is not the primary beneficiary of any of its VIEs. The Company based its qualitative analysis on its review of the design of the entity, its organizational structure including decision-making ability and the relevant development, operating management and financial agreements. Although the Company is not the primary beneficiary of these VIEs, it does exercise significant influence through its equity ownership and as a result the Company's investment in these entities is accounted for under the equity method. For the years ended December 31, 2017 and 2016, the Company recognized losses totaling $7.1 million and $1.3 million from the investment in these entities, respectively. The Company's maximum exposure to losses related to its investments in VIEs is limited to its equity investments as well as certain guarantees as described in Note 26 "Commitments and Contingencies" of these financial statements.

Equity method investment ownership interests at December 31, 2017 and 2016 are as follows:

	Ownership Interest	
Equity Method Investment	**December 31, 2017**	**December 31, 2016**
Main Street WP Hotel Associates, LLC	50%	50%
FBC-CHI Hotels, LLC	40%	40%
CS Hotel 30W46th, LLC	25%	25%
CS Brickell, LLC	50%	50%
CS Maple Grove, LLC	50%	50%
CS Hotel West Orange, LLC	50%	50%
Hotel JV Services, LLC*	16%	16%
City Market Hotel Development, LLC	43%	43%
CS Woodlands, LLC	50%	50%
926 James M. Wood Boulevard, LLC	75%	75%
CS Dallas Elm, LLC	45%	45%
Choice Hotels Canada, Inc.*	50%	50%
CS 433 Mason LLC	90%	—%
Pine Street Long Beach LLC	50%	—%
SY Valley Vineyard Resorts LLC	50%	—%

*Non-variable interest entity investments

The following tables present summarized financial information for all unconsolidated ventures in which the Company holds an investment that is accounted for under the equity method.

	Year Ended December 31,		
	2017	**2016**	**2015**
	(in thousands)		
Revenues	**$ 87,033**	$ 72,393	$ 44,015
Operating income	**12,428**	9,878	1,196
Income from continuing operations	**6,397**	4,603	(2,382)
Net income (loss)	**$ 5,197**	$ 4,598	$ (2,382)

	As of December 31,	
	2017	2016
	(in thousands)	
Current assets	$ **56,599**	$ 47,294
Non-current assets	**491,388**	346,550
Total assets	$ **547,987**	$ 393,844
Current liabilities	$ **31,191**	$ 22,274
Non-current liabilities	**222,156**	143,769
Total liabilities	$ **253,347**	$ 166,043

9. Other Assets

Other assets consist of the following at:

	December 31,	
	2017	2016
	(in thousands)	
Land and buildings	$ **19,284**	$ 29,023
Advances to marketing and reservation system activities (see Note 7)	—	18,069
Other assets	**10,195**	6,565
Total	$ **29,479**	$ 53,657

Land and buildings

Land and buildings represents the Company's purchase of real estate as part of its program to incent franchise development in strategic markets for certain brands. The Company has acquired this real estate with the intent to develop the properties for the eventual construction of a hotel operated under the Company's brands or contribute the land into joint ventures for the same purpose.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31,	
	2017	2016
	(in thousands)	
Accrued compensation and benefits	$ **37,464**	$ 38,657
Accrued interest	**16,539**	16,593
Dividends payable	**12,185**	12,112
Deferred rent and unamortized lease incentives	**2,620**	2,471
Termination benefits	**3,333**	4,041
Other liabilities and contingencies	**13,697**	6,514
Total	$ **85,838**	$ 80,388

11. Deferred Revenue

Deferred revenue consists of the following:

	December 31,	
	2017	2016
	(in thousands)	
Loyalty programs	$ 127,921	$ 115,851
Initial, relicensing and franchise fees	8,905	9,352
Procurement services fees	3,939	7,668
Other	346	347
Total	$ 141,111	$ 133,218

12. Other Non-Current Liabilities

Other non-current liabilities consist of the following at:

	December 31,	
	2017	2016
	(in thousands)	
Deferred revenue	$ 18,335	$ 15,196
Deferred rent and unamortized lease incentives	9,897	11,620
Marketing and reservation system liability (see Note 7)	4,895	—
Uncertain tax positions	2,903	3,359
Other liabilities	29,244	8,678
Total	$ 65,274	$ 38,853

Uncertain tax positions have been recorded for potential exposures involving tax positions that could be challenged by taxing authorities.

13. Debt

Debt consists of the following at:

	December 31, 2017	December 31, 2016
	(in thousands)	
$400 million senior unsecured notes with an effective interest rate of 6.0% less deferred issuance costs of $3.9 million and $4.7 million at December 31, 2017 and December 31, 2016, respectively	**$ 396,057**	$ 395,316
$250 million senior unsecured notes with an effective interest rate of 6.19% less a discount and deferred issuance costs of $0.8 million and $1.1 million at December 31, 2017 and December 31, 2016, respectively	**249,182**	248,875
$450 million senior unsecured credit facility with an effective interest rate of 2.84% and 2.23%, less deferred issuance costs of $2.1 million and $2.6 million at December 31, 2017 and December 31, 2016, respectively	**67,936**	182,359
Fixed rate collateralized mortgage with an effective interest rate of 4.57%, plus a fair value adjustment of $0.6 million and $0.7 million at December 31, 2017 and December 31, 2016, respectively	**8,853**	9,432
Economic development loans with an effective interest rate of 3.0% at December 31, 2017 and December 31, 2016, respectively	**3,712**	3,712
Other notes payable	**784**	910
Total debt	**726,524**	840,604
Less current portion	**1,232**	1,195
Total long-term debt	**$ 725,292**	$ 839,409

Scheduled principal maturities of debt, net of unamortized discounts, premiums and deferred issuance costs, as of December 31, 2017 were as follows:

Year Ending	Senior Notes	Revolving Credit Facility	Other Notes Payable	Total
		(in thousands)		
2018	$ —	$ —	$ 1,232	$ 1,232
2019	—	—	498	498
2020	249,182	—	7,907	257,089
2021	—	67,936	—	67,936
2022	396,057	—	—	396,057
Thereafter	—	—	3,712	3,712
Total payments	$ 645,239	$ 67,936	$ 13,349	$ 726,524

Senior Unsecured Notes Due 2022

On June 27, 2012, the Company issued unsecured senior notes in the principal amount of $400 million (the "2012 Senior Notes") at par, bearing a coupon of 5.75% with an effective rate of 6.0%. The 2012 Senior Notes will mature on July 1, 2022, with interest to be paid semi-annually on January 1st and July 1st. The Company used the net proceeds of this offering, after deducting underwriting discounts, commissions and other offering expenses, together with borrowings under the Company's senior credit facility, to pay a special cash dividend totaling approximately $600.7 million to stockholders on August 23, 2012. The Company's 2012 Senior Notes are guaranteed jointly, severally, fully and unconditionally, subject to certain customary limitations, by certain of the Company's domestic subsidiaries.

Debt issuance costs incurred in connection with the 2012 Senior Notes are amortized, utilizing the effective interest method through maturity. Amortization of these costs is included in interest expense in the consolidated statements of income.

The Company may redeem the 2012 Senior Notes at its option at a redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed, or (b) the sum of the present values of the remaining scheduled principal and interest payments from the redemption date to the date of maturity, discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 50 basis points.

Senior Unsecured Notes Due 2020

On August 25, 2010, the Company issued unsecured senior notes in the principal amount of $250 million (the "2010 Senior Notes") at a discount of $0.6 million, bearing a coupon of 5.7% with an effective rate of 6.19%. The 2010 Senior Notes will mature on August 28, 2020, with interest to be paid semi-annually on February 28th and August 28th. The Company used the net proceeds from the offering, after deducting underwriting discounts and other offering expenses, to repay outstanding borrowings and for other general corporate purposes. The Company's 2010 Senior Notes are guaranteed jointly, severally, fully and unconditionally, subject to certain customary limitations, by certain of the Company's domestic subsidiaries.

Bond discounts and debt issuance costs incurred in connection with the 2010 Senior Notes are amortized on a straight-line basis, which is not materially different than the effective interest method, through maturity. Amortization of these costs is included in interest expense in the consolidated statements of income.

The Company may redeem the 2010 Senior Notes at its option at a redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed, or (b) the sum of the present values of the remaining scheduled principal and interest payments from the redemption date to the date of maturity, discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 45 basis points.

Revolving Credit Facility

On July 21, 2015, the Company entered into a senior unsecured revolving credit agreement ("Credit Agreement"), with Deutsche Bank AG New York Branch as administrative agent.

The Credit Agreement provides for a $450 million unsecured revolving credit facility (the "Revolver") with an initial maturity date of July 21, 2020, subject to optional one-year extensions that can be requested by the Company prior to each of the first, second and third anniversaries of the closing date of the Revolver. The effectiveness of any such extensions is subject to the consent of the lenders under the Credit Agreement and certain customary conditions. On July 5, 2016, the Company exercised its option to extend the maturity date of the Revolver by one year. The new maturity date of the Revolver is July 21, 2021. Up to $35 million of borrowings under the Revolver may be used for alternative currency loans and up to $15 million of borrowings under the Revolver may be used for swing line loans.

The Revolver is unconditionally guaranteed, jointly and severally, by certain of the Company's domestic subsidiaries, which are considered restricted subsidiaries under the Credit Agreement. The subsidiary guarantors currently include all subsidiaries that guarantee the obligations under the Company's Indenture governing the terms of its 5.75% senior notes due 2022 and its 5.70% senior notes due 2020. If the Company achieves and maintains an Investment Grade Rating, as defined in the Credit Agreement, the subsidiary guarantees will, at the election of the Company, be released and the Revolver will not be guaranteed.

The Company may at any time prior to the final maturity date increase the amount of the Revolver by up to an additional $150 million to the extent that any one or more lenders commit to being a lender for the additional amount and certain other customary conditions are met.

The Company currently may elect to have borrowings under the Revolver bear interest at a rate equal to (i) LIBOR plus a margin ranging from 135 to 175 basis points based on the Company's total leverage ratio, or (ii) a base rate plus a margin ranging from 35 to 75 basis points based on the Company's total leverage ratio. If the Company achieves an Investment Grade Rating, the Company may elect to use a different ratings-based pricing grid set forth in the Credit Agreement.

The Credit Agreement requires the Company to pay a fee on the undrawn portion of the Revolver, calculated on the basis of the average daily unused amount of the Revolver multiplied by 0.20% per annum. If the Company achieves an Investment Grade Rating and it elects to use the ratings-based pricing grid set forth in the Credit Agreement, then the Company will be required to pay a fee on the total commitments under the Revolver, calculated on the basis of the actual daily amount of the commitments under the Revolver (regardless of usage) times a percentage per annum ranging from 0.10% to 0.25% (depending on the Company's senior unsecured long-term debt rating).

The Credit Agreement requires that the Company and its restricted subsidiaries comply with various covenants, including, with respect to restrictions on liens, incurring indebtedness, making investments and effecting mergers and/or asset sales. With respect to dividends, the Company may not declare or make any payment if there is an existing event of default or if the payment would create an event of default. In addition, if the Company's total leverage ratio exceeds 4.0 to 1.0, the Company is generally restricted from paying aggregate dividends in excess of $50 million in any calendar year.

The Credit Agreement imposes financial maintenance covenants requiring the Company to maintain a total leverage ratio of not more than 4.5 to 1.0 and a consolidated fixed charge coverage ratio of at least 2.5 to 1.0. If the Company achieves and maintains an Investment Grade Rating, the Company will not need to comply with the consolidated fixed charge coverage ratio covenant.

The Credit Agreement includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of the Company under the Credit Agreement to be immediately due and payable. At December 31, 2017, the Company was in compliance with all financial covenants under the Credit Agreement.

The proceeds of the Revolver are expected to be used for general corporate purposes, including working capital, debt repayment, stock repurchases, dividends, investments and other permitted uses set forth in the Credit Agreement.

Debt issuance costs incurred in connection with the Revolver are amortized on a straight-line basis, which is not materially different than the effective interest method, through the maturity. Amortization of these costs is included in interest expense in the consolidated statements of income.

Fixed Rate Collateralized Mortgage

On December 30, 2014, a court awarded the Company title to an office building as settlement for a portion of an outstanding loan receivable for which the building was pledged as collateral. In conjunction with the court award, the Company also assumed the $9.5 million mortgage on the property with a fixed interest rate of 7.26%. The mortgage, which is collateralized by the office building, requires monthly payments of principal and interest and matures in December 2020 with a a balloon payment due of $6.9 million. At the time of acquisition, the Company determined that the fixed interest rate of 7.26% exceeded market interest rates and therefore the Company increased the carrying value of the debt by $1.2 million to record the debt at fair value. The fair value adjustment is being amortized over the remaining term of the mortgage utilizing the effective interest method.

Economic Development Loans

The Company entered into economic development agreements with various governmental entities in conjunction with the relocation of its corporate headquarters in April 2013. In accordance with these agreements, the governmental entities agreed to advance approximately $4.4 million to the Company to offset a portion of the corporate headquarters relocation and tenant improvement costs in consideration of the employment of permanent, full-time employees within the jurisdictions. At December 31, 2017, the Company had been advanced approximately $3.7 million pursuant to these agreements and expects to receive the remaining $0.7 million over the next several years, subject to annual appropriations by the governmental entities. These advances bear interest at a rate of 3% per annum.

Repayment of the advances is contingent upon the Company achieving certain performance conditions. Performance conditions are measured annually on December 31st and primarily relate to maintaining certain levels of employment within the various jurisdictions. If the Company fails to meet an annual performance condition, the Company may be required to repay a portion or all of the advances including accrued interest by April 30th following the measurement date. Any outstanding advances at the expiration of the Company's ten year corporate headquarters lease in 2023 will be forgiven in full. The advances will be included in long-term debt in Company's consolidated balance sheets until the Company determines that the future performance conditions will be met over the entire term of the agreement and the Company will not be required to repay the advances. The Company accrues interest on the portion of the advances that it expects to repay. The Company was in compliance with all current performance conditions as of December 31, 2017.

14. Non-Qualified Retirement, Savings and Investment Plans

The Company sponsors two non-qualified retirement savings and investment plans for certain employees and senior executives. Employee and Company contributions are maintained in separate irrevocable trusts. Legally, the assets of the trusts remain those of the Company; however, access to the trusts' assets is severely restricted. The trusts cannot be revoked by the Company or an acquirer, but the assets are subject to the claims of the Company's general creditors. The participants do not have the right to assign or transfer contractual rights in the trusts.

In 2002, the Company adopted the Choice Hotels International, Inc. Executive Deferred Compensation Plan ("EDCP") which became effective January 1, 2003. Under the EDCP, certain executive officers may defer a portion of their salary into an irrevocable trust and invest these amounts in a selection of available diversified investment options. In 1997, the Company adopted the Choice Hotels International, Inc. Non-Qualified Retirement Savings and Investment Plan ("Non-Qualified Plan"). The Non-Qualified Plan allows certain employees who do not participate in the EDCP to defer a portion of their salary and invest these amounts in a selection of available diversified investment options. Under the EDCP and Non-Qualified Plan, (together, the "Deferred Compensation Plan"), the Company recorded current and long-term deferred compensation liabilities of $27.3 million and $24.7 million at December 31, 2017 and 2016, respectively, related to these deferrals and credited investment return under these two deferred compensation plans. Compensation expense is recorded in SG&A expense on the Company's consolidated statements of income based on the change in the deferred compensation obligation related to earnings credited to participants as well as changes in the fair value of diversified investments. The net increase (decrease) in compensation expense recorded in SG&A for the years ended December 31, 2017, 2016 and 2015 were $3.7 million, $2.1 million, and $(0.2) million, respectively.

Under the Deferred Compensation Plan, the Company has invested the employee salary deferrals in diversified long-term investments which are intended to provide investment returns that offset the earnings credited to the participants. The diversified investments held in the trusts totaled $22.6 million and $19.1 million as of December 31, 2017 and 2016, respectively, and are recorded at their fair value, based on quoted market prices. At December 31, 2017, the Company expects $1.7 million of the assets held in the trust to be distributed during the year ended December 31, 2018 to participants. These investments are considered trading securities and therefore the changes in the fair value of the diversified assets is included in other gains and losses in the accompanying consolidated statements of income. The Company recorded investment gains (losses) during the years ended December 31, 2017, 2016 and 2015 of $3.2 million, $1.5 million, and $(0.5) million, respectively. The Deferred Compensation Plan held no shares of the Company's common stock at December 31, 2017 and 2016.

15. Fair Value Measurements

The Company estimates the fair value of its financial instruments utilizing a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The following summarizes the three levels of inputs, as well as the assets that the Company values using those levels of inputs.

Level 1: Quoted prices in active markets for identical assets and liabilities. The Company's Level 1 assets consist of marketable securities (primarily mutual funds) held in the Deferred Compensation Plan.

Level 2: Observable inputs, other than quoted prices in active markets for identical assets and liabilities, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable. The Company's Level 2 assets consist of money market funds held in the Deferred Compensation Plan and those recorded in cash and cash equivalents.

Level 3: Unobservable inputs, supported by little or no market data available, where the reporting entity is required to develop its own assumptions to determine the fair value of the instrument. The Company does not currently have any assets whose fair value was determined using Level 3 inputs.

The Company's policy is to recognize transfers in and transfers out of the three levels of the fair value hierarchy as of the end of each quarterly reporting period. There were no transfers between Level 1, 2 and 3 assets during the years ended December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the Company had the following assets measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date Using			
	Total	Level 1	Level 2	Level 3
Assets (in thousands)				
December 31, 2017				
Money market funds, included in cash and cash equivalents	**$ 50,419**	**$ —**	**$ 50,419**	**$ —**
Mutual funds[1]	**20,869**	**20,869**	**—**	**—**
Money market funds[1]	**1,702**	**—**	**1,702**	**—**
	$ 72,990	**$ 20,869**	**$ 52,121**	**$ —**
December 31, 2016				
Money market funds, included in cash and cash equivalents	$ 50,085	$ —	$ 50,085	$ —
Mutual funds[1]	17,468	17,468	—	—
Money market funds[1]	1,676	—	1,676	—
	$ 69,229	$ 17,468	$ 51,761	$ —

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(1) Included in Investments, employee benefit plans, at fair value on consolidated balance sheets.

Other Financial Instruments

The Company believes that the fair values of its current assets and current liabilities approximate their reported carrying amounts due to the short-term nature of these items. In addition, the interest rates of the Company's Credit Facility adjust frequently based on current market rates; accordingly its carrying amount approximates fair value.

The Company estimates the fair value of notes receivable which approximate their carrying value, utilizing an analysis of future cash flows and credit worthiness for similar types of arrangements. Based upon the availability of market data, the notes receivable have been classified as Level 3 inputs. The primary sensitivity in these calculations is based on the selection of appropriate interest and discount rates. For further information on the notes receivable see Note 3.

The fair value of the Company's $250 million and $400 million senior notes are classified as Level 2 as the significant inputs are observable in an active market. At December 31, 2017 and 2016, the $250 million senior notes had an approximate fair value of $269.2 million and $273.0 million, respectively. At December 31, 2017 and 2016, the $400 million senior notes had an approximate fair value of $440.1 million and $430.4 million, respectively.

Fair value estimates are made at a specific point in time, are subjective in nature and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may be possible and may not be a prudent management decision.

16. 401(k) Retirement Plan

The Company sponsors a 401(k) retirement plan for all eligible employees. For the years ended December 31, 2017, 2016 and 2015, the Company recorded compensation expense of $5.6 million, $5.3 million, and $4.9 million, respectively, representing matching contributions for plan participants. In accordance with the safe harbor matching provisions of the plan, the Company matches plan participant contributions in cash as bi-weekly deductions are made.

17. Income Taxes

Total income before income taxes, classified by source of income, was as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
U.S.	**$ 192,505**	$ 168,692	$ 151,209
Outside the U.S.	**31,492**	31,288	32,776
Income before income taxes	**$ 223,997**	$ 199,980	$ 183,985

The provision for income taxes, classified by the timing and location of payment, was as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Current tax expense			
Federal	**$ 63,279**	$ 62,216	$ 50,794
State	**5,183**	8,163	5,476
Foreign	**2,000**	745	592
Deferred tax (benefit) expense			
Federal	**37,997**	(7,723)	(112)
State	**900**	(2,655)	(737)
Foreign	**(255)**	(137)	(57)
Income taxes	**$ 109,104**	$ 60,609	$ 55,956

Net deferred tax assets consisted of:

	December 31,	
	2017	2016
	(in thousands)	
Property, equipment and intangible assets	**$ (8,026)**	$ (9,171)
Accrued compensation	**12,472**	17,365
Accrued expenses	**6,708**	43,176
Foreign operations	**(775)**	(941)
Valuation allowance on foreign deferred tax assets	**(158)**	(145)
Foreign net operating losses	**2,286**	2,064
Valuation allowance on foreign net operating losses	**(1,392)**	(1,270)
Deferred tax asset on unrecognized tax positions	**966**	1,107
Other	**1,215**	335
Net deferred tax assets	**$ 13,296**	$ 52,520

Balance sheet presentation:

	December 31,	
	2017	2016
	(in thousands)	
Non-current net deferred tax assets	**$ 13,335**	$ 52,812
Non-current net deferred tax assets (liabilities)	**(39)**	(292)
Net deferred tax assets	**$ 13,296**	$ 52,520

As of December 31, 2017, the Company had foreign net operating loss carryforwards of approximately $7.6 million before applying tax rates for the respective jurisdictions, subject to a valuation allowance of $4.2 million. Approximately $2.7 million of our foreign net operating losses may expire between 2020 and 2026. In addition, the Company has recorded a valuation allowance on approximately $0.5 million of foreign deferred tax assets before applying the tax rate of the respective jurisdiction.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code. Some of these changes are effective in 2017, including, but not limited to (1) requiring a mandatory one-time transition tax (the "Transition Tax") on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years; and (2) bonus depreciation that will allow for full expensing of qualified property placed in service after September 27, 2017. In addition, effective January 1, 2018, the U.S. federal corporate income tax rate is reduced from 35% to 21%.

The statutory United States federal income tax rate reconciles to the effective income tax rates as follows:

	Year Ended December 31,		
	2017	2016	2015
Statutory U.S. federal income tax rate	**35.0 %**	35.0 %	35.0 %
State income taxes, net of federal tax benefit	**1.8 %**	1.7 %	1.7 %
Benefits and taxes related to foreign operations	**(4.4)%**	(5.2)%	(6.2)%
Windfall tax benefit on share-based compensation	**(1.7)%**	(1.7)%	— %
Unrecognized tax positions	**(0.2)%**	0.2 %	(0.2)%
Transition Tax imposed on unrepatriated foreign earnings	**15.7 %**	— %	— %
Write-down of net deferred tax assets due to U.S. rate change	**2.1 %**	— %	— %
Other	**0.4 %**	0.3 %	0.1 %
Effective income tax rates	**48.7 %**	30.3 %	30.4 %

The Company's effective income tax rates were 48.7%, 30.3%, and 30.4%, for the years ended December 31, 2017, 2016 and 2015, respectively.

The effective income tax rate for the year ended December 31, 2017 was higher than the United States federal statutory rate of 35% primarily due to the Transition Tax of $35.3 million and the $4.7 million impairment of our net domestic deferred tax assets resulting from the reduction of the U.S. federal corporate income tax rate to 21% effective January 1, 2018. The increase from these items was partially offset by the recurring impact of foreign operations and windfall tax benefits related to share-based compensation. The effective income tax rate for the year ended December 31, 2016 was lower than the U.S. federal statutory rate of 35% primarily due to the recurring impact of foreign operations and windfall tax benefits related to share-based compensation, partially offset by state income taxes.

As of December 31, 2017 and 2016, the Company's gross unrecognized tax benefits totaled $2.3 million and $2.7 million, respectively. After considering the deferred income tax accounting impact, it is expected that about $1.3 million of the total as of December 31, 2017 would favorably affect the effective tax rate if resolved in the Company's favor. The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits:

	2017	2016	2015
		(in thousands)	
Balance, January 1	**$ 2,691**	$ 3,137	$ 3,395
Changes for tax positions of prior years	**(16)**	580	116
Increases for tax positions related to the current year	**138**	181	772
Settlements and lapsing of statutes of limitations	**(529)**	(1,207)	(1,146)
Balance, December 31	**$ 2,284**	$ 2,691	$ 3,137

It is reasonably possible that the Company's unrecognized tax benefits could decrease within the next 12 months by as much as $2.3 million due to settlements and the expiration of applicable statutes of limitations. The Company's federal income tax returns for tax years 2014, 2015 and 2016 remain subject to examination by the Internal Revenue Service.

The practice of the Company is to recognize interest and penalties related to income tax matters in the provision for income taxes. The Company did not incur any material interest or penalties for 2017 and 2016. The Company had $0.6 million and $0.7 million of accrued interest and penalties at December 31, 2017 and 2016, respectively.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the Tax Act. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. Therefore, in accordance with SAB 118, the Company has recorded the provisional amounts described below.

The Transition Tax is a tax on accumulated and undistributed earnings and profits (E&P) of the Company's foreign subsidiaries. To compute the Transition Tax, the Company determined the E&P of these subsidiaries, as well as the amount of non-U.S. income taxes previously paid on such earnings. As of December 31, 2017, E&P was estimated to be $288 million and therefore a provisional Transition Tax expense of $35.3 million was recorded. However, the Company has not yet completed its analysis of these highly complex items. The Company also continues to monitor pertinent guidance by the Internal Revenue Service, U.S. Treasury Department, and U.S. state tax authorities, which may provide the Company with additional information to more precisely compute the amount of the Transition Tax.

Although the Tax Act imposes the mandatory Transition Tax, the Company's intent is for its foreign earnings to continue to be permanently reinvested in operations outside the United States. The Company plans to utilize these earnings to fund overseas operations and working capital needs as well as facilitate overseas growth including, but not limited to, investment in new hotel contracts and acquisitions intended to further its global growth strategy. However, as a result of the Tax Act, the Company's foreign subsidiaries will pay a special non-recurring dividend of approximately $200 million to the U.S. parent company in 2018. As the Company continues to evaluate the Tax Act and the impact of its global financial statements, it may modify this assertion in future quarters.

Deferred tax assets and deferred tax liabilities must be valued at the rate at which they are expected to reverse. Beginning January 1, 2018, the Tax Act reduces the corporate tax rate from 35% to 21%. As a result, the Company has recorded a provisional $13.6 million decrease in its deferred tax assets and a $8.9 million decrease in its deferred tax liabilities for the year ended December 31, 2017. While the Company has made reasonable estimates of the impact of the Tax Act, these estimates may be affected by further analyses and guidance related to the Tax Act including, but not limited to, an analysis of the tax basis of foreign subsidiaries, deemed repatriation of deferred foreign income and the state tax effect of adjustments made to federal temporary differences.

The Tax Act permits taxpayers to immediately expense the full cost of qualified property that is acquired and placed into service from September 28, 2017 through December 31, 2022. While the Company has not yet completed all of the analysis and computations relating to 2017 expenditures that qualify for immediate expensing, it has recorded a $0.8 million provisional reduction of income tax expense based on the intent to fully expense all qualified asset purchases.

18. Share-Based Compensation and Capital Stock

Dividends

The Company currently pays a quarterly dividend on its common stock of $0.215 per share, however the declaration of future dividends is subject to the discretion of the board of directors. During the year ended December 31, 2015, the Company maintained its quarterly dividend rate of $0.195 per share for the first three quarters of 2015. In the fourth quarter of 2015, the Company's board of directors announced an increase in the quarterly dividend rate to $0.205 per share. As a result, annual dividends declared during the year ended December 31, 2015 were $0.79 per share or $45.1 million. During the year ended December 31, 2016, the Company maintained its quarterly dividend rate of $0.205 per share for the first three quarters of 2016. In the fourth quarter of 2016, the Company's board of directors announced an increase in the quarterly dividend rate to $0.215 per share. As a result, annual dividends declared during the year ended December 31, 2016 were $0.83 per share or $46.7 million. During the year ended December 31, 2017, the Company maintained its quarterly dividend rate of $0.215 per share. Annual dividends declared during the year ended December 31, 2017 were $0.86 per share or $48.6 million.

In addition, during the years ended December 31, 2017, 2016 and 2015, the Company paid previously declared but unrecorded dividends totaling $0.1 million, $0.1 million, and $0.5 million, respectively, that were contingent upon the vesting of performance vested restricted units.

Share-Based Compensation

The Company recognizes compensation cost related to share-based payment transactions in the financial statements based on the fair value of the equity or liability instruments issued. Compensation expense related to the fair value of share-based awards is recognized over the requisite service period based on an estimate of those awards that will ultimately vest. The Company estimates the share-based compensation expense for awards that will ultimately vest at the inception of the grant. Over the life of the grant, the estimate of share-based compensation expense for awards with performance and/or service requirements is adjusted so that compensation cost is recognized only for awards that ultimately vest.

The Company has stock compensation plans pursuant to which it is authorized to grant stock-based awards of up to 7.6 million shares of the Company’s common stock, of which 0.9 million shares remain available for grant as of December 31, 2017. The Company’s policy allows the issuance of new or treasury shares to satisfy stock-based awards. Restricted stock, stock options, stock appreciation rights and performance share awards may be granted to officers, key employees and non-employee directors with contractual terms set by the Compensation and Management Development Committee of the Board of Directors.

Stock Options

The Company granted approximately 0.2 million, 0.7 million, and 0.5 million options to certain employees of the Company at a fair value of approximately $2.1 million, $6.9 million, and $6.2 million during the years ended December 31, 2017, 2016 and 2015, respectively. The stock options granted by the Company had an exercise price equal to the market price of the Company’s common stock on the date of grant. The fair value of the options granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2017	2016	2015
Risk-free interest rate	**1.76%**	1.22%	1.45%
Expected volatility	**21.64%**	23.76%	23.94%
Expected life of stock option	**4.6 years**	4.6 years	4.6 years
Dividend yield	**1.42%**	1.59%	1.23%
Requisite service period	**4 years**	4 years	4 years
Contractual life	**7 years**	7 years	7 years
Weighted average fair value of options granted (per option)	**$ 10.81**	$ 9.30	$ 12.39

The expected life of the options and volatility are based on the historical data which is believed to be indicative of future exercise patterns and volatility. Historical volatility is calculated based on a period that corresponds to the expected life of the stock option. The dividend yield and the risk-free rate of return are calculated on the grant date based on the then current dividend rate and the risk-free rate for the period corresponding to the expected life of the stock option. Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those awards that ultimately vest.

The aggregate intrinsic value of stock options outstanding and exercisable at December 31, 2017 was $53.0 million and $36.9 million, respectively. The total intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015 was $9.2 million, $12.6 million, and $10.5 million, respectively.

The Company received $14.1 million, $13.0 million, and $7.1 million in proceeds from the exercise of 0.4 million, 0.5 million, and 0.3 million employee stock options during the years ended December 31, 2017, 2016 and 2015, respectively.

The following table summarizes information about stock options outstanding at December 31, 2017:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2017	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2017	Weighted Average Exercise Price
$24.38 to $29.25	132,222	1.1 years	$ 27.03	132,222	$ 27.03
$29.26 to $34.12	—	—	$ —	—	$ —
$34.13 to $39.00	134,450	2.1 years	$ 36.76	134,450	$ 36.76
$39.01 to $43.87	—	—	$ —	—	$ —
$43.88 to $48.75	467,843	3.1 years	$ 45.59	371,196	$ 45.59
$48.76 to $65.00	1,241,811	5.0 years	$ 56.81	641,632	$ 57.59
	1,976,326	4.1 years	$ 50.80	1,279,500	$ 48.76

Restricted Stock

The following table is a summary of activity related to restricted stock grants for the year ended December 31:

	2017	2016	2015
Restricted shares granted	**175,644**	204,333	125,510
Weighted average grant date fair value per share	**$ 61.84**	$ 51.53	$ 61.41
Aggregate grant date fair value ($000)	**$ 10,862**	$ 10,529	$ 7,707
Restricted shares forfeited	**30,375**	28,996	19,833
Vesting service period of shares granted	**12 - 48 months**	12 - 48 months	12 - 48 months
Fair value of shares vested ($000)	**$ 12,616**	$ 7,506	$ 12,311

Compensation expense related to the fair value of these awards is recognized straight-line over the requisite service period based on those restricted stock grants that ultimately vest. The fair value of grants is measured by the market price of the Company’s common stock on the date of grant. Restricted stock awards generally vest ratably over the service period beginning with the first anniversary of the grant date. Awards granted to retirement eligible non-employee directors are recognized over the shorter of the requisite service period or the length of time until retirement since the terms of the grant provide that awards will vest upon retirement.

Performance Vested Restricted Stock Units

The Company has granted performance vested restricted stock units (“PVRSU”) to certain employees. The fair value is measured by the market price of the Company’s common stock on the date of grant. The vesting of these stock awards is contingent upon the Company achieving performance targets at the end of specified performance periods and the employees’ continued employment. The performance conditions affect the number of shares that will ultimately vest. The range of possible stock-based awards vesting is generally between 0% and 200% of the initial target. If minimum performance targets are not attained then no awards will vest under the terms of the various PVRSU agreements. Compensation expense related to these awards is recognized over the requisite period based on the Company's estimate of the achievement of the various performance targets. The Company has currently estimated that between 0% and 185% of the various award targets will be achieved. Compensation expense is recognized ratably over the requisite service period only on those PVRSUs that ultimately vest.

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The following table is a summary of activity related to PVRSU grants for the years ended December 31:

	2017	2016	2015
Performance vested restricted stock units granted at target	**162,523**	89,944	71,006
Weighted average grant date fair value per share	**$ 60.63**	$ 47.85	$ 58.12
Aggregate grant date fair value ($000)	**$ 9,853**	$ 4,304	$ 4,127
Stock units forfeited	**74,734**	54,556	6,079
Requisite service period	**30 - 36 months**	9-43 months	36-43 months

During the years ended December 31, 2017, 2016 and 2015, PVRSUs totaling 39,056, 28,188, and 42,326, respectively, vested at a fair value of $1.8 million, $1.0 million, and $1.5 million. During the years ended December 31, 2017, 2016 and 2015, an additional 9,491, 2,043, and 3,850 PVRSU units were awarded because the Company's performance exceeded the conditions provided in the awards.

Stock units forfeited include the cancellation of 14,754 and 20,013 shares for the years ended December 31, 2017 and 2016, respectively, since the Company did not achieve certain performance conditions contained in stock awards.

A summary of stock-based award activity as of December 31, 2017, 2016 and 2015 and the changes during the years are presented below:

	2017						
	Stock Options			Restricted Stock		Performance Vested Restricted Stock Units	
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2017	2,193,502	$ 48.26		407,812	$ 50.61	235,980	$ 47.59
Granted	195,652	$ 60.70		175,644	$ 61.84	162,523	$ 60.63
Performance-Based Leveraging*	—	$ —		—	$ —	9,491	$ 45.59
Exercised/Vested	(353,744)	$ 39.88		(204,205)	$ 48.61	(39,056)	$ 46.22
Expired	(10,133)	$ 56.95		—	$ —	—	$ —
Forfeited	(48,951)	$ 54.12		(30,375)	$ 55.02	(74,734)	$ 39.59
Outstanding at December 31, 2017	1,976,326	$ 50.80	4.1 years	348,876	$ 57.05	294,204	$ 56.95
Options exercisable at December 31, 2017	1,279,500	$ 48.76	3.7 years				

* PVRSU units outstanding have been increased by 9,491 units due to the Company exceeding the targeted conditions contained in PVRSUs granted in prior periods.

	2016												
	Stock Options				Restricted Stock			Performance Vested Restricted Stock Units					
	Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Shares		Weighted Average Grant Date Fair Value	Shares		Weighted Average Grant Date Fair Value			
Outstanding at January 1, 2016	2,084,201	$	41.36		384,490	$	47.40	226,737	$	45.09			
Granted	745,769	$	51.49		204,333	$	51.53	89,944	$	47.85			
Performance-Based Leveraging*	—	$	—		—	$	—	2,043	$	36.76			
Exercised/Vested	(529,210)	$	24.47		(152,015)	$	43.61	(28,188)	$	36.76			
Expired	(13,620)	$	57.62		—	$	—	—	$	—			
Forfeited	(93,638)	$	53.63		(28,996)	$	51.22	(54,556)	$	42.82			
Outstanding at December 31, 2016	2,193,502	$	48.26	4.6 years	407,812	$	50.61	235,980	$	47.59			
Options exercisable at December 31, 2016	816,969	$	40.75	3.3 years									

* PVRSU units outstanding have been increased by 2,043 units during the year ended December 31, 2016, due to the Company exceeding the targeted performance conditions contained in PVRSU's granted in prior periods.

	2015									
	Stock Options				Restricted Stock			Performance Vested Restricted Stock Units		
	Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Shares		Weighted Average Grant Date Fair Value	Shares		Weighted Average Grant Date Fair Value
Outstanding at January 1, 2015	1,903,177	$	33.03		479,556	$	40.14	200,286	$	38.28
Granted	498,911	$	63.47		125,510	$	61.41	71,006	$	58.12
Performance-Based Leveraging*	—	$	—		—	$	—	3,850	$	35.60
Exercised/Vested	(295,037)	$	23.91		(200,743)	$	38.94	(42,326)	$	35.60
Expired	—	$	—		—	$	—	—	$	—
Forfeited	(22,850)	$	55.44		(19,833)	$	46.17	(6,079)	$	32.90
Outstanding at December 31, 2015	2,084,201	$	41.36	4.0 years	384,490	$	47.40	226,737	$	45.09
Options exercisable at December 31, 2015	991,202	$	29.57	2.3 years						

* PVRSU units outstanding have been increased by 3,850 units during the year ended December 31, 2015, due to the Company exceeding the targeted performance conditions contained in PVRSU's granted in prior periods.

The components of the Company's pretax stock-based compensation expense and associated income tax benefits are as follows for the years ended December 31:

(in millions)	2017	2016	2015
Stock options	**$ 9.2**	$ 4.6	$ 3.4
Restricted stock	**9.0**	7.5	6.8
Performance vested restricted stock units	**6.7**	2.5	1.9
Total	**$ 24.9**	$ 14.6	$ 12.1
Income tax benefits	**$ 9.2**	$ 5.4	$ 4.5

The total unrecognized compensation costs related to stock-based awards that have not yet vested and the related weighted average amortization period over which the costs are to be recognized as of December 31, 2017 are as follows:

	Unrecognized Compensation Expense on Unvested Awards (in millions)	Weighted Average Remaining Amortization Period
Stock options	$ 4.2	2.1 years
Restricted stock	14.0	2.4 years
Performance vested restricted stock units	8.9	2.0 years
Total	$ 27.1	

Share Repurchases and Redemptions

The Company announced a stock repurchase program on June 25, 1998 to return excess capital to its shareholders. Treasury stock activity is recorded at cost in the accompanying consolidated financial statements. During the year ended December 31, 2017, the Company repurchased 3,100 shares of its common stock under the repurchase program at a total cost of $0.2 million. During the year ended December 31, 2016, the Company repurchased 0.6 million of its common stock under the repurchase program at a total cost of $30.1 million. During the year ended December 31, 2015, the Company repurchased 1.3 million of its common stock under the repurchase program at a total cost of $66.4 million. Through December 31, 2017, the Company repurchased 48.7 million shares of its common stock (including 33.0 million prior to the two-for-one stock split effected in October 2005) under the share repurchase program at a total cost of $1.3 billion.

During 2017, the Company redeemed 154,950 shares of common stock at a total cost of $9.6 million from employees to satisfy the option price and minimum tax-withholding requirements related to the exercising of options and vesting of performance vested restricted stock units and restricted stock grants. During 2016 and 2015, the Company redeemed 127,036 and 106,405 shares of common stock at a total cost of $5.8 million and $6.4 million, respectively. These redemptions were outside the share repurchase program initiated in June 1998.

19. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss is as follows:

	December 31,		
	2017	2016	2015
		(in thousands)	
Foreign currency translation adjustments	**$ (2,401)**	$ (5,362)	$ (4,756)
Deferred loss on cash flow hedge	**(2,298)**	(3,160)	(4,022)
Total accumulated other comprehensive loss	**$ (4,699)**	$ (8,522)	$ (8,778)

Cash Flow Hedge

In July 2010, the Company entered into an interest rate swap agreement to protect itself from an increase in the market interest rate on $250 million of 10-year, fixed rate debt with the coupon to be set at market interest rates. The interest rate swap agreement was designated as a cash flow hedge under the guidance for derivatives and hedging. In August 2010, upon issuance of the related fixed-rate debt, the Company terminated and settled the interest rate swap agreement for a cash payment of $8.7 million. The Company recorded the effective portion of this deferred loss as a component of accumulated other comprehensive income (loss). The ineffective portion was recognized immediately as a component of earnings under interest expense in the Company's consolidated statements of income. The effective portion of the deferred loss is being amortized over the term of the related debt as interest expense in the Company's consolidated statements of income.

The following represents the changes in accumulated other comprehensive loss, net of tax by component for the years ended December 31, 2017 and 2016:

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Loss on Cash Flow Hedge	Foreign Currency Items	Total	Loss on Cash Flow Hedge	Foreign Currency Items	Total
	(in thousands)			(in thousands)		
Beginning Balance	**$ (3,160)**	**$ (5,362)**	**$ (8,522)**	$ (4,022)	$ (4,756)	$ (8,778)
Other comprehensive loss before reclassification	**—**	**2,961**	**2,961**	—	(606)	(606)
Amounts reclassified from accumulated other comprehensive income	**862**	**—**	**862**	862	—	862
Net current period other comprehensive income (loss)	**862**	**2,961**	**3,823**	862	(606)	256
Ending Balance	**$ (2,298)**	**$ (2,401)**	**$ (4,699)**	$ (3,160)	$ (5,362)	$ (8,522)

The amounts reclassified from other accumulated other comprehensive income (loss) during the years ended December 31, 2017 and 2016 were reclassified to the following line items in the Company's Consolidated Statements of Income.

Component	Amount Reclassified from Accumulated Other Comprehensive Income(Loss)		Affected Line Item in the Consolidated Statement of Income
	Year ended December 31, 2017	Year ended December 31, 2016	
	(in thousands)		
Loss on cash flow hedge			
Interest rate contract	**$ 862**	$ 862	Interest expense
	—	—	Tax (expense) benefit
	$ 862	$ 862	Net of tax

20. Earnings Per Share

The computation of basic and diluted earnings per common share is as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands, except per share amounts)		
Computation of Basic Earnings Per Share:			
Numerator:			
Net income	**$ 114,893**	$ 139,371	$ 128,029
Income allocated to participating securities	**(794)**	(975)	(889)
Net income available to common shareholders	**$ 114,099**	$ 138,396	$ 127,140
Denominator			
Weighted average common shares outstanding -- basic	**56,114**	55,872	56,814
Basic earnings per share	**$ 2.03**	$ 2.48	$ 2.24
Computation of Diluted Earnings Per Share:			
Numerator:			
Net income	**$ 114,893**	$ 139,371	$ 128,029
Income allocated to participating securities	**(791)**	(972)	(884)
Net income available to common shareholders	**$ 114,102**	$ 138,399	$ 127,145
Denominator:			
Weighted average common shares outstanding -- basic	**56,114**	55,872	56,814
Diluted effect of stock options and PVRSUs	**412**	283	459
Weighted average commons shares outstanding -- diluted	**56,526**	56,155	57,273
Diluted earnings per share	**$ 2.02**	$ 2.46	$ 2.22

The Company's unvested restricted shares contain rights to receive non-forfeitable dividends and thus are participating securities requiring the two-class method of computing earnings per share ("EPS"). The calculation of EPS for common stock shown above excludes the income attributable to the unvested restricted share awards from the numerator and excludes the dilutive impact of those awards from the denominator.

At December 31, 2017, 2016 and 2015, the Company had 2.0 million, 2.2 million, and 2.1 million outstanding stock options, respectively. Stock options are included in the diluted earnings per share calculation using the treasury stock method and average market prices during the period, unless the stock options would be anti-dilutive. For the year ended December 31, 2017, no anti-dilutive stock options were excluded from the diluted earnings per share calculation. For the year ended December 31, 2016 and 2015, the Company excluded 1.2 million, and 0.5 million of anti-dilutive stock option from the diluted earning per share calculation.

PVRSUs are also included in the diluted earnings per share calculation if the performance conditions have been met at the reporting date. However, at December 31, 2017, 2016 and 2015, PVRSUs totaling 251,228, 210,258, and 178,536, respectively, were excluded from the computation since the performance conditions had not been met.

21. Operating Leases

The Company enters into operating leases primarily for office space, office equipment and transportation vehicles. Minimum rents as defined in the Company's lease agreements including rent escalations, rent holidays and rental concessions are recognized on the straight-line basis over the non-cancellable lease term. Payments made to or on behalf of the Company for leasehold improvement incentives are considered reductions in rental expense and are amortized on a straight-line basis over the non-cancellable lease term. Rental expense under non-cancellable operating leases was approximately $10.9 million, $10.9 million, and $10.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company received sublease rental income related to real estate leased to third-parties totaling $0.3 million during each of the years ended December 31, 2017, 2016 and 2015.

Future minimum lease payments are as follows:

	2018	2019	2020	2021	2022	Thereafter	Total
				(in thousands)			
Minimum lease payments	$ 12,642	$ 11,621	$ 10,112	$ 8,998	$ 8,728	$ 3,339	$ 55,440
Minimum sublease rentals	(372)	(124)	—	—	—	—	(496)
	$ 12,270	$ 11,497	$ 10,112	$ 8,998	$ 8,728	$ 3,339	$ 54,944

22. Condensed Consolidating Financial Statements

The Company’s Senior Notes due 2020 and 2022 are guaranteed jointly, severally, fully and unconditionally, subject to certain customary limitations, by certain of the Company's domestic subsidiaries. There are no legal or regulatory restrictions on the payment of dividends to Choice Hotels International, Inc. from subsidiaries that do not guarantee the Senior Notes. As a result of the guarantee arrangements, the following condensed consolidating financial statements are presented. Investments in subsidiaries are accounted for under the equity method of accounting.

Choice Hotels International, Inc.
Condensed Consolidating Statement of Income
For the Year Ended December 31, 2017
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES:					
Royalty fees	$ 323,274	$ 158,876	$ 42,128	$ (178,976)	**$ 345,302**
Initial franchise and relicensing fees	25,856	—	406	—	**26,262**
Procurement services	34,016	229	604	(188)	**34,661**
Marketing and reservation system	466,764	462,586	16,787	(379,054)	**567,083**
Other items, net	24,539	191	10,615	(1,297)	**34,048**
Total revenues	874,449	621,882	70,540	(559,515)	**1,007,356**
OPERATING EXPENSES:					
Selling, general and administrative	175,285	144,901	23,218	(180,027)	**163,377**
Marketing and reservation system	497,697	431,087	17,787	(379,488)	**567,083**
Depreciation and amortization	1,499	7,564	3,368	—	**12,431**
Total operating expenses	674,481	583,552	44,373	(559,515)	**742,891**
Gain on sale of assets, net	—	—	(32)	—	**(32)**
Operating income	199,968	38,330	26,135	—	**264,433**
OTHER INCOME AND EXPENSES, NET:					
Interest expense	44,201	—	838	—	**45,039**
Equity in earnings of consolidated subsidiaries	(20,449)	(599)	—	21,048	**—**
Other items, net	(1,621)	3,465	(6,447)	—	**(4,603)**
Total other income and expenses, net	22,131	2,866	(5,609)	21,048	**40,436**
Income before income taxes	177,837	35,464	31,744 —	(21,048)	**223,997**
Income taxes	62,944	10,156	36,004	—	**109,104**
Net income (loss)	**$ 114,893**	**$ 25,308**	**$ (4,260)**	**$ (21,048)**	$ 114,893

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Choice Hotels International, Inc.
Condensed Consolidating Statement of Income
For the Year Ended December 31, 2016
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES:					
Royalty fees	$ 300,119	$ 145,946	$ 42,249	$ (167,767)	**$ 320,547**
Initial franchise and relicensing fees	23,284	—	669	—	**23,953**
Procurement services	30,355	—	871	—	**31,226**
Marketing and reservation system	482,836	431,125	16,232	(404,477)	**525,716**
Other items, net	15,040	631	8,119	(591)	**23,199**
Total revenues	851,634	577,702	68,140	(572,835)	**924,641**
OPERATING EXPENSES:					
Selling, general and administrative	163,891	131,517	21,678	(168,358)	**148,728**
Marketing and reservation system	499,656	414,302	16,235	(404,477)	**525,716**
Depreciation and amortization	1,838	7,456	2,411	—	**11,705**
Total operating expenses	665,385	553,275	40,324	(572,835)	**686,149**
Gain on sale of assets, net	—	453	(50)	—	**403**
Operating income	186,249	24,880	27,766	—	**238,895**
OTHER INCOME AND EXPENSES, NET:					
Interest expense	43,866	1	579	—	**44,446**
Equity in earnings of consolidated subsidiaries	(48,073)	641	—	47,432	**—**
Other items, net	(1,402)	(1,047)	(3,082)	—	**(5,531)**
Total other income and expenses, net	(5,609)	(405)	(2,503)	47,432	**38,915**
Income before income taxes	191,858	25,285	30,269 —	(47,432)	**199,980**
Income taxes	52,487	7,912	210	—	**60,609**
Net income	**$ 139,371**	**$ 17,373**	**$ 30,059**	**$ (47,432)**	**$ 139,371**

Choice Hotels International, Inc.
Condensed Consolidating Statement of Income
For the Year Ended December 31, 2015
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES:					
Royalty fees	$ 280,739	$ 134,944	$ 46,055	$ (160,230)	**$ 301,508**
Initial franchise and relicensing fees	23,934	—	746	—	**24,680**
Procurement services	26,387	—	684	—	**27,071**
Marketing and reservation system	446,358	454,916	15,827	(428,338)	**488,763**
Other items, net	13,744	—	4,203	(91)	**17,856**
Total revenues	791,162	589,860	67,515	(588,659)	**859,878**
OPERATING EXPENSES:					
Selling, general and administrative	154,591	120,800	19,184	(160,321)	**134,254**
Marketing and reservation system	464,439	437,378	15,284	(428,338)	**488,763**
Depreciation and amortization	2,405	7,595	1,542	—	**11,542**
Total operating expenses	621,435	565,773	36,010	(588,659)	**634,559**
Operating income	169,727	24,087	31,505	—	**225,319**
OTHER INCOME AND EXPENSES, NET:					
Interest expense	42,276	2	555	—	**42,833**
Equity in earnings of consolidated subsidiaries	(45,155)	373	—	44,782	**—**
Other items, net	(957)	198	(740)	—	**(1,499)**
Total other income and expenses, net	(3,836)	573	(185)	44,782	**41,334**
Income before income taxes	173,563	23,514 —	31,690 —	(44,782) —	**183,985**
Income taxes	45,534	10,351	71	—	**55,956**
Net income	**$ 128,029**	**$ 13,163**	**$ 31,619**	**$ (44,782)**	**$ 128,029**

Choice Hotels International, Inc.
Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 31, 2017
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	**$ 114,893**	**$ 25,308**	**$ (4,260)**	**$ (21,048)**	**$ 114,893**
Other comprehensive income (loss), net of tax:					
Amortization of loss on cash flow hedge	862	—	—	—	**862**
Foreign currency translation adjustment	2,961	—	2,961	(2,961)	**2,961**
Other comprehensive income (loss), net of tax	3,823	—	2,961	(2,961)	**3,823**
Comprehensive income (loss)	**$ 118,716**	**$ 25,308**	**$ (1,299)**	**$ (24,009)**	**$ 118,716**

Choice Hotels International, Inc.
Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 31, 2016
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	**$ 139,371**	**$ 17,373**	**$ 30,059**	**$ (47,432)**	**$ 139,371**
Other comprehensive income (loss), net of tax:					
Amortization of loss on cash flow hedge	862	—	—	—	**862**
Foreign currency translation adjustment	(606)	—	(606)	606	**(606)**
Other comprehensive income (loss), net of tax	256	—	(606)	606	**256**
Comprehensive income	**$ 139,627**	**$ 17,373**	**$ 29,453**	**$ (46,826)**	**$ 139,627**

Choice Hotels International, Inc.
Condensed Consolidating Statement of Comprehensive Income
For the Year Ended December 31, 2015
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	**$ 128,029**	**$ 13,163**	**$ 31,619**	**$ (44,782)**	**$ 128,029**
Other comprehensive income (loss), net of tax:					
Amortization of loss on cash flow hedge	862	—	—	—	**862**
Foreign currency translation adjustment	(2,669)	—	(2,669)	2,669	**(2,669)**
Other comprehensive income (loss), net of tax	(1,807)	—	(2,669)	2,669	**(1,807)**
Comprehensive income	**$ 126,222**	**$ 13,163**	**$ 28,950**	**$ (42,113)**	**$ 126,222**

Choice Hotels International, Inc.
Condensed Consolidating Balance Sheet
As of December 31, 2017
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 12,671	$ 38	$ 222,627	$ —	**$ 235,336**
Receivables, net	107,470	6,010	12,172	(200)	**125,452**
Other current assets	12,507	63,491	9,930	(43,783)	**42,145**
Total current assets	132,648	69,539	244,729	(43,983)	**402,933**
Property and equipment, at cost, net	47,736	18,114	17,524	—	**83,374**
Goodwill	65,813	—	14,944	—	**80,757**
Franchise rights and other identifiable intangibles, net	5,122	2,900	6,650	—	**14,672**
Notes receivable, net of allowances	22,193	63,290	62,510	—	**147,993**
Investments, employee benefit plans, at fair value	—	20,838	—	—	**20,838**
Investments in affiliates	470,950	47,172	—	(518,122)	**—**
Advances to affiliates	10,517	120,466	—	(130,983)	**—**
Deferred income taxes	5,319	9,335	—	(1,319)	**13,335**
Other assets	189	122,155	41,361	—	**163,705**
Total assets	**$ 760,487**	**$ 473,809**	**$ 387,718**	**$ (694,407)**	**$ 927,607**
LIABILITIES AND SHAREHOLDERS' DEFICIT					
Accounts payable	$ 14,222	$ 45,768	$ 3,750	$ (200)	**$ 63,540**
Accrued expenses and other current liabilities	31,081	44,258	10,499	—	**85,838**
Deferred revenue	12,120	127,485	1,506	—	**141,111**
Other current liabilities	43,248	—	4,543	(43,783)	**4,008**
Total current liabilities	100,671	217,511	20,298	(43,983)	**294,497**
Long-term debt	713,175	3,712	8,405	—	**725,292**
Deferred compensation & retirement plan obligations	—	25,552	14	—	**25,566**
Advances from affiliates	126,691	1,294	2,998	(130,983)	**—**
Income tax payable	—	—	29,041	—	**29,041**
Other liabilities	32,052	12,795	21,785	(1,319)	**65,313**
Total liabilities	**972,589**	**260,864**	**82,541**	**(176,285)**	**1,139,709**
Total shareholders' (deficit) equity	**(212,102)**	**212,945**	**305,177**	**(518,122)**	**(212,102)**
Total liabilities and shareholders' deficit	**$ 760,487**	**$ 473,809**	**$ 387,718**	**$ (694,407)**	**$ 927,607**

Choice Hotels International, Inc.
Condensed Consolidating Balance Sheet
As of December 31, 2016
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 14,696	$ 159	$ 187,608	$ —	**$ 202,463**
Receivables	96,128	1,556	9,802	(150)	**107,336**
Other current assets	9,120	29,281	4,470	(7,797)	**35,074**
Total current assets	119,944	30,996	201,880	(7,947)	**344,873**
Property and equipment, at cost, net	44,236	21,718	18,107	—	**84,061**
Goodwill	65,813	—	13,092	—	**78,905**
Franchise rights and other identifiable intangibles, net	5,279	3,494	6,965	—	**15,738**
Notes receivable, net of allowances	16,285	42,398	51,925	—	**110,608**
Investments, employee benefit plans, at fair value	—	16,975	—	—	**16,975**
Investments in affiliates	526,166	50,798	—	(576,964)	**—**
Advances to affiliates	14,929	123,074	17	(138,020)	**—**
Deferred income taxes	40,459	14,234	—	(1,881)	**52,812**
Other assets	18,259	76,933	53,304	—	**148,496**
Total assets	**$ 851,370**	**$ 380,620**	**$ 345,290**	**$ (724,812)**	**$ 852,468**
LIABILITIES AND SHAREHOLDERS' DEFICIT					
Accounts payable	$ 14,296	$ 29,705	$ 4,220	$ (150)	**$ 48,071**
Accrued expenses and other current liabilities	31,352	45,179	3,857	—	**80,388**
Deferred revenue	132,217	—	1,107	(106)	**133,218**
Other current liabilities	8,480	7	1,195	(7,691)	**1,991**
Total current liabilities	186,345	74,891	10,379	(7,947)	**263,668**
Long-term debt	826,551	3,712	9,146	—	**839,409**
Deferred compensation & retirement plan obligations	—	21,584	11	—	**21,595**
Advances from affiliates	135,879	1,188	953	(138,020)	**—**
Other liabilities	13,944	15,631	11,451	(1,881)	**39,145**
Total liabilities	1,162,719	117,006	31,940	(147,848)	**1,163,817**
Total shareholders' (deficit) equity	(311,349)	263,614	313,350	(576,964)	**(311,349)**
Total liabilities and shareholders' deficit	**$ 851,370**	**$ 380,620**	**$ 345,290**	**$ (724,812)**	**$ 852,468**

Choice Hotels International, Inc.
Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2017
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	**$ 178,380**	**$ 48,917**	**$ 30,734**	**$ (657)**	**$ 257,374**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment in property and equipment	(17,748)	(4,096)	(1,593)	—	**(23,437)**
Investment in intangible assets	(1,788)	(729)	—	—	**(2,517)**
Proceeds from sale of assets	—	—	3,000	(2,000)	**1,000**
Contributions to equity method investments	—	(50,476)	(78)	—	**(50,554)**
Distributions from equity method investments	—	2,136	2,433	—	**4,569**
Issuance of mezzanine and other notes receivable	(9,205)	—	(10,533)	—	**(19,738)**
Collections of mezzanine and other notes receivable	655	—	—	—	**655**
Purchases of investments, employee benefit plans	—	(2,447)	—	—	**(2,447)**
Proceeds from sales of investments, employee benefit plans	—	2,245	—	—	**2,245**
Advances to and investments in affiliates	(2,000)	(1,801)	—	3,801	**—**
Divestment in affiliates	—	6,017	—	(6,017)	**—**
Other items, net	—	113	(4)	—	**109**
Net cash used in investing activities	**(30,086)**	**(49,038)**	**(6,775)**	**(4,216)**	**(90,115)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net borrowings (repayments) pursuant to revolving credit facilities	(115,000)	—	(3)	—	**(115,003)**
Principal payments on long-term debt	—	—	(660)	—	**(660)**
Purchase of treasury stock	(9,807)	—	—	—	**(9,807)**
Proceeds from exercise of stock options	14,107	—	—	—	**14,107**
Proceeds from transfer of interest in notes receivable	9,032	—	15,205	—	**24,237**
Proceeds from contributions from affiliates	—	—	1,801	(1,801)	**—**
Distributions to affiliates	—	—	(6,017)	6,017	**—**
Dividends paid	(48,651)	—	(657)	657	**(48,651)**
Net cash provided from (used in) financing activities	**(150,319)**	**—**	**9,669**	**4,873**	**(135,777)**
Net change in cash and cash equivalents	(2,025)	(121)	33,628	—	**31,482**
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	1,391	—	**1,391**
Cash and cash equivalents at beginning of period	14,696	159	187,608	—	**202,463**
Cash and cash equivalents at end of period	**$ 12,671**	**$ 38**	**$ 222,627**	**$ —**	**$ 235,336**

Choice Hotels International, Inc.
Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2016
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	**$ 63,838**	**$ 53,468**	**$ 35,386**	**$ (657)**	**$ 152,035**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment in property and equipment	(21,338)	(2,554)	(1,299)	—	**(25,191)**
Investment in intangible assets	(680)	(1,900)	—	—	**(2,580)**
Acquisitions, net of cash acquired	—	—	(1,341)	—	**(1,341)**
Acquisitions of real estate	—	—	(28,583)	—	**(28,583)**
Proceeds from sale of assets	—	—	11,462	—	**11,462**
Contributions to equity method investments	—	(34,593)	(68)	—	**(34,661)**
Distributions from equity method investments	—	—	3,700	—	**3,700**
Issuance of mezzanine and other notes receivable	(8,382)	—	(24,222)	—	**(32,604)**
Collections of mezzanine and other notes receivable	11,070	—	—	—	**11,070**
Purchases of investments, employee benefit plans	—	(1,661)	—	—	**(1,661)**
Proceeds from sales of investments, employee benefit plans	—	1,911	—	—	**1,911**
Advances to and investments in affiliates	—	(29,327)	—	29,327	**—**
Divestment in affiliates	—	15,226	—	(15,226)	**—**
Other items, net	100	—	(89)	—	**11**
Net cash used in investing activities	**(19,230)**	**(52,898)**	**(40,440)**	**14,101**	**(98,467)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net borrowings (repayments) pursuant to revolving credit facilities	26,000	—	(205)	—	**25,795**
Principal payments on long-term debt	—	(430)	(558)	—	**(988)**
Purchase of treasury stock	(35,926)	—	—	—	**(35,926)**
Proceeds from other debt agreements	—	—	550	—	**550**
Proceeds from exercise of stock options	12,951	—	—	—	**12,951**
Debt issuance costs	(284)	—	—	—	**(284)**
Proceeds from contributions from affiliates	—	—	29,327	(29,327)	**—**
Distributions to affiliates	—	—	(15,226)	15,226	—
Dividends paid	(46,182)	—	(657)	657	**(46,182)**
Net cash provided from (used in) financing activities	**(43,441)**	**(430)**	**13,231**	**(13,444)**	**(44,084)**
Net change in cash and cash equivalents	1,167	140	8,177	—	**9,484**
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	(462)	—	**(462)**
Cash and cash equivalents at beginning of period	13,529	19	179,893	—	**193,441**
Cash and cash equivalents at end of period	**$ 14,696**	**$ 159**	**$ 187,608**	**$ —**	**$ 202,463**

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Choice Hotels International, Inc.
Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2015
(in thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	**$ 100,755**	**$ 23,814**	**$ 41,167**	**$ (657)**	**$ 165,079**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment in property and equipment	(20,242)	(6,952)	(571)	—	**(27,765)**
Investment in intangible assets	(619)	—	(114)	—	**(733)**
Business acquisitions, net of cash acquired	—	—	(13,269)	—	**(13,269)**
Proceeds from sale of assets	93	4,661	1,593	—	**6,347**
Acquisitions of real estate	(319)	—	(8,881)	—	**(9,200)**
Contributions to equity method investments	—	(22,205)	(1,532)	—	**(23,737)**
Distributions from equity method investments	—	—	518	—	**518**
Issuance of mezzanine and other notes receivable	(12,753)	—	(24,131)	—	**(36,884)**
Collections of mezzanine and other notes receivable	4,849	—	—	—	**4,849**
Purchases of investments, employee benefit plans	—	(3,220)	—	—	**(3,220)**
Proceeds from sales of investments, employee benefit plans	—	3,170	—	—	**3,170**
Advances to and investments in affiliates	—	(9,418)	—	9,418	**—**
Divestment in affiliates	—	10,735	—	(10,735)	**—**
Other items, net	49	(49)	114	—	**114**
Net cash used in investing activities	**(28,942)**	**(23,278)**	**(46,273)**	**(1,317)**	**(99,810)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net borrowings (repayments) pursuant to revolving credit facilities	159,000	—	(133)	—	**158,867**
Principal payments on long-term debt	(129,374)	(718)	(409)	—	**(130,501)**
Proceeds from the issuance of long-term debt	—	176	—	—	**176**
Purchase of treasury stock	(72,873)	—	—	—	**(72,873)**
Debt issuance costs	(2,169)	—	—	—	**(2,169)**
Proceeds from exercise of stock options	7,056	—	—	—	**7,056**
Proceeds from contributions from affiliates	—	—	9,418	(9,418)	**—**
Distributions to affiliates	—	—	(10,735)	10,735	**—**
Dividends paid	(45,214)	—	(657)	657	**(45,214)**
Net cash provided from (used in) financing activities	**(83,574)**	**(542)**	**(2,516)**	**1,974**	**(84,658)**
Net change in cash and cash equivalents	**(11,761)**	**(6)**	**(7,622)**	**—**	**(19,389)**
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	(2,049)	—	**(2,049)**
Cash and cash equivalents at beginning of period	25,290	25	189,564	—	**214,879**
Cash and cash equivalents at end of period	**$ 13,529**	**$ 19**	**$ 179,893**	**$ —**	**$ 193,441**

23. Reportable Segment Information

Hotel Franchising: Hotel franchising includes the Company's hotel franchising operations consisting of its twelve brands. The twelve brands are aggregated within this segment considering their similar economic characteristics, types of customers, distribution channels and regulatory business environments. Revenues from the hotel franchising business include royalty fees, initial franchise and relicensing fees, marketing and reservation system fees, procurement services revenue and other hotel franchising related revenue. The Company is obligated under its franchise agreements to provide marketing and reservation services appropriate for the operation of its systems. These services do not represent separate reportable segments as their operations are directly related to the Company's hotel franchising business. The revenues received from franchisees that are used to pay for part of the Company's ongoing operations are included in hotel franchising revenues and are offset by the related expenses paid for marketing and reservation activities to calculate hotel franchising operating income.

SkyTouch Technology: SkyTouch Technology ("SkyTouch") is a division of the Company that develops and markets cloud-based technology products to hoteliers not under franchise agreements with the Company.

The Company evaluates its segments based primarily on the results of the segment without allocating corporate expenses, income taxes or indirect general and administrative expenses, which are included in the Corporate and Other column. Corporate and Other revenues includes rental income related to an office building owned by the Company, as well as revenues related to the Company's vacation rental initiatives. Equity in earnings or losses from hotel franchising related joint ventures is allocated to the Company's hotel franchising segment. As described in Note 7, certain interest expenses related to the Company's marketing and reservation activities are allocated to the hotel franchising segment. The Company does not allocate the remaining interest expense, interest income, other gains and losses or income taxes to its segments.

The following tables present the financial information for the Company's segments:

	Year Ended December 31, 2017				
	Hotel Franchising	SkyTouch Technology	Corporate & Other	Elimination Adjustments	Consolidated
			(in thousands)		
Revenues	**$ 996,538**	**$ 3,045**	**$ 7,773**	**$ —**	**$ 1,007,356**
Operating income (loss)	**330,967**	**(3,485)**	**(63,049)**	**—**	**264,433**
Depreciation and amortization	**6,213**	**1,266**	**4,952**	**—**	**12,431**
Income (loss) before income taxes	**326,421**	**(3,485)**	**(98,939)**	**—**	**223,997**
Capital expenditures	**20,603**	**431**	**2,490**	**—**	**23,524**
Total assets	**597,569**	**2,716**	**327,322**	**—**	**927,607**

	Year Ended December 31, 2016				
	Hotel Franchising	SkyTouch Technology	Corporate & Other	Elimination Adjustments	Consolidated
			(in thousands)		
Revenues	$ 915,825	$ 1,933	$ 6,883	$ —	$ 924,641
Operating income (loss)	307,354	(18,088)	(50,371)	—	238,895
Depreciation and amortization	5,191	1,853	4,661	—	11,705
Income (loss) before income taxes	307,847	(18,088)	(89,779)	—	199,980
Capital expenditures	17,552	1,159	3,256	—	21,967
Total assets	520,674	3,517	328,277	—	852,468

	Year Ended December 31, 2015				
	Hotel Franchising	SkyTouch Technology	Corporate & Other	Elimination Adjustment	Consolidated
			(in thousands)		
Revenues	$ 855,462	$ 1,186	$ 3,230	$ —	$ 859,878
Operating income (loss)	285,752	(18,971)	(41,462)	—	225,319
Depreciation and amortization	6,762	1,450	3,330	—	11,542
Income (loss) before income taxes	284,851	(18,971)	(81,895)	—	183,985
Capital expenditures	28,662	1,454	4,544	—	34,660
Total assets	397,428	4,073	315,509	—	717,010

The results of the Company's international operations are included in the Hotel Franchising and Corporate & Other segments. Revenues generated by foreign operations, including royalty, marketing and reservations system fees and other revenues for the years ended December 31, 2017, 2016 and 2015 were $65.7 million, $58.0 million, and $53.9 million, respectively. Long-lived assets related to international operations were $86.1 million, $74.9 million, and $49.3 million as of December 31, 2017, 2016 and 2015 respectively. All other long-lived assets of the Company are associated with domestic activities. The Company's investment in equity method investees at December 31, 2017, 2016 and 2015 was $134.2 million, $94.8 million, and $67.0 million, respectively. These investments are included as a component of total assets for the Company’s hotel franchising segment.

24. Related Party Transactions

Transactions with Company's Largest Shareholder

Effective October 15, 1997, Choice Hotels International, Inc., which included both a franchising business and owned hotel business, separated the businesses via a spin-off into two companies: Sunburst Hospitality Corporation (referred to hereafter as “Sunburst”) and the Company. Subsequent to the spin-off, the Company’s largest shareholder retained significant ownership percentages in both Sunburst and the Company. As part of the spin-off, Sunburst and the Company entered into a strategic alliance agreement. Among other things, the strategic alliance agreement, as amended, provided for the determination of liquidated damages related to the termination of Choice branded Sunburst properties. The liquidated damage provisions extend through the life of the existing Sunburst franchise agreements. As of December 31, 2017, Sunburst operates 6 hotels under franchise with the Company.

Total franchise fees, including royalty, marketing and reservation system fees, paid by Sunburst to the Company, included in the accompanying consolidated financial statements were $2.0 million, $2.0 million, and $2.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, accounts receivable included $0.2 million and $0.2 million, respectively, due from Sunburst.

The Company and family members of the Company's largest shareholder entered into an agreement that allows those family members to sub-lease aircraft from the Company from time to time for their personal use. The agreements provide for lease payments that contribute towards the fixed costs associated with the aircraft as well as reimbursement of the Company’s variable costs associated with operation of the aircraft, in compliance with, and to the extent authorized by, applicable regulatory requirements. The terms of the sub-lease agreements are consistent with the terms of sub-lease agreements that the Company has entered into with unrelated third parties for use of the aircraft. During the years ended December 31, 2017, 2016 and 2015, the Company received $19 thousand, $38 thousand, and $27 thousand, respectively, pursuant to this arrangement.

In December 2013, the Company's board of directors approved an arrangement with an entity controlled by the family members of the Company's largest shareholder to sublease approximately 2,200 square feet of office space located in Chevy Chase, Maryland. The lease has a month to month term, with a 90 day notice period, and annual lease payments totaling approximately $90 thousand. In May 2016, the sublease was amended for the expansion of the office space, with annual lease payments totaling approximately $146 thousand. During the years ended December 31, 2017, 2016 and 2015, the Company received approximately $146 thousand, $179 thousand, and $90 thousand, respectively, in rent payments associated with this lease.

Transactions with Company Management

In February 2015, the Company entered into an agreement with the Company's previous Chief Executive Officer ("CEO") that allowed for the sub-lease of aircraft from time to time for personal use. The terms of the sub-lease were consistent with the terms of sub-lease agreements that the Company has entered into with unrelated third parties for use of the aircraft. During the year ended December 31, 2015, the Company received $12 thousand pursuant to this agreement. No amounts were received or remain outstanding for the years ended December 31, 2016 and December 31, 2017. This agreement was terminated in September 2017.

Foreign Subsidiary Credit Agreement

In August 2016, the Company entered into a credit agreement with a related party to a foreign subsidiary. Borrowings under the agreement carry an interest rate of 4.0% per year. As of December 31, 2017 and 2016, the Company had $0.6 million and $0.6 million, respectively, outstanding under this agreement, which is reflected within the current portion of long term debt on the balance sheet.

25. Transactions with Unconsolidated Joint Ventures

In December 2012, the Company entered into a $19.5 million promissory note with a development company which is a member in one of the Company's unconsolidated joint ventures which is engaged in the construction of a Cambria hotel and suites of which the Company is also a member. The proceeds from the promissory note were utilized to partially finance the construction of the Cambria hotel and suites by the joint venture.

The promissory note matures in two tranches with $9.5 million of the promissory note maturing during the year ended December 31, 2013 and the remaining $10.0 million maturing on the fifth anniversary date of the promissory note. The promissory note bore interest at a fixed rate which increased from 6% to 8% after the completion of the hotel construction in November 2015. Interest was payable quarterly during the hotel construction and monthly, thereafter. During the year ended December 31, 2013, the Company was repaid the first tranche of the promissory note or $9.5 million. During the year ended December 31, 2016, the Company was repaid the second tranche of the promissory note or $10.0 million.

In May 2015, the Company entered into a $4.0 million promissory note with an individual who is a member of one of the Company’s unconsolidated joint ventures. The proceeds of the promissory note are being utilized to develop and operate a Cambria hotel & suites. The promissory note matures on April 30, 2018 and bears interest at variable rates, and is payable monthly. At December 31, 2017, the outstanding balance of the promissory note totaled $2.5 million.

In August 2015, the Company entered into a $24.4 million promissory note with a development company which is a member of one of the Company’s unconsolidated joint ventures. In October 2016, the Company increased the loan and funded an additional $1.0 million. The Company has advanced a total of $25.4 million as of December 31, 2017. The promissory note matures on September 3, 2023, bears interest at variable rates, and is payable monthly.

In March 2016, the Company entered into a $4.0 million promissory note with an individual who is a member of one of the Company's unconsolidated joint ventures. The Company advanced $4.0 million for the member to purchase the Company's interest in the unconsolidated joint venture for $2.4 million and fund the development of the property into a Cambria hotel & suites hotel. A deferred gain of $0.2 million will be recognized when the promissory note matures on March 1, 2019. The promissory note bears interest at a fixed rate and is payable monthly.

The Company signed a management fee arrangement for marketing services with a joint venture partner. For the years ended December 31, 2017 and 2016, fees earned and payroll costs reimbursed under this arrangement totaled $1.4 million and $0.8 million, respectively.

The Company entered into franchise agreements with certain of the unconsolidated joint ventures listed within Note 8. Pursuant to these franchise agreements, the Company recorded royalty and marketing and reservation system fees of approximately $22.4 million, $17.3 million, and $15.5 million, for the years ended December 31, 2017, 2016 and 2015, respectively. The Company recorded $1.3 million and $1.1 million as a receivable due from these joint ventures as of December 31, 2017 and 2016, respectively. In addition, the Company paid commissions of $0.2 million, $0.2 million, and $0.4 million for the years ended December 31, 2017, 2016 and 2015, respectively, to an online travel agent for which the Company is a joint venture member.

26. Commitments and Contingencies

The Company is not a party to any litigation other than litigation in the ordinary course of business. The Company's management and legal counsel do not expect that the ultimate outcome of any of its currently ongoing legal proceedings, individually or collectively, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Contingencies

On October 9, 2012, the Company entered into a limited payment guaranty with regards to a VIE's $18.0 million bank loan for the construction of a hotel franchised under one of the Company's brands in the United States. Under the terms of the limited guaranty, the Company has agreed to guarantee 25% of the outstanding principal balance for a maximum exposure of $4.5 million and accrued and unpaid interest, as well as any unpaid expenses incurred by the lender. The limited guaranty shall remain in effect until the maximum amount guaranteed by the Company is paid in full. In addition to the limited guaranty, the Company entered into an environmental indemnity agreement which indemnifies the lending institution from and against any damages relating to or arising out of possible environmental contamination issues with regards to the property.

On September 4, 2015, the Company entered into a limited payment guaranty with regards to a VIE's $13.3 million bank loan for the design, development and construction of a new hotel franchised under one of the Company's brands in the United States. Under the terms of the limited guaranty, the Company has agreed to guarantee a maximum of $1.8 million of the VIE's obligations under the loan. The limited guaranty shall remain in effect until (i) the VIE's bank loan is paid in full to the lender, (ii) the maximum amount guaranteed by the Company is paid in full, or (iii) the Company, through its affiliate, ceases to be a member of the VIE.

On June 2, 2016, one of the Company’s VIEs obtained a $61.0 million term loan for purposes of refinancing a $46.2 million construction loan. In connection with the refinancing, the Company entered into three limited guarantees. Under the terms of the limited guarantees, the Company agreed to guarantee a maximum obligation of $3.3 million in the aggregate, in addition to a percentage of any operating expenses and capital expenditures not covered by operating revenues and unpaid expenses incurred. The limited guarantees will remain in effect until the loan is repaid in full or the VIE reaches a specified debt yield for two consecutive quarters under the loan covenants. The maturity date of the VIE's loan is June 2019.

The Company believes the likelihood of having to perform under the aforementioned limited payment guarantees was remote at December 31, 2017 and 2016.

On September 12, 2017, the Company transferred a portion of an outstanding note receivable to a third party for $24.2 million. Under the agreement, the counter party may require the Company to purchase the outstanding interest in the note if the Company declares a default against the borrower and enters into foreclosure proceedings. The Company believes the likelihood of foreclosure on the note was remote as of December 31, 2017.

Commitments

The Company has the following commitments outstanding:

- The Company provides financing in the form of forgivable promissory notes or cash incentives to franchisees for property improvements, hotel development efforts and other purposes. At December 31, 2017, the Company had commitments to extend an additional $240.1 million for these purposes provided certain conditions are met by its franchisees, of which $87.1 million is expected to be advanced in the next twelve months.

- The Company committed to make additional capital contributions totaling $14.7 million to existing joint ventures related to the construction of various hotels to be operated under the Company's Cambria hotel & suites brand. These commitments are expected to be funded in the next twelve months.

- In October 2017, the Company committed to provide financing to a development company to construct a Cambria hotel and suites hotel. The Company has committed to provide an aggregate of $3.8 million, if certain conditions are met. As of December 31, 2017, no funds have been disbursed.

In the ordinary course of business, the Company enters into numerous agreements that contain standard indemnities whereby the Company indemnifies another party for breaches of representations and warranties. Such indemnifications are granted under various agreements, including those governing (i) purchases or sales of assets or businesses, (ii) leases of real estate, (iii) licensing of trademarks, (iv) access to credit facilities, (v) issuances of debt or equity securities, and (vi) certain operating agreements. The indemnifications issued are for the benefit of the (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) financial institutions in credit facility arrangements, (v) underwriters in debt or equity security issuances and (vi) parties under certain operating agreements. In addition, these parties are also generally indemnified against any third party claim resulting from the transaction that is contemplated in the underlying agreement. While some of these indemnities extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these indemnities, nor is the Company able to develop an estimate of the maximum potential amount of future payments to be made under these indemnifications as the triggering events are not subject to predictability. With respect to certain of the aforementioned indemnities, such as indemnifications of landlords against third party claims for the use of real estate property leased by the Company, the Company maintains insurance coverage that mitigates potential liability.

27. Selected Quarterly Financial Data—(Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2017[(1)]
	(in thousands, except per share data)				
Revenues	$ 197,898	$ 276,799	$ 295,088	$ 237,571	$ 1,007,356
Operating income	$ 52,507	$ 77,506	$ 77,834	$ 56,586	$ 264,433
Income before income taxes	$ 41,383	$ 67,381	$ 68,514	$ 46,719	$ 223,997
Net income (loss)	$ 28,744	$ 44,995	$ 47,595	$ (6,441)	$ 114,893
Earnings (loss) per share:					
Basic	$ 0.51	$ 0.80	$ 0.84	$ (0.11)	$ 2.03
Diluted	$ 0.51	$ 0.79	$ 0.84	$ (0.11)	$ 2.02

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2016 (1)
	(in thousands, except per share data)				
Revenues	$ 207,118	$ 241,751	$ 267,577	$ 208,195	$ 924,641
Operating income	$ 42,873	$ 64,942	$ 78,618	$ 52,462	$ 238,895
Income before income taxes	$ 30,378	$ 55,610	$ 70,200	$ 43,792	$ 199,980
Net income	$ 21,163	$ 38,822	$ 47,565	$ 31,821	$ 139,371
Earnings per share:					
Basic	$ 0.38	$ 0.69	$ 0.85	$ 0.57	$ 2.48
Diluted	$ 0.37	$ 0.68	$ 0.84	$ 0.56	$ 2.46

(1) The sum of the earnings per share for the four quarters may differ from annual earnings per share due to the required method of computing the weighted average shares in interim periods.

The matters which affect the comparability of the quarterly results include the following:

- Seasonality: The Company’s revenues and operating income reflect the industry’s seasonality and as a result are lower in the first and fourth quarters and higher in the second and third quarters.
- Investment income and losses: The Company’s net income reflects gains and losses related to the Company’s investments held in non-qualified retirement plans and are subject to market conditions.
- The Company's third quarter 2017 results reflect $12.0 million in compensation expenses related to the acceleration of the Company's chief executive offer succession plan. In addition, SG&A expenses were reduced by a $1.2 million impairment of below market lease acquisition costs associated with an office building owned by the Company.
- The Company's fourth quarter 2017 results were impacted by comprehensive tax legislation enacted on December 22, 2017. The legislation made broad and complex changes to the U.S. tax code, some of which were effective in 2017, including but not limited to (1) requiring a mandatory one-time transition tax on certain unrepatriated earnings of foreign subsidiaries and (2) bonus depreciation that allowed for the full expensing of qualified property placed in service after September 27, 2017. U.S. federal corporate income tax rates were also reduced from 35% to 21%, resulting in an impairment of the Company's net domestic deferred tax assets. As a result, the Company's fourth quarter 2017 net income (loss) was reduced by approximately $40 million.

28. Future Adoption of Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts with Customers* (Topic 606) ("ASU No. 2014-09") and issued subsequent amendments to the initial guidance at various points of 2015 and 2016 within ASU No. 2015-14, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-12, and ASU No. 2016-20 (these ASUs collectively referred to as "Topic 606"). Topic 606 impacts virtually all aspects of an entity's revenue recognition and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, as well as most industry-specific guidance. Topic 606 significantly enhances comparability of revenue recognition practices across entities and industries by providing a principles-based, comprehensive framework for addressing revenue recognition issues. In order for a provider of promised goods or services to recognize as revenue the consideration that it expects to receive in exchange for the promised goods or services, the provider should apply the following five steps: (1) identify the contract with a customer(s); (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Topic 606 also specifies the accounting for some costs to obtain or fulfill a contract with a customer and provides enhanced disclosure requirements. Topic 606 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The guidance permits the retrospective or modified retrospective method when adopting Topic 606. The Company intends to adopt the standard in the annual period beginning January 1, 2018, under the full retrospective method of adoption. Based on management's current assessment, the Company expects the following impacts upon adoption of the standard:

The Company determined royalties earned in exchange for a license to brand intellectual property on franchise agreements will be recognized in revenue over time typically after the occurrence of a completed stay, which is consistent with current practice.

The Company determined initial and relicensing fees earned upon execution of a franchise agreement will be recognized as revenue ratably as services are provided over the enforceable period of the franchise license arrangement, rather than upon contract execution. Similarly, the Company determined sales commissions, which are paid upon the execution of a franchise agreement, will no longer be recognized in full in the period the agreement is executed but will be recognized ratably over the estimated time the hotel will remain in the franchise system. This change is expected to reduce initial and relicensing fee revenues and SG&A expense by approximately $3.5 million and $4.8 million, respectively, and increase operating income by approximately $1.3 million for the year ended December 31, 2017.

Certain franchise incentive payments, which are paid prior to or after a hotel opening, will be recognized as contract acquisition costs ratably over the estimated time the hotel will remain in the franchise system rather than over the term of the forgivable promissory note. In addition, the amortization of these contract acquisition costs will be recognized as a reduction to revenue instead of amortization expense. This change is expected to reduce royalty revenues and marketing and reservation system revenues by approximately $4.1 million and $3.1 million, respectively, for the year ended December 31, 2017. Furthermore, depreciation and amortization and marketing and reservation system expenses are expected to be reduced by approximately $5.8 million and $4.3 million, respectively for the year ended December 31, 2017.

The Company operates a marketing and reservation system fund on behalf of its franchisees. The Company records surpluses and deficits from the marketing and reservations system activities by recognizing assets and liabilities on the Company's balance sheet. The Company has determined that upon adoption of Topic 606, the Company will record surpluses and deficits generated by marketing and reservation activities within the income statement. Over time, the Company expects cumulative revenues and expenses to break even. However, the Company does not expect that marketing and reservation activities will break even on a quarterly or annual basis. As a result, the net income or loss may be generated from marketing and reservation activities.

Revenue related to the Choice Privileges program, which is reported as a component of marketing and reservation system fees, will be recognized upon point redemption, net of any reward reimbursement paid to a third party. This is a change from the Company’s current practice of recognizing revenue on a gross basis at the time points are issued with a corresponding accrual of the expected future costs of the reward.

We are still assessing the impacts that these changes will have on the Company's marketing and reservation system revenues and expenses for the year ended December 31, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU No. 2016-02"). ASU No. 2016-02 requires lessees to recognize most leases on their balance sheet by recording a liability for its lease obligation and an asset for its right to use the underlying asset as of the lease commencement date. The standard requires entities to determine whether an arrangement contains a lease or a service agreement as the accounting treatment is significantly different between the two arrangements. The standard also requires the lessee to evaluate whether a lease is a financing lease or an operating lease as the accounting and presentation guidance between the two are different. ASU No. 2016-02 also modifies the classification criteria and accounting for sales-type and direct financing leases for lessors. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the potential impact that ASU No. 2016-02 will have on the financial statements and disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASU No. 2016-13"), which will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently assessing the potential impact that ASU No. 2016-13 will have on its consolidated financial position and results of operations.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments* ("ASU No. 2016-15"). ASU No. 2016-15 provides additional guidance on eight specific cash flow issues, such as the classification of debt prepayments or extinguishment costs, contingent consideration payments made after a business combination, and distributions received from equity method investees. The guidance is effective for annual reporting periods beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the potential impact that ASU No. 2016-15 will have on the financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash* ("ASU 2016-18"). ASU 216-18 ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently assessing the potential impact that ASU No. 2016-18 will have on the financial statements and disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment ("*ASU No. 2017-04*").* ASU 2017-04 eliminates the two-step process that required identification of potential impairment and a separate measure of the actual impairment. The annual assessment of goodwill impairment will be determined by using the difference between the carrying amount and the fair value of the reporting unit. The guidance is effective for public business entities for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently assessing the potential impact that ASU No. 2017-04 will have on the financial statements and disclosures.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets ("*ASU No. 2017-05*").* This ASU clarifies the scope and accounting of a financial asset that meets the definition of an “in-substance nonfinancial asset” and defines the term “in-substance nonfinancial asset.” This ASU also adds guidance for partial sales of nonfinancial assets. ASU 2017-05 will be effective for fiscal years beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company is assessing the potential impact that ASU 2017-05 will have on the financial statements and disclosures.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation: Scope of Modification Accounting*, which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award changes as a result of the change in terms or conditions. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. The standard is effective for the Company’s financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this ASU will have on the financial statements and disclosures.

29. Subsequent Events

On December 18, 2017, the Company announced that it had reached a definitive agreement to acquire the brand and franchise business of WoodSpring Suites for approximately $231 million. The acquisition closed on February 1, 2018 and added 239 new extended-stay hotels in 35 states to the Company's portfolio. The acquisition was funded with cash and borrowings under the Company's revolving credit facility.

On February 26, 2018, the Company's board of directors declared a quarterly cash dividend of $0.215 per share of common stock. The dividend is payable on April 17, 2018 to shareholders of record on April 2, 2018.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Management’s Evaluation of Disclosure Controls and Procedures

The Company has a disclosure review committee whose membership includes the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), among others. The disclosure review committee’s procedures are considered by the CEO and CFO in performing their evaluations of the Company’s disclosure controls and procedures and in assessing the accuracy and completeness of the Company’s disclosures.

Our management, with the participation of our CEO and CFO have evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), as of the end of the period covered by this annual report as required by Rules 13a-15(b) or 15d-15(b) under the Exchange Act. Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met.

An evaluation was performed under the supervision and with the participation of the Company’s CEO and CFO, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on that evaluation, the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the fourth quarter of 2017 that materially affected, or is reasonably likely to materially affect the Company’s internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

The management of Choice Hotels International, Inc. and its subsidiaries (together "the Company") is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on management's assessment under those criteria, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Choice Hotels International, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Choice Hotels International, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Choice Hotels International, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2017 consolidated financial statements of the Company and our report dated March 1, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
March 1, 2018

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The required information on directors will be contained in the Company's proxy statement, and reference is expressly made to the proxy statement for the specific information incorporated in this Form 10-K. The required information on executive officers is set forth in Part I of this Form 10-K under an unnumbered item captioned "Executive Officers of Choice Hotels International, Inc."

Code of Ethics

The Company has adopted a Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer.

The Code of Ethics is available free of charge through our internet website located at *www.choicehotels.com*. We will also provide without charge to any person, on the written or oral request of such person, a copy of our Code of Ethics. Requests should be directed to General Counsel, 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850 (telephone number (301) 592-5026).

Item 11. Executive Compensation.

The required information will be set forth under "Executive Compensation" and "Board Compensation and Management Development Committee Report on Executive Compensation" in the Company's proxy statement, and reference is expressly made to the proxy statement for the specific information incorporated in this Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The required equity compensation plan information table is set forth herein and all other required information will be set forth under "Security Ownership of Certain Beneficial Owners and Management" and "Board of Directors" in the Company's proxy statement, and reference is expressly made to the proxy statement for the specific information incorporated in this Form 10-K.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding the number of shares of the Company's common stock that were subject to outstanding stock options at December 31, 2017.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by shareholders	1,976,326	$ 50.80	856,795
Equity compensation plans not approved by shareholders	Not applicable	Not applicable	Not applicable

The shares remaining available for future issuance under equity compensation plans in column (c) above are available for grant in any combination of stock options, restricted stock, stock appreciation rights and performance share awards by the Compensation and Management Development Committee of the Board of Directors.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The required information will be set forth under "Certain Relationships and Related Transactions" in the Company's proxy statement, and reference is expressly made to the proxy statement for the specific information incorporated in this Form 10-K.

Item 14. Principal Accounting Fees and Services.

The required information will be set forth under "Principal Accounting Fees and Services" and "Audit Committee Report" in the Company's proxy statement, and reference is expressly made to the proxy statement for the specific information incorporated in this Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) **List of Documents Filed as Part of this Report**

1. **Financial Statements**

The response to this portion of Item 15 is submitted under Item 8 of this Report on Form 10-K.

2. **Financial Statement Schedules**

Report of Independent Registered Public Accounting Firm required pursuant to Item 15(a)2 is submitted under Item 8 of this report.

Schedule II-Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable.

1. **Exhibits**

Exhibit Number	Description
3.01(a)	Restated Certificate of Incorporation of Choice Hotels Franchising, Inc. (renamed Choice Hotels International, Inc.)
3.01A(c)	Amendment to the Restated Certificate of Incorporation of Choice Hotels International, Inc. dated April 30, 2013
3.02(h)	Amended and Restated Bylaws of Choice Hotels International, Inc. dated February 15, 2010
3.02A(v)	Amendment to the Amended and Restated Bylaws of Choice Hotels International, Inc., dated April 24, 2015
3.02B(x)	Amendment to the Amended and Restated Bylaws of Choice Hotels International, Inc., dated January 12, 2016
4.01(w)	Senior Unsecured Credit Agreement dated July 21, 2015 among Choice Hotels International, Inc., Deutsche Bank AG New York Branch, as administrative agent, Wells Fargo Bank, National Association, as syndication agent and swingline lender, and a syndication of lenders
4.02(k)	Senior Secured Credit Facility dated July 25, 2012 among Choice Hotels International, Inc., Deutsche Bank AG New York Branch as administrative agent, Wells Fargo Bank, National Association, as syndication agent, and a syndication of lenders
4.03(j)	Indenture, dated August 25, 2010 between the Company and Wells Fargo Bank, National Association, as Trustee
4.04(j)	First Supplemental Indenture, dated August 25, 2010, between the Company, the Subsidiary Guarantors, and Wells Fargo Bank, National Association, as Trustee
4.05(r)	Second Supplemental Indenture dated June 27, 2012 among Choice Hotels International, Inc., the subsidiary guarantors party thereto, and Wells Fargo Bank, National Association
4.06 (y)	Extension Confirmation Letter dated as of July 5, 2016, in connection with Senior Unsecured Credit Agreement
4.07(aa)	Third Supplemental Indenture, dated as of August 4, 2017, among Choice Hotels International, Inc., Choice Privileges Loyalty Services, LLC, and Wells Fargo Bank, National Association
4.08(bb)	Guarantee Agreement Supplement, dated as of August 3, 2017 by Choice Privileges Loyalty Services, LLC
10.01(b)	Amended and Restated Employment Agreement dated April 30, 2008, between Choice Hotels International, Inc. and Stephen P. Joyce
10.01A(l)	First Amendment to First Amended and Restated Employment Agreement dated September 16, 2010 between Choice Hotels International, Inc. and Stephen P. Joyce
10.01B(s)	Second Amended and Restated Employment Agreement dated May 24, 2012 between Choice Hotels International, Inc. and Stephen P. Joyce
10.01C(m)	Amendment to Second Amended and Restated Employment Agreement dated March 4, 2014, between Stephen P. Joyce and Choice Hotels International, Inc.
10.01D(cc)	Amendment to Second Amended and Restated Employment Agreement, dated August 9, 2017, between Stephen P. Joyce and Choice Hotels International, Inc.
10.02(d)	Amended and Restated Chairman’s Service Agreement dated September 10, 2008 by and between Choice Hotels International, Inc. and Stewart Bainum, Jr.
10.02A(t)	Amendment to Amended and Restated Chairman's Services Agreement dated January 1, 2012 between Choice Hotels International, Inc. and Stewart Bainum, Jr.
10.02B(ii)	Amendment to Amended and Restated Chairman's Services Agreement dated January 1, 2017 between Choice Hotels International, Inc. and Stewart Bainum, Jr.
10.03(e)	Choice Hotels International, Inc. 2006 Long- Term Incentive Plan

10.03A(g)	Amendment to Choice Hotels International, Inc. 2006 Long-Term Incentive Plan, dated January 1, 2009
10.03B(i)	Amendment to Choice Hotels International, Inc. 2006 Long-Term Incentive Plan, dated April 29, 2010
10.03C(c)	Amendment to Choice Hotels International, Inc. 2006 Long-Term Incentive Plan, dated April 25, 2013
10.03D(v)	Amendment to Choice Hotels International, Inc. 2006 Long-Term Incentive Plan, dated February 27, 2015
10.04(c)	Choice Hotels International, Inc. Executive Incentive Compensation Plan
10.05(n)	Office Lease, dated July 11, 2011, between Choice Hotels International Services Corp., a wholly owned subsidiary of Choice Hotels International, Inc., and FP Rockville II Limited Partnership
10.05A(u)	Certificate of Rent Commencement and First Amendment to Office Lease, between Choice Hotels International Services Corp., a wholly owned subsidiary of Choice Hotels International, Inc., and FP Rockville II Limited Partnership, dated February 25, 2014.
10.05B(u)	Second Amendment to Office Lease between Choice Hotels International Services Corp., a wholly owned subsidiary of Choice Hotels International, Inc., and FP Rockville II Limited Partnership, dated March 20, 2014.
10.05C(dd)	Third Amendment to Office Lease between Choice Hotels International Services Corp., a wholly owned subsidiary of Choice Hotels International, Inc., and FP Rockville Limited Partnership, dated April 18, 2017
10.06(ee)	Choice Hotels International, Inc. 2017 Long-Term Incentive Plan
10.07(q)	Choice Hotels International, Inc. Executive Deferred Compensation Plan (for Grandfather Account Balances)
10.07A(g)	Amended and Restated Choice Hotels International, Inc. Executive Deferred Compensation Plan (for Non-Grandfather Account Balances)
10.08(o)	Non-Competition, Non-Solicitation & Severance Benefit Agreement between the Company and Patrick Pacious, dated May 5, 2011
10.08A(t)	Amendment to Non-Competition, Non-Solicitation & Severance Benefit Agreement between the Company and Patrick Pacious, dated March 13, 2012
10.08B(ff)	Amended and Restated Non-Competition, Non-Solicitation & Severance Benefit Agreement between the Company and Patrick S. Pacious
10.09(p)	Non-Competition, Non-Solicitation and Severance Benefit Agreement between the Company and David White, dated August 1, 2011
10.09A(f)	Amendment to Non-Competition, Non-Solicitation & Severance Benefit Agreement between the Company and David White, dated March 25, 2013
10.09B (z)	Transition Services Agreement between Choice Hotels International, Inc. and David L. White, dated June 3, 2016
10.09C (z)	Second Amendment to Non-Competition, Non-Solicitation and Severance Benefit Agreement between Choice Hotels International, Inc. and David L. White, dated June 3, 2016
10.10(f)	Non-Competition, Non-Solicitation and Severance Benefit Agreement between the Company and Simone Wu, dated February 13, 2012
10.10A(f)	Amendment to Non-Competition, Non-Solicitation and Severance Benefit Agreement between the Company and Simone Wu, dated March 25, 2013
10.11(gg)	Form of Non-Competition, Non-Solicitation & Severance Benefit Agreement
10.12(hh)	Unit Purchase Agreement, dated as of December 15, 2017, by and among Choice Hotels International, Inc., Woodspring Hotels LLC and Woodspring Hotels Franchise Services LLC
13.01*	Valuation and Qualifying Accounts
21.01*	Subsidiaries of Choice Hotels International, Inc.

23*	Consent of Ernst & Young LLP
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Presentation Linkbase Document

* Filed herewith

(a) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Registration Statement on Form S-4, filed August 31, 1998.
(b) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated April 30, 2008, filed May 2, 2008.
(c) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated April 26, 2013, filed on May 1, 2013.
(d) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed on November 10, 2008.
(e) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on form 8-K dated May 1, 2006, filed on May 5, 2006.
(f) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on May 8, 2013.
(g) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, filed March 2, 2009.
(h) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated February 15, 2010, filed February 16, 2010.
(i) Incorporated by reference to the identical document filed as Appendix B to Choice Hotels International, Inc.'s Definitive Proxy Statement on Form DEF 14A K filed March 25, 2010.
(j) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated August 25, 2010, filed August 25, 2010.
(k) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated July 25, 2012, filed July 26, 2012.
(l) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed on November 9, 2010.
(m) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated March 4, 2014, filed on March 7, 2014.
(n) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 9, 2011.
(o) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated May 5, 2011, filed May 10, 2011.

(p) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.’s Current Report on Form 8-K dated August 1, 2011, filed August 4, 2011.
(q) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003.
(r) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.’s Current Report on Form 8-K dated June 22, 2012, filed June 27, 2012.
(s) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.’s Current Report on Form 8-K dated May 24, 2012, filed May 25, 2012.
(t) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 9, 2012.
(u) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed May 8, 2014.
(v) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated April 24, 2015, filed April 29, 2015.
(w) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated and filed July 21, 2015.
(x) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated January 12, 2016 and filed January 13, 2016.
(y) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed August 4, 2016.
(z) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.’s Current Report on Form 8-K dated June 7, 2016
(aa) Incorporated by reference to the identical documents filed as an exhibit to Choice Hotels International, Inc.'s Quarterly 2017 Report on Form 10-Q for the quarter ended September 30, 2017, filed November 9, 2017.
(bb) Incorporated by reference to the identical documents filed as an exhibit to Choice Hotels International, Inc.'s Quarterly 2017 Report on Form 10-Q for the quarter ended September 30, 2017, filed November 9, 2017.
(cc) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated August 9, 2017, filed August 14, 2017.
(dd) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed August 4, 2017.
(ee) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated April 21, 2017, filed April 24, 2017.
(ff) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated and filed September 18, 2017.
(gg) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed May 5, 2017.
(hh) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K dated December 15, 2017, filed December 18, 2017.
(ii) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2016, filed February 27, 2017.

Item 16. Form 10-K Summary

None.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHOICE HOTELS INTERNATIONAL, INC.

By: /s/ Patrick S. Pacious

Patrick S. Pacious
President and Chief Executive Officer

Dated: March 1, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ STEWART BAINUM, JR Stewart Bainum, Jr.	Chairman, Director	March 1, 2018
/s/ BARBARA T. ALEXANDER Barbara T. Alexander	Director	March 1, 2018
/s/ WILLIAM L. JEWS William L. Jews	Director	March 1, 2018
/s/ PATRICK S. PACIOUS Patrick S. Pacious	President and Chief Executive Officer (Principal Executive Officer)	March 1, 2018
/s/ SCOTT A. RENSCHLER Scott A. Renschler, Psy.D	Director	March 1, 2018
/s/ MONTE J.M. KOCH Monte J.M. Koch	Director	March 1, 2018
/s/ ERVIN R. SHAMES Ervin R. Shames	Director	March 1, 2018
/s/ JOHN P. TAGUE John P. Tague	Director	March 1, 2018
/s/ LIZA LANDSMAN Liza Landsman	Director	March 1, 2018
/s/ DOMINIC E. DRAGISICH Dominic E. Dragisich	Chief Financial Officer (Principal Financial Officer)	March 1, 2018
/s/ SCOTT E. OAKSMITH Scott E. Oaksmith	Senior Vice President, Finance & Chief Accounting Officer (Principal Accounting Officer)	March 1, 2018

Exhibit 13.01

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS
(in thousands of dollars)

Description	Balance at Beginning of Period	Additions/Charges to Profit & Loss	Recoveries/Write offs	Balance at End of Period
Accounts Receivable:				
Year ended December 31, 2017 Allowance for Doubtful Account	$ 8,557	$ 8,225	$ (4,561)	$ 12,221
Year ended December 31, 2016 Allowance for Doubtful Accounts	$ 8,718	$ 5,083	$ (5,244)	$ 8,557
Year ended December 31, 2015 Allowance for Doubtful Accounts	$ 10,084	$ 4,382	$ (5,748)	$ 8,718
Notes Receivable:				
Year ended December 31, 2017 Allowance for Doubtful Accounts	$ 7,430	$ 2,910	$ (1,137)	$ 9,203
Year ended December 31, 2016 Allowance for Doubtful Accounts	$ 6,765	$ 2,319	$ (1,654)	$ 7,430
Year ended December 31, 2015 Allowance for Doubtful Accounts	$ 5,987	$ 1,742	$ (964)	$ 6,765

Exhibit 21.01

SUBSIDIARIES OF CHOICE HOTELS INTERNATIONAL, INC.

Choice Hotels International, Inc., a Delaware corporation, had the domestic and international subsidiaries shown below as of December 31, 2017. Certain U.S. subsidiaries are not named because they were not significant in the aggregate. Choice Hotels International, Inc. has no parent.

Name of Subsidiary	Jurisdiction of Organization
AF Holding Subsidiary Corporation	Delaware
CHH VM 2010 LLC	Delaware
CHI COH Holding Company LLC	Delaware
CHI International GP1 LLC	Delaware
CHI International GP2 LLC	Delaware
Choice International Hospitality Services, Inc.	Delaware
Choice Hospitality (India) Pvt. Ltd.	India
Choice Hotels Asia-Pac Pty. Ltd.	Australia
Choice Hotels Canada, Inc.	Canada
Choice Hotels de Mexico de R.L. de C.V.	Mexico
Choice Hotels Franchise GmbH	Germany
Choice Hotels France S.A.S.	France
Choice Hotels International Holding Company C.V.	Netherlands
Choice Hotels International Licensing ULC	Canada
Choice Hotels International Services Corp.	Delaware
Choice Hotels Licensing B.V.	Netherlands
Choice Hotels Licensing 2 B.V.	Netherlands
Columbus-Hunt Park Dr. BNK Investors LLC	Delaware
CS Glenarm Denver LLC	Delaware
CS at Ninth LLC	Delaware

CS NYC Member LLC	Delaware
CS Plankinton Milwaukee LLC	Delaware
CS White Plains LLC	Delaware
CS WO LLC	Delaware
International CH Holding Company C.V.	Netherlands
Maxxton Holding B.V	Netherlands
Maxxton B.V.	Netherlands
MG CS Member LLC	Delaware
Quality Hotels Limited	United Kingdom
CS HPB, LLC	Delaware
Choice Privileges Loyalty Services, LLC	Delaware
Maxxton US Corp.	Delaware
926 James M Wood Boulevard	Delaware
CS 433 Mason LLC	Delaware

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-216416) of Choice Hotels International, Inc., and

(2) Registration Statements (Forms S-8 No. 333-217493, No. 333-41357, No. 333-193403, No. 333-169308, No. 333-36819, No. 333-38942, No. 333-41355, No. 333-142676, No. 333-67737 and No. 333-106218) of Choice Hotels International, Inc.;

of our reports dated March 1, 2018, with respect to the consolidated financial statements and schedule of Choice Hotels International, Inc. and the effectiveness of internal control over financial reporting of Choice Hotels International, Inc. included in this Annual Report (Form 10-K) of Choice Hotels International, Inc. for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Tysons, Virginia
March 1, 2018

Exhibit 31.1

CERTIFICATION

I, Patrick S. Pacious, certify that:

1. I have reviewed this annual report on Form 10-K of Choice Hotels International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018 /s/ Patrick S. Pacious

Patrick S. Pacious

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Dominic E. Dragisich, certify that:

1. I have reviewed this annual report on Form 10-K of Choice Hotels International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	March 1, 2018	/s/ Dominic E. Dragisich
		Dominic E. Dragisich
		Chief Financial Officer

Exhibit 32

WRITTEN STATEMENT
OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The undersigned hereby certify that the Annual Report on Form 10-K for the year ended December 31, 2017 filed by Choice Hotels International, Inc. with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: March 1, 2018

Patrick S. Pacious
Chief Executive Officer and President

/s/ Dominic E. Dragisich
Dominic E. Dragisich
Chief Financial Officer

EXHIBIT D

04/18

«PROP_CODE» - «CONTRACT_ID»
[City, State]

ASCEND HOTEL COLLECTION®
MEMBERSHIP AGREEMENT

between

CHOICE HOTELS INTERNATIONAL, INC.

and

____

THIS MEMBERSHIP AGREEMENT ("Agreement") is made in Maryland, effective as of ______________________, 20____ ("Effective Date"), between **Choice Hotels International, Inc**., a Delaware corporation ("we" or "us"), and **«LIC_BLOCK»** ("you").

We and you (the "parties") agree as follows:

1. Terms and Conditions. The attached Ascend Hotel Collection® Terms and Conditions ("Terms and Conditions") are expressly incorporated herein by reference and made a part of this Agreement.

> **YOU ACKNOWLEDGE THAT YOU READ AND FULLY UNDERSTAND THE TERMS AND CONDITIONS ATTACHED TO THIS AGREEMENT, AND YOU UNDERSTAND THAT WE ARE RELYING ON YOUR ACKNOWLEDGMENT.**

2. Definitions.

a. "Hotel" means the property located at **«PROP_ADDR1», «PROP_ADDR2» «PROP_CITY», «PROP_ST» «PROP_ZIP»** ("Location") and includes the building, land and all improvements, structures, fixtures, amenities, equipment, furniture and related rights, privileges and properties at such Location.

b. "Sleeping Rooms" means the number **«ROOM_CNT»**, which is and shall be the total number of rentable sleeping rooms in the Hotel, subject to change only in accordance with Section 8 of the Terms and Conditions.

c. "Designated Representative" means the person designated by you to represent you on all matters relating to this Agreement and to receive notices under this Agreement on your behalf. Unless you change the Designated Representative in accordance with Section 15 of the Terms and Conditions, your Designated Representative is **«LR1_NAME_FULL»** whose address is **«LR1_ADDRESS1» «LR1_ADDRESS2» «LR1_ADDRESS3», «LR1_CITY», «LR1_STATE» «LR1_POSTAL» and «LR2_NAME_FULL» whose address is «LR2_ADDRESS1» «LR2_ADDRESS2»«LR2_ADDRESS3», «LR2_CITY», «LR2_STATE» «LR2_POSTAL».**

d. "Mark" means the trademark and trade name **Ascend Hotel Collection®** and the logo designated by us for use in association with the Hotel (including designs, stylized letters, colors and other elements that we permit you to use at the Hotel and in advertising for the Hotel) and/or any other trademarks, trade names, trade dress, service marks or logos (whether registered or not), or any domain name, as we may require from time to time to be used in connection with the Hotel. The Mark does not refer to any secondary name we authorize you to use in association with the Hotel or any trademark or trade name owned by you or your affiliate.

e. "System" means our then-current concepts and methods for providing hotel accommodations with a high standard of service, courtesy and cleanliness using the Choice Marks and any trade secrets and includes our Property Management System and Reservation System, our loyalty program, our business referral, gift card and credit card agreements, the Membership Agreement, the Terms and Conditions, the Rules and Regulations, and those identifying brand characteristics as we may from time to time reasonably designate.

f. All other defined terms are set forth in Section 2 of the Terms and Conditions.

3. Grant of License. Subject to your compliance with all of your obligations under this Agreement, we grant to you a non-exclusive, limited, revocable license to use (without the right to sublicense) our System and the Mark to operate the Hotel during the Term. You do not have the right to use any of the Choice Marks other than the Mark in connection with the operation of the Hotel. We, for ourselves and our affiliates, retain all rights and discretion with respect to the Mark and the System.

4. Term. The term of this Agreement ("Term") begins on the Effective Date and ends on the date that is 10 years after the Opening Date. You have no right or option to renew this Agreement or extend the Term.

5. Fees.

a. Affiliation Fee. By no later than the date you sign this Agreement, you will pay us an affiliation fee of **«AFFIL_FEE».00** ("Affiliation Fee"), which is non-refundable except as provided in this Section 5(a). The Affiliation Fee is fully earned upon our receipt, whether or not you open the Hotel. If we do not sign this Agreement for any reason, any monies that you have paid to us towards the Affiliation Fee, less $5,000, will be refunded to you.

b. Membership Fee. Beginning on the Opening Date, you will pay us for each month during the Term a membership fee of 5.0% of the preceding month's Gross Room Revenues ("Membership Fee") in consideration for the license granted to you in Section 3;

c. System Fee. Beginning on the Opening Date, you will pay us for each month during the Term a system fee of 2.5% of the preceding month's Gross Room Revenues ("System Fee") for the ongoing development, maintenance and upgrading of the Property Management System and Reservation System, and for advertising, publicity, public relations, marketing, promotional programs, website maintenance , reservations and other similar services that we will provide to you under this Agreement and for our System as further described in the Terms and Conditions; and

d. Other Fees and Commissions. You will pay us such other fees and commissions described in the Rules and Regulations which are reasonably charged by us in connection with the rights and obligations granted under this Agreement.

e. Interest. You will pay us interest on all charges, costs, fees and amounts due under this Agreement, but not paid on time, at a rate of 1.5% per month (or the maximum rate allowed by applicable law).

6. Default. If you default in your material obligations under this Agreement, we may terminate this Agreement, effective on the date stated in our notice (or the earliest date permitted by applicable law), in accordance with Section 10 of the Terms and Conditions. If we default in our material obligations under this Agreement, you may terminate this Agreement only if you first give us written notice of the defaults and of your intention to terminate this Agreement and we have not cured those defaults within 60 days after receiving your written notice.

7. DISPUTE RESOLUTION. YOU UNDERSTAND AND AGREE THAT ALL DISPUTES OR CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT, EXCEPT FOR CERTAIN CLAIMS OF OURS DESCRIBED IN SECTION 7 OF THE TERMS AND CONDITIONS, WILL BE SUBJECT TO ARIBTRATION IN MARYLAND IN ACCORDANCE WITH SECTION 21 OF THE TERMS AND CONDITIONS, UNLESS OTHERWISE RESOLVED.

We and you agree to be bound by the terms and conditions of this Agreement, including the Terms and Conditions and all other attachments, by setting the hands and seals of our duly authorized and empowered representatives on this Agreement, effective as of the Effective Date.

Choice Hotels International, Inc.,
a Delaware corporation

By: ______________________________________ (Seal)
Name: Christopher J. Wallace
Title: Vice President and Assistant General Counsel

«LIC_BLOCK»

«FRANCHISEE»

By: ______________________________________ (Seal)
Name: ___________________________________
Title: ____________________________________
Date: ____________________________________

ATTACHMENT A

ASCEND HOTEL COLLECTION® TERMS AND CONDITIONS

1. Membership Agreement. These Terms and Conditions are expressly incorporated by reference into and made a part of the foregoing Ascend Hotel Collection® Membership Agreement ("Membership Agreement").

2. Definitions. In addition to the terms that are defined in other parts of these Terms and Conditions and the Membership Agreement, the following terms shall have the indicated meanings:

a. "Choice Marks" means collectively all of our trademarks and trade names, including, but not limited to, the Mark, the trademarks and trade names ASCEND®, CAMBRIA SUITES®, COMFORT INN®, COMFORT SUITES®, CLARION®, QUALITY®, SLEEP INN®, MAINSTAY SUITES®, SUBURBAN EXTENDED STAY HOTEL®, ECONO LODGE®, RODEWAY INN®, and the names of our Property Management System and Reservation System, together with all related logos, trade dress, and any other additional or substituted trademarks, trade names, service marks or logos (whether registered or not) currently owned, licensed or used by us or that we later adopt, purchase or develop.

b. "Gross Room Revenues" means all revenues from the rental, sale, use or occupancy of any of the Sleeping Rooms, for whatever purpose, including cash and credit transactions, whether or not collected by you, and any proceeds from business interruption insurance. It does not include taxes required by law (including gross receipt taxes, property taxes, and hotel sales taxes), revenues from Meeting Rooms, telephone calls, movie rentals, vending machines, room service or food and beverages sales.

c. "Hotel Supplies" means all furniture, fixtures, equipment (including, without limitation, computers, printers, telephones and facsimile machines), signs, amenities and other supplies used in the construction, renovation, maintenance and operation of the Hotel.

d. "Meeting Rooms" means the total number of meeting, conference and/or banquet or similar rooms generally available for rent in the Hotel, subject to change only in accordance with Section 8, below.

e. "Opening Date" means the date that you begin to rent any portion of the Rentable Rooms under the Membership Agreement.

f. "Other Choice Brand Hotels" means hotels other than the Hotel that are authorized by us to use the Choice Marks, our System and our Intellectual Property (as defined in Section 7).

g. "Property Management System" means the then-current version of the automated system that we will license to you on a non-exclusive basis to assist you to operate and manage the Hotel and to capture all data and record all transactions entered into by you and the Hotel in connection with the operation of the Hotel, including all transactions relating to the Rentable Rooms.

h. "Rentable Rooms" means the Sleeping Rooms and the Meeting Rooms, collectively.

i. "Reservation System" means the then-current methods and automated systems that we use (including our call centers and any and all related telecommunications systems, e-commerce tools and techniques, websites or mobile applications, call-forwarding or call-transfer programs and techniques or similar tools or methods used by us as modified from time to time) to take, hold, honor, and report advance reservations that are made in connection with the use of the Rentable Rooms at the Hotel and at the Other Choice Brand Hotels.

j. "Rules and Regulations" means our then-current brand rules and regulations, as updated and/or modified by us in our discretion from time to time (and any supplements) and brand guidelines (including any manuals or policies that we may make available), which may contain, among other things, our standards and requirements for constructing, equipping, furnishing, supplying, operating, maintaining and marketing the Hotel. The Rules and Regulations shall apply to all hotels operating under the Mark.

3. Reporting Requirements and Audit.

a. Payments and Reports. Beginning on the Opening Date, within 5 days after the end of each calendar month during the Term, you will send us a statement on a form to be determined by us showing the Gross Room Revenues, occupancy and other related information that we request for the immediately preceding month or, in the alternative, at our election, we will gather the Gross Room Revenues, occupancy and other related information through any automated information reporting systems we establish. In the event we elect to have you send us a statement of the Gross Room Revenues, you will certify that your reports are true and accurate. If we elect to have you send us a statement of the Gross Room Revenues, and you do not send us the required reports on time, we will estimate your Gross Room Revenues for interim billing purposes, and you must pay us a late charge of 1.5% of your previous month's fees. If we elect to gather the Gross Room Revenues through our automated reporting systems, and we are unable for whatever reason to obtain an accurate report of the Gross Room Revenues, we will estimate your Gross Room Revenues for interim billing purposes. Interim bills will be considered accurate until we receive any late monthly reports or acquire accurate information through our automated reporting systems, as appropriate. We will bill you for the Membership Fee and System Fee (and interest or other penalty, if any) due under the Membership Agreement each month, and you will pay us those amounts by the 25th day of the same month. You agree that timely payment of the Membership Fee, System Fee, and any other amounts and fees due to us is of the essence for the purposes of the Membership Agreement. You also agree that we may apply payments that you make in any order we determine regardless of any contrary language you may indicate. You agree that you will participate in computerized or automated information reporting programs and electronic fund transfer programs that we adopt for use by hotels that are authorized to use our System. If we adopt electronic fund transfer programs, you agree to make the necessary arrangements with your bank to participate in such programs and you agree to purchase computer hardware, computer software and related telephone or other network services reasonably required in order to properly participate in these programs.

b. Hotel Data. You will, in a manner and form satisfactory to us and utilizing accounting and reporting standards as reasonably required by us, prepare on a current basis (and preserve for no less than 7 years), complete and accurate records concerning Gross Room Revenues and all financial, operating, marketing and other aspects of the Hotel specified by us from time to time ("Hotel Data") and maintain an accounting system which fully and accurately reflects all financial aspects of the Hotel and its business. The Hotel Data includes all bank statements, federal tax returns, state tax returns, local occupancy tax returns, daily revenue reports, monthly and annual revenue summary reports, maid logs, guest registration folios, guest complaints, guest satisfaction survey results, and complete annual financial statements (profit and loss statements, balance sheets and cash flow statements). The Hotel Data will be maintained at the Hotel, or, if you notify us in writing, at an alternate location suitable for inspection by us. All Hotel Data must be kept separate and apart from all other data. Nothing in the foregoing shall limit us from reviewing Hotel Data that is older than 7 years or from recovering amounts owed to us from any period of time.

c. Financial Statements and Audit. If we request in writing, you will send us copies of the Hotel Data and financial statements certified by you as true and accurate (including a profit and loss statement, balance sheet, cash flow statement, or such other financial data or reports as we may request, in a form satisfactory to us) for the Hotel for the prior fiscal year (or other time period), and you will have the Gross Room Revenues or other monies due hereunder computed and certified as accurate by a certified public accountant. During the Term and for 7 years afterward, we and our authorized representatives will have the right to verify information required under the Membership Agreement by requesting, receiving, inspecting, copying and auditing the Hotel Data and any and all records or documents related to the Hotel Data wherever they may be located. If any inspection or audit discloses a deficiency in any payments due hereunder, you must pay us all deficiencies plus interest at the rate indicated in Section 5(f) of the Membership Agreement. If the deficiency in any payment is willful or exceeds 5% of the correct amount, you will also immediately pay to us the entire cost of the inspection and audit, including travel, lodging, meals, salaries, professional fees and other expenses of the inspecting or auditing personnel.

d. Interest. You will pay us interest on all charges, costs fees and amounts due under the Membership Agreement but not paid on time at the rate of 1.5% per month, but not more than the maximum interest rate permitted by applicable law.

4. Our Duties. We will during the Term:

a. Rules and Regulations. Make available to you an electronic copy of the Rules and Regulations;

b. Quality Assurance. Administer quality assurance programs as described in the Rules and Regulations that may include periodic visits to the Hotel (by us or authorized third parties) and/or guest satisfaction surveys and reviews to evaluate your compliance with this Agreement and the Rules and Regulations;

c. System Services. (i) Allow you to use the Property Management System and the Reservation System, (ii) provide marketing services, such as regional, national and international advertising, promotional programs, publicity, marketing research, and other related marketing activities, that we reasonably determine are appropriate for the promotion of the Hotel, our System and the Other Choice Brand Hotels; and (iii) periodically make available to the traveling public a directory or other listing of all hotels which are in good standing and that are authorized to use our System, which may be provided in an electronic format, including on the Internet, in our sole discretion. You acknowledge and agree that we may combine the services that we will provide to you in clauses (i), (ii) and (iii), above, with other hotels that are authorized to use the Mark and/or our System, or other hotels that we or our affiliates operate in our sole, but reasonable, discretion. You also acknowledge and agree that we will not be obligated to permit or assist in making reservations for the Hotel for any dates following the scheduled date of expiration or termination of the Membership Agreement, or during any period in which your rights are suspended under Section 10(c) below; and

d. Consultation. Make available to you, at our discretion, additional consultation and services to assist you to construct, renovate, maintain, operate, and/or market the Hotel on the same basis as provided to other hotels that are authorized to use our System under the Mark; we reserve the right to charge you reasonable fees that we may establish in advance or on a project-by-project basis for such consultation and services. Any guidance, recommendations, or advice provided to you during such consultation shall be deemed suggestions only, and the decision to follow any such guidance, recommendations, or advice will be made by you in your sole discretion.

5. Your Duties. You will during the Term:

a. Compliance with Rules and Regulations. Comply with the requirements of the Membership Agreement and the Rules and Regulations, which you acknowledge we may modify in our sole discretion from time to time, and not disclose the Membership Agreement or the Rules and Regulations (including any copies of the Rules and Regulations that are no longer the then-current version) to anyone except your authorized employees (or the employees of your management company, if authorized by us) or your attorneys, accountants, or lenders on an as-needed basis;

b. Good Repair; Safe and Secure. Construct, renovate, operate, furnish, maintain and advertise the Hotel according to the Membership Agreement and the Rules and Regulations; undertake all repairs, cleaning, redecoration, repainting, and replacement of obsolete or outdated Hotel Supplies; take such other corrective action as is necessary to maintain the Hotel interior and exterior, including any parking areas and food and beverage facilities, in a clean, sound, and attractive condition and good repair at all times; and operate the Hotel in a safe and secure manner that optimizes public health and safety. You are solely responsible for determining and addressing all safety concerns relating to the condition of the Hotel and surrounding areas;

c. Ethical Standards; Performance. Establish and maintain a high ethical and moral standard in connection with your operation of the Hotel and not allow or sponsor any activity at the Hotel that could reasonably be determined to negatively impact the Mark, the Choice Marks, our System, the Other Choice Brand Hotels or our business reputation; operate the Hotel in a professional manner that meets or exceeds the generally accepted standards of performance of leading hotel operators in the industry;

d. Compliance with Laws; Limited Use. Comply with all local, state, and federal laws, rules, regulations and agency orders, and obtain all required permits and licenses, applicable to you, your employees, or the construction, renovation, operation, maintenance or promotion of the Hotel (including, but not limited to, all labor and employment laws), and not permit the Hotel to be used for any purpose or activity that is unlawful or that is not contemplated by the Membership Agreement or the Rules and Regulations;

e. Training. Comply with our training requirements by ensuring that you and the Hotel's general manager(s) attend (at the times required by us) our then-current training programs, including our annual national convention for hotels authorized to use the System and pay the cost of tuition, living expenses, and travel expenses associated with attendance at such training programs by you and the Hotel's general manager(s); you understand and agree that you will be solely responsible for training your employees in the operation of the Hotel;

f. Property Management and Reservation Systems. Use the Property Management System (and the equipment, networks, software and procedures (including hardware and software refresh requirements) that are described in the Rules and Regulations) to operate and manage the Hotel and in connection with all guest transactions (including all transactions relating to the Rentable Rooms), and use our Reservation System to accept, hold, honor and track all reservations for the Rentable Rooms. You understand and agree that your use of the Property Management System is governed by a separate agreement, as we may modify and/or update from time to time ("ChoiceAdvantage Software Terms of Use"), which ChoiceAdvantage Software Terms of Use are expressly incorporated herein by reference and made a part of the Membership Agreement, and you agree that you will abide by such ChoiceAdvantage Software Terms of Use and pay all applicable fees described in the Rules and Regulations. You also acknowledge and agree that each of we and you have ownership rights in data used or generated by the Property Management System or the Reservation System;

g. Evaluation. Allow us or any third party authorized by us ("Evaluator") to enter the Hotel at any reasonable time to evaluate your compliance with the Membership Agreement, the Rules and Regulations, and any quality assurance program we administer either directly or through an authorized third party. During such visit, you will assist the Evaluator in such manner as is required for the Evaluator to conduct our evaluation and, subject to availability, provide the Evaluator with one free Sleeping Room for one night**.** In addition, you agree that the Evaluator may evaluate your compliance with the Membership Agreement, the Rules and Regulations, and any quality assurance program we administer, remotely and/or through data obtained from guest satisfaction surveys or programs. You agree to take all steps necessary to correct any deficiencies identified in our evaluation within the time periods that we reasonably specify;

h. Rate Information. Upon our request, and in the manner and format we specify, send us a written description of your Hotel and its then-current rates so that we may include this information in directories and other listings and information that we periodically make available to the public. If you do not send us changes to the information that you provide to us by the deadlines that we indicate, you will honor the rates and descriptive information on record at the time of the deadlines;

i. Promotional Programs. Participate in and honor the terms of any loyalty, discount or promotional program and pay all applicable fees or charges associated with such programs (including any room discounts, rewards programs, frequent traveler programs, photographic or virtual tour programs or gift card programs that are applicable to the Hotel or Other Choice Brand Hotels) that we offer to the public on your behalf and any room rate quoted to any guest at the time the guest makes an advance reservation. You agree that you will take all action necessary (including the supply to us of all information and the purchase of any supplies, equipment or services) to participate in any loyalty, discount or promotional programs, and that you will grant us all necessary rights in and to any photographs, video and/or other marketing materials that we may require to reasonably undertake such promotional programs on behalf of the Hotel, and/or some or all of the Other Choice Brand Hotels;

j. Renovations. Undertake, at our written request, remodeling, renovations, and modifications to existing improvements, necessary to modernize and conform the Hotel to the Rules and Regulations or other requirements of our System ("Renovations") and sign a property improvement plan ("Property Improvement Plan") or other writing that we prepare to document your obligation to complete such Renovations. You acknowledge and agree that the obligations described in this Section 5(j) are in addition to your ongoing obligations to comply with Section 5(b) and Section 5(d). Notwithstanding the foregoing, and without limiting your obligations hereunder to make repairs for reasons of life safety or security or in accordance with Section 5(b) above, we will not require you to execute a Property Improvement Plan (excluding any property improvement plan attached hereto as Attachment B) until the fifth (5^{th}) anniversary of the Opening Date (or later), You agree to complete any Property Improvement Plan within the time reasonably specified by us, time being of the essence, and you acknowledge that your failure to do so will constitute a material default under the Franchise Agreement.

k. Guest Complaints. Participate in, and pay all charges in connection with all required guest complaint resolution programs and ratings and review policies, which we may modify from time to time, as specified in the Rules and Regulations; and

l. Travel Agent Commissions. Promptly pay all travel agent commissions and global distribution system charges due from you in connection with the Hotel whether payable by you directly or collected by us on behalf of others, and abide by the Rules and Regulations related to travel agent and global distribution system procedures;

m. Confidential Information. Maintain the absolute confidentiality of the Confidential Information (as defined below) during and after the term of the Membership Agreement. You agree that you: (i) will not use the Confidential Information in any capacity or business or purpose other than what is explicitly authorized under the terms of the Membership Agreement; (ii) will not make unauthorized copies of any Confidential Information disclosed in written form; (iii) will adopt and implement all reasonable procedures we direct to prevent unauthorized use or disclosure of the Confidential Information. You shall divulge such Confidential Information only to such of your employees, attorneys, accountants, agents, lenders, or prospective purchasers of the Hotel as must have access to it in order to operate, loan money in connection with, or purchase the Hotel. "Confidential Information" includes the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, Rules and Regulations, systems, costs and financial information that we communicate to you or that you otherwise acquire in operating the Hotel under the System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by you.

6. Opening Requirements.

a. Identifying Information. Send us, before the Opening Date (and any time there is a change in any of the information), the following, as appropriate: (i) the legal name and business type (corporation, limited liability company, limited partnership, etc.) of the Hotel's operating entity; (ii) its federal TIN (taxpayer identifying number); (iii) its state income tax account number(s); (iv) its state payroll tax (withholding and unemployment tax) account number(s); (v) its state sales tax and occupancy tax account number(s); and (vi) its local (county and city) occupancy tax account number(s).

b. ADA Certification. Ensure that the Hotel complies with the requirements of the Americans with Disabilities Act ("ADA"). Prior to the Opening Date, you will provide to us, a certification from your architect, your general contractor, a consulting architect or you, on a form satisfactory to us, certifying that the Hotel is in compliance with all applicable provisions of the ADA. The Hotel may not open, use the Mark or our System until this certification is properly completed and delivered to us;

c. Construction and Substantial Renovation Related Duties. If the Hotel has yet to be constructed or if the Hotel is to be Substantially Renovated (as defined below):

i. Plans. Ensure that your preliminary drawings and designs for the Hotel satisfy the Rules and Regulations and the our then-current design specifications for hotels that are authorized to use the Mark and provide a copy of your preliminary drawings and designs to us for our review and approval at least 6 months before Construction Start, and final working drawings and final architectural designs for the Hotel ("Plans") to us for our review at least 3 months before Construction Start. "Construction Start" means the date that bona fide pouring of footings for the Hotel begins at the Location in the case of a hotel to be constructed or the date that renovations begin in the case of an existing hotel that is to be Substantially Renovated. "Substantially Renovated" means the existing building is to be re-constructed on the interior in all areas (public spaces, guestrooms, and bathrooms) down to the concrete or stud walls (or drywall, if in good condition), including replacement of all (or substantially all) floors and ceilings. We agree to provide you with written notice of our review and determination of the Plans within 15 business days after the date we have received the Plans and agree that if we fail to provide you notice in accordance with this Section 6(c)(i), the Plans are deemed to be approved by us. If Construction Start does not commence within 6 months of our written approval of your final architectural designs for the hotel (or within 6 months of automatic approval if we fail to provide you notice within fifteen business days in accordance with this Section 6(c)(i)), then you must resubmit final architectural designs for approval at least 60 days prior to Construction Start;

ii. Timing and Extensions. Cause Construction Start to occur within 12 months of the Effective Date, and within 5 days after Construction Start, inform us in writing that Construction Start has occurred. If you do not cause Construction Start to occur within 12 months of the Effective Date of the Membership Agreement, you may request, before the end of the 12 months, an additional 3 months for Construction Start. We are not obligated to extend the time for Construction Start. If we agree to extend the time for Construction Start beyond the original 12 month requirement, you will pay us an extension fee of $5,000 for each 3-month extension that we grant to you;

iii. Completion. Continue Hotel construction (or renovation) in accordance with the Plans, after Construction Start, without unreasonable interruption, until the Hotel is ready for our inspection. You must complete Hotel construction (or renovation), including furnishing, equipping, and preparing for opening, by the Opening Deadline (as defined in Section 6(f);

iv. Progress Reports. Send us, when we request during construction (or renovation), reports showing the progress made toward completing Hotel construction (or renovation);

d. Pre-Opening. Prior to the Opening Date:

i. Use of Mark. Use the Mark only as permitted in Section 7(c) below;

ii. Cooperation/Inspection. Cooperate with us, and require your architect, engineer, contractors and subcontractors to cooperate with us, and allow us to inspect the Location and the Hotel to determine whether construction (or renovation) satisfies the Rules and Regulations, the then-current prototype design specifications for hotels that are authorized to use the Mark, and the Plans and/or the property improvement plan set forth in Attachment B (if applicable);

iii. Hotel Supplies. Order, purchase and/or lease and install all Hotel Supplies, related equipment, supplies and other required items to operate the Hotel; and

iv. Advertising. Advertise the Hotel locally, at your expense and in a manner meeting our specifications.

e. Opening Authorization. Notify us in writing at least 30 days before the Opening Date so that we can inspect, and if we reasonably determine it to be appropriate, authorize you to begin operating the Hotel under the Mark and the Membership Agreement. You will not begin operation of the Hotel using the Mark or our System until you have received our specific written authorization to do so; and

f. Opening Deadline. Ensure that the Opening Date occurs within 12 months after Construction Start (if the Hotel has yet to be constructed or if the Hotel is to be Substantially Renovated), or the BES Deadline (if set forth in Attachment B) ("Opening Deadline");

7. Intellectual Property.

a. No Ownership Rights. You acknowledge and agree that except as expressly permitted by the Membership Agreement or any ChoiceAdvantage Software Terms of Use, you do not have any right, title or interest in and to the Mark or the Choice Marks, Rules and Regulations, System, our then current concept and method for providing hotel accommodations using any of the Choice Marks, Property Management System, Reservation System, trade secrets or business methods (collectively, "Intellectual Property") and you will not contest our rights in and to such Intellectual Property or to current or future derivations of or improvements made to the Intellectual Property, nor our right to register our rights in the Intellectual Property or to grant to others the right to use the Intellectual Property or any other intellectual property that we own. You understand that the Intellectual Property will remain our property, and that your use of any portion of the Intellectual Property inures to our benefit. You also agree that you will not sub-license the Intellectual Property rights we have granted to you under the Membership Agreement, to any other person or entity and you will not use such Intellectual Property for any purpose other than in connection with the Hotel in accordance with the terms of the Membership Agreement. You agree to assign and you do hereby assign any and all rights you or any other party working on your behalf may have or develop in the Intellectual Property at no cost to us. You acknowledge and agree that all rights to our Intellectual Property that have not been granted to you in the Membership Agreement will remain ours.

b. Limited Use; Web Sites. You acknowledge and agree that you will not include the Mark (or any other Choice Marks), any words that constitute a portion of the Mark (or any other Choice Marks), words that describe the Mark (or any other Choice Marks), any portion of the names of our Property Management System or Reservation System, or anything confusingly similar to these marks or words ("Choice-Related Words") in your name or the name of any of your affiliates, whether a partnership, corporation, limited liability company, joint venture or any other type of business organization. You will not establish, or operate a previously established web site on the internet (or on any other network, wireless or otherwise) using any domain name (or other identifying characteristics) that contains any of the Choice-Related Words, or any other portion of our Intellectual Property or anything similar to our Intellectual Property or which does not comply with our then-current domain name policy or our property website guidelines, internet distribution policy, or such similar policies or regulations adopted by us from time to time and made available to you. You acknowledge and agree that the restrictions on your use of the Choice-Related Words will survive the expiration or earlier termination of the Membership Agreement and that we retain the right to pre-approve your use of linking and framing between your internet (or other network) web pages and all other web sites. We have the right to determine the content and use of online or electronic media associated with any of the Choice Marks. You may not participate in any website or other electronic media (including social media) that markets goods and services under the Choice Marks unless it is first approved in writing by us.

c. Limited Use of Mark. After the Effective Date but before the Opening Date, you may make the following limited use of the Mark:

i. Temporary Signs. No earlier than 90 days prior to the Opening Date, use the Mark on a temporary sign, meeting our standards, at the Location advising the general public that a hotel authorized to use the Mark is under construction;

ii. Local Media. No earlier than 90 days prior to the Opening Date, use the Mark to promote the Hotel construction and opening in the local media;

iii. Supplies. No earlier than 90 days prior to the Opening Date, purchase operating supplies and equipment bearing the Mark required for Hotel operation; and

iv. Permanent Signs. No earlier than 30 days before the Opening Date and only with our written consent, install permanent Hotel signs meeting our standards bearing the Mark and the designated logo.

d. Permitted Registration. If you are required by law to register any of our Intellectual Property, your registration application must specify that you will use our Intellectual Property: (i) only at the Hotel and in advertising for the Hotel; (ii) only during the Term; and (iii) without claiming any rights in and to the Intellectual Property during or after the Term.

e. Notice of Suit; Injunctive Relief; Survival. You will promptly notify us of any suit filed or demand made against you challenging the validity of our Intellectual Property ("IP Claim"). Following the receipt of such notice from you and using our attorneys, we agree to defend you against any IP Claim, and to defend and indemnify you against your loss, cost or expense related to such IP Claim, except where such IP Claim arose because you used our Intellectual Property in violation of our domain name policy, property website guidelines, internet distribution policy, these Terms and Conditions, the Membership Agreement, the ChoiceAdvantage Software Terms of Use, or the Rules and Regulations. You will not settle or compromise any IP Claim without our prior written consent, and you agree to cooperate with us in defending against any such IP Claim. In connection with such IP Claim, you acknowledge and agree that if at any time during the Term you do not immediately discontinue the use of our Intellectual Property (including the Mark) or the Choice-Related Words following our notice to you to discontinue such use, we will seek injunctive and equitable relief for your infringement (or use of the Choice-Related Words) and, in that event, you waive, to the maximum extent permitted by law, any requirement for any bond for the issuance of any injunction, and if a bond is required, you agree that it will not exceed $1,000. The provisions of this Section 7 will survive the expiration or earlier termination of the Membership Agreement.

f. Changes to Mark. You agree and acknowledge that we have the right, in our sole discretion, to modify, add to, or discontinue use of the Mark, or to substitute different proprietary marks, for use in identifying the System and/or the Hotel. You shall promptly comply with such changes, revisions and/or substitutions, and bear all the costs of modifying your interior and exterior signage, advertising materials, interior graphics and any other items which bear the Mark to conform therewith.

g. Your Marks. You must obtain our prior written consent to use any new or existing trademarks, trade names, service marks or logos that are owned or licensed by you (collectively, "Your Marks") in the operation of the Hotel. You represent and warrant to us that you are the owner of all right, title, and interest in and to Your Marks, or you otherwise have the right to use Your Marks and to license others to use Your Marks. You hereby grant to us, or our designee, a non-exclusive, limited, revocable license to use Your Marks to market, promote, and advertise the Hotel and display and use Your Marks in connection with the Reservation System during the Term. We will promptly notify you of any suit filed or demand made against us challenging the validity of Your Marks ("Your Marks Claim"). Following the receipt of such notice from us and using your attorneys, you agree to defend us against any Your Marks Claim, and to defend and indemnify us against any loss, cost or expense related to such Your Marks Claim, except where such Your Marks Claim arose because we used Your Marks in violation of the Membership Agreement.

8. Change in Sleeping Room Count. You may change the Sleeping Rooms by 5% or less by constructing additional (or removing) Sleeping Rooms, but only after providing prior written notice to us. If you wish to change the Sleeping Rooms by more than 5% by constructing additional (or removing) Sleeping Rooms or if you wish to make substantial alterations to the Hotel, you may not do so without our prior written consent, which may be conditioned on, among other things, our inspection of the Hotel and the applicable rooms. If we consent to your expansion of the Hotel or to substantial alterations to the Hotel, you must send us your construction plans and pay us an expansion fee for each addition to the number of Sleeping Rooms equal to the then-current per-room charge for hotels that are permitted to use the Mark, but the expansion fee will be not less than $1,000. We will add any additional Sleeping Rooms or Meeting Rooms that you construct to the Rentable Rooms (or delete any Sleeping Rooms or Meeting Rooms that you remove from the Rentable Rooms), and you will include revenues from the additional Sleeping Rooms to calculate the Gross Room Revenues for determining the fees due under the Membership Agreement.

9. Transfer. We may sell or assign all or part of our rights or obligations under the Membership Agreement to any person or legal entity. Any such sale or assignment will inure to the benefit of any assignee or other successor. Except for a Permitted Transfer (defined below), you may not sell, assign, transfer, lease, or otherwise encumber any direct or indirect interest that you have in the Hotel, in you, or in any rights or obligations under the Membership Agreement without giving us at least 15 days prior written notice and obtaining our prior written consent, which will not be unreasonably withheld or delayed. You and the transferee must comply with all reasonable conditions we require in connection with any transfer, including, but not limited to, the transferee executing our then-current form of membership agreement and paying our then-current affiliation fee. Our consent is not required for the following "Permitted Transfers," so long as you promptly provide us with written notice: (i) a mortgage, deed of trust or other encumbrance, pledge or other grant of security interest in any direct or indirect interests in you or the Hotel to a third party lender or third party preferred equity provider, (ii) a sale, assignment or transfer of any direct or indirect interest in you or the Hotel to or among the existing owners, (iii) the sale, assignment or transfer by you of securities in a publicly-traded corporation or entity that individually, or in the aggregate with other sales or transfers by you, constitute the sale or transfer of less than 5% of the outstanding capital stock or other equity interests in you or the Hotel, or (iv) a transfer to a close family member (current spouse, parent, child, sibling, grandchild or grandparent) for estate planning purposes.

10. Default and Termination.

a. Termination with Notice and Opportunity to Cure. If you default in your material obligations under the Membership Agreement, we may terminate the Membership Agreement, effective on the date stated in our notice (or the earliest date permitted by applicable law) as follows:

i. Non-Payment of Fees. If you do not pay us the Membership Fee, System Fee, or any other fees, charges and amounts due under the Membership Agreement (including travel agent commissions and global distribution system fees) or file required monthly reports of Gross Room Revenues, within 10 days of our written notice of default to you; or

ii. Other Breach. If you do not cure fully any other breach of your obligations or warranties under the Membership Agreement, within 30 days of our written notice of default to you (or such longer period we designate in our sole discretion).

iii. Cure Periods. You acknowledge and agree that we may, in our sole discretion, extend the time period for you to cure any default but are under no obligation to do so, and any such extension shall not constitute a waiver of the cure periods set forth in these Terms and Conditions.

b. Immediate Termination Effective on Notice. Upon written notice to you, we may terminate the Membership Agreement immediately, without giving you an opportunity to cure the default, if:

i. Imminent Threat. There is an imminent threat or danger to public health or the safety of persons or property resulting from the construction, renovation, maintenance, or operation of your Hotel;

ii. Abandonment; Loss of Possession; Failure to Open. You stop operating the Hotel using the Mark or according to the requirements of our System or the Membership Agreement for any period of time, you abandon the Hotel, you temporarily or permanently lose the right to possess the Hotel (including, without limitation, due to the appointment of a Receiver or an event of condemnation), you lose the right to operate the Hotel, you fail to open the Hotel using the Mark or in accordance with the Membership Agreement, or you lose the right to transact business in the jurisdiction in which the Hotel is located;

iii. Criminal Behavior. You (or a beneficial owner of you) are charged with or plead guilty to a felony, a fraud, a crime involving moral turpitude or any other crime or offense that we reasonably believe is likely to have an adverse effect on the Mark, the Choice Marks, our System, the Other Choice Brand Hotels, our business, our goodwill, our Intellectual Property, or our interest in the Membership Agreement or any other instrument or agreement that we may have entered with you;

iv. Transfer. You (or a beneficial owner of you) transfer or purport to transfer any rights or obligations under the Membership Agreement, any Controlling Interest in you, your interest in the Hotel, or a Controlling Interest in the Hotel without our prior written consent, except as otherwise permitted under Section 9 hereof;

v. False Records. You maintain false books or records, send us false reports, or make any materially false statement in your membership application or any other document you are required to submit to us;

vi. Bankruptcy. You file a petition in bankruptcy, become insolvent, make a general assignment for the benefit of creditors, or are unable to pay your debts to creditors on a timely basis;

vii. Insurance. You do not buy, maintain or send us evidence of insurance as required by these Terms and Conditions, or if we opt to procure, on your behalf, insurance required by these Terms and Conditions and you fail to reimburse us as we require under Section 12(f) hereof;

viii. Multiple Defaults. We send you 2 or more written notices of default under the Membership Agreement for the same or a similar cause or reason in any consecutive 12 month period during the Term, whether or not cured;

ix. Opening Deadline. You fail to open the Hotel by the Opening Deadline in accordance with Section 6(f);

x. Goodwill. You engage in conduct that impairs the image, identity, value or goodwill associated with the Mark (or any other Choice Marks) or the System; or

xi. Confidential Information. You make a material unauthorized disclosure of Confidential Information.

c. Suspension of Membership Rights. If you breach any material obligation required by the Membership Agreement or are in default hereunder, we may, after 10 days from our written notice of default (or longer time required by law) for financial defaults, or after 30 days from our written notice of default (or longer time required by law) for non-financial defaults, or immediately in the case of a breach under Section 10(b), above: (i) suspend any or all services that we (or our authorized representative) provide to you in connection with our System including your access to our Central Reservation System, or (ii) suspend your right to use our Intellectual Property. In addition, while the default remains uncured, you will have no rights under the Fair Franchising Policy (as defined in Section 19(b)). In our sole discretion, we may reinstate the suspended System services or the right to use our Intellectual Property if you cure your default before the Membership Agreement terminates and pay us the then-current reinstatement fee (as established in the Rules and Regulations). If we suspend System services or your right to use our Intellectual Property, we may use other remedies, including termination of the Membership Agreement, after the appropriate time to cure, if any, has lapsed.

d. Our Remedies.

i. No System Services. If the Membership Agreement expires or is terminated, we will cease to provide you with any services in connection with our System, which will include removal of the Hotel from any directories, websites, and other distribution channels, cessation of promotion programs and advertising, and cessation of your right to use our Intellectual Property. In addition, we may notify guests holding reservations that the Hotel is no longer authorized to use the Mark, use our Intellectual Property or receive services in connection with our System, and we may relocate such guests upon their request.

ii. Liquidated Damages – Pre-Opening Termination. If we terminate the Membership Agreement due to your default prior to the Opening Date, you will pay us, within 30 days after the termination, as liquidated damages and not as a penalty for the premature termination of the Membership Agreement, an amount equal to the product of (i) the number of contractually approved Sleeping Rooms, multiplied by (ii) $75.00, multiplied by (iii) 36 months.

iii. Liquidated Damages – Post-Opening Termination. If we terminate the Membership Agreement due to your default after the Opening Date, you will pay us, within 30 days after termination, as liquidated damages and not as a penalty for the premature termination of the Membership Agreement, an amount equal to the product of (i) the average monthly Gross Room Revenues during the prior 12 full calendar months (or such shorter time that the Hotel has been open), multiplied by (ii) the maximum Membership Fee payable under Section 5(b) of the Membership Agreement, multiplied by (iii) the lesser of 36 months or the number of months (including partial months, which will be prorated) between the date of termination and the expiration of the Term. However, the product of (i) multiplied by (ii) will not be less than the product of $75.00 multiplied by the number of contractually approved Sleeping Rooms.

iv. Reasonable Estimate. You acknowledge and agree that the injury to us caused by your breach of the Membership Agreement and its termination is difficult or impossible to accurately estimate, and that the methods of calculating liquidated damages in Sections 10(d)(ii), 10(d)(iii), and 11(a) are reasonable estimates of our probable loss resulting from your breach of the Membership Agreement and its termination. Payment of liquidated damages by you does not affect your obligation to pay us all fees and amounts due to us that accrued before the termination of the Membership Agreement nor does it affect your continuing indemnification obligations pursuant to Section 13 of the Membership Agreement.

v. Discounted Liquidated Damages. We will reduce the amount of liquidated damages payable to us under this Section 10(d) by 20% (the "Discounted Liquidated Damages Amount") if, within 15 days of termination of the Membership Agreement, you (i) discontinue all use of our Intellectual Property (including the Mark and Choice-Related Words), (ii) pay all outstanding fees and charges due under the Membership Agreement and any other franchise agreement between Choice and you or your affiliate, and (iii) pay the Discounted Liquidated Damages Amount to us by certified or cashier's check. Notwithstanding the foregoing, if we terminate the Membership Agreement pursuant to Section 10(b)(ii) because you abandon the Hotel or stop operating the Hotel using the Mark or according to the requirements of our System or the Membership Agreement, we will reduce the amount of liquidated damages payable to us under this Section 10(d) by only 5%, provided that you comply with (i) through (iii) above.

e. Evidence of Breach. If the validity of the termination of the Membership Agreement is disputed, we may introduce evidence of a breach of the Membership Agreement or evidence of any claim associated with the Hotel, including any facilities that are managed by others at the Hotel, whether or not stated in the default or termination notice.

11. Obligations on Termination. On termination or expiration of the Membership Agreement for any reason, you must, at your expense:

a. Intellectual Property. Immediately discontinue all use of our Intellectual Property, refrain from using the Mark to identify the Hotel and cease to use the Choice-Related Words. If you do not immediately discontinue use of our Intellectual Property (including the Mark) or use of the Choice-Related Words following the expiration or termination of the Membership Agreement, you will pay us as liquidated damages and not as a penalty, the sum of $2,500 for each day following the expiration or termination of the Membership Agreement that you continue to use our Intellectual Property (including the Mark) or the Choice-Related Words, and we will have the right to seek injunctive and equitable relief for your infringement (or use of the Choice-Related Words) and, in that event, you waive, to the maximum extent permitted by law, any requirement for any bond for the issuance of any injunction, and if a bond is required, you agree that it will not exceed $1,000;

b. Registration. Cancel any assumed name or similar registration containing our Intellectual Property (including the Mark) or any variation or portion of our Intellectual Property (including the Mark) or the Choice-Related Words, discontinue all use of any web sites or other electronic media (including social media) that markets goods and services under the Choice Marks and furnish us with reasonable evidence showing that you complied with these obligations within 30 days after termination or expiration of the Membership Agreement;

c. Payment. Promptly pay all sums owed to us and our subsidiaries or affiliates, and all damages, costs, and expenses, including reasonable attorneys' fees, that we incur, either before or following the termination of the Membership Agreement, as a result of your default, including all outstanding Membership Fees, System Fees, any liquidated damages due under the Membership Agreement, and any costs and expenses we incur to obtain injunctive relief for the enforcement of any portion of the Membership Agreement; and

d. Return or Destroy Materials. Immediately return to us, or at our option, destroy all originals and copies of any materials that we have provided to you relating to our System and your operation of the Hotel, including all copies of any manuals, the Rules and Regulations and any data stored in or generated by our Property Management System and Reservation System. Except for your copy of the Membership Agreement and other documents that you reasonably need to comply with applicable laws, you may not retain any material that we provided to you during the Term.

12. Insurance.

a. Pre-Opening Coverage. You must purchase by Construction Start and maintain until the Opening Date, at your expense, directly or through your general contractor, the types and amounts of insurance coverage as we may require in the Rules and Regulations or otherwise in writing, including, but not limited to:

i. General Liability. Commercial General Liability Insurance (including automobile liability, bodily injury and property damage) protecting you and naming us and our affiliates and subsidiaries, our and their respective officers, directors, agents and employees as Additional Insureds (as defined in Section 12(c)) from and against all types of liabilities, including personal injury and property damage, together with the costs of defense and/or adjustments arising out of the operations to construct or renovate the Hotel. The insurance must include coverage for contractual liability, explosion, collapse and underground property damage hazard liability, personal injury liability, products and completed operations liability, owner's and contractor's protective liability, and independent contractor's liability and must be accompanied by waivers of subrogation in our favor and the favor of our affiliates and subsidiaries, the officers, directors, agents and employers of us, our affiliates and subsidiaries.

ii. Builder's Risk. All-risk builder's risk coverage to insure the Hotel buildings under construction or renovation to 100% of their replacement cost value, protecting you, us and the Additional Insureds, and a workers' compensation policy as required by statute.

b. Post-Opening Coverage. Beginning no later than the Opening Date and for the rest of the Term, you must purchase and maintain, at your expense, the types and amounts of insurance coverage as we may require in the Rules and Regulations or otherwise in writing, including, but not limited to:

i. Physical Damage Coverage. All-risk physical damage coverage, insuring the Hotel and its contents for its full replacement cost. If the Hotel is damaged or destroyed, and unless a mortgagee requires otherwise, the proceeds of any insurance will be used to repair or restore the Hotel in accordance with your plans that we approve. Your insurance must contain a waiver of subrogation in our favor and the favor of our affiliates and subsidiaries, the officers, directors, agents and employees of us, our affiliates and subsidiaries.

ii. General Liability; Automobile. Commercial Automobile and Commercial General Liability Insurance policies written on an occurrence form protecting you and the Additional Insureds (as defined in Section 12(c)) from and against all manner of liability. The coverage described in the preceding sentence is primary to any coverage that we maintain and must include Contractual, Products and Completed Operations, Independent Contractors, Personal Injury, Property Damage, Bodily Injury and Host Liquor Liability coverage (if applicable), together with the costs and expenses of the defense and/or adjustment of injury or damage, without exception, from or in any way related to any operation or activity conducted under the Membership Agreement and/or of the Hotel, including adjacent areas like swimming pools, parking lots, restaurants, and bars. Your Automobile Liability Policy must cover owned, hired and non-owned vehicles used in the operation of the Hotel. The policies described in this Section 12(b)(ii) must cover lawsuits or actions brought anywhere in the world. These policies must provide limits per location and per occurrence as required in the Rules and Regulations and must be accompanied by a waiver of subrogation in favor of the Additional Insureds. You may meet the required total minimum limits through a combination of primary and umbrella policies. If alcoholic beverages are sold at the Hotel (whether or not you own the establishment that sells the alcohol), you must purchase and maintain Dram Shop/Liquor Liability Insurance with such limits as required in the Rules and Regulations.

iii. Workers' Compensation. Statutory Workers Compensation and Employers Liability insurance with minimum Employers Liability limits per accident and per disease as required in the Rules and Regulations.

iv. Business Interruption. Business interruption insurance which shall provide for coverage of a minimum of three (3) months in the event the Hotel is not operational at any time during the Term. Your business interruption insurance policy must name us as a specific loss payee.

v. Cyber Liability. Cyber Liability insurance providing minimum coverage as required by the Rules and Regulations.

c. Additional Insured Requirement. You must also obtain and attach an endorsement for all commercial automobile, commercial general and umbrella policies used to meet the requirements in Sections 12(a) and 12(b) adding us, our affiliates and subsidiaries, our and their respective officers, directors, agents, partners and employees, as additional insureds ("Additional Insureds").

d. Rating; Primary Coverage; Notice of Change. You must place your insurance with insurance companies reasonably acceptable to us and with an A.M. Best Rating of A-, VI or better. All insurance, commercial automobile, commercial general liability, umbrella and dram shop/liquor liability (if applicable), that you purchase must be specifically endorsed to provide that the coverage will be primary and that any insurance carried by Additional Insureds will be excess and non-contributory. We may reasonably change the insurance coverage requirements set forth in this Section 12 during the Term by giving you at least 30 days' notice of the change. You must comply with our directions, at your expense, and deliver to us evidence of your compliance before the change becomes effective.

e. Certificates of Insurance. You must send us, by no later than ten (10) days prior to Construction Start and/or the Opening Date, as applicable under Sections 12(a) and 12(b), certificates of insurance, endorsements, declarations and/or other documents requested by us, indicating your property code, the Hotel name and address, and proof that you have purchased the required insurance coverage and the Additional Insureds endorsement has been accepted by your insurance carrier. You must also provide us with evidence of renewal before the expiration date of each insurance policy. You are responsible for providing us with 30 days advanced written notice if the certificate of insurance by the insurer has been canceled, reduced in coverage, or otherwise altered. Acceptance by Choice of an improper certificate of insurance shall not constitute a waiver, release or modification of any of the insurance coverage and endorsements required under the Membership Agreement.

f. Procurement of Insurance. If you, for any reason, fail to procure or provide us with evidence that you maintain at least the minimum insurance required by Section 12(a) or 12(b), as applicable, (or as designated by us from time to time in the Rules and Regulations) together with the endorsement required by Section 12(c), you acknowledge and agree that we will have the immediate right and authority, but not the obligation, to procure such insurance on your behalf, and charge you the cost of the insurance and, at our option, a reasonable penalty. You agree that you will reimburse us for the cost of such insurance and for any reasonable out-of-pocket costs that we incur should we elect to obtain such insurance within 30 days of receipt of our notice that such costs are due and payable to us. The foregoing shall not limit our right to terminate the Membership Agreement pursuant to Section 10(b)(vii).

g. No Waiver of Obligations. Your purchase and maintenance of insurance and your performance of your obligations under the Membership Agreement are in addition to your obligation to indemnify us. If applicable, you should obtain additional insurance coverage since we do not require insurance against all potentially insurable risks, such as Employment Practices Liability insurance; if you do, for your protection, you should name us as an Additional Insured on this additional coverage.

13. Indemnification. To the fullest extent permitted by law, you must defend, indemnify and hold harmless us, our affiliates and subsidiaries, our and their respective officers, directors, agents, partners and employees (each, an "Indemnified Party") from and against any claim, loss, cost, damage, expense judgment and liability, including, but not limited to, employment related liability and environmental liability (a "Claim"), including reasonable attorneys' fees (whether or not a lawsuit has been filed) and any court costs, resulting in whole or in part from any damage or loss, including personal injury, of any nature, connected with the Hotel construction, renovation or operation, or any facilities that are managed by others in the Hotel, or out of, or as a result of, in whole or in part your (or your agent's or employee's) error, omission, act or failure, even where negligence of an Indemnified Party is alleged, except to the extent that the loss, costs, damage, expense or liability is solely and proximately caused by the negligence of an Indemnified Party. Notwithstanding the foregoing, if we are required by a court of law to contribute to any Claim, the amount of our contribution will be calculated by applying principles of comparative negligence where a Claim was jointly caused by your negligence and by our negligence. You must reimburse us for all amounts we reasonably spend, including attorneys' fees and court costs, to protect the Indemnified Parties from, or to remedy, your defaults under the Membership Agreement or claims arising out of your operation of the Hotel. We will have the sole and exclusive control (including the right to be represented by attorneys of our choosing) over the defense of any Claims against an Indemnified Party and over their settlement, compromise or other disposition. This provision will be deemed divisible, such that if it is in any way (or to any extent) determined to be invalid or unenforceable, it will be deemed modified so as to be valid and enforceable and to be in full force and effect to the fullest extent permitted by law. This provision will survive the expiration or earlier termination of the Membership Agreement.

14. Casualty. If the Hotel is damaged by fire, natural disaster or other casualty, you must promptly and properly repair the damage. If the damage or repair requires closing the Hotel, you must immediately notify us, begin reconstruction within 6 months after that closing; reopen the Hotel for continuous business operation in accordance with the Rules and Regulations as soon as practicable (but in any event within 12 months after the Hotel closing), and send us at least 30 days' prior written notice of the date of reopening. Upon your written request, we will extend the Term of the Membership Agreement by the number of days between the date of the original closing of the Hotel and the date of reopening. If insurance proceeds are not available or are insufficient to repair or rebuild the Hotel and if you provide us with reasonable evidence that such proceeds are not available to you within 6 months after the original closing of the Hotel, and provided that you are not in default at the time of casualty and are not the cause of the insurance proceeds not being available, then we will terminate the Membership Agreement without penalty to either party.

15. Notices. All notices required or permitted under the Membership Agreement must be in writing, must be personally delivered or mailed by registered or certified mail, return receipt requested, or by a nationally recognized delivery or courier service that allows tracking of packages or letters, to us at **Choice Hotels International, Inc., 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, Attention: General Counsel**, or at such other address we require upon written notice to you, and to you at the Designated Representative's address set forth in Section 2(c) of the Membership Agreement. You authorize the Designated Representative to submit written notices to us or receive our written notices to you as your agent. Any notice by registered or certified mail or by delivery or courier service is deemed given and received at the date and time of sending. You may change the Designated Representative and/or the Designated Representative's address by written notice to us.

16. Attorneys' Fees. Attorneys' fees must be paid according to the terms of this Section 16 and also, as may be applicable, Section 13 hereof. The prevailing party (as determined by the court or arbitrator) in any arbitration or claim filed to enforce the terms of the Membership Agreement will recover from the other party the reasonable expenses of its attorneys, whether that attorney is employed by you or us or specially retained in connection with the proceeding, along with any court costs, arbitration costs, arbitrator fees, the reasonable costs of necessary expert witnesses, and the reasonable travel costs (including food and lodging) of the prevailing party's witnesses in the proceeding. If such a claim seeks, in whole or in part, attorneys' fees under Section 13, that provision will control. Attorneys' fees, including those payable to any attorney who is an employee of yours or ours, will be determined by reference to the usual and customary rate for such attorney, and the rates charged by attorneys of similar background and experience performing similar work in the area where the proceeding is conducted. Any judgment or arbitration award for fees or other amounts owed to us to enforce our rights under Section 5 of the Membership Agreement or Section 10(d) or Section 21 hereof will bear interest at the rate referred to in Section 5(f) of the Membership Agreement until paid.

17. Taxes, Permits; Notice of Legal Actions.

a. Taxes. You must pay when due all taxes related to the Hotel that may be levied or assessed by any federal, state, or local taxing authority, and all other indebtedness related to the Hotel. You must pay any sales tax, gross receipts tax, or similar tax imposed on us (but not our income taxes) on any payments that you must make to us under the Membership Agreement. If there is a bona fide dispute as to liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness under the procedures of the taxing authority or applicable law. You may not permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the Hotel or the Location.

b. Permits. You must timely obtain and maintain all permits, certificates, and licenses necessary for the construction, renovation, operation and maintenance of the Hotel, including licenses to do business, fictitious name registration and sales tax permits, health and sanitation permits, and ratings and fire clearances. You must send us, within 10 days of your receipt, copies of all inspection reports, warnings, certificates, and ratings, received from any governmental entity.

c. Notice of Suit. You must notify us in writing and provide us with copies, within 5 days of your receipt, of any actual or threatened criminal or civil action, suit, proceeding, or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality affecting you or the Hotel.

18. Approvals and Waivers.

a. Approvals. Our approvals and consents will not be effective unless signed by one of our duly-authorized representatives. We may withhold our consent in our reasonable discretion or at any time when you are in breach of any obligation under the Membership Agreement.

b. Reliance; No Liability. Except as otherwise expressly stated in the Membership Agreement (including any addenda or amendments), we make no warranties or guarantees on which you may rely. We assume no liability or obligation to you by providing any waiver, approval, consent, suggestion to you, or by reason of any delay or denial of any request that you make to us.

c. No Waiver/Forbearance. Failure to exercise any power or to insist on strict compliance with any obligation or condition under the Membership Agreement is not a waiver of any future right to demand exact compliance with any of the terms in the Membership Agreement. Waiver of any particular default or extension of any cure period will not affect or impair a party's rights with respect to any later default of the same, similar, or a different nature. No delay, forbearance, or omission to exercise any power or right of a party following any breach or default of any of the terms, sections, or covenants of the Membership Agreement by the defaulting party, will affect or impair the rights of the party not in default.

19. Acknowledgments.

a. No Warranty or Guarantee. You acknowledge and agree that you have conducted an independent investigation of the benefits of signing the Membership Agreement, and you understand that the business venture contemplated by the Membership Agreement involves business risks, and that its success will be largely dependent on your ability as an independent business person. We have not made, and you acknowledge that you have not received from us or our agents, any representations, projection, warranty or guarantee, express or implied, as to the profitability or other potential success of the business venture contemplated by the Membership Agreement, except as expressly set forth in the Franchise Disclosure Document.

b. Limited Rights. You acknowledge and agree that the Membership Agreement and the limited rights to use the Intellectual Property granted to you under the Membership Agreement relate only to the Hotel and the Location. Except as may be specifically set forth in Section 3, the Membership Agreement does not grant you any protected area, market or territorial rights. Subject to the terms of our then-current version of the fair franchising policy ("Fair Franchising Policy"): (i) we may own, operate, or franchise other hotels and/or allow such hotels to use our Intellectual Property (including the Mark), at any other location, either separately or combined, and (ii) we, and any of our affiliates and other franchisees may now or in the future engage in transient lodging or related business activities that may compete with the Hotel. The Incremental Impact Policy, which is referenced in the Fair Franchising Policy, does not apply to the Hotel.

c. Control; No Duty; Independent Contractor. You acknowledge and agree that you are solely responsible for exercising ordinary, day-to-day business control over the Hotel, including all personnel and employment related matters and decisions and pricing of rooms and other services at the Hotel, regardless of any advice or consultation received from us. Neither the Membership Agreement nor the Rules and Regulations create a fiduciary or joint employer relationship between you and us or between your employees and us. You are an independent contractor. Nothing in the Membership Agreement or the Rules and Regulations makes, or is intended to make, either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other (except that you agree that we may act as your agent when making reservations for your Hotel).

d. No Right to Contract; No Third Party Obligations; Truthfulness. You acknowledge and agree that you are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and we shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action. You acknowledge and agree that you will not represent in any proposed financing agreement or to any proposed lender or participant in a public or private investment offering that we or any of our affiliates is, or will, become responsible for your obligations under the financing agreement, nor that we are, or will be, participating in any private or public investment offering. Before you distribute a prospectus of your intended private or public offering, you must send us a copy for our prior written approval, not to be unreasonably withheld, of references made to us in the prospectus. You warrant the truth and completeness of all your statements in your application and the content of all other documents that you send to us as part of the application process and that you are required to submit to us under the Membership Agreement.

e. Disclosure. You acknowledge that you received from us the Franchise Disclosure Document required by the Federal Trade Commission and by the applicable state(s) in which you live and where the Hotel is located at least 14 days before you signed the Membership Agreement or paid to us any consideration for the hotel franchise.

f. Ownership. You warrant that you are the true owner of, and record holder of title to, the Hotel, or you are currently leasing the Hotel under a lease that allows you the right to enter into the Membership Agreement. If you are a corporation, limited liability company, partnership, or other entity, all owners of the entity, including any subsequent person or entity that becomes an owner at any time after the Effective Date, shall sign our then-current form of personal guaranty agreement, unless expressly waived by us in our sole discretion.

g. Data Security. You acknowledge and agree that we and you each own the rights in and to any data captured by the Property Management System or Reservation System ("Guest Data") and that we may use Guest Data in any reasonable manner that we determine. You also acknowledge and agree that you are obligated to comply with all information security and data privacy standards and requirements contained in the Brand Standards and all applicable federal and state laws, regulations, and standards relating to information security and data privacy, including, without limitation, the Payment Card Industry Data Security Standard ("PCI DSS"). You must secure all Guest Data against loss or theft and against unauthorized or unintended access, disclosure, copying, use or modification. You agree to notify us in writing as soon as practicable (and at least within 24 hours) of any known, suspected, or alleged security breach of Guest Data in your possession or custody or under your control. You also acknowledge and agree that you are obligated to indemnify us from and against any Claim resulting from any such data security breach pursuant to Section 13 hereof. Without limiting the foregoing, to the extent we possess or otherwise provide services that allow for the storage, processing, or transmittal of Guest Data as defined by the PCI DSS ("Services"), or to the extent we could impact the security of the Guest Data environment, we will remain in compliance with the applicable PCI DSS requirements with respect to those Services. We will also remain aware of changes to the PCI DSS and implement all procedures and practices as may be reasonably necessary for the Services to remain in compliance with the PCI DSS, in each case at our sole cost and expense.

h. System Fee. You acknowledge and agree that (i) we may increase the System Fee due to cost increases attributable to inflation, increases in the costs of advertising, publicity, public relations or marketing, additional costs of implementing new or improved programs or systems, or increases in our cost of providing the Property Management or Reservation Systems or any of the other aspects of our System, so long as the increases apply to all or most of the U.S. hotels that are authorized to use the Mark; (ii) we may assess additional fees and charges for various components of the System and other services (including promotional programs and use of proprietary software) as described in the Membership Agreement and the Rules and Regulations; and (iii) we may advance monies for the purposes described herein in an amount reasonably necessary to ensure the provision of such services whether or not sufficient System Fees are then available and subsequently obtain reimbursement of such advances through the fee increases described above or utilizing future System Fees to recover previous monies advanced. You acknowledge and agree that we may use the System Fee to meet all costs incident to providing the Hotel (and all Other Choice Brand Hotels) with marketing and advertising services, the Property Management System, and the Reservation System, and that such costs may include certain of our overhead expenses that are reasonably allocated to provide such services. You further agree that we have the absolute and unilateral right to determine, when, how and what portion of the System Fee may be used for (i) marketing purposes, including the right to purchase and pay for marketing services, product research and development, production materials, ad slicks, brochures, videotapes, radio and television commercials, media advertising (internet, e-commerce, television, radio, cable, magazines, newspapers and other print), services provided by advertising agencies, market research, trade shows, conventions, promotions, research and design, public relations, and loyalty programs, (ii) the development, operation and maintenance of the Property Management System and Reservation System, and (iii) the cost of personnel, accounting services, travel expenses, office space, overhead costs, administrative costs, computers, other equipment, furniture, salaries and fringe benefits, development, design and maintenance of internet web-pages and websites, including internet service provider costs, network costs, and for other similar costs that we reasonably deem to be appropriate. You also acknowledge that other members authorized to use our System may not contribute the same percentage or total amount that you must pay to us as the System Fee. You further acknowledge and agree that we are not obligated, in expending the System Fee, to make expenditures for your Hotel or Mark which are equivalent or proportionate to your contribution.

i. ChoiceAdvantage Software Terms of Use. You acknowledge and agree that your right to use the Property Management System will be governed by the ChoiceAdvantage Software Terms of Use that are provided to you in an online format which you agree to review periodically. You acknowledge and agree that the ChoiceAdvantage Software Terms of Use are specifically incorporated as part of the Membership Agreement and you will comply with the terms and conditions of the then-current ChoiceAdvantage Software Terms of Use. You agree that you, the Hotel's general manager, or any other authorized employee of the Hotel ("Authorized User") may accept and agree on behalf of you to the terms and conditions of the ChoiceAdvantage Software Terms of Use. You also acknowledge and agree that we have the right, in our sole discretion, to modify, add or remove any terms or conditions of the ChoiceAdvantage Software Terms of Use. Changes to the ChoiceAdvantage Software Terms of Use will be posted online and will be immediately effective. You agree that use by an Authorized User of the Property Management System after we post any such changes, will indicate that you accept and agree to the ChoiceAdvantage Software Terms of Use, as modified.

j. No Liability. You acknowledge and agree that we will not assume liability for, or be deemed liable as a result of, any act or omission of yours relating to the construction, renovation, operation, maintenance or promotion of the Hotel or for any claim or judgment arising from such act or omission.

k. Anti-Terrorism / Anti-Bribery Laws. You individually represent and warrant to us that neither you (including your directors and officers, senior management and shareholders (or other persons) having a controlling interest in you), nor any affiliates or funding sources are (a) owned or controlled by, or acting on behalf of, the government of any country that is subject to an embargo imposed by the United States government; or (b) an entity or individual ("Person") identified by any government or legal authority under applicable laws as a Person with whom dealings and transactions by us are prohibited or restricted, including Persons designated on the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) List of Specially Designated Nationals and Other Blocked Persons (including known terrorists and narcotics and human traffickers). You will promptly notify us in writing upon the occurrence of any event which would render the foregoing representations and warranties incorrect. You further represent and warrant to us that you, including persons having a controlling interest in you, are not in violation of any anti-money laundering laws, anti-terrorism, anti-bribery, trade sanctions or other laws or embargoes, including without limitation the U.S. Patriot Act and the U.S. Foreign Corrupt Practices Act and related regulations and executive orders. You represent and warrant that you are qualified to do business in the United States, have the authority to execute the Membership Agreement, and are eligible under applicable United States laws to carry out the obligations under the Membership Agreement and any subsequent assumption of your rights and obligations under the Membership Agreement.

l. Child Protection Code of Conduct. We are a member of "The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism"(www.thecode.org) ("The Code"), which is an industry-driven responsible tourism initiative with a mission to provide awareness, tools, and support to the tourism industry in order to prevent the sexual exploitation of children. You agree to support the principles of The Code and to take all reasonable steps at the Hotel, including the training of staff, to recognize and prevent all forms of human trafficking.

20. Miscellaneous.

a. Governing Law. The Membership Agreement becomes valid and effective only when we have signed it, and it will be interpreted under the substantive laws of Maryland, not including its conflict of laws provision or such provisions of any other jurisdiction; except that nothing herein shall be construed to establish independently your right to pursue claims under Maryland's Franchisee Registration and Disclosure Law.

b. Severability. If any section of the Membership Agreement is held to be illegal, invalid or unenforceable, both parties agree that (i) the section will be removed; (ii) the Membership Agreement will be understood and enforced as if the illegal, invalid, or unenforceable section had never been in the Membership Agreement; and (iii) the remaining sections will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable section or by its removal. A section similar to the removed section will be automatically added as a part of the Membership Agreement to the maximum extent enforceable.

c. No Third Party Beneficiaries. Except as otherwise expressly provided in the Membership Agreement, nothing in the Membership Agreement is intended, nor will anything in the Membership Agreement be deemed, to confer on any person or legal entity other than us or you, or our respective successors and permitted assigns, any rights or remedies under or by reason of the Membership Agreement.

d. Headings. All captions and headings in the Membership Agreement are intended solely for the convenience of the parties and do not affect the meaning or construction of any section.

e. References. All references to the masculine, neuter, or singular, include the masculine, feminine, neuter, or plural. The word "include" and its derivatives are not to be construed as terms of limitation. If "you" consists of more than one person or entity, your acknowledgments, promises, covenants, agreements, and obligations made or undertaken in the Membership Agreement are jointly and severally undertaken by each of you.

f. Counterparts. If the Membership Agreement is executed in multiple counterparts, each executed copy is an original.

g. Cumulative Rights and Remedies. Rights and remedies stated in the Membership Agreement are cumulative and not exclusive of any other right or remedy.

h. Attachments/Addenda. All attachments, addenda and amendments to the Membership Agreement are incorporated into and a part of the Membership Agreement. Any addenda, amendments, or other modifications to the Membership Agreement will not be effective unless signed by one of our duly-authorized representatives and by you. All duly-executed addenda and/or amendments are incorporated into and will become a part of the Membership Agreement.

i. Survival. Those of your obligations and our obligations under the Membership Agreement which expressly or by their nature survive the expiration or earlier termination of the Membership Agreement will survive such expiration or termination, including, but not limited to, Sections 7, 10(d), 11, 13, 16, 17, 18, 19, 20, 21, 22, and 23 hereof

j. Seal. The Membership Agreement is a contract under seal and is intended by the parties to be a specialty under Maryland law.

k. Integration. The Membership Agreement, all of its attachments, and any agreement specifically made a part of the Membership Agreement pursuant to the terms hereof, contain the complete understanding of the parties and replace any previous written or oral agreement on the same subject matter. No representation, inducement, promise or agreement, oral or otherwise, not contained in the Membership Agreement, will be of any force or effect. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

l. Electronic Signatures. The parties hereby acknowledge and agree that electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called "pdf" format shall be legal and binding and shall have the same full force and effect as if an original of this Agreement had been signed and delivered by hand. Franchisor and Franchisee both (i) intend to be bound by the signatures (whether original, faxed or electronic) on any document sent by electronic means, (ii) are aware that the other party will rely on such signatures, and (iii) hereby waive any defenses to the enforcement of the terms of this Agreement based on the foregoing forms of signature.

21. Arbitration. Except for our claims against you for indemnification or actions seeking to enjoin you from using any of our Intellectual Property (including the Mark) or the Choice-Related Words in violation of the Membership Agreement or any other related agreements (including the ChoiceAdvantage Software Terms of Use), any controversy or claim arising out of or relating to the Membership Agreement or any other related agreements, or the breach of the Membership Agreement or any other related agreements, including any claim that the Membership Agreement or any part of the Membership Agreement or any related agreements is invalid, illegal, or otherwise voidable or void, as well as any claim that we violated any laws in connection with the execution or enforcement of the Membership Agreement or any related agreements and any claim for declaratory relief, will be sent to final and binding arbitration in the state of Maryland before either the American Arbitration Association, J.A.M.S., or National Arbitration Forum in accordance with the Commercial Arbitration Rules of the American Arbitration Association, including its rules for emergency measures of protection, except to the extent that the Commercial Rules of the American Arbitration Association may be interpreted to require you or us to produce documents, witnesses, or information at a time other than at a hearing on the claim without our mutual consent. In the event more than one demand for arbitration is filed in connection with the Membership Agreement or any related agreements, the demand filed with the American Arbitration Association, J.A.M.S., or National Arbitration Forum office having jurisdiction over Maryland proceedings shall take precedence, and any other demand shall be withdrawn and presented in the Maryland filing. The arbitrator will apply the substantive laws of Maryland, without reference to its conflict of laws provision, except that nothing herein shall be construed to establish independently your right to pursue claims under Maryland's Franchise Registration and Disclosure Law. Judgment on the arbitration award may be entered in any court having jurisdiction. If any party

fails to appear at any properly noticed arbitration proceeding, an award may be entered against the party, notwithstanding its failure to appear. Any arbitration will be conducted at our headquarters office in Maryland and the parties agree that any state laws attempting to prohibit arbitration in Maryland are pre-empted by the Federal Arbitration Act. Nothing in this <u>Section 21</u> will be construed as requiring you or us to make a claim in arbitration before exercising any rights you or we may have to give notice of default or termination in accordance with the terms of the Membership Agreement or any related agreements.

22. <u>NO CLASS ACTIONS</u>. NEITHER YOU NOR WE SHALL SEEK TO LITIGATE OR ARBITRATE AGAINST THE OTHER PARTY TO THE MEMBERSHIP AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY. ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THE MEMBERSHIP AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THE MEMBERSHIP AGREEMENT. NO ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THE MEMBERSHIP AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN US AND YOU AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, US OR YOU, UNLESS BOTH WE AND YOU CONSENT IN WRITING. WE HAVE THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. YOU AGREE AND ACKNOWLEDGE THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THE MEMBERSHIP AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN YOU AND US OR ANY AFFILIATE OF OURS WILL BE CONSIDERED UNIQUE ON ITS FACTS AND MAY NOT BE BROUGHT AS A CLASS OR GROUP ACTION.

23. <u>WAIVER OF JURY TRIAL</u>. EACH PARTY HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER.

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ATTACHMENT B

PROPERTY IMPROVEMENT PLAN

[For Conversion Hotels]

ATTACHMENT C

RIDER TO THE MEMBERSHIP AGREEMENT

[Other Modifications to the Membership Agreement]

GUARANTY

This Guaranty ("Guaranty") is made as of ___________________, by **(name of guarantors)** ("each, individually a Guarantor"), in favor of and for the benefit of Choice Hotels International, Inc., a Delaware corporation ("Choice"). In consideration of and as an inducement to Choice to execute a Franchise Agreement by and between Choice and **«LIC_BLOCK»** ("Franchisee"), Guarantor agrees as follows:

1. Guarantor unconditionally warrants to Choice and its successor and assigns that all of Franchisee's representations and warranties in (a) any application submitted by Franchisee to Choice; and (b) the Franchise Agreement are true, accurate and complete as of the time made as of the date of this Guaranty.

2. Guarantor personally and unconditionally guarantees that all of Franchisee's obligations under the Franchise Agreement, as amended, and all related agreements will be punctually paid and performed.

3. Guarantor agrees that the obligations of Guarantor under this Guaranty shall not be reduced, limited, terminated, discharged, impaired or otherwise affected by: (a) the occurrence or continuance of a default under the Franchise Agreement or any related agreement; (b) any assignment of the Franchise Agreement; (c) any modification or amendment of, or waiver or consent or other action taken with respect to the Franchise Agreement or any related agreement; (d) the voluntary or involuntary liquidation, sale or other disposition of Franchisee's assets, or the receivership, insolvency, bankruptcy, reorganization or similar proceedings affecting Franchisee or its assets or the release or discharge of Franchisee from any of its obligations under the Franchise Agreement; or (e) any change of circumstances, whether or not foreseeable, and whether or not any such change does or might vary the risk of Guarantor hereunder. Any failure by Choice to exercise any power or right or to insist upon Guarantor's compliance with any term under this Guaranty shall not constitute a waiver of Choice's right to demand full compliance with any term of this Guaranty.

4. Guarantor unconditionally and irrevocably waives notice of acceptance of this Guaranty, presentment, demand, diligence, protest and notice of dishonor or of any other kind to which Guarantor otherwise might be entitled under applicable law.

5. Guarantor agrees to promptly pay all sums owed to Choice and its subsidiaries or affiliates, and all damages, costs, and expenses, including reasonable attorneys' fees, that Choice or its subsidiaries or affiliates incur as a result of any default under this Guaranty, the Franchise Agreement, or any related Agreement, including all outstanding fees, any liquidated damages due under the Franchise Agreement, and any costs and expenses that Choice or its subsidiaries or affiliates incur to obtain injunctive relief for the enforcement of any portion of this Guaranty, the Franchise Agreement, or any related Agreement.

6. If more than one person or entity has signed this Guaranty as a Guarantor, the liability of each such Guarantor shall be joint, several and primary. Each Guarantor shall be bound by his/her/its/their signature block below, and such Guarantor's obligations hereunder are not contingent on any other Guarantor being bound hereby.

7. All notices required or permitted under this Guaranty must be in writing, must be personally delivered or mailed by registered or certified mail, return receipt requested, or by a nationally recognized courier service, to Choice at **Choice Hotels International, Inc., 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, Attention: General Counsel**, and to Guarantor at the address set forth below. Any notice by registered or certified mail or by courier service is deemed given and received at the date and time of sending. Guarantor may change its address only by written notice to Choice, and Choice may change our address by written notice to Guarantor.

8. This Guaranty will be interpreted under the substantive laws of Maryland, not including its conflict of laws provision or such provisions of any other jurisdiction.

9. Except for our claims for indemnification or actions seeking to enjoin you the use of any of our Intellectual Property or the Choice-Related Words in violation of the Franchise Agreement, any controversy or claim founded upon or arising out of or relating to this Guaranty, the Franchise Agreement, or any related Agreement, or to the breach of this Guaranty, the Franchise Agreement, or any related Agreement, will be sent to final and binding arbitration before either the American Arbitration Association, J.A.M.S., or National Arbitration Forum in accordance with the Commercial Arbitration Rules of the American Arbitration Association, including its rules for emergency measures of protection, except to the extent that the Commercial Rules of the American Arbitration Association may be interpreted to require you or us to produce documents, witnesses, or information at a time other than at a hearing on the claim without our mutual consent. In the event more than one demand for arbitration is filed in connection with this Guaranty, the Franchise Agreement, or any related Agreement, the demand filed with the American Arbitration Association, J.A.M.S., or National Arbitration Forum office having jurisdiction over Maryland proceedings shall take precedence, and any other demand shall be withdrawn and presented in the Maryland filing. The arbitrator will apply the substantive laws of Maryland, without reference to its conflict of laws provision, except that nothing herein shall be construed to establish independently a right to pursue claims under Maryland's Franchise Registration and Disclosure Law. Judgment on the arbitration award may be entered in any court having jurisdiction. If any party fails to appear at any properly noticed arbitration proceeding, an award may be entered against the party, notwithstanding its failure to appear. Any arbitration will be conducted at Choice's headquarters office in Maryland. Nothing in this Section will be construed as requiring you or us to make a claim in arbitration before exercising any rights Choice or Guarantor may have to give notice of default or termination in accordance with the terms of this Guaranty.

IN WITNESS WHEREOF, the undersigned have set his/her/its/their hands and seals on the date noted above.

Add all Guarantors (entities & people individually)
, Individually, Jointly and Severally

(name of entity)

By: ______________________________L.S.
Name:
Title:

Social Security No. ______________________

Date: __________________________

Address: _______________________________

____

, Individually

_________________________________L.S.

Social Security No. ____________________

Date: __________________________

Address: ______________________________

____

ADDENDUM TO THE FRANCHISE AGREEMENT FOR HAWAII

This Addendum pertains to franchises sold in the State of Hawaii and is for the purpose of complying with Hawaii statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement (the "Agreement") to the contrary, the Agreement is amended as follows:

1. We will defer payment of the Affiliation Fee identified in Items 5 and 7 of the Franchise Disclosure Document and in Section 4.A of the Agreement until we have completed our initial pre-opening obligations under the Agreement and you are open for business.

2. All other rights, obligations and provisions of the Agreement remain in full force and effect. Only the Sections added to or amended by the Addendum are affected. This Addendum is incorporated in and made part of the Agreement if and to the extent the Hawaii Franchise Investment Law applies.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:	**Choice Hotels International, Inc**., a Delaware corporation
___________________________________	By:________________________________L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of Illinois. If and to the extent that the Illinois Franchise Disclosure Act ("Illinois Franchise Disclosure Act" or "Act") applies to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. Section 10 (Default Termination) of the Agreement is supplemented by the following:

   If any of the provisions of this Section 10 governing termination are inconsistent with the provisions of Section 705/19 of the Illinois Franchise Disclosure Act, then such provisions of the Act will apply.

2. The provisions of Sections 20(f) and 21 of the Agreement and Sections 9 and 10.2 of the Cambria Master Development Agreement, if applicable, and Sections 17 and 18 of the MainStay Suites and Suburban Extended Stay Hotels Master Development Agreement, if applicable, that designate choice of law and jurisdiction for venue of any lawsuit in a forum outside of the State of Illinois, will be governed by the Illinois Franchise Disclosure Act, provided that the Agreement may provide for arbitration in a forum outside of Illinois.

3. Section 23 (WAIVER OF JURY TRIAL) of the Agreement is supplemented by the following:

   If any provisions of this Section of the Agreement are inconsistent with the provisions of Section 705/41 of the Illinois Franchise Disclosure Act, then such provisions of the Act will apply to the extent such law is constitutional and the jurisdictional requirements of the Act (as amended) are met.

4. Franchisor reserves the right to challenge the applicability of any law that declares provisions in the Agreement void or unenforceable.

The parties to this Addendum agree to be bound by the terms of this Addendum as of the effective date of the Agreement as evidenced by their signatures below.

Witness:	**Choice Hotels International, Inc.**, a Delaware corporation
____________________________________	By:_________________________________L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO THE MINNESOTA FRANCHISE INVESTMENT LAW

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of Minnesota. If and to the extent that the Minnesota Franchise Disclosure laws apply to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. Minnesota Law may provide you with certain termination and non-renewal rights. Minnesota Statutes, Section 80C 14, Subdivisions 3, 4 and 5 require, except in certain specified cases, that you be given 90 days of notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Agreement.

2. According to Minnesota Statute Section 2860.4400 (D), no release language in the Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws on franchising in Minnesota, provided that this part will not bar the voluntary settlement of disputes.

3. Any provision in the Agreement that requires you to consent to liquidated damages and/or termination penalties is deleted from the Agreement if issued in Minnesota.

4. The Franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logos, slogans and other commercial symbols, or indemnify the franchisee from any loss, costs, or expenses arising out of the use of any trade or service mark in compliance with the Agreement.

5. The following language will appear at the end of Section 20(f) of the Agreement if issued in Minnesota:

> "Pursuant to Minnesota Statutes, Section 80C.21, this Section does not abrogate or reduce any rights of the franchisee as provided for in the Minnesota Statutes 1987, Chapter 80C."

6. All other rights, obligations and provisions of the Agreement remain in full force and effect. Only the Sections added to or amended by the Addendum are affected. This Addendum is incorporated in and made part of the Agreement if and to the extent the Minnesota Franchise Investment Law applies.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:	**Choice Hotels International, Inc.**, a Delaware corporation
___________________________________	By:________________________________L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT FOR NEW YORK

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of New York. If and to the extent that the New York General Business Law regarding franchises applies to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon the franchisor or upon the franchisee under New York General Business Law, Article 33, Sections 680 through 695.

2. We will not assign our rights under the Agreement except to an assignee who in our good faith and judgment is willing and able to assume our obligations under the Agreement.

3. If your franchise is located in the state of New York, you may terminate the Agreement on any ground available by law.

4. All other rights, obligations and provisions of the Agreement remain in full force and effect. Only the Sections added to or amended by this Addendum are affected. This Addendum is incorporated in and made part of the Agreement if and to the extent the New York General Business Law applies.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:	**Choice Hotels International, Inc.**, a Delaware corporation
________________________________	By:______________________________L.S.
Name:	Name:
Title:	Title:
Date:	Date:

<u>ADDENDUM TO THE FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA</u>

This Addendum to the Franchise Agreement (the “Agreement”) pertains to franchises sold in the State of North Dakota. If and to the extent that the North Dakota franchise statutes and regulations apply to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. The North Dakota Franchise Law prohibits a franchisor from requiring a franchisee to consent to liquidated damages and termination penalties. If the Agreement contains a provision that is inconsistent with the North Dakota Franchise Law, the provisions of the Agreement will be superseded by the North Dakota Franchise Law’s requirements and Franchisee will not be deemed to have consented to the calculation of the amount of such damages.

2. Sections 20(f) and 21 of the Agreement require: (a) the Agreement to be governed and interpreted under Maryland Law, and (b) certain disputes to be resolved by arbitration in Maryland. To the extent that such provisions conflict with the North Dakota Franchise Law, the North Dakota Franchise Law will control.

3. Section 23 of the Agreement require Franchisee and Franchisor to waive their respective rights to a jury trial. To the extent such provisions violate North Dakota Franchise Law, such law will prevail and such provisions will not apply with respect to claims thereunder.

The parties to this Addendum agree to be bound by the terms of this Addendum as of the effective date of the Agreement as evidenced by their signatures below.

Witness:	**Choice Hotels International, Inc.**, a Delaware corporation
____________________________________	By:_________________________________L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of Rhode Island. If and to the extent that the Rhode Island franchise statutes and regulations apply to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. If Section 20(f) of the Agreement is inconsistent with §19-28.1.-14 of the Rhode Island Franchise Investment Act, which states that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside the state of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act, then said Rhode Island law will apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:	**Choice Hotels International, Inc.**, a Delaware corporation
______________________________	By:____________________________L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of Washington. If and to the extent that the Washington Franchise Investment Protection Act, RCW 19.100.010 to 19.100.940 ("Washington Franchise Investment Protection Act" or "Act") applies to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the Agreement in your relationship with us including the areas of termination and renewal of your franchise. There may also be court decisions that may supersede the Agreement in your relationship with us including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed on at the time of the arbitration, or as determined by the arbitrator.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act; except when signed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit rights or remedies under the Act, those provisions may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:	**Choice Hotels International, Inc.**, a Delaware corporation
____________________________________	By:________________________________L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT FOR THE STATE OF WISCONSIN

This Addendum to the Franchise Agreement pertains to franchises sold in the State of Wisconsin. If and to the extent that the Wisconsin franchise statutes and regulations apply to this Agreement, the following provisions supersede anything to the contrary in the Franchise Agreement:

1. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 will apply to and govern the provisions of the Franchise Agreement.

2. That Act's requirement, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, will supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Act's requirements.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:	**Choice Hotels International, Inc.**, a Delaware corporation
______________________________	By:______________________________L.S.
Name:	Name:
Title:	Title:
Date:	Date:

EXHIBIT E

choiceADVANTAGE® Software Terms of Use

By entering this site ("Site") and using the choiceADVANTAGE® software ("Software"), you are confirming that you are an authorized franchisee of Choice Hotels International, Inc. or its subsidiaries or affiliated companies (collectively, "Choice")*, the franchisee's general manager, or an authorized employee of the franchisee (in each case, an "Authorized User") and accept and agree on behalf of yourself and the franchisee to the following terms and conditions ("Terms of Use"). You must be an Authorized User and agree to be bound by and comply with all of these Terms of Use to access or use the Software or this Site. Choice has the right, at its sole discretion and from time to time, to modify, add or remove any terms or conditions of these Terms of Use without notice or liability to you. Changes will be posted on this Site and will be immediately effective. You agree to review these Terms of Use from time to time. By subsequent use of the Software and this Site after Choice posts any such changes, you accept and agree to the Terms of Use, as modified. Choice may change, restrict access to, suspend, or discontinue the Software, or any portion of this Site, at any time without notice or liability to you or any affiliate of yours. Any terms not defined in these Terms of Use shall have the meaning ascribed to them in your Franchise Agreement.

You acknowledge and agree that any product support and services provided with respect to the Software or this Site are provided by Choice or a third party (other than Microsoft) on Choice's behalf. Any capitalized terms not otherwise defined in these Terms of Use shall have the meaning set forth in your Franchise Agreement.

Ownership Rights

You acknowledge and agree that except as permitted by the Terms of Use, you do not have any right, title or interest in and to the Software and you will not contest our rights in and to the Software or to current or future derivations of or improvements made to the Software, nor our right to register our rights in the Software or to grant to others the right to use the Software or any other intellectual property that we own. You understand that the Software will remain our property.

Copyrights

The (a) Site content, including but not limited to the Software, text, graphics, logos, button icons, images, audio/video clips, digital downloads, data compilations, software used to operate this Site, and all compilations of any of the above, and (b) any software available for download on this Site, are Choice's property, or the property of Choice's content suppliers, licensors, and vendors, and are protected by United States and international copyright laws. You may use the Software and this Site's content and downloadable software (if any) as provided in these Terms of Use and the online documentation, and not for any other use (direct or indirect). Prohibited uses include but are not limited to displaying, distributing, modifying, reproducing, republishing, decompiling, creating derivative works from, or transmitting the Software, any content on this Site or any software available for download from this Site in any manner without written permission from Choice. Should you become aware of any infringement of Choice's rights in this Site or the Software, you shall provide Choice with immediate written notice of all facts and circumstances of which you are aware with respect to the infringement.

Feedback

To the extent that you provide Feedback to Choice, whether before, during or after the term of these Terms of Use, and Choice incorporates such Feedback in the Software or the Site, you hereby grant to Choice and Choice accepts, a worldwide, non-exclusive, perpetual, irrevocable, royalty-free license, with the right to sublicense, under its intellectual property rights to the Feedback, to incorporate or otherwise utilize Feedback as provided by you to Choice in the design and implementation of Choice products including the Software and the Site, and to design, debug, display, perform, copy, make, have made, use, sell, and otherwise dispose of and support Choice's and its sublicensees' products and documentation embodying such Feedback in any manner and via any media Choice chooses, without reference to the source. Notwithstanding the foregoing, Choice shall have no right or license under your intellectual property, by implication, estoppels or otherwise under these Terms of Use, except as to the Feedback provided to Choice and intended for incorporation into any of Choice's products. For the purpose of these Term of Use, "Feedback" means (i) your requirements, input, comments, responses, opinions, and feedback concerning the definition, design, use or

* For Canadian franchisees, you are entering into Terms of Use with Choice Hotels International Licensing ULC, an Alberta unlimited liability company.

operation of the Software or the Site and related product documentation or (ii) your technical system requirements for Choice to include in the Software or Site definition, design, implementation, use or operation, as provided by you from time to time.

Confidentiality

Access to this Site and the Software is limited. You acknowledge and agree that both contain confidential material, including trade secrets, belonging to Choice or its licensors. Therefore, you may not disclose the Software or data contained in or results based on the operation of the Software or this Site, including Site content, to third parties without the prior express written consent of Choice. Excluded from this requirement is (a) information already available to or in your possession prior to disclosure through use of the Software or access to this Site; (b) information that is or becomes lawfully available to the public; or (c) information acquired from a person who is not known to you to be in breach of an obligation of confidentiality. Should you be compelled to disclose any confidential information relating to the Software or this Site by lawful order, subpoena, or other means of compulsion of a court or other tribunal of competent jurisdiction, you agree to provide Choice with immediate written notice of such impending disclosure and cooperate in and to take all steps reasonably necessary to protect the confidentiality of the information, including cooperating in obtaining a protective order and disclosing only that which is required by such order, subpoena, or means of compulsion.

Trademarks

You acknowledge that choiceADVANTAGE®, Choice Hotels International®, and Choice Hotels® are the sole property of Choice and are registered in the U. S. Patent and Trademark Office and other trademark offices around the world. Any use of these trademarks by you requires the prior express written consent of Choice. Any other trademarks that may be referenced on this Site are the property of their respective owner and any use by you of such trademarks requires the prior express written consent of the respective owner.

Software Use and Site Access

Subject to the terms and conditions in this agreement, Choice grants you a non-exclusive, non-transferable limited license during the term of your Franchise Agreement to use the Software and this Site only for your normal business purposes related to your franchise, as defined in your Franchise Agreement, so long as such use is in accordance with all laws and regulations. You may not reproduce, duplicate, copy, sell, resell, rent, lease, loan, mirror, frame, sublicense, assign, transfer, disclose or otherwise exploit the content on this Site or the Software for commercial use unless Choice provides you with prior written permission to do so. You agree that you will not use this Site to: (a) transmit spam, bulk or unsolicited communications; (b) pretend to be Choice or someone else, or spoof Choice's or someone else's identity; (c) forge headers or otherwise manipulate identifiers (including URLs) in order to disguise the origin of any content transmitted through this Site; (d) misrepresent your affiliation with a person or entity; (e) disrupt the normal flow of dialogue or otherwise act in a manner that negatively affects other users' ability to use the Software or this Site; (f) engage in activities that would violate any fiduciary relationship, any applicable local, state, provincial, federal or international law, or any regulations having the force of law, including but not limited to attempting to compromise the security of any networked account or site, operating an illegal lottery or gambling operation, stalking, or making threats of harm; or (g) collect or store personal data or personal information about other users unless specifically authorized by such users. Choice may refuse service, terminate access, and/or cancel transactions at Choice’s discretion without liability to you. You agree that all software, drawings, diagrams, specifications, documentation and other material relating to the Software and the use and service of this Site is confidential and the proprietary property of Choice or its licensors, and you shall acquire no rights in them, except as set forth in these Terms of Use.

You agree that you will not use any device, software, or other instrumentality to interfere or attempt to interfere with the proper working of the Software or this Site, and that you will not take any action that imposes an unreasonable or disproportionately large load on Choice’s infrastructure. In addition, you agree that you will not use any robot, spider, other automatic device, or manual process to monitor or copy the Software, this Site, or Choice’s web pages or the content contained therein, without prior written consent from Choice.

You are solely responsible for the content of your submissions, and you grant to Choice, its successors and assigns, a non-exclusive, world-wide, royalty free, perpetual, non-revocable license to use or distribute such content in any manner consistent with the rights and obligations of Choice under these Terms of Use and your Franchise Agreement with Choice. You may not post or transmit to this Site any material that (a) is unlawful, abusive, threatening, violent, harmful, obscene, pornographic, lewd, offensive, racist, defamatory, harassing, or otherwise objectionable to Choice; (b) might infringe the intellectual property rights, privacy rights, rights of publicity, or other proprietary rights of others;

or contains any viruses, trojan horses, time bombs, or any other harmful programs or elements; and you may not modify or abridge any functionality of the Software or this Site.

You will not undertake any action that may interfere with or diminish intellectual property rights of Choice or those ofany third parties, if applicable; prohibited actions include, but are not limited to, (i) reverse engineering, decompiling and disassembling any software available on the Site (including the Software) or any component thereof, except and only to the extent such activity is expressly permitted by applicable law notwithstanding this limitation and (ii) removing, modifying or obscuring any copyright, trademark, or other proprietary rights notices that appear on the Software or the Site or that appear during use of the Software or the Site.

Choice will provide you with programming services, without additional charge, to correct errors to the Software and on the Site. However, Choice does not guarantee service timing or results or that all errors will be corrected.

In connection with your use of the Software and the Site, you agree to: (a) follow all operation instructions and the Rules and Regulations that accompany your Franchise Agreement; (b) provide access to your hardware and data transport system to enable Choice or third-party providers to perform whatever services or activities are required to assist you in your use of the Software and the Site; (c) have a representative trained in the use of the Software and the Site available to work with Choice in any support matters; and (d) (e) update or replace the recommended hardware as required by Choice in order to accommodate changes to the Software or the Site.

Accessing Personal Information

You may only access a person’s personal information contained in the Software or Site if such person (a) has a reservation at your hotel, (b) previously stayed at your hotel or (c) is interested in making or confirming a reservation at your hotel. In all such cases, you may only use such person’s personal information contained in the Software or Site for purposes reasonably related to a prior, present or future transaction with a guest (e.g., for check-in, check-out,billing, customer complaint resolution, and resolving guest relations issues). Except where otherwise permitted by th Rules and Regulations (e.g., marketing communications made in accordance with Choice’s Privacy & Security Policy), all other access to personal information or use of personal information is strictly prohibited. Personal information includes: name, address, telephone number, credit card number, Choice Privileges number, AAA or other membership number, passport, driver’s license or other government ID number.

Your Security Obligations

The Software and this Site are accessible from anywhere on the Internet. It is your responsibility to create, monitor, and manage (a) the individual user accounts that you are assigned and (b) their access rights to this Software and this Site. It is also your responsibility to disable assigned user accounts for those users who no longer need access to the Software or this Site. You acknowledge that it is possible to contract a computer virus or other malicious code by using the Internet or materials downloaded from it. You acknowledge that these viruses can cause degradation of the Software or this Site’s performance. Therefore, you agree that you will install, update, and manage updated reasonable virus protection software on each computer that is used to access the Software and this Site.

You will use a 128-bit secure socket layer (SSL), JavaScript and Cookie-enabled browsers to log into your account and perform transactions. The browser(s) currently supported for accessing the Software is: Microsoft Internet Explorer 8 or higher.

To access your account information, you will be required to enter a valid username and password. You will notice that Choice does not display your password in plain text as you enter it upon log-in; this is to provide an extra level of security. After a specific period of inactivity, the Software will automatically close your session. In order to reenter the Software and this Site, you will be required to enter your username and password. You agree that you will not share your password with anyone, make it available to others, or write it down or post it where someone might have access to it. You will also change your password periodically and not use common words that can be found in the dictionary, your first or last name, or numbers in a series. In addition, you agree that you will not save your passwords when prompted by your browser.

You will use Choice’s logout feature if you will be leaving your computer for any amount of time. Logging out will ensure your session is ended, and a username and password will be required to reenter the Software and this Site. You will close your browser after you log out. This will provide one more level of security to prevent someone from entering your previous session. You will promptly notify Choice of any unauthorized disclosures of your password or other breaches of your password or the security of the Software or this Site. You must keep the Software and all data generated by the Software and this Site strictly confidential. You may not disclose it to any third parties or use it, except for your normal business purposes, as permitted under your Franchise Agreement.

Limitation of Liability

YOU EXPRESSLY UNDERSTAND AND AGREE THAT TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW CHOICE AND ITS LICENSORS (INCLUDING MICROSOFT), SHALL NOT BE LIABLE FOR ANY INDIRECT, PUNITIVE, CONSEQUENTIAL, INCIDENTAL, SPECIAL, OR EXEMPLARY LOSS OR DAMAGE WHATSOEVER, INCLUDING CLAIMS FOR LOSS OF PROFITS, LOSS OF DATA, AND COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES RESULTING FROM THESE TERMS OF USE, ACCESS TO OR ANY USE OF, OR INABILITY TO USE OR ACCESS, OR RELIANCE ON, OR FUNCTIONING OF, THE SOFTWARE OR THIS SITE, OR RESULTING FROM ANY ERRORS OR OMISSIONS IN THE CONTENT OR PERFORMANCE OF THE SOFTWARE OR THIS SITE, OR ANY LIABILITY IN NEGLIGENCE, CONTRACT OR TORT WITH RESPECT TO THE SOFTWARE OR THE SITE REGARDLESS OF THE BASIS UPON WHICH LIABILITY IS CLAIMED, INCLUDING NEGLIGENCE ON THE PART OF CHOICE, EVEN IF CHOICE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE. YOU ACKNOWLEDGE AND AGREE THAT, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, MICROSOFT SHALL NOT BE LIABLE FOR ANY DAMAGES, WHETHER DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL, ARISING FROM THE SERVICES TO BE RECEIVED PURSUANT TO THESE TERMS OF USE, EVEN IF MICROSOFT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL CHOICE’S LIABILITY FOR DAMAGES, REGARDLESS OF THE FORM OF ACTION OR WHETHER SUCH LIABILITY ARISES FROM THE NEGLIGENCE OF CHOICE, EXCEED THE CHARGES ACTUALLY PAID BY YOU FOR ACCESS TO THE SOFTWARE AND THIS SITE DURING THE CALENDAR YEAR IN WHICH SUCH LIABILITY AROSE.

Warranties

CHOICE WARRANTS THAT THE SOFTWARE AND THIS SITE WILL PERFORM THE FUNCTIONS AND OPERATIONS IN MATERIAL CONFORMANCE WITH THE ONLINE DOCUMENTATION WHEN USED ON THE RECOMMENDED HARDWARE (BUT NO OTHER HARDWARE), PROVIDED YOU FOLLOW ALL WRITTEN INSTRUCTIONS AND MAKE CORRECTIONS AS DIRECTED, ARE NOT IN DEFAULT UNDER THESE TERMS OF USE OR YOUR FRANCHISE AGREEMENT, AND, IN THE CASE OF NONPERFORMANCE OF DOWNLOADED SOFTWARE, MAKE A REPORT OF SUCH NONPERFORMANCE WITHIN TWO YEARS OF YOUR DOWNLOAD OF THE SOFTWARE. CHOICE’S SOLE OBLIGATION UNDER THIS WARRANTY SHALL BE TO REMEDY ANY NONPERFORMANCE OF THE SOFTWARE OR THIS SITE WITHIN A REASONABLE TIME AFTER YOU REPORT IT TO CHOICE. CHOICE DOES NOT PROVIDE ANY WARRANTY OR CONDITION REGARDING THE PERFORMANCE OR FUNCTIONING OF THE SOFTWARE OR THIS SITE UNLESS IT IS UTILIZED IN ACCORDANCE WITH THE SPECIFICATIONS FOR THE SOFTWARE OR THIS SITE ON THE RECOMMENDED HARDWARE. ALL WARRANTIES UNDER THIS PARAGRAPH ARE CONTINGENT UPON PROPER USE OF THE SOFTWARE AND THIS SITE AND SHALL NOT APPLY IF YOU FAIL TO COMPLY WITH OPERATING INSTRUCTIONS OR MAKE OR PERMIT UNAUTHORIZED ACCESS TO THE SOFTWARE OR THIS SITE. YOU ACKNOWLEDGE AND AGREE THAT THE LIMITED WARRANTY SET FORTH ABOVE IS PROVIDED SOLELY BY CHOICE, AND DOES NOT ORIGINATE FROM AND IS NOT BINDING ON MICROSOFT.

CHOICE MAKES NO WARRANTY OR CONDITION THAT THE SOFTWARE OR THIS SITE WILL MEET YOUR REQUIREMENTS OR THAT IT WILL BE UNINTERRUPTED, TIMELY, SECURE, OR ERROR FREE; NOR DOES CHOICE MAKE ANY WARRANTY OR CONDITION AS TO THE RESULTS THAT MAY BE OBTAINED FROM THE USE OF THE SOFTWARE OR THIS SITE OR AS TO THE ACCURACY OR RELIABILITY OF ANY INFORMATION OBTAINED THROUGH THE SOFTWARE OR THIS SITE. YOU UNDERSTAND AND AGREE THAT DOWNLOADING OR OBTAINING ANY CONTENT, DATA, RESULTS, OR SOFTWARE THROUGH THE USE OF THE SOFTWARE OR THIS SITE IS DONE AT YOUR OWN RISK AND THAT YOU WILL BE SOLELY RESPONSIBLE FOR ANY DAMAGE DONE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA THAT RESULTS FROM THE DOWNLOAD OF SUCH MATERIAL.

EXCEPT ONLY AS EXPRESSLY STATED ABOVE, CHOICE AND MICROSOFT PROVIDE THE SOFTWARE AND THIS SITE AND THE SITE CONTENT "AS IS" AND WITHOUT WARRANTIES OR CONDITIONS OF ANY KIND, EITHER EXPRESS, IMPLIED OR COLLATERAL, EXCEPT TO THE EXTENT THAT ANY WARRANTIES OR CONDITIONS IMPLIED BY LAW CANNOT BE VALIDLY WAIVED OR DISCLAIMED. THE DISCLAIMED WARRANTIES OR CONDITIONS, TO THE EXTENT ALLOWED BY LAW, INCLUDE BUT ARE NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT OF INTELLECTUAL PROPERTY, AND FITNESS FOR A PARTICULAR PURPOSE.

EXCEPT AS EXPRESSLY PROVIDED ABOVE, CHOICE SHALL NOT BE RESPONSIBLE FOR ANY PROBLEMS OR TECHNICAL MALFUNCTION OF ANY TELEPHONE NETWORK OR LINES, COMPUTER ON-LINE SYSTEMS, SERVERS, INTERNET SERVICE PROVIDERS, COMPUTER EQUIPMENT, SOFTWARE, OR ANY COMBINATION THEREOF INCLUDING ANY INJURY OR DAMAGE TO YOUR OR ANY OTHER PERSON'S COMPUTER AS A RESULT OF USING THIS SITE. CHOICE MAKES NO REPRESENTATIONS, WARRANTIES OR CONDITIONS EXPRESS, IMPLIED OR COLLATERAL, WITH RESPECT TO THE INFORMATION PROVIDED ON THIS SITE OR ON ANY THIRD-PARTY WEBSITES THAT MAY BE ACCESSED FROM THIS SITE, INCLUDING ANY REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, COMPLETENESS OR TIMELINESS OF THE INFORMATION POSTED ON THIS SITE. YOU ARE SOLELY RESPONSIBLE FOR CHOOSING AN INTERNET SERVICE PROVIDER AND CHOICE MAKES NO REPRESENTATION OR WARRANTY AS TO THE SUITABILITY OR COMPATIBILITY OF ANY SUCH PROVIDER.

Indemnification

You agree, at your expense, to indemnify, defend and hold Choice and its subsidiaries and affiliates, as well as their respective officers, directors, employees, agents, distributors, franchisees, licensors (including Microsoft) and licensees, and their respective officers, directors, employees and agents, harmless from and against any judgments, losses, deficiencies, damages, liabilities, costs, and expenses (including reasonable attorneys' and witness' fees and expenses) incurred in connection with or arising from any claim, demand, suit, action, or proceeding arising out of your breach of these Terms of Use or in connection with your use of the Software or this Site or any product or service related to the Software or this Site. You agree that you will immediately notify Choice in writing of the assertion of any claim by a third party or the discovery of any fact upon which the third party intends to base a claim hereunder. Choice reserves the right to assume the exclusive defense and control of any matter subject to indemnification by you, including the settlement thereof, which shall not excuse your indemnity obligations.

Termination

Your right to access and use the Software and this Site shall terminate upon termination or expiration of your Franchise Agreement. In addition, Choice may terminate these Terms of Use and your right to use the Software or this Site in the event that you: (a) breach any of these Terms of Use where such breach results in an actual or threatened adverse impact on the performance or security of the Software or Site, or otherwise breach any material term or condition of these Terms of Use; or (b) fail to make applicable payments associated with your use of the Software or this Site as specified in the Rules and Regulations that accompany your Franchise Agreement. In addition to any damages to which it may be entitled, Choice shall be entitled to reimbursement of all costs relating to the breach of the Terms of Use, including reasonable attorneys' and witness' fees. Your breach of these Terms of Use shall also cause irreparable harm to Choice and its licensors. You agree that damages may be an inadequate remedy for such breach and, therefore, in addition to its rights and remedies otherwise available at law, Choice will be entitled to equitable relief, including both a preliminary/interlocutory and permanent injunction, if such a breach occurs. You waive any requirement for the posting of a bond or other security if Choice seeks such an injunction.

Governing Law

For U.S. franchisees: Choice creates and controls the Software and this Site in the State of Maryland, U.S.A. Accordingly, these Terms of Use are governed exclusively by the laws of the United States and Maryland law, except the Maryland Uniform Computer Information Transactions Act, which is expressly disclaimed, and without regard to Maryland conflicts of law principles. You agree that, regardless of any statute or law to the contrary, any claim or cause of action you may have against Choice arising out of or related to these Terms of Use or relating to the use of the Software or this Site and the material contained in the Software or this Site must be filed within one (1) year after such claim or cause of action arises or this claim or cause of action will be forever barred.

For Canadian franchisees: These Terms of Use are governed exclusively by the laws of the Province of Ontario, without regard to its conflicts of law principles. Any controversy or claim arising out of or relating to these Terms of Use or relating to the use of the Software or this Site and the material contained in the Software or this Site shall be resolved in an Ontario court, and you expressly waive the right to file a lawsuit or proceeding in any other jurisdiction. You agree that, regardless of any statute or law to the contrary, any claim or cause of action you may have against Choice arising out of or related to these Terms of Use must be filed within one (1) year after such claim or cause of action arises or this claim or cause of action will be forever barred.

Governing Language

The parties hereto confirm that it is their wish that this Agreement, as well as all other documents relating hereto, including all notices, have been and shall be drawn up in the English language only. *Les parties aux présentes confirment leur volonté que cette convention, de même que tous les documents, y compris tout avis, qui s'y rattachent, soient rédigés en langue anglaise.*

General

The waiver by Choice of a breach or right under these Terms of Use will not constitute a waiver of any subsequent breach or right. If any provision of these Terms of Use is found to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed from the remainder of these Terms of Use, which will otherwise remain in full force and effect. Choice will not be responsible for any delay or failure to provide the Software or this Site or any associated services, in whole or in part, due to the following factors as they affect Choice, its licensors, agents or representatives or the Software or this Site: federal, state or municipal action or regulation; strikes or other labor troubles; fire; damage; delay in transportation; shortages of raw materials, labor, fuel or supplies; sabotage; terrorism; insurrection, riot or other acts of civil disobedience or public enemy; and failures or interruptions in Internet service or other communication failures. You may not assign your rights or obligations under these Terms of Use, in whole or in part, without the prior written consent of Choice. For the purposes of these Terms of Use, an assignment shall include any assignments resulting from a merger, a transfer of all or substantially all of your assets, a change of control, or by operation of lawIn the event that Choice finds it necessary to employ legal counsel or to bring an action at law or other proceeding against you to enforce any of the provisions of these Terms of Use, you agree to pay Choice, in addition to any damages for which you may be responsible, all reasonable attorneys' and witness' fees and expenses incurred by Choice. The obligations with respect to Copyrights, Confidentiality, Software Use and Site Access, Limitation of Liability, Indemnification, Termination, Governing Law, and these General provisions survive termination of your right of access to and use of the Software and this Site.

Reservation of Rights

Any rights not expressly granted to you herein are reserved to Choice and its licensors.

Entire Agreement

You acknowledge and agree that these Terms of Use, your Franchise Agreement and the applicable Rules and Regulations that accompany your Franchise Agreement (and, for Canadian franchisees, your choiceADVANTAGE Technology Services Agreement) are the complete and exclusive agreement between Choice and you relating to the Software and this Site, superseding all other agreements, proposals and communications (oral or written) related to the Software or this Site, including, without limitation, any prior Technology Services Agreement and Software License in effect between Choice and you In the event of any conflict or ambiguity between these Terms of Use, your Franchise Agreement or and the applicable Rules and Regulations that accompany your Franchise Agreement, these Terms of Use shall control.

Address of Choice

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For Canada:
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EXHIBIT F

Call Forwarding Reservations Services Program

Terms of Use

Thank You for Your interest in the Choice Hotels International, Inc. ("**Choice**") **Call Forwarding Reservations Services Program (the "Program"). To enroll one or more of Your hotel properties in the Program, please review the terms below that will govern Your participation in and use of the Program ("Terms of Use"), choose one or more of the three service options ("Service Options") that fits Your needs, and click on the "I Accept" button to agree to the Terms of Use. You will repeat this process for each property You intend to enroll in the Program.**

Terms of Use

By clicking "I Accept" below, You are confirming that You are either (1) an authorized franchisee in good standing of Choice or its subsidiaries or affiliated companies ("**Franchisee**"), or (2) the Franchisee's general manager or another authorized employee (in each case, an "**Authorized Representative**"), and You accept and agree to these Terms of Use on behalf of Yourself and/or the Franchisee for Your participation in the Program and Service Option(s) for the specific hotel property You identify on the Enrollment Checklist (the "**Hotel**"). These Terms of Use shall govern Your participation in and use of the Program and shall be binding on You and Your employees and contractors. Choice has the right to and may, in its sole discretion and from time to time, modify, add or remove any of the provisions, rights or obligations in these Terms of Use without notice or liability to You. We will post any changes we make to the Terms of Use on this Call Forwarding Webpage on Choice Central and, once posted, the changes will be effective immediately. You agree to review these Terms of Use from time to time. By Your participation in the Program after Choice posts any changes to the Terms of Use, You accept and agree to the Terms of Use, as modified.

As used in these Terms of Use, the terms "You" and "Your" shall mean you, as the person accepting these Terms of Use, the Franchisee, or any and all Authorized Representatives as applicable by the context used herein. Additionally, "we" or "us" or "our" shall mean Choice.

1. The Program.

Subject to these Terms of Use, Choice will make available to Your Hotel each of the Service Options described below. You will select the Service Option that fits Your needs for Your Hotel (Call Forwarding, Call Forwarding Mobile, or Call Forwarding Plus) by checking the appropriate box at the end of each Service Option description. Call Forwarding and Call Forwarding Mobile are not mutually exclusive and You may select both of those Service Options. On the other hand, if You choose Call Forwarding Plus, You may not choose either of the other Service Options.

<u>Service Option #1 – Call Forwarding</u>

Incoming calls to Your Hotel ("**Incoming Calls**") will be screened by Your Hotel front desk. If the caller requests a reservation at Your Hotel, Your Hotel's front desk agent will manually transfer the caller (a "**Manual Transfer**") to a sales agent at a Choice Hotels Central Reservation Center ("**Reservation Center**") using a unique Call Forwarding Number that we provide (the "**CF Number**") and You will be charged the standard call forwarding fee (the "**Fee**") detailed in Section 3. This special CF Number must be programed into Your Hotel's PBX system and You must ensure that Your employees are properly trained to make a Manual Transfer.

Instead of Your Hotel's front desk agent manually screening Incoming Calls, You may set up an auto-attendant in Your PBX System and allow the caller to choose "*reservations*", in which case the Incoming Call will be transferred automatically from Your Hotel's PBX directly to the Reservation Center via the CF Number (an "**Automatic Transfer**"). If You choose the Automatic Transfer option, You will be charged the standard Fee for each Automatic Transfer.

You acknowledge that prior to activation of Service Option #1 – Call Forwarding, it is Your responsibility to contact Your PBX service provider and direct them to program Your CF Number into Your Hotel's PBX switch and any automated rollover features You may require. Once this programming is complete, You must notify Choice's Call Forwarding Operations Services that Your CF Number has been programmed so we can then activate the Program Service Option #1 for Your Hotel.

☐ Select Service Option #1 – Call Forwarding

Service Option #2 – Call Forwarding Mobile

As with Call Forwarding under Service Option #1, Choice will provide Your Hotel with its own CF Number. But here, Choice will substitute Your Hotel's published primary toll-number (the "**Main Number**") with the CF Number for organic internet search results, and listings on the Choice Mobile App, ChoiceHotels.com and Choice reservation systems. This means that Incoming Calls can be made using the CF Number. You must retain Your Hotel's Main Number and keep it operational throughout the course of Your participation in the Program.

Incoming Calls on Your CF Number will be routed to an automated "interactive voice response" system (IVR) with a message specific to Your Hotel. The caller will be prompted to choose either "*reservations*" or "*all other inquiries*". If the caller chooses the "*reservations*" option, then the Incoming Call will be forwarded to our Reservation Center and You will be charged the standard fee detailed in Section 3. If the caller chooses the "*all other inquiries*" option, then the caller be routed to Your Hotel's front desk agent via the Main Number and no fee will apply.

You also have the option to have Incoming Calls on Your CF Number routed through Your Hotel's PBX system instead of directly to the IVR. You then can treat the Incoming Call as a Manual Transfer or an Automatic Transfer, as outlined under Service Option #1.

☐ Select Service Option #2 – Call Forwarding Mobile

<u>Service Option #3 – Call Forwarding Plus</u>

Call Forwarding Plus is available on either a seasonal basis (from April 1 to September 30) or on an annual basis.

With Call Forwarding Plus, You won't get a CF Number but, instead, callers to Your Hotel will continue to use Your existing Main Number as they did before You enrolled in the Program. But with this Service Option, You will assign to us and we will assume that Main Number (also referred to as the "**Ported Number**") by executing a Letter of Agency we provide to You.

When calls are made to the Ported Number, they will be routed to an automated "interactive voice response" system (IVR) with a message specific to Your Hotel (similar to Call Forwarding Mobile). And just like with Call Forwarding Mobile, the caller will be prompted to choose either "*reservations*" or "*all other inquiries*". If the caller chooses the "*reservations*" option, then the call will be forwarded to our Reservation Center and You will be charged the standard fee detailed in Section 3. If the caller chooses the "*all other inquiries*" option, then the caller be routed to Your Hotel's front desk agent and no fee will apply.

To select Service Option #3 – Call Forwarding Plus, Your Hotel must have, in addition to the Main Number, at least one other working phone number/phone line available at Your front desk ("**Secondary Number**"). Callers who chose the "*all other inquiries*" option will be routed to Your Hotel front desk via the Secondary Number.

You acknowledge that prior to activation of Service Option #3 – Call Forwarding Plus, You are responsible for contacting Your phone company to ensure Your Secondary Number phone line is set up to roll all incoming calls to another available phone line if the Secondary Number phone line is in use. If this rollover feature (known as a "**Hunt Group**") isn't set up properly, calls to the Secondary Number while in use may go unanswered or fail. You are responsible for any fees charged by the phone company in connection with the implementation of Service Option #3, including fees for setting up the Ported Number or Hunt Group.

You agree to continue to list the Main Number as Your Hotel's published phone number throughout Your participation in the Program. You also acknowledge that Choice will use commercially reasonable efforts to reassign the Ported Number back to Your Hotel upon termination of Your participation in the Program or Service Option #3, in accordance with the terms stated below in Section 4, however, Choice does not guaranty this reassignment back to Your Hotel.

☐ Select Service Option #3 – Call Forwarding Plus

2. Obligations and Representations.

Once You accept these Terms of Use and select Your Service Option(s), You will be enrolled in the Program and You will receive an e-mail confirmation including the Call Forwarding Technical & Enrollment Checklist (the "**Enrollment Checklist**"). You represent and warrant that the Enrollment Checklist You submit is and will be complete and accurate. You agree to notify Choice promptly of any changes to the information You provide in the Enrollment Checklist. If You wish to enroll additional Hotels in the Program, You must accept these Terms of Use and complete a separate Enrollment Checklist for each Hotel.

To enable the full functionality of the Program, You may be required to take additional actions, such as providing us with certain information, directions and preferences. We will provide You with a supplemental Enrollment Checklist detailing the requirements and requests if necessary. If You fail to satisfy the enrollment requirements and our requests, You may impair Your Hotel's ability to implement/participate in the Program.

You agree to follow all operation instructions and the requirements of the Program as may be set forth in the Rules and Regulations that accompany Your franchise agreement with Choice (the "**Franchise Agreement**") and which may apply to any of the Program Service Options.

It is possible for the CF Number we assign to Your Hotel when You select Service Options #1 or #2 to become compromised by an unaffiliated third party. If we determine that has occurred, we will issue You a credit for calls not sent by Your Hotel, and we will provide You with a new CF number for Your Hotel. However, You are solely responsible for arranging any new CF Number to be programmed into Your Hotel’s PBX switch at Your own expense (and also removing the compromised CF Number from the PBX switch).

3. Fees.

You will pay Choice a fee of $2.95 USD per call that is forwarded to the Reservation Center under any of the Service Options (the "**Fee**"). We have the right to increase the Fee at any time upon sixty (60) days' prior notice to You. The Fee is due and payable by You to us for each call that is forwarded to the Reservation Center, regardless of whether the forwarded call results in a booking. If You do not have room inventory available for the dates requested, the Reservation Center sales agent may cross-sell the caller to another hotel property within the Choice franchise system. We will invoice You monthly for the Fees and other amounts due under these Terms of Use and You must pay each invoice in full by the first day of the month following the month in which the invoice is issued. Choice reserves the right to suspend Your participation in and use of the Program if You fail to pay any invoice in a timely manner. Fees do not include any taxes. You are solely responsible for paying taxes applicable to Your participation in and use of the Program, which may include sales tax, gross receipts tax, use tax, transaction privilege tax or other taxes.

4. Term and Termination. The initial term for Your participation in the Program under any Service Option is six (6) months (the “**Initial Term**”). Your Hotel must remain enrolled in the Program for at least six (6) months and You may not cancel before the end of the Initial Term except as detailed below. After the Initial Term, You will continue to be enrolled until either party provides the other with thirty (30) days advance written notice of an intent to terminate. If You wish to take Your Hotel out of the Program early, You may do so by notifying us and paying an early exit fee of $500 for each month remaining in the Initial Term (plus a pro rata share for the remaining portion of the current month).

Default and Termination

Non-payment. We may terminate Your participation in the Program upon five (5) days written notice if You fail to timely pay any amounts due to Choice as a result of Your participation in the Program.

Franchise Agreement Default, Termination or Expiration. We may terminate Your participation in the Program immediately upon any default under the Program or Your Franchise Agreement and Your participation in and use of the Program will automatically terminate upon the expiration (or earlier termination) of the Franchise Agreement.

Removal of CF Number Published Listings (Service Option #2 only). For Service Option #2, Your removal of the CF Number from any or one of the following channels (or any other channel in which we list Your CF Number) constitutes a breach of these Terms of Use for which we may terminate immediately Your participation in the Program: organic internet search, Choice Mobile App, ChoiceHotels.com and Choice Reservations systems.

Change of Main Number (Service Option #3 only). For Service Option #3, it is a breach of these Terms of Use if Your Hotel takes on/publishes a new Main Number, in which case we may terminate immediately Your participation in the Program.

Additional Remedies. In addition to any damages to which it may be entitled, Choice will be entitled to reimbursement of all costs relating to the breach of the Terms of Use, including reasonable attorneys' and witness' fees. If, because of Your breach of the Terms of Use, we terminate Your participation in the Program during the first six months after Your enrollment, we will charge You the early exit fee. Your breach of these Terms of Use may also cause irreparable harm to Choice. You agree that damages may be an inadequate remedy and, therefore, in addition to its rights and remedies otherwise available at law, Choice will be entitled to equitable relief, including both a preliminary and permanent injunction, if such a breach occurs. You waive any requirement for the posting of a bond or other security if Choice seeks such an injunction.

Post Termination Reassignment of Ported Number (Service Option #3 only). Upon termination of Your participation in the Program under Service Option #3 – Call Forwarding Plus, we will use commercially reasonable efforts for ninety (90) days thereafter ("**Transfer Window**") to reassign the Ported Number back to Your Hotel. If we are unable to reassign the Ported Number back to Your Hotel during the Transfer Window, we may retain the Ported Number and/or forward it to a non-working line. You acknowledge that the actual termination of the Hotel's commitment and responsibility under Service Option #3 (including Your payment of Fees) will only become effective upon the earlier of: (a) the date the Ported Number is actually reassigned back to the Hotel (which will be determined by several factors outside of Choice's control), or (b) the last day of the Transfer Window.

5. Limitation of Liability.

You expressly understand and agree that neither Choice, its licensors, nor related parties shall be liable for any indirect, punitive, consequential, incidental or special damages of any kind resulting from these terms, access to or any use of, or inability to use or access, or reliance on, or functioning of, the Program, regardless of the basis upon which liability is claimed, even if Choice has been advised of the possibility of such loss of damage. In no event shall Choice's liability for damages, regardless of the form of action, exceed the fees You actually paid in the six (6) months immediately preceding Your claim.

6. No Warranty.

Choice provides the program "as is" and without warranties of any kind, either express or implied, except to the extent that any warranties implied by law cannot be validly waived or disclaimed. The disclaimed warranties, to the extent allowed by law, include but are not limited to the implied warranties of merchantability, non-infringement of intellectual property, and fitness for a particular purpose.

Choice makes no warranty that the Program will meet Your requirements or that it will be uninterrupted, timely, secure, or error free; nor does Choice make any warranty as to the results that may be obtained from Your participation in or use of the Program or as to the accuracy or reliability of any information obtained through Your participation in or use of the Program.

Choice shall be not responsible for any problems or technical malfunction of any telephone network or lines, computer on-line systems, servers, internet access providers, computer equipment, software, or any combination thereof including any injury or damage to Your or any other person's computer or networks as a result of using the Program. Choice makes no representations or warranties express or implied, with respect to the information received by or through Your participation in or use of the Program, including any representations or warranties as to the accuracy, completeness or timeliness of the information obtained by or through Your participation in or use of the Program.

7. Indemnity.

You agree, at Your expense, to indemnify, defend and hold Choice, as well as its officers, directors, employees, agents, subsidiaries, affiliates, distributors, franchisees, licensors and licensees harmless from and against any judgments, losses, deficiencies, damages, liabilities, costs, and expenses (including reasonable attorneys' and witness' fees and expenses) incurred in connection with or arising from any claim, demand, suit, action, or proceeding arising out of Your breach of these Terms of Use or in connection with Your participation in or use of the Program or any product or service related to the Program. Choice reserves the right to assume the exclusive defense and control of any matter subject to indemnification by You, which shall not excuse Your indemnity obligations.

8. Trademarks.

You acknowledge that Choice Hotels International®, Choice Hotels® and the trademarks associated with our brands are the sole property of Choice and are registered in the U.S. Patent and Trademark

Office and other trademark offices around the world. Any use of these trademarks by You requires the prior express written consent of Choice.

9. Governing Law.

Choice creates and controls the Program in the State of Maryland, U.S.A. Accordingly, these Terms of Use are governed by the laws of the United States and Maryland law, except the Maryland Uniform Computer Information Transactions Act, which is expressly disclaimed, and without regard to Maryland conflicts of law principles. Any controversy or claim arising out of or relating to these Terms of Use or relating to Your participation in or use of the Program and the materials related to the Program shall be resolved in a Maryland court. You agree that, regardless of any statute or law to the contrary, any claim or cause of action You may have against Choice arising out of or related to these Terms of Use must be filed within one (1) year after such claim or cause of action arises or this claim or cause of action will be forever barred.

10. General.

The waiver by Choice of a breach or right under these Terms of Use will not constitute a waiver of any subsequent breach or right. If any provision of these Terms of Use is found to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed from the remainder of these Terms of Use, which will otherwise remain in full force and effect. Choice will not be responsible for any delay or failure of the Program or any associated services, in whole or in part, due to the following factors as they affect Choice, its licensors, agents or representatives or the Program: federal, state or municipal action or regulation; strikes or other labor troubles; fire; damage; delay in transportation; shortages of raw materials, labor, fuel or supplies; sabotage; insurrection, riot or other acts of civil disobedience or public enemy; and failures or interruptions in Internet service, networks or other communication failures. You may not assign Your rights under these Terms of Use, in whole or in part, without the prior written consent of Choice. If Choice finds it necessary to employ legal counsel or to bring an action at law or other proceeding against You to enforce any of the provisions of these Terms of Use, You agree to pay Choice, in addition to any damages for which You may be responsible, all reasonable attorneys' and witness' fees and expenses incurred by Choice, if Choice prevails in such action or proceeding. Your obligations under these Terms of Use will survive termination of Your participation in, right to access, and use of the Program. Any rights not expressly granted to You herein are reserved to Choice and its licensors. You acknowledge and agree that these Terms of Use are the complete and exclusive agreement between Choice and You relating to the Program, superseding all other agreements, proposals and communications (oral or written) related to the Program.

10. Notices.

Notices to Choice can be sent via email to: hotel_call_forwarding_support@choicehotels.com.

EXHIBIT G

Choice Hotels Gift Card Enrollment Form

The Choice Gift Card program is currently open only to the following brands in the United States: Comfort Inn, Comfort Suites, Quality, Sleep Inn, Clarion, Cambria hotels & suites, MainStay Suites, Suburban Extended Stay, Econo Lodge, Rodeway Inn and Ascend Hotel Collection.

This Enrollment Form constitutes an agreement ("**Agreement**") between ____ ("**You**") and the company selected by Choice Hotels International, Inc. ("**Choice**") to administer the Choice Gift Card Program ("**Program**"), SVM, LP (the "**Program Administrator**"), dated _________, 201_.

Redemption of Gift Cards.

Choice has made the redemption of Choice Gift Cards **mandatory** and You agree that You will activate Your point of sale systems in order to be able to redeem Choice Gift Cards under the Program. You understand that whenever a guest pays for a room night(s) or any other charges which appear on the hotel bill using a Choice Gift Card, the Program Administrator will reimburse You for the value of the sale, less a 2.5% interchange fee. You will receive the 97.5% of the sale that is to be paid to You by (1) an electronic ACH transfer directly into Your bank account; or (2) receiving a monthly check from the Program Administrator for all Gift Card redemptions processed at Your property during the preceding month. If You choose Option (2) and there are payments owed to You there will be a check processing fee of $3.00 per monthly check in addition to the interchange fee which will be deducted from Your reimbursement amount. If You choose Option (1), You must complete the attached ACH Authorization Form and supply a copy of a voided check to the Program Administrator with this signed Agreement in order to be reimbursed.

Sale of Gift Cards (Optional).

Unlike the redemption of Gift Cards which is mandatory, ***You are not required to sell Choice Gift Cards at Your property, but You have the option to do so.*** If You choose to sell Gift Cards at Your property (Option 3), You agree to the following terms and conditions:

Supply of Cards for Sale: You will pay the Program Administrator a one-time fee of $99.95 to cover the cost of an initial package of 100 Gift Cards, a counter display, and start-up materials. This fee and all subsequent orders of Gift Cards will be billed to You electronically via an ACH debit to Your account. Subsequent card orders will be billed to You at a cost of $0.60 per Gift Card, subject to a 100 card minimum order. Payment for card orders will be made via an ACH debit to Your account. Please note that the cost of the Gift Cards, counter displays and start-up materials may vary based on particular promotions that are being run by the Program Administrator and you will be notified of any changes.

Payments: Each time You sell and activate a Gift Card at Your property, You will be charged 95% of the value of the card sold. You will retain the remaining 5% value of the gift card sold as payment for the sale. If You sell Gift Cards under the Program, You **must** complete the attached ACH Authorization Form and supply a copy of a voided check to the Program Administrator with this signed Agreement so that any payment amounts that are to be paid to the Program Administrator may be made by electronic debit to the bank account that You have designated for the Program.

Payment Options.

(***SELECT ONLY "ONE" OF THE THREE OPTIONS***).

☐ **OPTION 1 : ONLY REDEEM GIFT CARDS (ELECTRONIC). I wish only to "redeem" Gift Cards under the Program and I want to participate in the electronic payments option. Therefore, I am supplying my bank account information in order to electronically receive funds via ACH at no additional**

Property Code: _________

cost. I have completed the ACH form, I am supplying a copy of a voided check, and I am attaching both items to this Agreement.

☐ **OPTION 2 : <u>ONLY REDEEM GIFT CARDS (NON-ELECTRONIC)</u>. I wish only to "<u>redeem</u>" Gift Cards under the Program and I do NOT wish to participate in the electronic payments option. I elect to receive a check once each month for redemptions at my property. I understand this is available for a fee of $3.00 per monthly check, which is in addition to the interchange fee of 2.5% set forth above. I am returning this signed Agreement without the ACH form and without a copy of a voided check.**

☐ **OPTION 3 : <u>SELL & REDEEM GIFT CARDS</u>. I wish to "<u>sell and redeem"</u> Gift Cards under the Program. Therefore I am supplying my bank account information in order to electronically exchange funds via ACH at no additional cost. I have completed the ACH form, I am supplying a copy of a voided check, and I am attaching both items to this Agreement.**

You agree to mail a signed copy of this Agreement (and ACH Form and voided check, if applicable) to the Program Administrator at the following address, OR alternatively, You agree to fax these materials to the Program Administrator's secure fax at:

FAX NUMBER: 1-847-553-9223

SVM, LP
3727 Ventura Drive
Arlington Heights, IL 60004
Attention: CHOICE HOTELS PROGRAM

You understand that a signed copy of this Agreement (and the ACH Form and voided check, if applicable) must be received by the Program Administrator so that all payments due under this Agreement can be properly administered. You also understand that it is Your responsibility to notify the Program Administrator of any changes to Your relevant bank account information and that a fee may be levied by the Program Administrator for all returned ACH transactions due to incorrect bank account information or non-sufficient funds.

You understand that this Agreement will remain in force until either You or the Program Administrator terminates this Agreement. Choice will make reports available to You in a format designed to assist You to track Gift Card activity at Your hotel.

<u>ACCEPTED AND AGREED:</u>

Franchisee: ________________________ Address:________________________

By: ______________________________ ________________________

Printed Name: ______________________ ________________________

Title: ____________________________ Property Code: __________________

SVM, LP

Bank Account Information for ACH Credits/Debits

*If you plan to **SELL and REDEEM** cards at your property, this form must be completed for ACH credits and debits. If you plan to ONLY REDEEM cards at your property, this form must be completed ONLY if you select the ACH option for redemption reimbursement.*

You must include a voided check or a copy of a voided check with this form

Franchisee Name: ______________________ Property Code: ______________________

Property Name: ______________________ Phone Number: ______________________

Property Address: ______________________ Email Address: ______________________

____

____

Federal Tax ID #: ______________________

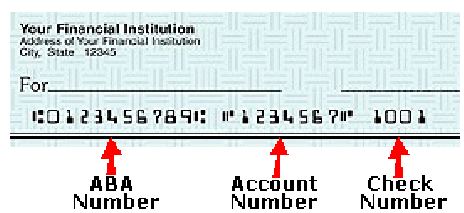
Bank Name: ______________________

***Include a voided check with this completed form**

Bank Address: ______________________

____

____



Routing (ABA) #: ______________________

Bank Account #: ______________________

Account Type: ☐ Checking ☐ Savings

Authorized Signature: ______________________ Date: ______________________

Initial Program Pricing (Subject to Change or Termination with 60 Days Written Notice):
Card Redemptions: 97.5% of transaction amount remitted to Franchisee (2.5% service fee)

Note: If you selected electronic funds transfer, this form must be completed and returned to SVM. Franchisees are responsible for communicating bank account changes. Check with your bank to confirm that your account is set up to receive ACH deposits. Returned ACH's are subject to a $15 fee.

(ACH is the Automated Clearing House for electronic banking transactions. See www.nacha.org for more information

Please return this form with a voided check and your Choice Hotels Gift Card Enrollment Form to SVM LP, 3727 Ventura Drive, Arlington Heights, IL 60004
OR
Fax both forms and your voided check to SVM's secure **fax** at **1-847-553-9223**

EXHIBIT H

«PROP_CODE» - «CONTRACT_ID»
«Brand_Name»

Promissory Note

Issuance Date: ____________

Maturity Date: ____________

$________________ **«PROP_CITY», «PROP_ST»**

FOR VALUE RECEIVED, each of the undersigned (collectively, "Maker"), jointly and severally, hereby promises to pay to the order of Choice Hotels International, Inc. ("Holder") the principal sum of ______________________ and 00/100 Dollars ($__________) ("Principal Amount") as provided for herein.:

1. Franchise Agreement. Maker and Holder are parties to a franchise agreement dated ________________________ (as may be amended or supplemented from time to time, the "Franchise Agreement"). The parties have agreed upon certain conditions pursuant to which Holder will make a loan to Maker pursuant to a promissory note in substantially similar form to this promissory note ("Note"). Capitalized terms used but not defined herein will have the meaning set forth in the Franchise Agreement.

2. Payment. Unless otherwise accelerated pursuant to Section 3, this Note matures on the Maturity Date, at which time the entire Principal Amount will be due and payable in full.

3. Default. The occurrence of any one or more of the following events shall constitute a "Default": (1) Maker's failure to observe or perform any covenant, condition or agreement under the terms of this Note; (2) if any representation or warranty made in connection with this Note is in Holder's opinion, false, misleading or incorrect in any material respect; (3) if for any reason, the Franchise Agreement terminates or is otherwise rendered ineffective prior to the Maturity Date; (4) the occurrence of any event(s) or existence of any situation that, after providing for any applicable notice/cure rights set forth in the Franchise Agreement, would provide Holder with a right to terminate the Franchise Agreement; (5) if all or any portion of the premises to which the Franchise Agreement applies ("Premises"), any interest in the Premises (including an ownership interest in any entity that owns the Premises), or any interest in this Note is transferred, leased, or conveyed, other than as security for a debt or other obligation, whether done by a direct or indirect method, or should Maker enter into any contractual arrangement to transfer or convey the Premises, any interest in the Premises (including an ownership interest in any entity that owns the Premises), any part of this Note, or any interest in this Note other than as security for a debt; and (6) the death of any Maker or the filing of any insolvency or bankruptcy proceeding by or against any Maker or the appointment of a receiver for any Maker or any Maker's assets. If a Default occurs, the entire Principal Amount will be due and payable in full within fifteen (15) days after Maker's receipt of a written Notice of Default from Holder.

4. Interest. If the Principal Amount, or any portion thereof, is not paid on or before the Maturity Date (or such earlier date required by Section 3), this Note will bear interest from the date on which funds are due until paid in full at the annual rate of eighteen percent (18%). Interest will be computed on the basis of a 360-day year and charged for the actual number of days elapsed in each interest calculation period. Nothing in this Note will be construed or operate to require Maker to pay interest at a greater rate than the maximum allowed by law. Should any interest or other charges paid or payable by Maker under this Note result in the computation or earning of interest in excess of the maximum allowed by law, then all excess interest charges are waived by Holder, and any such excess interest received by Holder will be automatically credited against the Principal Amount, and any such remaining excess received by Holder that exceeds the Principal Amount will be credited by Holder against Royalty Fees payable to Holder pursuant to the Franchise Agreement.

5. Confession of Judgment. Upon the occurrence of a Default, Maker hereby irrevocably authorizes and empowers any attorney or clerk of any court of record in the United States or elsewhere to appear for and, with or without declaration filed, confess judgment against Maker in favor of Holder or an assignee or successor of Holder, of the Note, at any time, for the full or total Principal Amount under this Note, together with all indebtedness provided for therein, with interest, costs of suit, and reasonable attorneys' fees; and the undersigned expressly releases all errors, waives all stay of execution, rights of inquisition and extension upon any levy upon real

estate and all exemption of property from levy and sale upon any execution hereon; and Maker expressly agrees to condemnation and expressly relinquishes all rights to benefits or exemptions under any and all exemption laws now in force or which may hereafter be enacted. Maker acknowledges and agrees that Maker is voluntarily, knowingly, and intelligently giving up its right to notice and hearing prior to the entry of judgment, is granting Holder, or Holder's assignee or successor, the right to confess judgment against Maker and is freely waiving its due process rights. Maker further consents to immediate execution on the judgment and waives all right of appeal, ratifying and confirming all that the attorney or clerk may do by virtue of this Note.

6. General.

No failure or delay by Holder to insist on the strict performance of any term of this Note or to exercise any right, power or remedy upon the occurrence of a Default or any other breach of this Note, is a waiver of any term or agreement or of any breach, or will preclude Holder from exercising any right, power or remedy at any later time unless in writing. If Holder accepts any payment after its due date, this act will not be a waiver of Holder's right to receive timely payment of all other amounts or to declare a default for the failure to make any other payment when due.

If Holder or any future holder of this Note assigns its rights under this Note, the term "Holder" as used in this Note will refer to such then-current assignee. This Note is not assignable by Maker.

If any provision (or any part of any provision) in this Note is for any reason held to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability will not affect any other provision (or remaining part of the affected provision) of this Note, and this Note will be construed as if the invalid, illegal or unenforceable provision (or part of this Note) had never been contained in this Note but only to the extent it is invalid, illegal or unenforceable.

This Note shall be governed by and construed in accordance with the laws of the State of Maryland.

Negotiable and payable at the office of: CHOICE HOTELS INTERNATIONAL, INC., 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, Attention: Billing Department.

In Witness Whereof, Maker acknowledges and agrees to the terms of this Note as evidenced by its signature under seal as of the day and year first above written.

EXHIBIT I

INCENTIVE PROMISSORY NOTE

$________________ **City, State** Date:_____________

FOR VALUE RECEIVED, each of the undersigned (collectively, "Maker"), jointly and severally hereby promises to pay to the order of Choice Hotels International, Inc. ("Holder") the principal sum of ________________ Dollars ($________) (the "Principal Amount"), or such lesser amount as shall then equal the outstanding Principal Amount hereof on the terms and conditions set forth hereinafter, together with interest thereon, as provided for herein. Pursuant to the terms of the Franchise Agreement (defined below), Holder will lend Maker the sum of $_________ upon the occurrence of the Opening Date, as defined in the Franchise Agreement. Capitalized terms used but not defined herein will have the meaning ascribed to such terms in the Franchise Agreement.

1. Background and Certain Definitions. Maker and Holder are parties to a franchise agreement dated ______________, (as may be amended or supplemented from time to time, the "Franchise Agreement"), which Franchise Agreement, among other items, set forth certain conditions pursuant to which Holder will make a loan to Maker pursuant to a promissory note in substantially similar form to this promissory note (the "Note").

2. Interest.

2.1 This Note will bear interest from the date on which funds are advanced to Maker (the "Distribution Date") until paid in full at the annual rate of Prime plus two percent (2%) (the "Rate of Interest"). "Prime" initially refers to the prime rate quoted by the Wall Street Journal Prime Rate as of the Distribution Date, and during the period in which all or any portion of the Principal Amount remains outstanding, shall adjust from time to time as the rate quoted by the Wall Street Journal adjusts. Rate of Interest will be computed on the basis of a 360-day year and charged for the actual number of days elapsed in each interest calculation period. The maximum interest rate in California is 10% annually.

2.2 Nothing in this Note will be construed or operate to require Maker to pay interest at a greater rate than the maximum allowed by law. Should any interest or other charges paid or payable by Maker under this Note result in the computation or earning of interest in excess of the maximum allowed by law, then all excess interest charges are waived by Holder, and any such excess interest received by Holder will be automatically credited against the Principal Amount, and any such remaining excess received by Holder that exceeds the Principal Amount will be credited by Holder against Royalty Fees payable to Holder pursuant to the Franchise Agreement.

3. Use of Proceeds. Maker agrees that the entire proceeds of this Note will be used solely for purposes related to the operation of a **«Brand_Name»** hotel pursuant to the Franchise Agreement.

4. Payment.

4.1 Unless otherwise accelerated pursuant to Section 5.2, this Note matures one hundred and twenty (120) months from the Opening Date (the "Maturity Date"), at which time the entire Principal Amount, all accrued and unpaid interest on this Note and all other sums due under this Note will be due and payable in full.

4.2 Notwithstanding the foregoing, no payments (of either the Principal Amount or any associated interest) will be due or payable under this Note unless and until a Default (as defined in Section 5.1 hereof) occurs. If no Default (i) has occurred before the Maturity Date, or (ii) is occurring on the Maturity Date, then the entire Principal Amount and all accrued interest will be waived and forgiven by Holder as of the Maturity Date.

4.3 As of each anniversary of the Opening Date, unless a Default has occurred, the loan balance shall automatically be reduced by: (a) 1/10th of the Principal Amount (the “Forgiven Amount”), and (b) all accrued interest on the Forgiven Amount.

4.4 Payments on this Note shall be made in lawful currency of the United States of America to Holder, at the address set forth in Section 6.3 of this Note or such other address as Holder may designate by written notice to Maker.

5. Default.

5.1 The occurrence of any one or more of the following events shall constitute a “Default”: (1) Maker’s failure to observe or perform any covenant, condition or agreement under the terms of this Note or under the terms of any documents signed in connection with this Note, if any, (including, but not limited to, any commitment, loan agreement, stock pledge agreement or guaranty) or any other note or other obligation payable by Maker to Holder; (2) if any representation or warranty made in connection with this Note or in any report, opinion, schedule or certification with this Note or later submitted to Holder is in Holder’s opinion, false, misleading or incorrect in any material respect; (3) if for any reason, the Franchise Agreement terminates or is otherwise rendered ineffective; (4) the occurrence of any event(s) or existence of any situation that, after providing for any applicable notice/cure rights set forth in the Franchise Agreement, would provide Holder with a right to terminate the Franchise Agreement; (5) if all of any portion of the premises to which the Franchise Agreement applies (the "Premises"), any interest in the Premises (including an ownership interest in any entity that owns the Premises), or any interest in this Note is transferred, leased, or conveyed, other than as security for a debt or other obligation, whether done by a direct or indirect method, or should Maker enter into any contractual arrangement to transfer or convey the Premises, any interest in the Premises (including an ownership interest in any entity that owns the Premises), any part of this Note, or any interest in this Note other than as security for a debt, unless, within 30 days of such transfer, Holder enters into a new **«Brand_Name»** franchise agreement with the transferee for the Premises, and the transferee assumes all of Maker's obligations under this Note and executes Holder's then-current form of Assumption of Promissory Note; (6) the filing of any insolvency or bankruptcy proceeding by or against any Maker or the appointment of a receiver for any Maker or any Maker’s assets; and (7) the death of any Maker unless (i) within 30 days upon death of a Maker, Holder is notified of such death, and (ii) within 60 days of said notification, this Note is transferred to and assumed by a new individual within Maker’s family, that Holder approves in its sole discretion, by executing Holder’s then-current form of Assumption of Promissory Note.

5.2 If a Default occurs, at Holder's option, the Default Payment Amount (as defined below) will immediately become due and payable by Maker to Holder without notice to Maker or any other person or entity. The "Default Payment Amount" means the sum of: (a) the original Principal Amount less an amount equal to the product resulting from multiplying the original Principal Amount by a fraction, the numerator of which is the number of full calendar months that have elapsed since the Opening Date, and the denominator of which is one hundred twenty (120) (the amount resulting from this calculation is referred to as the "Amount Due"); plus (b) interest on the Amount Due calculated from the Distribution Date at the Rate of Interest.

5.3 Interest will accrue on the Default Payment Amount at the Rate of Interest until the Default Payment Amount has been paid in full; provided, that if such Default Payment Amount has not been paid in full by the date that is fifteen (15) days after the date such amount became due and payable, interest will begin to accrue at a default annual rate equal to Prime plus seven percent (prime plus 7%). The maximum interest rate in California is 10% annually.

5.4 The following provisions are applicable upon the occurrence of a Default: (A) Maker will pay Holder all expenses, costs and attorneys' fees that Holder incurs in connection with Holder's collection of any monies due under this Note or for the enforcement of any right under this Note or under any other agreement related to the loan evidenced by this Note, and (B) Holder may exercise any or all other rights, powers and remedies provided for in any instrument, document or agreement now or later evidencing security or otherwise relating to the loan evidenced by this Note or now or later existing at law or in equity or by statute or otherwise.

5.5 CONFESSION OF JUDGEMENT. Upon the occurrence of a Default, Maker hereby irrevocably authorizes and empowers any attorney or clerk of any court of record in the United States or elsewhere to appear for and, with or without declaration filed, confess judgment against Maker in favor of Holder or an assignee or successor of Holder, of the Note, at any time, for the full or total Default Payment Amount under this Note, together with all indebtedness provided for therein, with interest, costs of suit, and reasonable attorneys' fees; and the undersigned expressly releases all errors, waives all stay of execution, rights of inquisition and extension upon any levy upon real estate and all exemption of property from levy and sale upon any execution hereon; and Maker expressly agrees to condemnation and expressly relinquishes all rights to benefits or exemptions under any and all exemption laws now in force or which may hereafter be enacted. Maker acknowledges and agrees that Maker is voluntarily, knowingly, and intelligently giving up its right to notice and hearing prior to the entry of judgment, is granting Holder, or Holder's assignee or successor, the right to confess judgment against Maker and is freely waiving its due process rights. Maker further consents to immediate execution on the judgment and waives all right of appeal, ratifying and confirming all that the attorney or clerk may do by virtue of this Note.

5.6 Maker waives demand, presentment for payment, protest and notice of dishonor and agrees that at any time and from time to time and with or without consideration, Holder may, without notice to or further consent of Maker and without in any manner releasing, lessening, or affecting the obligations of any of them: (1) release, surrender, waive, add, substitute, settle, exchange, compromise, modify, extend, or grant indulgences with respect to (a) this Note, (b) all or any part of any collateral or security for this Note, and (c) Maker or any of them; and (2) grant any extension or other postponements of the time of payment of this Note.

6. General.

6.1 Cumulative Rights. Each right, power and remedy of Holder as provided for in this Note or now or hereafter existing at law or in equity or by statute or otherwise is cumulative and concurrent and is in addition to every other right, power or remedy, and Holder's exercise or beginning of exercise of any one or more of these rights, powers or remedies will not preclude Holder's simultaneous or later exercise of any or all these other rights, powers or remedies.

6.2 No Waiver; Application of Payment. No failure or delay by Holder to insist on the strict performance of any term of this Note or to exercise any right, power or remedy upon the occurrence of a Default or any other breach of this Note, is a waiver of any term or agreement or of any breach, or preclude Holder from exercising any right, power or remedy at any later time unless in writing. If Holder accepts any payment after its due date, this act will not be a waiver of Holder's right to receive timely payment of all other amounts or to declare a default for the failure to make any other payment when due. Any partial payments under this Note may be applied to pay interest, the Principal Amount, the Amount Due or costs as Holder, in its sole discretion determines.

6.3 Notices. All notices required under this Note must be in writing, must be personally delivered or mailed by registered or certified mail, return receipt requested, or by a nationally recognized courier service, to Holder at **Choice Hotels International, Inc., 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850**, and to Maker at the Designated Representative's address identified in the Franchise Agreement. Either Holder or Maker may change the applicable address to which such notices are to be sent by written notice to the other party; provided, that Maker may only change the Designated Representative by written notice to Holder delivered in compliance with the Franchise Agreement. Maker authorizes the Designated Representative to receive Holder's written notices to Maker as its agent. Any notice by registered or certified mail or by reputable national courier service is deemed given and received at the date and time of sending.

6.4 Severability. If any provision (or any part of any provision) in this Note is for any reason held to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability will not affect any other provision (or remaining part of the affected provision) of this Note, and this Note will be construed as if the invalid, illegal or unenforceable provision (or part of this Note) had never been contained in this Note but only to the extent it is invalid, illegal or unenforceable.

6.5 Assignment. If Holder or any future holder of this Note assigns its rights under this Note, the term "Holder" as used in this Note will refer to such then-current assignee.

6.6 Choice of Law. This Note is a contract made under, and for all purposes will be construed in accordance with, the internal laws and judicial decisions of the State of Maryland. Maker and Holder agree that any dispute arising out of this Note is subject to the jurisdiction of both the state and federal courts in the State of Maryland. For that purpose, Maker submits to the jurisdiction of the state and federal courts of the State of Maryland. Maker further agrees to accept service of process out of any of the before-mentioned courts in any dispute by registered, certified mail or international courier service addressed to Maker.

6.7. Confidentiality**.** You agree to keep the provisions of this Note in strict confidence and will not disclose them to any persons other than your directors, officers, partners, employees, agents and advisors that have a need to know. Any unauthorized disclosure is a Default under this Note as defined in Section 5.1 hereto.

6.8 Waiver of Trial by Jury. **THE MAKER AND THE HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE MAKER AND THE HOLDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO THIS NOTE. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS NOTE.**

In Witness Whereof, Maker acknowledges and agrees to the terms of this Note as evidenced by its signature under seal as of the day and year first above written.

EXHIBIT J

ACCESS POINT FINANCIAL

EQUIPMENT LOAN AND SECURITY AGREEMENT

THIS EQUIPMENT LOAN AND SECURITY AGREEMENT ("Agreement") is made and entered into as of this ______ day of _________________, 2015, by and between **ACCESS POINT FINANCIAL, INC.**, a Delaware corporation ("Lender"), and ________________________________**,** a ________________________ ("Borrower"), whose principal place of business is located at _____________________________.

RECITALS

Borrower has applied to Lender for a loan to acquire certain personal property. Lender has agreed to make such loan on certain terms and conditions, all of which have been accepted by Borrower. Lender and Borrower are entering into this Agreement to set forth more fully the terms and conditions of the loan transaction.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants herein set forth and other good and valuable consideration, and the receipt and adequacy of which are hereby acknowledged, Borrower and Lender do hereby agree as follows:

1. LOAN AMOUNT AND PURPOSE.

(a) Subject to the terms and conditions of this Agreement, and provided no Event of Default (hereafter defined) has occurred, Lender agrees to lend to Borrower the principal amount not to exceed $________________ (the "Loan"). The Loan may be disbursed in one or more advances, but each such disbursement shall reduce Lender's loan commitment hereunder, and any sums advanced hereunder may not be repaid and then re-borrowed. Notwithstanding the foregoing, all advances of the Loan now or at any time hereafter made by Lender to Borrower under this Agreement shall constitute one loan secured by Lender's security interest in the Collateral (hereafter defined).

(b) The Loan shall be used by Borrower only to acquire the furniture, fixtures and equipment identified in each approved Draw Request (hereafter defined) to be used in connection with the refurbishing or operations of the Location Premises (hereafter defined) and to pay for such closing costs incidental to the Loan as Lender may approve. Borrower and Lender agree that no more than twentypercent (20%) of the Collateral shall consist of Soft Cost Items. For purposes of this Agreement, “Soft Cost Items” are personal property which Lender, in its sole discretion, believes will be of little or no residual value upon termination of the Loan.

2. RESERVE ACCOUNT/LOAN ADVANCES. Lender shall approve advances for FF&E to be used in the operation of the Premises, as described in the Budget. Lender shall fund the entire loan amount at the time of closing into a reserve account held by the Servicer and shall permit advances to be made for a period of __________ days from the date Applicant executes the Loan Documents. Such Advances shall be paid directly to vendors for FF&E delivered to Applicant upon receipt of an executed Rental Schedule and Delivery and Acceptance Certificate for each set of invoices received.

3. TERMS AND CONDITIONS. The Loan is subject to the following terms and conditions:

(a) [TERMS AND CONDITIONS 1 - Subject to subordination of the Management Fees.] ___
Initial

(b) [TERMS AND CONDITIONS 2 - Lender, in its sole discretion may require that the outstanding principal balance of this Note, together with all accrued and unpaid interest thereon and all other sums payable in connection with the indebtedness evidenced hereby is due and payable by ______________ unless the first mortgage is refinanced. The first Mortgage matures on or by ______________________________.] ___
Initial

(c) [TERMS AND CONDITIONS 3 - As a condition of Lender making the loan to Borrower, during the term of this loan Borrower agrees not to further encumber the real estate or any personal property (furniture, fixtures, equipment, etc.) to be placed on or affixed to the real estate with any security interest for the benefit of any other party.] ___ Initial

(d) [TERMS AND CONDITIONS 4 - Borrower has committed to complete the renovations and improvements of the HVAC systems, Key Card Access System, mattresses, micro-fridges, desk chairs and other hotel furniture and materials, subject to approval by APF, of the hotel on the Location Premises (defined below) within the allotted draw-down period.] ___ Initial

(e) [TERMS AND CONDITIONS 5 - Subject to verification of cash balances stated on the Guarantor's personal financial statements.]

4. PAYMENT TERMS. The Loan shall be evidenced by Borrower's Promissory Note ("Note") executed by Borrower to the order of Lender in the stated principal amount equal to the maximum amount of the Loan, providing for the payment of principal, together with interest thereon and a late charge for delinquent payments at the rate(s) set forth therein, in such installments, at such times and according to such further terms as set forth in the Note. (For purposes hereof, the "Note" shall include any extensions, renewals, modifications or replacements thereof.)

5. COLLATERAL AND SECURITY INTEREST.

(a) Grant of Security Interest. As security for payment of all indebtedness, interest, late charges and other fees, and all other obligations or other liabilities which may be now or hereafter owing by Borrower to Lender in connection with the Loan or arising under the Note, this Agreement or any other Loan Document (hereafter defined), and for any extensions, renewals, refinancings, restructurings, modifications or replacements, in whole or in part, of the Note (collectively, the "Obligations"), Borrower hereby grants to Lender a present and continuing first priority purchase money security interest in and lien on all right, title and interest of Borrower in the Collateral. (USE THIS LANGUAGE IF THERE IS NO INTERCREDITOR AGREEMENT) OR Borrower hereby grants to Lender a present and continuing specific lien in and on all right, title and interest of Borrower in the Collateral (see Exhibit C for collateral list). (USE THIS LANGUAGE AND ATTACH EXHIBIT IF THERE IS AN INTERCREDITOR AGREEMENT)

(b) Collateral Designation. The Collateral consists of any and all furnishings, fixtures and equipment acquired with the proceeds of the Loan, together with all attachments, accessories, accessions, parts, replacements, substitutions, additions, and improvements thereto, and all service contracts, warranty claims and other general intangibles relating thereto, and all insurance proceeds and condemnation awards received or receivable with respect thereto, and all cash and non-cash proceeds of the foregoing (collectively, "Collateral"). Unless otherwise defined herein, all terms used in defining the Collateral shall have the meanings under the Uniform Commercial Code ("UCC") as in effect in the State of Georgia to the extent a definition is provided therein. In addition, the term "proceeds" as used herein includes whatever is receivable or received, cash or non-cash, when any Collateral or any proceeds thereof is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and also includes without limitation all rights to payment (including returned premiums) with respect to any insurance relating to the Collateral. In addition, all references herein to a particular type or item of Collateral shall be deemed to include all now existing or hereafter acquired books and records of Borrower relating to such Collateral (including, without limitation, all computer materials and records). Borrower agrees that the Collateral shall be and remain personal property and shall not, by reason of its attachment or other connection to any real property, either become or be deemed to be a fixture or appurtenance to such real property and shall at all times be deemed severable therefrom.

(c) Perfection of Security Interest. Borrower shall keep, procure, execute, and deliver from time to time any and all endorsements, notifications, registrations, assignments, financing statements, fixture filings, certificate of title applications, blank transfer powers, and other writings deemed necessary or appropriate by Lender to perfect, maintain, and protect its security interest in and lien on the Collateral hereunder and the priority thereof, and Borrower shall take such other actions as Lender may request to protect the value of the Collateral and of Lender's security interest in the Collateral, including, without limitation, obtaining such landlord waivers, mortgagee waivers and other assurances from third parties regarding Lender's access to and right to foreclose on or sell the Collateral and right to realize the practical benefits of such foreclosure or sale as Lender may request. Unless prohibited by applicable law, Borrower hereby authorizes Lender to execute and file any financing statement or fixture filing on Borrower's behalf, and the parties further agree that any carbon, photographic, or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

(d) Power Of Attorney. Borrower hereby makes, constitutes and appoints (which appointment is coupled with an interest and shall be irrevocable so long as this Agreement is in effect) Lender as its attorney-in-fact with full power and authority to take any action contemplated by subsection (c) above and also to take any of the following actions at any time during the existence of any Event of Default hereunder (but Lender shall have no obligation to and shall incur no liability to Borrower or any third party for failing to exercise any such power or authority): (i) to collect by legal proceedings or otherwise and endorse and receive all interest, payments, proceeds, and other sums and property now or hereafter payable on or on account of any of the Collateral; (ii) to insure, process, and preserve any of the Collateral or to take any other action which Borrower is obligated by this Agreement to take; (iii) to transfer any of the Collateral to its own or its nominee's name; (iv) to make any compromise or settlement, and take any action it deems advisable, with respect to any of the Collateral; (v) to endorse Borrower's name upon any checks or other proceeds of any Collateral and apply same to amounts due under the Loan in such priority and proportions as Lender deems appropriate; (vi) to endorse Borrower's name on any other document, instrument or other agreement relating to any of the Collateral; (vii) to use the information recorded on or contained in any data processing equipment, other computer hardware or any software relating to any Collateral; and (viii) to make, adjust or enforce claims under any insurance policy relating to any Collateral. Lender may exercise the foregoing power of attorney in its discretion, in its name or Borrower's name, and without prior notice to or demand upon Borrower.

6. LOAN DOCUMENTS AND COLLATERAL LOAN DOCUMENTS. In addition to this Agreement and the Note, Borrower shall grant, execute and deliver to Lender, or cause to be granted, executed and delivered to Lender, as the case may be, all of the documents requested by Lender, all of which shall be in form and substance acceptable to Lender and its counsel. Such Loan documents along with the Note and this Agreement are referred to herein together as the "Loan Documents."

7. CONDITIONS TO LOAN ADVANCES. At the time of the making of each advance of the Loan by Lender to Borrower under this Agreement, the following conditions shall have been fulfilled to Lender's satisfaction:

(a) All conditions and requirements of this Agreement shall have been provided and satisfied in form and substance satisfactory to Lender;

(b) The Loan Documents shall have been duly executed and delivered by all required parties thereto and in form and substance satisfactory to Lender;

(c) Lender shall have received and approved the Draw Request and the Delivery and Acceptance Certificate for the Collateral which shall be substantially in the form attached hereto as Exhibit A ("Delivery and Acceptance Certificate");

(d) Borrower shall have executed and delivered to Lender any and all instruments, agreements and documents required by Lender in connection with such Draw Request or as Lender deems necessary or appropriate to perfect or continue the perfection of Lender's security interest in the Collateral to be acquired with the proceeds thereof;

(e) Borrower shall have delivered to Lender the insurance certificates required by Section 10 of this Agreement;

(f) No Event of Default shall exist hereunder or under any of the other Loan Documents nor shall any event or condition exist which, with the giving of notice where applicable or the expiration of applicable grace or cure periods, or both, would constitute such an Event of Default;

(g) All representations and warranties by Borrower and/or any guarantor of the Loan ("Guarantor" and sometimes referred to with Borrower as "Credit Parties") in the Loan Documents, as well as in any other notice, material or document provided by a Credit Party to Lender in connection with the Draw Request for the advance being funded, shall be true and correct in all material respects with the same effect as if such representations and warranties had been made on and as of the date of such advance;

(h) Since the date of the most recent annual financial statements for any Credit Party delivered to Lender, no material adverse change shall have occurred in the financial condition of any Credit Party;

(i) Each and all of the covenants set forth in this Agreement shall have been performed and complied with in all material respects to the extent required by Lender in connection with such advance; and

(j) The advance to be made and the use of the proceeds thereof shall not violate any applicable law, regulation, injunction or order of any government or court.

8. PROCEDURE FOR LOAN ADVANCES.

(a) Borrower shall submit written application for advances of the Loan ("Draw Request(s)") to Lender which shall identify in reasonable detail the Collateral to be purchased with such advance and shall be accompanied by original invoices or paid receipts of the party claiming payment due and a Delivery and Acceptance Certificate unless waived by Lender. Draw Requests may be submitted not more than twice a month, unless otherwise agreed by Lender, each request for an advance (unless it is the final request for an advance) shall be in the minimum amount of 10% of the maximum amount of the Loan; Soft Cost Items may only be included in the final Draw Request. Upon Lender's approval of the form and content of a Draw Request and confirmation that all conditions precedent to an advance have been satisfied, Lender will disburse or advance the amount requested. If Lender determines that the advance requested or any part thereof is not to be made, Lender will inform Borrower of the reasons for not making any such advance. All advances shall be made by wire transfer to the party entitled to receive such payment as designated on the Certificate of Acceptance and Delivery, as Lender deems appropriate in each case. All payments to parties other than Borrower shall be deemed made for the use and benefit of Borrower with the same force and effect as if disbursed or advanced directly to Borrower.

(b) Each Draw Request submitted shall constitute a representation and certification by Borrower to Lender that (i) the Collateral for which payment is requested has been ordered and received by Borrower; (ii) the Collateral has the value as stated in the Draw Request; (iii) each and all of the representations and warranties set forth in Section 9 hereof continue to be true, complete and correct in all material respects; and (iv) no event has occurred nor does any condition exist which, with the giving of notice where applicable or the expiration of applicable grace or cure periods, or both, would constitute an Event of Default.

9. REPRESENTATIONS AND WARRANTIES. Borrower makes the following representations and warranties to Lender, which shall be true, complete and correct as of the date hereof and upon each advance of the Loan:

(a) Authority. Borrower has full power, authority and legal right to execute this Agreement, to own the Collateral, to borrow the Loan and grant to Lender the security interest hereby contemplated, and to perform all of Borrower's obligations under this Agreement and the other Loan Documents.

(b) Legal Status and Authority. Borrower (i) is duly organized, validly existing and in good standing under the laws of its state of organization or incorporation; (ii) is duly qualified to transact business and is in good standing in the state where the Collateral is to be located; and (iii) has all necessary approvals (governmental and otherwise) to carry out its business as now conducted and proposed to be conducted.

(c) Validity of Documents. Borrower's execution, delivery and performance of this Agreement and the other Loan Documents (i) are within Borrower's power and authority; (ii) have been duly authorized by all requisite organizational action; (iii) have received all necessary approvals and consents (organizations, governmental or otherwise); (iv) will not violate, conflict with, result in a breach of, nor constitute a default under any provision of law (including, without limitation, any usury law), any order or judgment of any court or governmental authority, Borrower's organizational documents or any indenture, contract or other agreement to which Borrower is a party or by which Borrower or any of Borrower's assets (including the Collateral) may be bound or affected; and (v) will not require any authorization or license from, or any filing with, any governmental or other body (except for UCC filings relating to the security interest created hereby).

(d) Authorized Signer. The person signing this Agreement and the other Loan Documents on Borrower's behalf has been validly authorized and directed to sign such documents. This Agreement and the other Loan Documents, when executed by or on behalf of Borrower, shall be the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with their respective terms, except to the extent enforcement of the remedies hereunder may be limited under applicable bankruptcy and insolvency laws.

(e) Litigation. No action, suit or proceeding, judicial, administrative or otherwise (including any condemnation of the property where the Collateral is to be located or similar proceeding) currently is pending or, to Borrower's knowledge, threatened or contemplated against Borrower, the property where the Collateral is to be located, or any Guarantor, that (i) has not been disclosed in writing to Lender, and (ii) will have (singularly or in the aggregate) a material, adverse effect on the ability of Borrower or of any Guarantor to perform its obligations to Lender under this Agreement, any of the other Loan Documents or the guaranty, as applicable.

(f) Financial Condition. All financial statements and information relating to Borrower and to each Guarantor which have been delivered to Lender in connection with the Loan are true and correct, fairly represent the financial condition or results of operations of Borrower or such Guarantor as of the date(s) or period(s) set forth therein and have been prepared in accordance with generally accepted accounting principals consistently applied. No material adverse change in the condition (financial or otherwise) of Borrower or any Guarantor has occurred since the date(s) of such financial statements. No bankruptcy, reorganization, insolvency or similar proceedings under any state or federal law have been initiated by or against Borrower or any such Guarantor. The granting of the security interest contemplated hereby does not constitute a fraudulent conveyance.

(g) Place of Business. Borrower's principal place of business is located at the address stated in the first paragraph of this Agreement. Borrower does not use any trade, assumed or fictitious name. The Collateral will at all times be used for commercial or business purposes and will be located at ____ ("Location Premises").

(h) Condition of the Location Premises. The Location Premises currently is in compliance with all applicable laws, regulations, ordinances, directives and orders of each governmental agency having jurisdiction thereof.

(i) Title to Collateral; No Encumbrances. Borrower is or will be on delivery the sole owner of the Collateral and has or will have upon delivery good and marketable title thereto. Except for the security interest and lien granted hereunder in favor of Lender, no person has (or, in the case of any after-acquired Collateral, at the time Borrower acquires rights therein, will have) any right, title, claim, or other interest (whether in the nature of a security interest, other lien or charge, or otherwise) in, against or to any Collateral or any interest therein.

(j) Disclosure. To the best of Borrower's knowledge, Borrower has not failed to disclose any material fact that could cause any representation or warranty made herein to be false or materially misleading.

10. BORROWER COVENANTS. In addition to the covenants set forth in other sections of this Agreement or in the other Loan Documents, Borrower agrees to comply with the following covenants so long as this Agreement is in effect:

(a) Ownership and Restrictions on Transfers. Legal and equitable ownership of the Collateral shall at all times be and remain solely held by Borrower, subject only to the security interest and lien in favor of Lender. Borrower will not change Borrower's name (including its trade name or names) or, if not an individual, Borrower's corporate, partnership or other entity structure without, in each case, notifying Lender of such change in writing at least 30 days prior to the effective date of such change, and, in the case of a change in Borrower's structure, without first obtaining Lender's prior written consent. Without limiting the foregoing, Borrower will not, directly or indirectly, (i) sell, contract to sell, convey, mortgage, pledge, hypothecate, grant a security interest in or otherwise transfer, encumber or suffer a lien upon or against any of the Collateral, or (ii) assign, lease, sublet or grant licenses to use the Collateral or any part thereof (collectively, "Transfer"). For purposes of this Agreement, a "Transfer" shall be deemed to include, without limitation, any change in the ownership or control of Borrower, whether by operation of law, merger, consolidation or otherwise, unless Borrower is publicly traded in which case transfers of stock shall not be deemed to be a Transfer.

(b) Change in Organization Documents. Borrower shall promptly notify Lender of any changes in the organizational documents of Borrower or any other Credit Party; provided, however, that no changes shall be made which would affect such Credit Party's ability to perform any of its obligations under the Loan Documents, without in each case obtaining Lender's prior written consent.

(c) Change of Borrower's Principal Place of Business. Borrower shall give Lender not less than 30 days prior written notice of any change in Borrower's principal place of business or primary residence if Borrower is an individual.

(d) Restriction on Location of Collateral. Borrower will cause the Collateral to be installed and located only at the Location Premises. Other than as may be necessary for repairs or maintenance, Borrower will not remove, nor permit removal of, the Collateral from the Location Premises nor part with possession or control of the Collateral without Lender's prior written consent.

(e) Use of Collateral. Borrower will use the Collateral only for the normal and customary use for which such Collateral is intended and only so as to subject it to ordinary wear and tear. Borrower will cause the Collateral to be operated in accordance with the applicable manufacturer's manuals or instructions by competent and duly qualified personnel and only in accordance with applicable law or other governmental regulations, if any.

(f) Repair and Maintenance. Borrower shall do all acts that may be necessary to maintain, preserve, and protect the Collateral and shall keep the Collateral in good condition and repair and shall not cause or permit any waste of any of the Collateral. Without limiting the foregoing, Borrower, at its sole expense, will repair and maintain each item of the Collateral so as to keep it in as good condition as of the date of the Loan or advance with respect thereto, ordinary wear and tear excepted, including, without limitation, the provision of Replacement Parts (defined below) as and when necessary. Borrower, at its sole expense, also will perform all maintenance of the Collateral necessary to satisfy the requirements of and keep in full force and effect any manufacturer's or other warranty. Any replacement of a part or component added to the Collateral ("Replacement Part(s)") made by Borrower shall be a new part or component of the same or better quality than the part or component being replaced and shall be considered an accession to such item of the Collateral upon installation or affixation thereof. Except as set forth above as to Replacement Parts, Borrower, without the prior written consent of Lender, shall not affix or install any accessory, equipment or device on any item of Collateral or otherwise alter the Collateral.

(g) Mechanic's Liens and Other Encumbrances. Borrower shall keep the Collateral free and clear of all liens and claims of others and promptly pay and discharge any mechanic's liens or other encumbrances or claims of any party which may be filed or recorded against any of the Collateral, within 30 days after Borrower receives notice thereof, whether such notice is received from Lender or otherwise.

(h) Taxes. Borrower shall pay promptly when due, and agrees to indemnify and hold Lender harmless on an after-tax basis from and against, all titling, filing, recordation and other fees and taxes (including without limitation sales, use, excise, personal property, franchise or other taxes, levies, imposts, duties, assessments and all other charges or withholding of any nature together with any penalties, fines or interest thereon), arising at any time prior to or during the term of the Loan or any renewal or extension hereof, upon or relating to the Collateral, or this Agreement or any other Loan Documents, whether the same be assessed to Lender or Borrower by any federal, state or local government or taxing authority or any subdivision thereof', excluding, however, taxes on, or measured by, the net income of Lender. All amounts payable by Borrower pursuant to this section shall be payable to the extent not theretofore paid, on demand by Lender, and the obligation of Borrower under this section shall survive the expiration or earlier termination of this Agreement.

(i) No Additional Indebtedness. Borrower shall not, without Lender's prior written consent, incur additional indebtedness (secured or unsecured), except for trade payables in Borrower's ordinary course of business.

(j) Books and Records. Borrower shall keep adequate books and records of account with respect to the Borrower's financial conditions and operation of the Location Premises and the Collateral, in accordance with methods acceptable to Lender and consistently applied. Lender and its agents shall have the right upon prior written notice to Borrower (notice to be given unless an Event of Default has occurred and is then continuing) to inspect such books and records and to make copies and abstracts from such materials for Lender's records. Borrower shall furnish to Lender and its agents convenient facilities at the Location Premises for the examination and audit of any such books and records at all reasonable times. Borrower shall furnish to Lender the following within 120 days after the end of each of Borrower's fiscal year: (a) an annual operating statement for the Location Premises and (b) an annual balance sheet, profit and loss statement, and source and application of funds of Borrower, all of which shall be in reasonable detail and certified by Borrower to be true, complete and accurate. Lender reserves the right to request the foregoing statement(s) to be delivered at more frequent intervals, but, unless an Event of Default has occurred, not more frequently than quarterly. Lender also shall cause any guarantor of Borrower's obligations to Lender to furnish to Lender within the time period set for the above (1) if the guarantor is an individual, a copy of his/her prior year federal income tax return and a certified net worth statement, or (b) if the guarantor is not an individual, the information set forth above.

(k) Inspections and Right of Entry. Lender and its agents shall have the right to enter upon the Location Premises for the purpose of inspecting the Collateral. In making such entry and inspection, Lender agrees to use reasonable efforts to minimize disturbance to Lender's operations. Unless an emergency exists or an Event of Default has occurred and is then continuing, Lender will provide reasonable notice to Borrower prior to its planned entry or inspection.

(l) Performance at Borrower's Expense. Borrower acknowledges and confirms that Lender shall impose certain administrative processing and/or commitment fees in connection with (i) the extension, renewal, modification, amendment and termination of its loans, (ii) the release or substitution of collateral therefor, (iii) obtaining certain consents, waivers and approvals with respect to the Collateral, or (iv) the review of any subordination, non-disturbance or intercreditor agreement (occurrence of any of the above shall be called an "Event"). Borrower hereby acknowledges and agrees to pay, immediately, with or without demand, all such fees (as the same may be increased or decreased from time to time), and any additional fees of a similar type or nature which may be imposed by Lender from time to time, with respect to any Event or otherwise. Such costs and expenses shall include, but not be limited to, all reasonable fees and disbursements for legal counsel (whether of retained firms or of in-house staff). All such amounts shall accrue interest at the Default Rate provided in the Note if not paid in full within 5 days of Lender's written demand therefor, which interest shall accrue from the date demanded by Lender until paid in full by Borrower.

(m) Costs of Enforcement. Borrower shall pay, on demand by Lender all reasonable fees and disbursements for legal counsel (whether of retained firms or of in-house staff) incurred by Lender in connection with (i) protecting its interest in the Collateral or (ii) in collecting any amount payable hereunder (including recovery of amount under subsection (l) above) or (iii) in enforcing its rights hereunder with respect to the Collateral, whether or not any legal proceeding is commenced hereunder and whether or not any default or Event of Default shall have occurred and is continuing. All such amounts shall accrue interest at the Default Rate provided in the Note if not paid in full within 5 days of Lender's written demand therefor, which interest shall accrue from the date demanded by Lender until paid in full by Borrower.

(n) Risk of Loss. Borrower agrees that all risk of loss of the Collateral shall at all times be and remain upon Borrower irrespective of whether such Collateral is then in Borrower's or Lender's possession.

(o) Insurance. Borrower, at its sole expense, shall obtain and maintain on each item of Collateral, all-risk casualty and liability insurance in such amounts, against such risks (including theft and vandalism), in such form and with such insurers as shall be satisfactory to Lender; provided, however, that the amount of property damage insurance at any particular time shall not be less than the full replacement value of the Collateral and shall not require co-insurance. Each casualty insurance policy will name Lender as loss payee and each liability insurance policy shall name Lender as an additional insured, and each policy shall contain clauses (a) requiring the insurer to give Lender at least 30 days prior written notice of any alteration in the terms of such policy or of the cancellation or nonrenewal thereof and (b) providing that, as to the interest of Lender thereunder, such policy shall not be suspended, invalidated or in any manner prejudiced by any action or inaction of Borrower or any other party (other than Lender) and shall insure Lender regardless of any default, misrepresentation or breach of warranty or conditions by Borrower or any other party (other than Lender). At Lender's option, Borrower shall furnish to Lender a certificate of insurance or other evidence satisfactory to Lender that such insurance coverage is in effect; provided, however, that Lender shall be under no duty either to ascertain the existence of or to examine such insurance or to advise Borrower in the event such insurance shall not comply with the requirements of this section. Borrower hereby appoints Lender as Borrower's attorney-in-fact to claim receipt for, receive payment of and execute and endorse all documents, checks or drafts for loss or damage under any of said insurance policies, and Borrower hereby assigns to Lender all proceeds of any such policy paid on account of any damage to or loss of the Collateral or any part thereof.

(p) Borrower Certificate. At the end of each calendar quarter from and after the date hereof, Borrower shall deliver to Lender a Borrower Certificate in the form attached hereto as Exhibit B certifying to Lender the following:

i. The quarterly management prepared financial statements are true and correct;

ii. The STR Report is based on the current competitive set and is an accurate picture of the performance of the hotel on which the Collateral is located (the “Hotel”); and

iii. The Hotel is current on the franchise fees with Borrower’s franchisor and, otherwise, not in default of any of its obligations under the franchise agreement.

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11. GENERAL INDEMNITY. Borrower agrees to indemnify, defend (at Lender's option and with counsel approved by Lender) and hold harmless Lender, on an after-tax basis, against and from all losses, damages (including punitive damages), injuries to persons or property (including death), claims (including claims for strict liability, negligence or other tort), demands and expenses (including reasonable fees and expenses for legal counsel), of any kind or nature (collectively, "Claims"), imposed on, incurred by or asserted against Lender in any way relating to or arising out of the execution, delivery or performance of this Agreement or the other Loan Documents or arising out of or relating to any injury to persons or property resulting from or based upon the Collateral; provided, however, that this indemnity shall not extend to any of the foregoing caused solely by the willful misconduct or gross negligence of Lender. All amounts payable by Borrower pursuant to this section shall be payable on demand by Lender, shall accrue interest at the rate then prevailing under the Note and shall be secured by the lien and security interest granted hereby. The obligations of Borrower under this section shall survive the expiration or other termination of this Agreement.

12. EVENTS OF DEFAULT. The term "Event of Default", whenever used herein, shall mean the occurrence of any of the following events:

a. If an Event of Default as defined in the Note or any of the Other Loan Documents shall have occurred; or

b. Except for the specific defaults set forth in this Section 12 or declared to be an immediate default under any other Loan Documents, any other default hereunder or under any of the other Loan Documents occurs which is not cured (i) in the case of any default which can be cured by the payment of a sum of money, within 5 days after written notice from Lender to Borrower, or (ii) in the case of any other default, within 30 days after written notice from Lender to Borrower; provided that if such default cannot reasonably be cured within such 30-day period and Borrower shall have commenced to cure such default within such 30-day period and thereafter diligently and expeditiously pursues the cure, such 30-day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of 120 days; or

c. If any representation or warranty of Borrower or any Guarantor, or any member, general partner, principal or beneficial owner in or of any of the foregoing, made herein or in any guaranty, or in any certificate, report, financial statement or other instrument or document furnished to Lender in connection herewith or in connection with any request for Lender's consent or approval, shall have been false or misleading in any material respect when made; or

d. If Borrower or any Guarantor shall make an assignment for the benefit of creditors or shall generally not be paying its debts as they become due; or

e. If Borrower or any Guarantor is adjudged insolvent or becomes a debtor in any voluntary or involuntary bankruptcy or other proceeding under any existing or future law of any jurisdiction, domestic or foreign, seeking relief with respect to it or its debts; provided that in the case of any such proceeding commenced against Borrower or any Guarantor an Event of Default shall not be deemed to have occurred if such proceeding is dismissed or discharged as to Borrower or such Guarantor within 60 days from the filing thereof; or

f. If any default occurs under any guaranty executed in connection with the Loan and such default continues after applicable notice and the expiration of applicable grace or cure periods, if any, or if any Guarantor repudiates or terminates such guaranty; or

g. If any Guarantor become deceased unless Lender is provided with a substitute guarantor or alternative collateral satisfactory to Lender in its sole discretion within 90 days; or

h. Any judgment for monetary damages is entered against Borrower or any Guarantor which, in Lender's sole judgment, has a material, adverse effect on the ability of Borrower or of such Guarantor to perform its obligations to Lender under any of the Loan Documents or is not covered to Lender's satisfaction by collectible insurance proceeds; or

i. If the insurance Borrower is required to maintain hereunder is not kept in full force and effect, or Borrower has not delivered evidence of the renewal thereof at least 10 days prior to the expiration as required in Section 10 hereof; or

j. Any Transfer (as defined in Section 10 hereof) shall occur without Lender's prior written consent, or if the Collateral shall be removed or relocated from the Location Premises except to the extent permitted for repairs in Section 10 hereof; or

k. Borrower shall default in the performance of any other obligation or agreement with Lender for money borrowed or equipment leased, which continues following applicable notice and the expiration of applicable grace or cure periods, if any.

l. Failure of Borrower to provide Lender on or before ____________________ , with proof reasonably acceptable to Lender that the renovations and improvements have been substantially completed.

m. Failure of Borrower to maintain its brand and franchise with ______________________.

13. REMEDIES.

a. Upon the occurrence of an Event of Default, Lender may, at its option, without notice or demand of any kind, and in addition to any and all other rights available to Lender under applicable law, exercise any one or more of the following remedies, as Lender, in its sole discretion, shall elect:

i. Declare the entire unpaid balance of the Loan immediately due payable;

ii. Cease making any further disbursements or advances hereunder and terminate any further obligation to do so;

iii. Proceed by appropriate court action, either at law or in equity, to enforce performance by Borrower of its obligations under this Agreement or to recover damages for the breach thereof;

iv. Exercise any and all rights and remedies available to a Lender under the UCC;

v. Require Borrower, at Borrower's expense, to promptly assemble and return the Collateral or any selection thereof to the possession of Lender at such place or places as Lender shall designate, or Lender, at its option, may enter upon the Location Premises where the Collateral is located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability accruing to Lender for or by reason of such entry or taking of possession or removal, whether for the restoration of damaged property caused by such action or otherwise;

vi. Sell, for cash or upon credit, all or any part of each item of Collateral at public or private sale(s) and at such time and locations, as Lender, in its sole discretion, may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of each item of Collateral as Lender, in its sole discretion, may determine, in each case free and clear of any rights, title or interest of Borrower therein; or

vii. Set-off, hold and apply against all amounts due to Lender hereunder or under any of the other Loan Documents, any security deposits, cash, credits or accounts of any nature whatsoever, now or hereafter held or maintained by or on behalf of Borrower with Lender, regardless of whether such account is general or special, individual or joint.

b. All sums collected by Lender may be applied by Lender to the payment of Borrower's obligations hereunder in such priority and proportions as Lender, in its sole discretion, shall deem proper.

c. If Lender shall have sold or otherwise disposed of each item of Collateral, Borrower shall remain liable for the amount of any deficiency between the net proceeds of such sale(s) or other disposition(s) (after deducting all costs, charges and expenses, including without limitation reasonable fees and disbursements of legal counsel, incurred by Lender in connection therewith and otherwise as a result of the default or Lender's exercise of its remedies with respect thereto) and the outstanding indebtedness payable hereunder. If any item of Collateral, in Lender's sole judgment shall require repair or maintenance, Lender, at Borrower's cost, shall have the right, but shall not be obligated, to perform such repair or maintenance for the purpose of putting such item of Collateral in condition suitable for sale or other disposition as Lender deems appropriate, but Lender shall have the right to sell or otherwise dispose of such item of Collateral without such repair or maintenance.

d. Upon the occurrence of any Event of Default, Lender also may, but without any obligation to do so and without notice to or demand on Borrower, cure the same in such manner and to such extent as Lender may deem necessary to protect the Collateral and Lender's interest therein. Lender is authorized for such purposes to enter upon the property at which the Collateral is located and to appear in, defend or bring any action or proceeding to protect its interest in the Collateral. Costs and expenses incurred by Lender in remedying such Event of Default or in appearing in, defending or bringing any action or proceeding shall bear interest at the rate then prevailing under the Note, commencing with notice from Lender that such cost or expense was incurred to the date of full payment thereof to Lender.

e. Lender shall have the right to conduct sales on Borrower's premises, without any charge therefor, and all sales of the Collateral (or any part thereof) may be adjourned from time to time in accordance with applicable law. Lender may purchase all or any part of the Collateral at any public sale or, if permitted by law, any private sale and, in lieu of actual payment of such purchase price, Lender may set-off the amount of such price against Borrower's unpaid obligations hereunder. If any sale is of less than all of the Collateral, the security interest created by the Loan Documents shall continue as a lien and security interest on the remaining portion of the Collateral, unimpaired and without loss of priority.

f. Upon the occurrence of any Event of Default, Lender also may, but without any obligation to do so and without notice to or demand on Borrower, notify Borrower's franchisor of the Event of Default and Lender's proposed remedies.

g. No remedy referred to herein is intended to be exclusive, but each, except to the extent otherwise expressly provided herein, shall be cumulative and in addition to any other remedy referred to above or in the other Loan Documents or otherwise available to Lender at law or in equity.

14. CASUALTY LOSS.

a. Borrower shall promptly and fully inform Lender of any Casualty Loss (as defined below) with respect to all or any item of Collateral. Sums recovered or paid in connection with any Casualty Loss (after deducting Lender's reasonable legal fees and costs in collection thereof) shall be retained and applied by Lender toward the outstanding amount of the Loan (including unpaid and accrued interest thereon), whether or not then due, in such priority and proportions as Lender in its discretion shall deem proper, or Lender, in its sole discretion, may make such proceeds available to Borrower upon such terms and condition as Lender deems appropriate (including without limitation requiring Borrower to deposit in escrow with Lender the difference, if any, between the amount of such proceeds and the estimated cost to fully restore and repair the Collateral). Except for funds applied toward indebtedness as provided above in this section, Borrower shall not be released from its obligations hereunder in the event of any Casualty Loss to the Collateral.

b. The term "Casualty Loss" as used herein shall mean any of the following: Any item of Collateral shall be or become worn out, lost, stolen, destroyed, vandalized, or, in the opinion of Lender, irreparably damaged from any cause whatsoever, or taken, seized, or impounded by any governmental authority, or requisitioned by condemnation or otherwise permanently appropriated to the public use by any governmental authority.

15. NO LIABILITY FOR COLLATERAL. Borrower has selected or will have selected all of the Collateral and Lender has not had and shall not have any responsibility whatsoever for the selection of the Collateral or the quality of materials or workmanship thereof, it being understood and agreed that Lender's sole function is that of a Lender making the Loan to Borrower in accordance with and subject to the terms of this Agreement. Neither Borrower nor any other party shall have any right to rely on any procedures required by Lender herein for inspection of the Collateral, such procedures being solely for the protection of Lender as a lender.

16. ASSIGNMENT OF LENDER'S INTEREST.

a. Lender, and each successor to Lender's interest, has the right, in its sole discretion, to transfer, sell, pledge, assign or otherwise encumber or dispose of its interest in the Loan and/or servicing rights with respect thereto, to grant participations herein, or to issue pass-through certificates or other securities ("Securities") evidencing a beneficial interest in a rated or unrated public offering or private placement of which the Loan will be made a part; provided, however, that for so long as Borrower is not in default hereunder, each such transfer shall be subject to Borrower's rights hereunder. Upon notification of any such transfer, Borrower agrees to make all payments required under the Note and this Agreement to the designated transferee without asserting any defense, setoff, recoupment, claim or counterclaim which Borrower may have against Lender.

b. If Lender, or any successor to Lender's interest, determines to undertake any action contemplated by subsection (a) above, Borrower acknowledges that Lender may forward to each prospective purchaser, transferee, assignee, servicer, participant, investor or their respective successors (collectively, "Investor") or any agency rating the Securities, all documents and information which Lender now has or may hereafter acquire relating to the Loan (including personal financial statement of Borrower or any guarantor), as Lender determines necessary or desirable. Borrower's execution of this Agreement shall be deemed Borrower's written consent to Lender's furnishing of such information, but, if requested by Lender, Borrower agrees to confirm such consent to writing to Lender. Borrower further agrees to cooperate, and to cause each guarantor to cooperate with Lender in connection with any action contemplated under subsection (a) including, without limitation, executing any financing statements, continuation statements or other documents deemed necessary by such Lender or such transferee to create, perfect, protect or preserve the rights and interests to be acquired by it, meeting with any rating agency for due diligence purposes, and providing all information concerning the Location Premises, the financial condition of Borrower, or the financial condition of any guarantor as Lender may request.

17. BORROWER ESTOPPEL CERTIFICATES. Upon Lender's request from time to time, Borrower agrees to execute and deliver to Lender (or to such party as Lender may designate from time to time) an estoppel certificate in form and substance satisfactory to Lender (or such other party designated by Lender). Borrower's failure to execute and deliver such estoppel certificate within 10 business days of Lender's written request therefor shall be deemed, at Lender's option, to be Borrower's conclusive statement of the facts set forth in such certificate.

18. USURY. The Loan is being made to the Borrower subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Loan or amounts due hereunder at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Agreement or the Note, Borrower is at any time required or obligated to pay interest on the Loan at a rate in excess of such maximum rate, the rate of interest under Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Loan does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Loan for so long as the Loan is outstanding.

19. NOTICES. All notices and other communications under this Agreement are to be in writing, addressed to the respective party to the address as set forth below such party's signature hereto, and shall be deemed to have been duly given (a) upon delivery, if delivered in person with receipt acknowledged by the recipient thereof, (b) one business day after having been timely deposited for overnight delivery, fee prepaid, with any reputable overnight courier service, or (c) three business days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested. Each party may establish a new address from time to time by written notice to the other given in accordance with this section; provided, however, that no such change of address will be effective until written notice thereof is actually received by the party to whom such change of address is sent. Notice to additional parties designated by a party entitled to notice are for convenience only and are not required for notice to a party to be effective in accordance with this section.

20. MISCELLANEOUS.

a. Entire Agreement Modification. This Agreement, together with the other Loan Documents, represents the entire agreement between Borrower and Lender with respect to the transaction contemplated thereby and supersede all prior discussions, representations, communications and agreements (oral and written) by and between Lender and Borrower with respect thereto. In the event of any conflict between the terms of the Loan Documents, the following order of priority shall be used to resolve such conflict: the Note shall control over this Agreement, and this Agreement shall control over all other Loan Documents. Neither the terms of this Agreement nor any of the other Loan Documents shall be waived, modified, supplemented or terminated in any manner whatsoever, except by a written instrument signed by the party against whom enforcement thereof is sought and then only to the extent expressly set forth in such writing. Time is of the essence of this Agreement.

b. Binding Effect; Joint and Several Obligations. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, executors, legal representatives, successors, and assigns, whether by voluntary action of the parties or by operation of law. The foregoing shall not be construed, however, to permit assignments or transfers otherwise prohibited. If Borrower consists of more than one person or entity, each shall be jointly and severally liable to perform the obligations of Borrower under this Agreement.

c. Duplicate Originals; Counterparts. This Agreement may be executed in any number of duplicate originals, and each duplicate original shall be deemed to be an original. This Agreement (and each duplicate original) also may be executed in any number of counterparts, each of which shall be deemed an original and all of which together constitute a fully executed agreement even though all signatures do not appear on the same document.

d. Waiver. Lender will not be deemed as a consequence of any act, delay, failure, omission or forbearance or for any other reason to have waived or be estopped from exercising any of its rights or remedies under this Agreement. No single or partial exercise by Lender of any right or remedy will preclude other or further exercise thereof or preclude the exercise of any other right or remedy, and a waiver expressly made in writing on one occasion will be effective only in that specific instance and only for the precise purpose for which given, and will not be construed as a consent to or a waiver of any right or remedy on any future occasion. No notice to or demand on Borrower in any instance will entitle Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of Lender's rights to take any other or future action in any circumstances without notice or demand.

e. Survival. All indemnities, representations and warranties contained in this Agreement shall survive the termination of this Agreement.

f. Unenforceable Provisions. If any provision of this Agreement is found by competent judicial authority to be invalid or unenforceable, the other provisions of this Agreement that can be carried out without the invalid or unenforceable provision will not be affected, and such invalid or unenforceable provision will be ineffective only to the extent of such invalidity or unenforceability and shall be construed to the greatest extent possible to accomplish fairly the purposes and intentions of the parties hereto.

g. Ambiguity; Headings and Construction of Certain Terms. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender by virtue of the fact that such document has originated with Lender as drafter. Borrower agrees that this Agreement shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of the parties hereto. Words used in this Agreement may be used interchangeably in singular or plural form, and any pronoun shall be deemed to cover all genders. Section headings are for convenience only and shall not be used in interpretation of this Agreement. "Herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or other subdivision; and "section" refers to the entire section and not to any particular subsection, paragraph of other subdivision. Reference to days for performance shall mean calendar days unless business days are expressly indicated.

h. Governing Law. Except to the extent that the laws of another jurisdiction may govern the perfection of any security interest or lien in the Collateral granted hereunder, this Agreement shall be construed in accordance with, and shall be governed by, the laws of the State of Georgia (without giving effect to its conflicts of law rules).

i. Consent to Jurisdiction. Borrower and Lender agree and consent to the jurisdiction and venue of any state or federal court sitting in Dekalb County, Georgia, with respect to any legal action, proceeding, or dispute between them and hereby expressly waive any and all rights under applicable law or in equity to object to the jurisdiction and venue of said courts. Nothing herein shall, however, preclude or prevent Lender from bringing any one or more actions against Borrower in any other jurisdiction as may be necessary to enforce or realize upon the security provided for the obligations herein. Borrower further irrevocably consents to service of process by certified mail, return receipt requested, to Borrower at the address for Borrower last provided to Lender in accordance with the notice provision of this Agreement and agrees that, should Borrower fail to appear or answer to any summons, complaint or other process within 30 days after the mailing thereof in accordance with the preceding sentence, Borrower shall be deemed in default and judgment may be entered in Lender's favor against Borrower for the amount demanded in said summons, complaint or other process.

j. WAIVER OF JURY TRIAL. BORROWER, AS AN INDUCEMENT TO LENDER TO MAKE THE LOAN AND ENTER INTO THIS AGREEMENT, HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE INTERPRETATION, CONSTRUCTION, VALIDITY, ENFORCEMENT OR PERFORMANCE OF THIS AGREEMENT.

k. BORROWER WAIVER OF NOTICE. BORROWER HEREBY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO NOTICE OR HEARING PRIOR TO SEIZURE OR RECLAMATION OF ANY ITEM OF COLLATERAL WHETHER BY JUDICIAL PROCESS OR OTHERWISE.

l. BORROWER'S WAIVER OF REDEMPTION. BORROWER HEREBY WAIVES (TO THE MAXIMUM EXTENT PERMITTED BY LAW) ALL RIGHTS OF REDEMPTION, STAY OR APPRAISAL WITH RESPECT TO THE COLLATERAL (AND EACH PART THEREOF) WHICH BORROWER HAS OR MAY HAVE UNDER ANY APPLICABLE LAW NOW EXISTING OR HEREAFTER IN EFFECT.

m. ADVERTISING. LENDER IS AUTHORIZED TO STATE IN ADVERTISING OR OTHER PRESS RELEASES THE FACT THAT THE TYPE AND AMOUNT OF FINANCING CONTEMPLATED UNDER THIS LOAN AGREEMENT HAS BEEN PROVIDED FOR BORROWER BY LENDER.

[Continued on Next Page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly signed and sealed, all as of the day and year first above written, intending to be legally bound hereby.

LENDER	**BORROWER**
ACCESS POINT FINANCIAL, INC.	______________________________
By:________________________________ Name: Dilip R. Petigara Title: Chief Operating Officer	By:________________________________ Name:_____________________________ Title:_______________________________
	Borrower's Tax ID: __________________
Address for Lender:	Address for Borrower:
Access Point Financial, Inc. 1 Ravinia Drive, Suite 900 Atlanta, GA 30346 Attn: Dilip R. Petigara	__________________________________ __________________________________ __________________________________ Attn: ______________________________

EXHIBIT A

DELIVERY AND ACCEPTANCE CERTIFICATE

Draw # 000 / Loan No. _____________

This Certificate is given pursuant to that certain Loan Agreement, dated _________________ by and between **ACCESS POINT FINANCIAL, INC.**, a Delaware corporation ("Lender"), with offices at 1 Ravinia Drive, Suite 900, Atlanta, GA 30346 and ______________________________, a ___________________ ("Borrower"), with its principal place of business at __________________________________.

Borrower hereby (a) certifies and acknowledges to Lender that the following equipment ("Equipment") has been delivered to the premises situated at ____________________________________ (the "Premises"); has been inspected by Borrower; is a size, design, capacity and manufacture acceptable to Borrower; is suitable for Borrower's purposes; is in good working order, repair and condition; and has been installed in the Premises to the satisfaction of Borrower; and, (b) unconditionally accepts the Equipment for all purposes as of the date hereof.

Equipment Description: ____
(See attached invoices)

Borrower hereby authorizes and directs Lender to pay the following parties the sum(s) set opposite their respective name(s).

Name: Amount:

TOTAL:

Payment when so made shall be deemed to be payment to Borrower and shall be without liability to Lender of any kind or character.

BORROWER:

____

By: ________________________________
Name: ________________________________
Date: ________________________________

EXHIBIT B

BORROWER'S CERTIFICATE

The undersigned ____________________________________, a _____________ ____________________________ (hereinafter referred to as the "Borrower"), as an inducement to **ACCESS POINT FINANCIAL, INC.**, a Delaware corporation, (hereinafter referred to as the "Lender") to make a loan to the Borrower evidenced by that certain Promissory Note of even date herewith in the principal amount of _______________________________ AND NO/100 DOLLARS ($_________________) (hereinafter referred to as the "Note"), which Note is secured by that certain Equipment Loan and Security Agreement of even date herewith (hereinafter referred to as the "Security Instrument"), which Security Instrument encumbers certain hotel property located at ____ (hereinafter referred to as the "Hotel") hereby certifies, warrants and represents to Lender that as of this date:

1. The quarterly management prepared financial statements are true and correct;

2. The STR Report is based on the current competitive set and is an accurate picture of the performance of the Hotel;

3. The Hotel is current on the franchise fees with Borrower's franchisor and, otherwise, not in default of any of its obligations under the franchise agreement; and

4. This Certificate is given by Borrower to Lender as required by the Security Instrument, with the knowledge that Lender is relying upon the truth of the statements made herein.

IN WITNESS WHEREOF, the undersigned has hereunto caused these presents to be executed under seal by persons duly authorized thereunto in its name and behalf, this ____ day of ____________________, 20__.

Sworn to and subscribed before me

this ____ day of _____________, 20__

____

Notary Public

My Commission Expires:

(NOTARIAL SEAL)

BORROWER:

____

By:_____________________________(SEAL)
Name:___________________________
Title:____________________________

EXHIBIT C

REPLACEMENT COST REPORT

NOTE: DELETE THIS EXHIBIT PAGE IF YOUR DEAL DOES NOT HAVE AN INTERCREDITOR AGREEMENT

PROMISSORY NOTE

$_________________ _______________, 2015

FOR VALUE RECEIVED, ___________________________, a _____________________ (the "Borrower"), promises to pay to the order of ACCESS POINT FINANCIAL, INC., a Delaware corporation, or its successors and assigns (collectively, the "Lender"), the principal sum of ____________________________ AND _________/100 DOLLARS (U.S. $_____________) or so much thereof as shall be advanced and from time to time remain unpaid, plus interest on the principal balance hereof from time to time outstanding, at the interest rate(s) set forth below. All defined terms not defined herein shall have the meaning given to them in the Loan Agreement (as hereinafter defined).

1. INTEREST.

A. Interest Rate: The interest rate is fixed at __________% ("Interest Rate").

B. Interest Accrual: Interest at the fixed Interest Rate shall accrue on the Loan Amount from the date of this Promissory Note (the "Closing Date") and shall be payable to Lender on the first day of the month immediately following the Closing Date and continuing on the first day of each succeeding month until Maturity Date (hereinafter defined)

2. DISBURSEMENTS.

A. Lender Controlled Escrow Account: The entire Loan Amount will be disbursed by Lender into a Lender Controlled Escrow Account on the Closing Date.

B. Draw Down Period: The full disbursement of the Loan Amount from the Lender controlled escrow account for the completion of the renovation project will be made on or before the _______ day following the Closing Date (the "Target Date").

3. PAYMENTS.

A. Interest Only Period: Beginning on the Closing Date, and for __________ consecutive months thereafter, on the first day of each consecutive calendar month installments of interest payments only shall be due and payable. The amount of such monthly payments shall be calculated by Lender as of the Closing Date and shall be confirmed to Borrower in writing.

B. Amortizing Period. Beginning on the _________ anniversary of the Closing Date and thereafter on the first day of each consecutive calendar month, the Loan Amount shall be payable in ______________ consecutive equal (or as equal as possible) monthly installments of principal and interest due and payable ("Permanent Loan"). The amount of such monthly payments shall be calculated by Lender as of the Closing Date and shall be confirmed by Lender to Borrower in writing.

C. Application of Payments; Calculation of Interest. All payments on this Note shall be applied first to accrued and unpaid interest, then in reduction of principal amount. Interest calculations shall be based upon a 360 actual/day year.

D. ACH Automatic Debit. All required payments are to be made no later than 2:00 p.m. (EDT) on the date when due (the "Regular Payment Date") in immediately available funds in lawful money of the United States of America which is legal tender for public and private debts, by ACH automatic debit.

4. MATURITY DATE.

The outstanding principal balance of this Note, together with all accrued and unpaid interest thereon and all other sums payable in connection with the indebtedness evidenced hereby shall mature and be due and payable in full to Lender, unless sooner accelerated pursuant to Section 5 below or otherwise, on the ________________ anniversary of the Closing Date which is ______________________ (the "Maturity Date").

5. ACCELERATION; EXPENSES.

Lender may accelerate the Maturity Date, and at the option of Lender the entire outstanding principal balance hereof and all accrued and unpaid interest and other sums due hereon shall be due and payable in full, if (i) default be made in the payment within ten (10) days of the date when due of any installment of principal and/or interest or other sum due under this Note or any other Loan Document (hereinafter defined), and such default shall have continued unremedied beyond the expiration of any applicable notice and/or grace period: or (ii) Borrower shall default in the performance of any other obligation under this Note or any other Loan Document, and such default shall have continued unremedied for thirty (30) days after written notice thereof from Lender to Borrower, provided that if such default cannot reasonably be cured within such 30-day period and Borrower shall have commenced to cure such default within such 30-day period and thereafter diligently and expeditiously pursues the cure, such 30-day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of 120 days, or beyond the expiration of any applicable notice and/or grace period; or (iii) an Event of Default (as defined in that certain Loan and Security Agreement of even date herewith, between Borrower and Lender, which is referred to herein as the "Loan Agreement") shall occur, regardless of any prior forbearance. Borrower shall pay all costs and expenses incurred by Lender in connection with collecting or attempting to collect any sums due under this Note or enforcing or preparing to enforce any right of Lender in connection with this Note, the Loan Agreement or any other Loan Document, including, but not limited to, reasonable attorneys' fees and disbursements and other costs and expenses, whether incurred out of court or in litigation, including pre-trial, appellate and bankruptcy proceedings that are actually incurred without giving effect to statutory presumption.

6. LATE PAYMENTS AND DEFAULT INTEREST.

A. Late Charge: If any amount due under this Note is not received by Lender on or before within ten (10) calendar days after the date such amount is due, Borrower shall pay to Lender a late charge equal to five (5%) percent of such overdue amount, which late charge shall be immediately due and payable without notice or demand by Lender.

B. Interest on Delinquent Payments and Events of Default: During the continuance of any Event of Default, interest on the outstanding principal balance hereof shall accrue at a rate of eighteen percent (18%) per annum (the “Default Rate”), until the earlier to occur of (i) the date on which any and all Events of Default have been remedied to the satisfaction of Lender; or (ii) the date on which the Principal Amount, together with all accrued and unpaid interest thereon and other amounts payable in connection herewith are paid and satisfied in full. The foregoing shall not be construed as a waiver by Lender of its right to pursue any other remedies available to it under this Note, the Loan Agreement, or any other document or instrument now or hereafter executed, issued or delivered in connection with the loan evidenced hereby (together with all extensions, renewals, modifications, amendments and substitutions thereof or therefor, the “Loan Documents”). All amounts evidenced hereby shall bear interest at the Default Rate from and after the Maturity Date, whether maturity occurs by reason of acceleration or otherwise.

7. PREPAYMENT.

The Loan may not be prepaid during the Interest Only period. Provided no default exists under the Note or the other Loan Documents, and Borrower is in current and good standing on all obligations and accounts with Lender, Borrower may prepay the Loan, in full, including all accrued and unpaid interest, at any time upon not less than thirty (30) days with prior written notice to Lender. If the loan is paid off in an amount above the scheduled principal amortization prior to the end of the loan term, a prepayment premium will be earned by the lender. The premium amount will be calculated based on the principal amount prepaid multiplied by the following schedule.

Lockout in Year 1 of the Loan
______% in Year 2 of the Loan
______% in Year 3 of the Loan
______% in Year 4 of the Loan
______% in Year 5 of the Loan
______% in Year 6 of the Loan
______% in Year 7 of the Loan

8. WAIVERS; NO RELEASE; REMEDIES CUMULATIVE.

Presentment, demand, notice of dishonor, notice of protest and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. No release of any person liable for the indebtedness evidenced hereby or any portion thereof, no release of any security for the indebtedness evidenced by this Note or any portion thereof, and no extension, alteration, amendment, subordination or waiver of any provision of this Note or any other Loan Document shall release, discharge, modify, change or affect the liability of Borrower or any other person now or hereafter liable for payment of this Note or any amount payable pursuant to any other Loan Document. The remedies provided Lender in this Note, the Loan Agreement and the other Loan Documents shall be cumulative and concurrent, and shall be in addition to every other right or remedy now or hereafter provided by law or equity. Such remedies may be pursued singly, successively or together against Borrower, any of the collateral described in the Loan Agreement or any other security, at the option of Lender. The failure to exercise or a delay in exercising any such remedy shall not be construed as a waiver or release thereof.

9. LOAN DOCUMENTS.

This Note is issued pursuant to the terms and conditions of the Loan Agreement, and is secured by, among other things: (a) the Loan Agreement; and (b) UCC Financing Statements. All of the terms, covenants, provisions, conditions, stipulations, promises and agreements contained in the Loan Documents to be kept, observed, and performed by Borrower are hereby made a part of this Note and incorporated herein by reference to the same extent and with the same force and effect as if they were fully set forth herein, and Borrower promises and agrees to keep, observe and perform them, or cause them to be kept, observed, and performed, strictly in accordance with the terms and provisions thereof.

10. GOVERNING LAW; SUCCESSORS AND ASSIGNS: JOINT AND SEVERAL LIABILITY.

This Note shall be governed by the laws of the State of Georgia, without regard to conflicts of law provisions, and shall be binding upon and inure to the benefit of the parties hereto and their respective successor and assigns.

11. LEGAL RATE OF INTEREST.

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance hereof at a rate in excess of the maximum rate which Borrower is permitted by law to contract for or agree to pay. If pursuant to the terms of this Note or any other Loan Document Borrower at any time is required or obligated to pay interest on the principal balance hereof at a rate in excess of such maximum rate, then the rate of interest payable hereunder shall be deemed to be reduced immediately and automatically to such maximum rate, interest payable hereunder shall be computed at such maximum rate and any prior interest payment made in excess of such maximum rate shall be immediately and automatically applied to, and shall be deemed to have been a payment made in reduction of, the principal balance hereof.

12. INVALIDITY.

In the event anyone or more of the provisions contained in this Note or any other Loan Document shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Note or such other Loan Document, but this Note and the other Loan Documents shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

13. RELATIONSHIP OF PARTIES.

Lender shall in no event be construed for any purpose to be a partner, joint venturer or associate of Borrower, or of any lessee, operator, concessionaire or licensee of Borrower, in the conduct of their respective businesses.

14. MODIFICATION.

This Note may not be modified, amended, discharged or waived orally, but only by an agreement in writing signed by the party against whom such modification, amendment, discharge or waiver is sought to be enforced.

15. CAPTIONS.

The captions and headings set forth in this Note are for convenience purposes only and shall not limit, define or otherwise have any effect on the interpretation of the agreements and understandings set forth herein.

16. PURPOSE OF LOAN.

Borrower warrants and represents that the loan evidenced hereby is being made for business or investment purposes.

[Continued on Next Page]

IN WITNESS WHEREOF, the undersigned has caused this Note to be signed, sealed and delivered as of the day and year first above written.

______________________________, a
____

WITNESS/ATTEST:

____

By: _________________________________
Name: ______________________________
Title:_______________________________

Borrower's Address
____
____
Attn:___________________________

GUARANTY AGREEMENT

FOR VALUE RECEIVED, and in order to induce **ACCESS POINT FINANCIAL, INC.,** a Delaware corporation ("Lender"), to extend credit or other financial accommodations to ___________________________**,** a ________________________ ("Borrower"), and for other good and valuable consideration, the receipt and adequacy of all of the foregoing as legally sufficient consideration being hereby acknowledged, each of the undersigned (each a "Guarantor") hereby agrees in favor of Lender as follows:

1. Guaranty of Obligations.

(a) Guarantor hereby irrevocably, absolutely and unconditionally guarantees to Lender the prompt payment when due, whether at stated maturity, by acceleration or otherwise, of the Debt (as hereinafter defined). Guarantor acknowledges and agrees that this Guaranty Agreement ("Guaranty") is a guaranty of payment and not of collection and upon any default of Borrower under the Loan Documents (as defined below), Lender may, at its option, proceed directly and at once, without notice, against Guarantor to collect and recover the full amount of the liability hereunder or any portion thereof, without proceeding against Borrower or any other person, or foreclosing upon, selling, or otherwise disposing of or collecting or applying against any of the collateral for the Debt. It is expressly understood and agreed that this is a continuing guaranty and that the obligations of Guarantor hereunder are and shall be absolute under any and all circumstances, without regard to the validity, regularity or enforceability of the Loan Documents, a true copy of each of said documents Guarantor hereby acknowledges having received and reviewed.

(b) Guarantor further covenants that this Guaranty shall remain and continue in full force and effect as to any modification, extension or renewal of the Loan Documents; that Lender shall not be under a duty to protect, secure or insure any security or lien provided by the Security Instrument (defined below) or other such collateral; and that indulgences or forbearance may be granted under any or all of such documents, all of which may be made, done or suffered without notice to, or further consent of Guarantor.

2. Obligations and Documents Defined.

(a) The term "Debt" as used in this Guaranty shall mean the principal sum evidenced by the Note and secured by the Security Instrument, or so much thereof as may be outstanding from time to time, together with interest thereon at the rates of interest specified in the Note, late fees, prepayment consideration, and all other sums which may or shall become due and payable pursuant to the provisions of the Loan Documents.

(b) The term "Loan Documents" shall mean and include the following: The Promissory Note dated the date thereof, in the original principal amount of $____________ and executed by Borrower to the order of Lender ("Note"), and the Equipment Loan and Security Agreement of the date herewith between Borrower and Lender ("Security Instrument"), together with any extensions, renewals, refinancings, restructurings, modifications or replacements, in whole or in part, of or for any of the foregoing.

3. Guaranty Absolute. Guarantor agrees that the validity of this Guaranty and the obligations of Guarantor hereunder shall in no way be terminated, affected or impaired (a) by reason of the assertion by Lender of any rights or remedies which it may have under or with respect to any of the Loan Documents, against any person obligated thereunder; (b) by reason of any failure to file or record any of such instruments or to take or perfect any security intended to be provided thereby; (c) by reason of the release or exchange of any covered by the Security Instrument or other collateral for the Debt; (d) by reason of Lender's failure to exercise, or delay in exercising, any such right or remedy or any right or remedy Lender may have hereunder or in respect to this Guaranty; (e) by reason of the commencement of a case under the Bankruptcy Code (hereafter defined) by or against any person obligated under the Note or the other Loan Documents, or the death or dissolution of any Guarantor; or (f) by reason of any payment made on the Debt, whether made by Borrower or Guarantor or any other person, which is required to be refunded pursuant to any bankruptcy or insolvency law; it being understood that no payment so refunded shall be considered as a payment of any portion of the Debt, nor shall it have the effect of reducing the liability of Guarantor hereunder. It is further understood, that if Borrower shall have taken advantage of, or be subject to the protection of, any provision in the Bankruptcy Code, the effect of which is to prevent or delay Lender from taking any remedial action against Borrower, including the exercise of any option Lender has to declare the Debt due and payable on

the happening of any default or event by which under the terms of the Note or the other Loan Documents the Debt shall become due and payable, Lender may, as against Guarantor, nevertheless, declare the Debt due and payable and enforce any or all of its rights and remedies against Guarantor provided for herein.

4. Subordination of Borrower's Obligations to Guarantor. Any indebtedness of Borrower to Guarantor now or hereafter existing (including, but not limited to, any rights to subrogation Guarantor may have as a result of any payment by Guarantor under this Guaranty), together with any interest thereon, shall be, and such indebtedness is, hereby deferred, postponed and subordinated to the prior payment in full of the Debt. Until payment in full of the Debt (and including interest accruing on the Debt after the commencement of a proceeding by or against Borrower under the Bankruptcy Reform Act of 1978, as amended, 11 U.S.C. Sections 101 et seq., and the regulations adopted and promulgated pursuant thereto (collectively, "Bankruptcy Code"), which interest the parties agree shall remain a claim that is prior and superior to any claim of Guarantor notwithstanding any contrary practice, custom or ruling in cases under the Bankruptcy Code generally), Guarantor agrees not to accept any payment or satisfaction of any kind of indebtedness of Borrower to Guarantor and hereby assigns such indebtedness to Lender, including the right to file proof of claim and to vote thereon in connection with any such proceeding under the Bankruptcy Code, including the right to vote on any plan of reorganization. Further, if Guarantor shall be comprised of more than one person, firm or corporation, Guarantor agrees that until such payment in full of the Debt, (a) no one of them shall accept payment from the others by way of contribution on account of any payment made hereunder by such party to Lender, (b) no one of them will take any action to exercise or enforce any rights to such contribution, and (c) if any of Guarantor should receive any payment, satisfaction or security for any indebtedness of Borrower to any of Guarantor or for any contribution by the others of Guarantor for payment made hereunder by the recipient to Lender, the same shall be delivered to Lender in the form received, endorsed or assigned as may be appropriate for application on account of, or as security for, the Debt and until so delivered, shall be held in trust for Lender as security for the Debt.

5. Subrogation and Other Rights. Guarantor agrees that no payment, performance or enforcement of Guarantor's liabilities and obligations under this Guaranty shall cause Guarantor, by subrogation or otherwise, to acquire any of Lender's rights against Borrower or any property of Borrower (or any interest in such rights) unless and until Lender has received full and indefeasible payment of the Debt.

6. Waivers. Guarantor hereby waives, to the fullest extent permitted by law: (a) notice of acceptance of this Guaranty; (b) notice of any acceleration or other demand for payment of the Debt; (c) any and all notice of nonpayment, nonperformance or nonobservance or other proof, notice or demand, whereby to charge Guarantor therefor, or to which Guarantor might otherwise be entitled with respect to the Debt or the Loan Documents or with respect to Lender's enforcement of its rights and remedies thereunder; (d) notice of presentment, demand, protest, and notice of dishonor or nonpayment as to any instrument; (e) the pleading of any statute of limitations as a defense to the obligation hereunder; and (f) jury trial and the right to personal service in accordance with section 14(g).

7. Guarantor Due Diligence and Benefit. Guarantor represents and warrants to Lender that it is fully aware of the financial condition, assets and prospects of Borrower and that Guarantor is executing and delivering this Guaranty based solely upon Guarantor's own independent investigation thereof and in no part upon any representation, warranty or statement of Lender with respect to Borrower's financial condition, assets or prospects. Guarantor hereby knowingly accepts the full range of risks encompassed within a contract of guaranty, which risks Guarantor understands may include, without limitation, the possibility that Borrower may incur additional indebtedness to Lender for which Guarantor may be liable hereunder after Borrower's financial condition or means or ability to pay its lawful debts when they fall due has deteriorated.

8. Application of Payments. Lender may apply all moneys available to Lender for application in payment or reduction of the Debt in such priority and proportions as set forth in the Loan Documents.

9. Collection Costs. Guarantor shall be liable to Lender for, and shall pay to Lender on demand, all costs (including without limitation reasonable fees and expenses of legal counsel, whether of retained firms or of in-house staff) incurred by Lender in enforcing performance of or collecting any payments due under this Guaranty. All such amounts shall accrue interest at the Default Rate provided in the Note if not paid in full within five (5) days of Lender's written demand therefor, which interest shall accrue from the date demanded by Lender until paid in full by Guarantor. Interest at the greater of the Default Rate or the

legal rate applicable to judgments shall accrue on any judgment obtained by Lender in connection with this Guaranty.

10. Guarantor Information. Guarantor agrees that, so long as this Guaranty remains in effect, Guarantor shall furnish to Lender from time to time, at such intervals and by such dates as may be required by Lender (by no more frequently than annually unless an Event of Default under the Note or the Security Instrument has occurred), Guarantor's Federal and state income tax returns and a balance sheet and statement of changes in Guarantor's financial position, each certified by Guarantor as true, complete and accurate. Each such financial statement shall be in reasonable detail and prepared in accordance with consistently applied accounting methods acceptable to Lender. Guarantor shall permit Lender or its representatives to visit and inspect Guarantor's books and records during reasonable business hours and agrees to discuss Guarantor's financial condition with Lender.

11. Assignment and Transfer.

(a) Guarantor acknowledges that Lender, and each successor to Lender's interest, has the right, in its sole discretion, to transfer, sell, pledge, assign or otherwise encumber or dispose of its interest in the loan evidenced by the Loan Documents, to grant participations therein, or to issue pass-through certificates or other securities ("Securities") evidencing a beneficial interest in a rated or unrated public offering or private placement of which the loan evidenced by the Loan Documents will be made a part, without Guarantor's consent or any notice thereof to Guarantor. Lender also may split the Debt into one or more separate obligations, each of which will be separately guaranteed by this Guaranty.

(b) If Lender, or any successor to Lender's interest, determines to undertake any action contemplated by subsection (a) above, Guarantor acknowledges that Lender may forward to each prospective purchaser, transferee, assignee, servicer, participant, investor or their respective successors (collectively, "Investor") or any agency rating the Securities, all documents and information which Lender now has or may hereafter acquire relating to Guarantor (including personal financial statement of Guarantor), as Lender determines necessary or desirable. Guarantor's execution of this Guaranty shall be deemed Guarantor's written consent to Lender's furnishing of such information, but, if requested by Lender, Guarantor agrees to confirm such consent to writing to Lender. Guarantor further agrees to cooperate with Lender in connection with any action contemplated under subsection (a) including, without limitation, ratifications of this Guaranty or execution of other documents deemed necessary by Lender or such transferee to create, perfect, protect or preserve the rights and interests to be acquired by it, meeting with any rating agency for due diligence purposes, and providing all information concerning Guarantor's financial condition as Lender reasonably may request.

12. Power to Execute Guaranty. Guarantor hereby certifies, represents, and warrants to Lender that Guarantor has full power and authority to execute this Guaranty, that Guarantor's execution and delivery of this Guaranty has been fully authorized and directed, that, as applicable, the persons executing this Guaranty on behalf of Guarantor have been duly authorized to do so by Guarantor, and that this Guaranty, once executed, shall be the valid and binding obligation of Guaranty enforceable in accordance with its terms.

13. Notices. All notices and other communications under this Guaranty are to be in writing, addressed in the case of Lender to the address as set forth below and in the case of each Guarantor as set forth below such Guarantor's signature hereto, and shall be deemed to have been duly given (a) upon delivery, if delivered in person with receipt acknowledged by the recipient thereof, (b) one business day after having been timely deposited for overnight delivery, fee prepaid, with any reputable overnight courier service, or (c) three business days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by certified mail, postage prepaid, return receipt requested. Each party may establish a new address from time to time by written notice to the other given in accordance with this section; provided, however, that no such change of address will be effective until written notice thereof is actually received by the party to whom such change of address is sent. Notice to additional parties designated by a party entitled to notice are for convenience only and are not required for notice to a party to be effective in accordance with this section. Lender's notice address is as follows: Access Point Financial, Inc., 1 Ravinia Drive, Suite 900, Atlanta, GA 30346, Attention: Dilip Petigara.

14. Miscellaneous.

(a) Entire Guaranty; Modification. All prior agreements, understandings, representations and communications between the parties, whether oral or written, with respect to this Guaranty are merged into this Guaranty which alone and completely expresses the agreement of Guarantor and Lender. Neither this Guaranty nor any provisions hereof will be modified, supplemented or waived, except by an agreement in writing signed by the party against whom enforcement is thereof is sought and then only to the extent expressly provided in such writing.

(b) Binding Effect. The Guaranty shall be binding upon and inure to the benefit of Lender, its successors and assigns. This Guaranty shall be binding upon Guarantor and its heirs, executors, legal representatives, successors, successors and assigns, whether by voluntary action of the parties or by operation of law. If Guarantor shall be a partnership, the agreements and obligations on the part of such Guarantor herein contained shall remain in force and application notwithstanding any changes in the individuals composing the partnership and the term "Guarantor" shall include any altered or successive partnerships, but the predecessor partnerships and their partners shall not thereby be released from any obligations or liability hereunder. The foregoing shall not be construed to permit assignments or other transfers otherwise prohibited. If Guarantor consists of more than one person or entity, the obligations and liabilities of each such person or entity hereunder shall be joint and several.

(c) Applicable Law. This Guaranty shall be deemed to be a contract entered into pursuant to the laws of the State of Georgia and shall in all respects be governed, construed, applied and enforced in accordance with applicable federal law and the laws of the State of Georgia, without giving effect to any conflict of laws principles.

(d) Enforceability. If any provision of this Guaranty is found by competent judicial authority to be invalid or unenforceable, the other provisions of this Guaranty that can be carried out without the invalid or unenforceable provision will not be affected, and such invalid or unenforceable provision will be ineffective only to the extent of such invalidity or unenforceability and to the greatest extent possible to accomplish fairly the purposes and intentions of the parties hereto. All rights and remedies under this Guaranty are distinct and cumulative not only as to each other but as to any rights or remedies afforded by law or equity. They may be exercised together, separately or successively. Any failure by Lender to exercise any of its remedies does not constitute a waiver of that remedy in the future as to the same or any other default.

(e) Ambiguity; Headings; Gender; and Certain Terms. Neither this Guaranty nor any uncertainty or ambiguity herein shall be construed or resolved against Lender by virtue of the fact that such document has originated with Lender as drafter. Guarantor agrees that this Guaranty shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of the parties hereto. Words used in this Guaranty may be used interchangeably in singular or plural form, and any pronoun shall be deemed to cover all genders. Section headings are for convenience only and shall not be used in interpretation of this Guaranty. "Herein," "hereof" and "hereunder" and other words of similar import refer to this Guaranty as a whole and not to any particular section, paragraph or other subdivision. Reference to days for performance shall mean calendar days unless business days are expressly indicated.

(f) Multiple Counterparts. This Guaranty may be executed in one or more counterparts, each of which counterpart will, for all purposes, be deemed an original, but all such counterparts together will constitute one instrument.

(g) Consent to Jurisdiction; Service of Process. Each Guarantor agrees and consents to the jurisdiction and venue of any state or federal court sitting in or having jurisdiction over the DeKalb County, Georgia with respect to any legal action, proceeding, or dispute between them and hereby expressly waives any and all rights under applicable law or in equity to object to the jurisdiction and venue of said courts. Each Guarantor further irrevocably consents to service of process by certified mail, return receipt requested, to the address for such party last provided in accordance with the notice provision of this Guaranty and agrees that within thirty (30) days after such mailing, Guarantor so served shall appear or answer to any summons and complaint or other process and should Guarantor so served fail to appear or answer within said thirty-day period, said Guarantor shall be deemed in default and judgment may be entered by Lender against the said party for the amount as demanded in any summons and complaint or other process so served.

(h) WAIVER OF JURY TRIAL. GUARANTOR, IN ORDER TO INDUCE LENDER TO EXTEND FINANCIAL ACCOMODATIONS TO BORROWER, HEREBY WAIVES ANY RIGHT SUCH PARTY MAY HAVE UNDER ANY APPLICABLE LAW TO A TRIAL BY JURY WITH RESPECT TO ANY SUIT OR LEGAL ACTION WHICH MAY BE COMMENCED BY OR AGAINST GUARANTOR CONCERNING THE INTERPRETATION, CONSTRUCTION, VALIDITY, ENFORCEMENT OR PERFORMANCE OF THIS GUARANTY TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

IN WITNESS WHEREOF, the undersigned has/have signed, sealed and delivered this Guaranty as of this _____ day of __________________, 2015, intending to be legally bound hereby.

GUARANTORS:

Signed, sealed and delivered in the presence of:

____
Notary Public
My Commission Expires: __________

[Notary Seal]

Signature: ________________________
Printed Name:_____________________

Date: ________________, 2015

SSN#:_______________________

Address for Notice:

____
____

<u>ASCENTIUM CAPITAL LLC</u>

Your Application for Financing is Approved

Finance Agreement	Prepared For	Financing Provided By
_______	**Customer Name**	**Ascentium Capital LLC**
	Address	23970 HWY 59 N
Prepared On March 6, 2017	City, State, Zip Code	Kingwood TX 77339

Enclosed is your Finance agreement. The below instructions will help you complete your documents:

- Include a copy of your driver's license (all signors).
- Include a copy of your business check payable to Ascentium Capital LLC for the below invoice amount. Please write your agreement number on the memo line. This check copy will be used to initiate payment via ACH/EFT withdrawal. Do not mail the original check.
- Return completed cover page and documents by Email to VSR@AscentiumCapital.com or by Fax to 1-866-846-3680.

Please Complete Signor Information for ____________________

Cell Phone:		Home Phone:	832-766-7224
Email:			
Federal Tax ID:			
Equipment Location: (Please update if incorrect)	____________________________ Updated address:		

INVOICE AMOUNT	INVOICE DETAILS
$	Advanced Payment Amount
$	Processing Fee(s)
$0.00	Less Money Received
$	TOTAL AMOUNT DUE AT SIGNING

Ascentium Capital greatly appreciates your business. If you have any questions, please contact me.

Phone:
Email: .

AUTHORIZATION TO PERFORM VERBAL VERIFICATION

Ascentium Capital LLC
23970 HWY 59 N
Kingwood, TX 77339-1535
AscentiumCapital.com

Agreement No. _______

The undersigned hereby authorizes Ascentium Capital LLC to perform a verbal verification accepting the terms and conditions of the above-referenced Agreement and confirming the identification and condition of the Collateral or Equipment subject thereto.

The undersigned agrees that a facsimile or other image of this Authorization to Perform Verbal Verification, as executed, shall be deemed the equivalent of the originally executed copy for all purposes.

Person(s) Authorized to Provide Verbal Verification:

Name: ____________________________ Title: ___________________________ Phone: ____________________________

Name: ____________________________ Title: ___________________________ Phone: ____________________________

Name: ____________________________ Title: ___________________________ Phone ____________________________

CUSTOMER: __________________________________

Signature: ____

Printed Name: ____

Title: ___________________________ **Date:** _____________________

EQUIPMENT FINANCE AGREEMENT

No. _______

Ascentium Capital LLC
23970 HWY 59 N
Kingwood, TX 77339-1535
AscentiumCapital.com

DEBTOR:	ADDRESS	TERM:

PAYMENT SCHEDULE: ___ @ $_____

COLLATERAL: Items of personal property as generally described herein which Ascentium Capital LLC ("Secured Party") and Debtor agree that a more detailed description of the property being financed shall be maintained by us among our books and records in whatever more detailed description of the property financed is received from the supplier of such property and, absent manifest error, such detailed description shall be considered incorporated into this Equipment Finance Agreement and shall be provided to Debtor promptly upon request.
Personal Property Description: ______________________

1. Definitions: The words "you" and "your" refer to the DEBTOR, its successors and permitted assigns, as shown above. The words "we", "us" and "our" refer to the SECURED PARTY, its successors and assigns.

2. Acceptance; Representations & Warranties: We agree to lend to you, and you agree to borrow from us, an amount for the financing of the Collateral. This Equipment Finance Agreement (this "Agreement") has an interim term ("Interim Term") and an initial term ("Initial Term"). The foregoing, collectively, the "Term". The Interim Term starts on the date of the funding of the loan evidenced by this Agreement. The Initial Term starts on the billing date specified by us in our sole discretion (the "Commencement Date"). We shall have no obligations under this Agreement whatsoever until we accept and sign this Agreement at our office and the satisfaction in our sole discretion of all conditions we may specify including our receipt of all documents we specify. You represent and warrant to us that all information conveyed to us in connection with this Agreement and all related documents whether by you, a guarantor, the supplier or any other person, is true, accurate, complete and not misleading. If you are an entity, the person executing this Agreement on your behalf represents to us that they are authorized to do so, making this Agreement the valid and binding act of the entity.

3. Security Interest: You hereby grant to us a security interest under the Uniform Commercial Code ("UCC") in the Collateral and all accessories and additions thereto and replacements thereof and all proceeds and products of the foregoing. Such security interest is granted to secure payment and performance by you of your obligations hereunder. All amounts received from you under this Agreement shall be applied towards your obligations to us as we determine.

4. Payments: You promise to pay us the number of payments shown above, each in the amount shown above, commencing on the Commencement Date and continuing on the same day of each month thereafter during the Initial Term (each a "Payment", and each day a Payment is due hereunder a "Payment Date"), without need of an invoice, together with all other amounts due from time to time by you hereunder. The total initial payment shall be paid upon your execution of this Agreement. If the contemplated transaction is not consummated, the total initial payment may be retained by us as partial compensation for costs and expenses incurred by us in preparation for the transaction. The amount of each Payment is based upon the total estimated cost of the Collateral, or the portion thereof being purchased with the proceeds of the loan evidenced hereby, you have provided to us and which is set forth above. If the final cost of the Collateral (or the portion being purchased) we pay the supplier is higher or lower than that estimate, we will adjust the amount of each Payment proportionately higher or lower than the Payment amount specified above. You also agree to pay, when invoiced, an amount equal to 1/30th of the Payment amount for each day from and including the date we fund the loan evidenced by this Agreement, to but excluding the first Payment Date. Following the first Payment Date, the Term shall continue without interruption for the number of months indicated above. YOUR OBLIGATION TO MAKE PAYMENTS AND PAY OTHER AMOUNTS DUE HEREUNDER IS ABSOLUTE AND UNCONDITIONAL AND NOT SUBJECT TO ABATEMENT, REDUCTION OR SET-OFF FOR ANY REASON WHATSOEVER. THIS IS A NON-CANCELABLE AGREEMENT: THIS AGREEMENT, THE TERMS OF WHICH HAVE BEEN FREELY NEGOTIATED BY EACH PARTY, IS ALSO SUBJECT TO THE TERMS AND CONDITIONS ON THE FOLLOWING PAGE WHICH IS MADE PART HEREOF AND WHICH DEBTOR AND SECURED PARTY ACKNOWLEDGE THEY HAVE READ AND ACCEPTED.

5. DISCLAIMER OF WARRANTIES AND CLAIMS; LIMITATION OF REMEDIES: THERE ARE NO WARRANTIES BY OR ON BEHALF OF SECURED PARTY AND NEITHER THE SUPPLIER NOR ANY OTHER PARTY IS SECURED PARTY'S AGENT. DEBTOR ACKNOWLEDGES AND AGREES: (A) SECURED PARTY MAKES NO WARRANTIES WHETHER EXPRESS OR IMPLIED AS TO THE CONDITION OF THE COLLATERAL, ITS MERCHANTABILITY, ITS FITNESS FOR ANY PARTICULAR PURPOSE; (B) DEBTOR ACCEPTS THE COLLATERAL "AS IS" AND WITH ALL FAULTS; (C) DEBTOR AGREES THAT THE COLLATERAL WILL BE USED SOLELY FOR COMMERCIAL OR BUSINESS PURPOSES; (D) IF THE COLLATERAL IS UNSATISFACTORY FOR ANY REASON DEBTOR'S ONLY REMEDY, IF ANY, SHALL BE AGAINST THE SUPPLIER OR MANUFACTURER OF THE COLLATERAL AND NOT AGAINST SECURED PARTY; (E) DEBTOR SHALL HAVE NO REMEDY FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST SECURED PARTY, ALL OF THE SAME BEING DISCLAIMED AND WAIVED; AND (F) NO DEFECT, DAMAGE OR UNFITNESS OF THE COLLATERAL SHALL RELIEVE DEBTOR OF THE OBLIGATION TO MAKE PAYMENTS OR RELIEVE DEBTOR OF ANY OTHER OBLIGATION UNDER THIS AGREEMENT.

6. Location; Maintenance; Installation; Insurance: You agree to maintain records showing the location of each item of Collateral. You shall report each location to us upon our request and shall not change the location of the Collateral without our advance written consent. You are responsible for installing and keeping the Collateral in good working order. You shall not make any alterations, additions or improvements to the Collateral which detracts from its economic value or functional utility. If the Collateral is damaged or lost, you agree to continue making scheduled Payments unless we have received the Casualty Value pursuant to Section 11. You agree to keep the Collateral insured against loss during the Term and to have us named as loss payee n such coverage amounts as we may specify from time to time, from anyone who is acceptable to us. You agree to provide us with a certificate of insurance acceptable to us upon our request and if at any time you fail to deliver to us a valid certificate of insurance reflecting such insurance as being in effect, then we will have the right, but no obligation, to have such insurance protecting us placed for the Term at your expense; and if so placed, we will add to the Payments and you will pay us our costs of obtaining such insurance and any customary charges or fees of ours.

7. Taxes and Fees; Indemnification: You agree to pay when due and to indemnify and hold us harmless from all taxes, fees, fines, interest and penalties, including, without limitation, personal property or documentary stamp taxes, ("Taxes") relating to the use or ownership of the Collateral or to this Agreement now or hereafter imposed, levied or assessed by any taxing authority. We may in our sole discretion, elect to pay any such Taxes directly to a taxing authority and if so you agree to reimburse us on our demand for any such Taxes paid on your behalf together with any filing or processing fee charged by us. If any taxing authority requires any Taxes to be paid in advance, and we pay such Taxes, we may increase the cost of the Collateral we are financing by such amount as described in Section 4 above thereby increasing the amount of each Payment to reflect the payment of such Taxes. You also agree to pay us and reimburse us for all costs and expenses in documenting and servicing this Agreement. You agree to indemnify and hold us harmless from any suits, claims, losses or damages we suffer in any way relating to the use or ownership of the Collateral. Your obligations under this Section 7 shall survive the expiration or earlier termination of this Agreement. You agree to pay us fees in an amount in effect from time to time in connection with the documentation of the Agreement and any site inspection or lien search we deem necessary. You agree that all such fees and any insurance we obtain pursuant to the last sentence of Section 6 may not only cover our costs they may also include a profit.

8. Personal Property: The Collateral will be and shall remain personal property and, if requested by us, you will obtain real property waivers satisfactory to us. You shall keep the Collateral free from any and all liens and encumbrances other than those in our favor. You shall give us immediate notice of any attachment or other judicial process, liens or encumbrances affecting the Collateral. You hereby irrevocably authorize us and appoint us as your attorney-in-fact with the power to execute and to file this Agreement and any financing statement(s) or security agreement(s) with respect to the Collateral. If your signature on any financing statement or similar document is required by law, you shall execute such supplemental instruments and financing statements we deem to be necessary and advisable and shall otherwise cooperate to defend and perfect our interest in the Collateral by filing or otherwise. You also agree to pay us on demand filing and registration fees prescribed by the UCC or other law. Any Collateral that is subject to title or registration laws shall be titled and registered as directed by us.

9. Default; Remedies; Late Charges: If any one of the following events occur with respect to you or any Guarantor, you will be in default: (i) you fail to pay any Payment or other amount due under this Agreement, when due, (ii) you breach or fail to perform any of your other covenants and promises under this Agreement, (iii) you become insolvent, any action under the United States Bankruptcy Code is filed by or against you, make an assignment for the benefit of creditors, admit your inability to pay your debts as they become due, or if you terminate your entity existence or take any actions regarding the cessation or winding up of your business affairs. If you are in default, at our election, we can accelerate and require that you pay, as reasonable liquidated damages for loss of bargain, the "Accelerated Balance". The Accelerated Balance will be equal to the total of: (i) accrued and unpaid amounts then due under this Agreement, and (ii) the remaining Payments discounted to their then present value at 3% per annum. We can also pursue any of the remedies available to us under the UCC or any other law. In the event we seek to take possession of any part of the Collateral, you irrevocably waive to the fullest extent permitted by law any bonds, surety or security required by statute, court rule or otherwise as an incident of such possession. You agree to pay our reasonable attorneys' fees and actual costs incurred by us in enforcing our rights hereunder including repossession, storage, refurbishment and sale of the Collateral and collection costs, and all non-sufficient funds charges and similar charges. If any part of a payment is late, you agree to pay us upon our demand the following, or if less, the maximum amount allowed under applicable law: (x) a late charge equal to the greater of 10% of the payment or $25.00, (y) a charge of $30.00 for each check returned for any reason or if any ACH debit charge is not honored and (z) if we have had to perform collection activities in connection with such late payment, our specified collection charges then in effect. The foregoing will not be construed as interest but as reimbursement to us to cover administrative and overhead expenses related to the processing and collection of the late payment.

10. Assignment; Inspection: YOU HAVE NO RIGHT TO SELL, TRANSFER, ASSIGN, LEASE OR ENCUMBER THE COLLATERAL OR THIS AGREEMENT. We may sell, transfer, assign or encumber this Agreement, in whole or in part, without notice to you or your consent. You agree that if we sell, transfer, assign or encumber this Agreement, the assignee will have the rights and benefits that we assign to the assignee and will not have to perform any of our obligations. You agree that the rights of the assignee will not be subject to any claims, defenses or set-offs that you may have against us. We and our agents and representatives shall have the right at any time during regular business hours to inspect the Collateral and for that purpose to have access to the location of the Collateral.

11. Risk of Loss: You assume and shall bear the entire risk of loss, theft, damage and destruction of the Collateral from any cause whatsoever, and no loss, theft, damage or destruction of the Collateral shall relieve you of the obligation to make Payments or any other obligation under this Agreement. You shall promptly notify us in writing of such loss, theft, damage or destruction. If damage of any kind occurs to any item of Collateral, you, at our option, shall at your expense (a) place the Collateral in good repair, condition or working order, or (b) if the Collateral cannot be repaired or is lost, stolen or suffers a constructive loss under an insurance policy covering the Collateral, pay to us the "Casualty Value." The Casualty Value will be equal to the total of (i) accrued and unpaid amounts then due and owing, and (ii) the remaining Payments discounted to present value at 3%, in both cases as of the date the Casualty Value is received by us.

12. Choice of Law; Waiver of Jury Trial: Subject to the following sentence, this Agreement shall be governed by, construed, interpreted and enforced in accordance with the laws of the state of California. If any amount contracted for, charged or received in connection with this Agreement constitutes interest or regulated time-price differential governed by, not exempt from, and in excess of amounts lawfully permitted, under California law (the "Subject Amount"), then (i) if the law of state in which Debtor resides (as indicated in Debtor's address above; the "Debtor's State") would permit the lawful contracting for, charging or receipt of any part of the Subject Amount, then the parties agree that the law of Debtor's State shall govern as to the contracting for, charging and receipt of such interest or regulated time-price differential and (ii) if clause (i) preceding is not applicable, Secured Party shall make any necessary adjustments so as to eliminate such excess. Debtor agrees to provide Secured Party advance written notice and an opportunity to cure pursuant to the preceding sentence any contract, charge or receipt claimed by Debtor to be unlawful; and Secured Party may calculate maximum lawful amounts by amortizing, prorating, allocating reallocating, discounting, treating months as equal intervals, and spreading in each case to the fullest extent permitted by applicable law. You consent to the non-exclusive jurisdiction of the federal and state courts located in the state of California in any action or proceeding relating to this Agreement, YOU WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH ACTION OR PROCEEDING, AND YOU WAIVE ANY RIGHT TO ASSERT THIS IS AN INCONVENIENT FORUM.

13. Miscellaneous: During the Term, you agree to provide us with all financial statements and copies of tax returns we may request. If we supply you with labels, you shall label any and all Collateral and shall keep the same affixed in a prominent place. If any provision hereof or any remedy herein provided is found to be invalid under any applicable law, the remaining provisions hereof, shall be given effect in accordance with the manifest intent hereof. The parties agree that each Payment includes interest. You agree that a waiver of breach will not be a waiver of any other subsequent breach, and that any delay or failure to enforce our rights under this Agreement does not prevent us from enforcing any rights at a later time. YOU AGREE THAT WE WILL NOT BE LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES FOR ANY DEFAULT BY US UNDER THIS AGREEMENT. Section headings are for convenience and are not a part of this Agreement. You agree that by providing us with an email address or telephone number for a cellular or other wireless device, you expressly consent to receiving communications including email, voice and text messages from us or our affiliates or assigns at that email address or telephone number, and this express consent applies to each such email address or telephone number that you provide to us now or in the future and permits such communications regardless of their purpose. These calls and messages may incur access fees from your internet or wireless provider. You agree that the original of this Agreement may be electronically duplicated and a copy hereof may be introduced in lieu of the original thereof and without further foundation. The parties hereto expressly waive the secondary evidence rule. You agree that this Agreement will be binding upon your successors, permitted assigns, heirs and legal representatives. You authorize us to complete any blank in this instrument or in any document executed or delivered in connection herewith that contemplates a date by inserting a date deemed appropriate by us. Time is of the essence with respect to your obligations hereunder. No term or provision of this Agreement may be amended, altered, waived or discharged except by a written instrument signed by both parties to this Agreement. Any formal notice given pursuant to this Agreement shall be deemed given 2 business days after being placed with the U.S. Postal Service, postage prepaid, addressed to the Debtor at its address set forth above, or to Secured Party at 23970 Hwy 59 N, Kingwood, TX 77339-1535, or such other address as a party may designate by written notice to the other. If Debtor constitutes more than one person, you agree that the liability of each such person hereunder is joint and several. Any restrictive endorsement on any check you give us in payment of any amount due hereunder shall be void. You may not prepay this Agreement without our prior written consent. A facsimile or other copy of this Agreement, as executed, shall be deemed the equivalent of the originally executed copy for all purposes. All amounts payable hereunder by you if not paid when due shall accrue interest at a rate of interest of 1.5% per month or the highest rate allowed by applicable law if less, from the due date thereof until received by us in cash and shall be payable on demand. This Agreement may be executed in separate counterparts which together shall constitute one and the same instrument. You agree this Agreement may be signed electronically pursuant to the Electronic Signatures in Global and National Commerce Act and other applicable law.

By signing below Debtor hereby irrevocably accepts the Collateral under this Agreement and irrevocably authorizes Secured Party to pay the supplier on behalf of the Debtor. The person executing this Agreement is authorized to do so, making this Agreement the valid and binding act of the Debtor.

Debtor Name:		Accepted By:	Ascentium Capital LLC
By:		By:	
Printed Name and Title:		Printed Name and Title:	Bryan Wheeler, Senior Vice President

GUARANTY: The undersigned ("you", "your", jointly and severally if more than one) unconditionally guarantees to Secured Party and its assigns the prompt payment and performance when due of all of the obligations of the Debtor under the Agreement and all related documents executed by the Debtor in connection with it (collectively with the Agreement, the "Agreements"). We shall not be obligated to proceed against the Debtor, the property being financed under the Agreements or enforce any other remedy before proceeding against you to enforce this Guaranty. Notwithstanding any changes made to the Agreements in the course of our dealings with the Debtor, this Guaranty will remain in effect with respect to the Agreements as so changed even if you are not notified of the changes and will remain in effect even if the Agreements or any of them are no longer enforceable against the Debtor. You waive all presentments, demand for performance, notices of protest, notices of dishonor, notices of acceptance of this Guaranty and all other notices to which you may have a right. You agree to pay us all the expenses incurred by us in enforcing this Guaranty. You may not assign this Guaranty without our written consent. This Guaranty shall be governed by, construed, interpreted and enforced in accordance with the laws of the state of California without reference to its principles of conflicts of laws. You consent to the non-exclusive jurisdiction of the federal and state courts located in the state of California in any action to enforce this Guaranty and you waive any right to assert this is an inconvenient forum. You consent to us conducting a credit evaluation of you from all sources, periodically updating it and sharing the results with others. This Guaranty may be executed in separate counterparts which together shall constitute one and the same instrument.

Guarantor Signature:		Printed Name:	
Guarantor Signature:		Printed Name:	

AUTHORIZATION FOR ACH PAYMENTS: Debtor authorizes Secured Party or Secured Party's successors and assigns to automatically initiate and make debit entry charges to Debtor's bank account indicated below for the payment of all amounts owed by you from time to time under the Agreement. This Authorization is to remain in effect during the Term of the Agreement Agreement. Any incorrect charge will be corrected upon notification to us, by either a credit or debit to Debtor's account.

Bank Name:		Account Holder Name:	
Account No:		ABA No.:	
Authorized Signature:		Printed Name and Title:	,

COMMENCEMENT AGREEMENT

Ascentium Capital LLC
23970 HWY 59 N
Kingwood, TX 77339-1535
AscentiumCapital.com

Agreement No. _____

Date: March 6, 2017

You, the Customer, and Ascentium Capital LLC ("we", "us", "our") have entered into the above referenced equipment lease, equipment finance agreement, secured loan or similar agreement (which may be one or more schedules to a master agreement) ("Agreement") pursuant to which we will be financing the Equipment or Collateral as defined in and described in the Agreement (in either case "Equipment") as set forth in this Commencement Agreement ("CA"). The Equipment is being delivered at various times and the vendor or vendors of the Equipment have to be paid for each item of Equipment at or before its delivery to you. You agree to commence the initial non-cancelable term of the Agreement immediately even though items of Equipment remain to be delivered to and accepted by you from one or more vendors.

NOW THEREFOR, you and we hereby agree as follows:

1. The term of the Agreement will commence on the date of this CA, with the interim term commencing on the date set forth above and the initial term commencing as provided in the Agreement. You acknowledge and agree that notwithstanding the fact that not all items of Equipment have been delivered to and accepted by you as of the date set forth above, the terms and conditions of the Agreement, including your obligation to pay all amounts of rent or debt service set forth in the Agreement, shall commence immediately and, except as otherwise specifically set forth in this CA, irrevocably.

2. You agree to inspect and accept for purposes of the Agreement all undelivered items of Equipment immediately upon their delivery to you. If, when delivered, an item of Equipment is damaged or non-conforming, you agree to cause the vendor in question to repair and/or replace any such item of Equipment and you agree to immediately accept any conforming replacement and/or repaired Equipment for all purposes under the Agreement while continuing to meet all of your payment and other obligations under the Agreement.

3. All amounts anticipated to be disbursed by us on your behalf that have not been disbursed as of the date of this CA will be deemed disbursed by us into a separate holding account for your benefit ("Account"), the contents of which shall be debited by the amount of each subsequent disbursement to vendor(s) as contemplated by this CA. To secure your obligations to us under the Agreement and this CA, you hereby grant to us a security interest in the contents of the Account and any proceeds.

4. The Agreement contemplates a pro-rata adjustment to the payments owed by you under the Agreement in the event the purchase price of the Equipment and other amounts, if any, paid by us on your behalf are higher or lower than those on which the payments set forth in the Agreement are based. Following the delivery and acceptance of all items of Equipment set forth in the Agreement, we shall make any necessary adjustments to the payments as contemplated by the Agreement. You agree that we will have no liability to you in the event we determine to terminate the funding of any vendor because we have determined, in our sole discretion, that there has been a material adverse change in your creditworthiness from that on which we based our approval of the Agreement. In any circumstance contemplated by the preceding sentence, we will continue the Agreement with the Equipment accepted by you and funded by us as of the date we determine to terminate funding the Agreement and we will reduce the amount of each payment of rent or debt service you owe under the Agreement proportionally, taking into account the higher payments made by you up to the date of that determination and any balance in the Account shall revert to us.

5. This CA sets forth the entire agreement of the parties with respect to its subject matter and it may only be amended by a written instrument executed by you and us. In the event of a conflict between this CA and the terms of the Agreement, the terms of this CA shall govern and control, provided however, except as explicitly set forth in Section 4 above, nothing set forth in this CA shall be deemed to affect your obligation to pay and perform all of your obligations as set forth in the Agreement without setoff, abatement or counterclaim. This CA shall terminate and be of no further force and effect following your acceptance and our funding of the last item of Equipment being financed under the Agreement. This CA will be governed by and construed in accordance with the laws of the jurisdiction governing the Agreement.

You agree that a facsimile or other copy of this CA, as executed, shall be deemed the equivalent of the originally executed copy for all purposes.

CUSTOMER:		SECURED PARTY:	Ascentium Capital LLC
Signature:		By:	
Printed Name:		Printed Name:	Bryan Wheeler
Title:		Title:	Senior Vice President

DELIVERY AND ACCEPTANCE CERTIFICATE

Ascentium Capital LLC
23970 HWY 59 N
Kingwood, TX 77339-1535
AscentiumCapital.com

Agreement No. ______

To: Ascentium Capital LLC

The undersigned hereby certifies: (i) that all of the property which is to be leased, financed or sold, as applicable, pursuant to the rental agreement, lease agreement, equipment finance agreement, note, security agreement, loan and security agreement, conditional sale agreement or similar document referenced above (which may be one or more schedules to a master agreement) (the "Agreement") between Ascentium Capital LLC as payee, lessor, lender, secured party or seller and the undersigned as renter, lessee, debtor, buyer or other obligor (the "Equipment"), has been delivered to, and received by, the undersigned, (ii) the Equipment conforms in all respects to that ordered by the undersigned, (iii) its condition is satisfactory in all respects to the undersigned and (iv) that the Equipment is accepted by the undersigned under the Agreement in all respects, and the undersigned hereby irrevocably directs Ascentium Capital LLC to pay the equipment suppliers the purchase price of the Equipment.

The undersigned agrees that a facsimile or other copy of this Delivery and Acceptance Certificate, as executed, shall be deemed the equivalent of the originally executed copy for all purposes. By executing this Delivery and Acceptance Certificate the undersigned irrevocably acknowledges and agrees that the undersigned's non-terminable installment payment and other obligations under the Agreement have commenced.

CUSTOMER: ____

Signature: ____

Printed Name: ____

Title: ____

Date Signed: ____

AVANA CAPITAL

	SBA 504					CONVENTIONAL		BRIDGE	
	ACQUISITION & REFINANCE[1]		CONSTRUCTION & SBA INTERIM			ACQ. & REFI.	CONSTRUCTION	ACQUISITION & REFINANCE	
PURPOSE	*1st Mortgage*	*Interim 504 Loan*	*Construction Loan*	*Permanent 1st Mortgage*	*Interim 504 Loan*	*1st Mortgage*	*Construction Loan*	*1st Mortgage*	*Mezzanine*
AMOUNT [2]	Up to $15MM	$5MM Gross, or $5.5 Gross (SBA Green)	Up to $15MM	Up to $15MM	$5MM Gross, or $5.5 Gross (SBA Green)	Up to $15MM	Up to $15MM	Up to $15MM	Up to $10MM
RATE	5-year Swap + 4.25% Floor Rate of 6.50%	WSJ Prime + 3.00% Floor Rate of 7.50%	WSJ Prime + 3.00% Floor Rate of 7.50%	5-year Swap + 4.25% Floor Rate of 6.50%	WSJ Prime + 3.00% Floor Rate of 7.50%	2 year Swap + 5.00% Floor Rate of 7.75%	WSJ Prime + 3.00% Floor Rate of 7.50%	30 day LIBOR + 7.00% Floor Rate of 8.50%	30 day LIBOR + 8.00% Floor Rate of 9.50%
TERM & AMORTIZATION	10-year Term 25-year Amortization	3 to 12 months	3 to 24 months	10-year Term 25-year Amortization	3 months	3 years	3 to 24 months	6 to 24 months	
BUSINESS VERTICALS	- Hospitality - Self-Storage - Senior Healthcare - Multi-Use Assets: a. Industrial b. Medical Office c. Retail		- Hospitality - Self-Storage - Senior Healthcare - Multi-Use Assets: a. Industrial b. Medical Office c. Retail			- Hospitality - Self-Storage - Senior Healthcare - Multi-Use Assets: a. Industrial b. Medical Office c. Retail		- Hospitality - Self-Storage - Senior Healthcare - Multi-Use Assets: a. Industrial b. Medical Office c. Retail *Other property types on exception basis*	
LOAN TO VALUE/ COST	50% to 55%	Combined LTV 80% to 90%	Combined LTC 80% to 90%	50% to 55%	Combined LTV 80% to 90%	LTV 65%	LTC 65%	Combined 70%	
LOAN FEE	2.50% (0.50% to the SBA)	2.50%	2.50% (0.50% to the SBA)	Included in Construction Loan	Included in Construction Loan	2.00%		2.00%	
REPAYMENT	Monthly P&I via ACH	Monthly I/O via ACH	Capitalized Interest Reserve included in construction budget	Monthly P&I via ACH	Monthly I/O via ACH	Monthly I/O years one and two via ACH; beginning in year three, Monthly P&I based on 25-year amortization via ACH	Capitalized Interest Reserve included in construction budget	Monthly I/O via ACH	
ASSET MANAGEMENT FEE	N/A	N/A	0.50% of Loan Amount	Included in Construction Loan	Included in Construction Loan	N/A	0.50% of Loan Amount	0.50% of Loan Amount	
PREPAYMENT PENALTY	5%, 3%, 2% for years one through three, 1% thereafter. Annual 10% Prepayment allowance without penalty.	N/A	5.00% Exit Fee if loan is paid off before conversion to Permanent Loan with AVANA.	5%, 3%, 2% for years one through three, 1% thereafter. Annual 10% Prepayment allowance without penalty.	N/A	2% in year one, 1% thereafter.	5.00% Exit Fee if loan is paid off before conversion to Permanent Loan with AVANA.	1.00% Exit Fee at the time of payoff.	

(1) Cash out may be allowed on SBA 504 Refinance on a deal by deal basis.
(2) Ability to fund higher Loan Amounts on an exception basis.

BALBOA CAPITAL CORPORATION

Important Documents

BALBOA CAPITAL

Regarding Your Agreement Number: 000-000

Date March 5 2014
Debtor Name Example Docs LLC
Debtor Address 43RD ST
Owatonna, MN 55060

Dear Valued Customer,

Balboa Capital is pleased to be working with you to earn your business and complete the equipment financing transaction. We strive to give you the best customer service possible, so please feel free to call your Account Executive with any questions you may have.

Enclosed you will find the necessary documents to complete your equipment financing. Please complete and sign the documents as indicated and return them by one of the following options:

Return documents **via overnight mail** to the following address:

Balboa Capital Corporation
Attn: Business Center
2010 Main Street 11th Floor
Irvine, CA 92614

Be sure to follow these simple instructions when signing the documents:

1. Please ensure the Company Resolution, if applicable, is signed by an officer or other authorized representative of your company other than the person signing the agreement.
2. Please do not cross out or make any changes on the documents without first discussing such changes with your Account Executive.

Enclosed Documents:

Equipment Financing Agreement	Exhibit "A"
ACH Agreement	Request for Drivers License Copy
Company Resolution	Personal Guaranty
Disbursement Authorization	EFA PG

Please forward the above documents with the following items:

Advance Payment(s): $0.00
Loan Fee: $0.00
Total Amount Due: $0.00

- **Tax ID Number:** ____________
- **Email Address:** ____________
- **Mobile Number:** ____________
- **Fax Number:** ____________
- **Tax Exemption Certificate (If available)**
- **Copy of all invoices and cancelled checks**
- **Copy of current and valid driver's license for each of the lease signors and guarantors**

Please note that you will be invoiced for standard closing costs once your equipment financing transaction has been completed including applicable prorated rent and other expenses directly related to the completion of your equipment financing.

If you have any questions, please contact your Account Executive at **Eric M. Bisson** at **949-553-3480**.

Thank you for choosing Balboa Capital Corporation for your financing needs. Balboa is here to help you get the equipment you need to help your business grow.

EQUIPMENT FINANCING AGREEMENT (Page 1 of 2)

BALBOA CAPITAL

Agreement # 000-000

Debtor Information

Business Name: **Example Docs LLC** Business Phone: **9495533480** Business Tax ID#:	Business Address: **43RD ST Owatonna, MN 55060**	Collateral Location: **(if different than billing address of Debtor)**

Full Description Of Collateral Including Model, Serial Numbers: As delineated on Exhibit "A", attached hereto and made a part hereof.	Equipment Cost: **$100,000.00**	**Initial Payment** (Check For This Amount Must Accompany Agreement) SECURITY DEPOSIT: $0.00 FIRST PAYMENT: $1,909.98 LAST PAYMENT: $1,919.98 Loan Fee: $0.00
Monthly Payment: **$1,909.98** Loan Term In Months: **60**	Initial Payment Date:	**Total Amount Due: $0.00**

TERMS OF EQUIPMENT FINANCING AGREEMENT

Debtor and Creditor agree as follows:

1. SECURITY INTEREST: Debtor hereby grants Creditor a security under the Uniform Commercial Code in the above property (collectively the "Collateral" and individually an "Item" or "Item of Collateral"). Such security interest is granted to secure performance by Debtor if its obligations thereunder and under any other present or future agreement with Creditor. Debtor shall insure that such security interest is and shall remain a sole first lien security interest. **DEBTOR HEREBY AUTHORIZES CREDITOR TO FILE A COPY OF THIS AGREEMENT AS A FINANCING STATEMENT AND APPOINTS CREDITOR OR ITS DESIGNEE AS DEBTOR'S ATTORNEY-IN-FACT TO EXECUTE AND FILE, ON DEBTOR'S BEHALF, FINANCING STATEMENTS COVERING THE COLLATERAL.**
2. PAYMENTS: Debtor shall repay creditor the above Total of Payments in the number of monthly installments of the amount indicated above. The initial installment payment shall be deemed due as of the date indicated above and subsequent installment payments shall be due on the same day of each month thereafter until paid. A prorata portion of the installment payment based on a daily charge of one-thirtieth (1/30) of the installment payment calculated from the payment commencement date to the start of the base term shall be due and payable at the payment commencement date. All other amounts due thereunder shall be due upon Debtor's Receipt of Creditor's invoice therefor. Advance payments shall be applied to the last installment payments in reverse order until exhausted; provided that if there is a default, any payments under this agreement may be applied to Debtor's obligations to Creditor in such order as Creditor chooses. 3. NO AGENCY. DEBTOR ACKNOWLEDGES THAT NO SUPPLIER OF AN ITEM OR INTERMEDIARY NOR ANY AGENT OF EITHER THEREOF IS AN AGENT OF CREDITOR AND FURTHER THAT NONE OF SUCH PARTIES IS AUTHORIZED TO WAIVE OR ALTER ANY ITEM OR CONDITION OF THIS AGREEMENT. NO REPRESENTATION AS TO ANY MATTER BY ANY SUCH PARTY SHALL BIND CREDITOR OR AFFECT DEBTORS DUTY TO PAY THE INSTALLMENT PAYMENTS AND PERFORM ITS OTHER OBLIGATIONS THEREUNDER. 4. **NON CANCELABLE AGREEMENT;** PREPAYMENT, NO OFFSET, THIS AGREEMENT IS NON CANCELABLE BY DEBTOR FOR ANY REASON WHATSOEVER. DEBTOR MAY REPAY THE INSTALLMENT PAYMENTS ONLY IN ACCORDANCE HEREWITH. ALL PAYMENTS THEREUNDER ARE TO BE MADE WITHOUT OFFSET. 5. FINANCING. THIS AGREEMENT IS SOLELY A FINANCING AGREEMENT. SEE REVERSE SIDE FOR ADDITIONAL TERMS AND CONDITIONS WHICH ARE PART OF THIS AGREEMENT. **CREDITOR MAKES NO WARRANTY, EXPRESS OR IMPLIED, OR THAT THE EQUIPMENT IS FIT FOR A PARTICULAR PURPOSE OR THAT THE EQUIPMENT IS MERCHANTABLE.** DEBTOR AGREES THAT DEBTOR HAS SELECTED THE SUPPLIER AND EACH ITEM OF EQUIPMENT BASED UPON DEBTOR'S OWN JUDGMENT AND DISCLAIMS ANY RELIANCE UPON ANY STATEMENTS OR REPRESENTATIONS MADE BY CREDITOR. CREDITOR DOES NOT TAKE RESPONSIBILITY FOR THE INSTALLATION OR PERFORMACE OF THE EQUIPMENT. THE SUPPLIER IS NOT AN AGENT OF CREDITOR'S AND NOTHING THE SUPPLIER STATES CAN AFFECT DEBTOR'S OBLIGATION UNDER THE AGREEMENT. DEBTOR WILL CONTINUE TO MAKE ALL PAYMENTS UNDER THIS AGREEMENT REGARDLESS OF ANY CLAIM OR COMPLAINT AGAINST SUPPLIER. This agreement is effective only upon execution by an authorized officer of Creditor following Debtor's execution hereof, and upon execution Creditor shall fund the Equipment Cost/Advanced. Debtor hereby authorizes Creditor to Disburse the Equipment Cost/Advance as indicated on the attached Disbursement Authorization. Creditor reserves the right to pay the applicable portion of the Equipment Cost/Advance jointly to any party not specified in the preceding sentence with a security interest in an Item of Collateral. 6. LOCATION; INSPECTION; USE. Debtor shall keep, or, as to an Item which is movable, permanently garage and not remove from the United States, as appropriate, each Item of Collateral in Debtor's possession and control at the Collateral Location or at such other location to which such Item may have been moved with the prior written consent of Creditor, Upon request, Debtor shall advise Creditor as to the exact location of an Item of Collateral. Creditor may inspect the Collateral during normal business hours and enter the premises where the Collateral may be located for such purposes. Each Item shall be used solely for commercial or business purposes and operated in a careful and proper manner an in compliance with all applicable governmental requirements, all requirements of insurance policies carried hereunder and all manufacturer's instructions and warranty requirements.
7. ALTERATIONS; SECURITY INTEREST COVERAGE. Without Creditor's prior written consent, Debtor shall not make any alterations, additions **or** improvements to an Item of Collateral which detract from its economic value or functional utility. All additions and improvements made to an Item shall be deemed accessions thereto, and shall not be removed if removal would impair the Item's economic value or functional utility. Creditor's security interest shall cover all modifications, accessions, additions to and replacements and substitutions for the Collateral. Debtor will not make any replacements or substitutions without Creditor's prior written consent. 8. MAINTENANCE. Debtor shall maintain the Collateral in good repair, condition and working order. Debtor shall cause all repairs required to maintain the Collateral in such condition to be made promptly by qualified parties. Debtor will cause each Item of Collateral for which a service contract is generally available to be covered by such a contract which provides coverage typical as to property of the type involved and is issued by a competent servicing entity. 9. LOSS AND DAMAGE; CASUALTY VALUE. In the event of loss, theft, destruction or requisition of or damage to an Item of Collateral from any cause Debtor shall give Creditor prompt notice thereof and shall thereafter place the Item in good repair, condition and working order; provided, however, that if such Item is determined by Creditor to be lost, stolen, destroyed or damaged beyond repair or is requisitioned or suffers a constructive total loss under an insurance policy carried hereunder Debtor shall cause the Equipment to be replaced and shall immediately provide Creditor with information necessary to perfect Creditor's security interest in the replacement Equipment, or shall pay Creditor the "Casualty Value" of such Item which shall equal (a) any amounts due at the time of such payment, and (b) each future installment payment due with respect to such Item discounted at three percent (3%) per annum simple interest from the date due to the date of such payment. 10. PAYMENT OF FINANCING AGREEMENT OBLIGATIONS: Payment of the Financing Agreement Obligation shall be made by electronically withdrawing funds from the bank account on which Debtors deposit check was drawn, or any other account from which Debtor paid any obligation under this Agreement. Debtor authorizes Creditor to debit from this account on which Debtors deposit check was drawn, or any other account from which Debtor paid any obligation under this Agreement on or after the due date of Debtors monthly installment, for scheduled Financing Agreement Payments or other amounts due and owing at the time under the Financing Agreement. Debtor acknowledges that, if Creditor assigns the Financing Agreement to a third party, the assignee is authorized to debit the account on which Debtors deposit check was drawn, or any other account from which Debtor paid any obligation under this Agreement. If Debtor would prefer to authorize Creditor to debit another account, fill in the blanks provided below along with a copy of a voided check from the specified account. However, Debtor agrees that Creditor, or its assignees, has the right, but not the obligation, to electronically withdraw funds from the bank account on which Debtor's deposit check was drawn, the account specified below, or any other account from which Debtor paid any obligation under this Agreement to pay for any unpaid Financing Agreement Payment or other amounts due and owing at the time under this Agreement.

Account Number: ______________ ABA / Routing Number: ______________

Financial Institution Name: ______________ Initials ________ sign

SEE REVERSE SIDE FOR ADDITIONAL TERMS AND CONDITIONS WHICH ARE PART OF THIS AGREEMENT.

(CREDITOR) **BALBOA CAPITAL CORPORATION** **2010 Main Street** **11th Floor** **Irvine, Ca 92614** By: ______________ Vice President Date ________	**(DEBTOR)** **Example Docs LLC** 43RD ST Owatonna, MN 55060 sign By: ______________ Name: John Johnson Title: Managing Member Date 03/05/14 Home Phone ________

11. TITLING. If requested by Creditor, Debtor shall cause an Item of Collateral subject to title registration laws to be titled as directed by Creditor. Debtor shall advise Creditor promptly as to any necessary re-titling. Debtor shall cause all documents of title to be furnished Creditor within sixty (60) days of the date of any titling effected by Debtor.

12. TAXES. Debtor agree to pay when due all taxes (including personal property tax, fines and penalties) and fees relating to this Agreement or the Equipment. If Creditor pays any of the above for Debtor, Debtor agrees to reimburse Creditor and to pay Creditor a processing fee for each payment Creditor makes on Debtors behalf. In addition, Debtor also agrees to pay Creditor any filing fees prescribed by the Uniform Commercial Code or other law and reimburse Creditor for all costs and expenses involved in documenting and servicing this transaction. Debtor further agrees to pay Creditor an origination fee on or before the date the first payment is due. Debtor also acknowledges that in addition to the lease payments, Creditor may assess and Debtor may be required to pay additional taxes and/or fees. Such fees may not only cover Creditors costs they may also include a profit.

13. INSURANCE. Debtor agrees to maintain, at Debtor's expense, "Special Form" property insurance protecting the Equipment for its full replacement value, naming Creditor as a loss payee on a "Lender's Loss Payable" endorsement; and public liability insurance, in amounts acceptable to Creditor, naming Creditor as an additional insured (together "Required Insurance"). Debtor must provide Creditor satisfactory written evidence of Required Insurance within thirty (30) days of the commencement date of this Equipment Finance Agreement or of any subsequent written request. If Debtor does not do so, Creditor may obtain insurance from an insurer of Creditor's choosing in such forms and amounts as Creditor selects ("Insurance"). Insurance covers the Equipment and Creditor only and not Debtor. Debtor shall pay Creditor periodic charges for Insurance ("Insurance Charges") that include: a premium that may be higher than if Debtor maintained Required Insurance separately; a finance charge of up to the implicit rate of the Equipment Finance Agreement on any premium advances made by Creditor or Creditors agents; and billing and processing fees; each of which may generate a profit to Creditor and Creditor agents. If Debtor fails to pay billed Insurance Charges within 30 days of their due date, Creditor may pay them by applying funds paid under the Equipment Finance Agreement or debiting Debtor's account under any previously authorized automatic payment. Debtor agrees to arbitrate any dispute with Creditor or Creditor agents regarding Insurance or Insurance Charges under the rules of the American Arbitration Association in Los Angeles, California; provided however, such agreement does not authorize class action arbitration. At Creditor's election, in lieu of obtaining or continuing Insurance, Creditor may require Debtor to pay a monthly additional fee up to 2% of the Equipment Cost. This fee is not calculated with reference to additional risk and constitutes additional profit for Creditor, but represents the basis on which Creditor is willing to forbear from exercising remedies and continue this Agreement without Required Insurance. Debtor will receive no insurance coverage and will not be released from any obligations. Creditor is not selling insurance. Creditor will cease charging the additional fee or billing for Insurance 30 days after Debtor provides satisfactory proof of Required Insurance and compliance with this section.

14. CREDITOR'S PAYMENT. If Debtor fails to perform any of its obligations hereunder, Creditor may perform such obligation, and Debtor shall (a) reimburse Creditor the cost of such performance and (b) pay creditor the service charge contemplated in paragraph 21.

15. INDEMNITY. Debtor shall indemnify, defend and hold Creditor harmless against any claim, action, liability or expense, including attorneys' fees and court costs, incurred by Creditor related to this agreement. While it is not anticipated that Creditor shall have any liability for torts related to the Collateral, this indemnity covers tort proceedings including any strict liability claim, any claim under another theory related to latent or other defects and any patent, trademark or service mark infringement claim.

16. DEFAULT. Any of the following constitutes an event of default hereunder: (a) Debtor's failure to pay any amount hereunder, within three (3) business days of when due; (b) Debtor's default in performing any other obligation hereunder or under any agreement between Debtor and Creditor; (c) death or judicial declaration of competency of Debtor, if an individual; (d) the filing by or against Debtor of a petition under the Bankruptcy Code or under any other insolvency law or law providing for the relief of debtors, including, without limitation, a petition for reorganization, agreement or extension; (e) the making of an assignment of a substantial portion of its assets by Debtor for the benefit of creditors, appointment of a receiver or trustee for Debtor or for any Debtor's assets, institution by or against Debtor of any other type of insolvency proceeding or other proceeding contemplating settlement claims against or winding up of the affairs of Debtor, Debtor's cessation of active business affairs or the making by Debtor of a transfer of a material portion of Debtor's assets or inventory not in the ordinary course of business; (f) the occurrence of an event described in (c), (d), or (e) s to a guarantor of other surety of Debtor's obligations hereunder, (g) any misrepresentation of a material fact in connection herewith by or on behalf of Debtor; (h) Debtor's default under a lease or agreement providing financial accommodation with a third party or (i) creditor shall in good faith deem itself insecure as a result of a material adverse change in Debtor's financial condition or otherwise.

17. REMEDIES. Upon the occurrence of an event of default Creditor shall have the right, options, duties and remedies of a secured party, and Debtor shall have the rights and duties of a Debtor, under the Uniform Commercial Code (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and in connection therewith Creditor may: (a) declare the Casualty Value or such lesser amount as may be set by law immediately due and payable with respect to any or all Items of Collateral without notice or demand to Debtor; (b) take possession of and, if deemed appropriate, render unusable any or all Items of Collateral, without demand or notice, wherever located, without any process of law and without liability for any damages occasioned by such taking of possession including damages to contents; (c) require Debtor to assemble any or all Items of Collateral at a location in reasonable proximity to their designated location hereunder, (d) upon notice to Debtor required by law, sell or otherwise dispose of any Items of Collateral, whether or not in Creditor's possession, in a commercially reasonable manner at public or private sale and apply the net proceeds of such sale after deducting all costs of such sale, including, but not limited to, costs of transportation, repossession, storage, refurbishing, advertising and brokers fees, to the obligations of Debtor hereunder with Debtor remaining liable for any deficiency and with any excess being returned to Debtor or (e) utilize any other remedy available under the Uniform Commercial code or otherwise to Creditor.

All remedies are cumulative. Any sale may be adjourned by announcement at the time and place appointed for such sale without further published notice, and Creditor may if permitted by law bid and become the purchaser at any such sale.

18. LITIGATION EXPENSES. Debtor shall pay Creditor its costs and expenses not offset as provided in paragraph 17, including repossession and attorneys' fees and court costs, incurred by Creditor in enforcing this agreement. This obligation includes the payment of such amounts whether an action is filed and whether an action which is filed is dismissed.

19. ASSIGNMENT. Without the prior written consent of Creditor, Debtor shall not sell, lease or create or allow any lien other than Creditor's security interest against an Item of Collateral or assign any of Debtor's obligations hereunder. Debtor's obligations are not assignable by operation of law. Consent to any of the foregoing applies only in the given instance.

Creditor may assign, pledge or otherwise transfer any of its rights **but none of its obligations** hereunder without notice to Debtor. If Debtor is given notice of any such assignment, Debtor shall acknowledge receipt thereof in writing and shall thereafter pay any amounts due hereunder as directed in the notice. The rights of an assignee to amounts due hereunder shall be free of any claim or defense Debtor may have against Creditor, and Debtor agrees not to assert against an assignee any claim or defense which Debtor may have against Creditor.

Subject to the foregoing, this agreement inures to the benefit of, and is binding upon, the heirs, legatees, personal representatives, successors and assigns of the parties.

20. MARKINGS; PERSONAL PROPERTY. Debtor shall mark the Collateral or its location as requested by Creditor to indicate Creditor's security interest. As between the parties the Collateral shall at all times be deemed personal. Debtor will provide Creditor any real property waivers requested by Creditor as to the real property where an Item of Collateral is or is to be located.

21. LATE PAYMENT. If Debtor fails to pay any amount to be paid hereunder within Three (3) days of when due, Debtor agree to pay us (a) eighteen percent (18%) of each such late payment (to the extent permitted by law) (b) amounts Creditor pays others in connection with the collection of the payment and (c) interest on such unpaid amount from the date due until paid at the lesser of eighteen percent (18%) per annum or the highest rate permitted by applicable law. No more than a single charge under subparagraph (a) will be due in any given month.

22. SECURITY INTEREST RELEASE. At such time as there is no outstanding obligation secured hereby (including obligations under other agreements contemplated under paragraph 1) Creditor shall provide Debtor such termination statements related to the Collateral as Debtor shall reasonably request. Debtor shall be responsible for the filing of each such termination statement.

23. ADDITIONAL DOCUMENTS. Debtor shall provide to Creditor such financing statements and similar documents as Creditor shall request. Debtor authorizes Creditor where permitted by law to make filings of such documents without Debtor's signature. Debtor further shall furnish Creditor (a) a fiscal year end financial statement including balance sheet and profit and loss statement within one hundred twenty (120) days of the close of each fiscal year and (b) such other information and documents not specifically mentioned herein relative to this agreement as Creditor may request. Debtor shall reimburse Creditor for all search and filing fees incurred by Creditor related hereto.

24. NOTICES. Notices shall be in writing, and sufficient if mailed to the party involved, United States mail first class postage prepaid, at its respective address set forth above or at such other address as such party may provide on notice in accordance herewith. Notice so given shall be effective when mailed. Debtor shall promptly notify Creditor of any change in Debtor's address.

25. GENERAL. This agreement constitutes the entire agreement of the parties as to the subject matter and shall not be amended, altered or changed except by a written agreement signed by the parties. Any waiver by Creditor must be in writing, and forbearance shall not Constitute a waiver. Whenever the context of this agreement requires, the neuter includes the masculine or feminine and the singular includes the plural. If there is more than one Debtor named in this agreement, the liability of each shall be joint and several. The titles to the paragraphs of this agreement are solely for the convenience of the parties and are not an aid in the interpretation. This agreement shall be governed by the law of the State of California. Venue for any action related to this agreement shall be in an appropriate court in Orange County, California or the home county and state of anyone holding Creditor's interest as it may be assigned from time to time, to which Debtor consents, or in an appropriate court in another jurisdiction selected by Creditor which has jurisdiction over the parties. Any provision declared invalid shall be deemed severable from the remaining provisions which shall remain in full force and effect. Time is of the essence of this agreement. The obligations of Debtor shall survive the release of the security interest in the Collateral.

26. DEBTOR'S WARRANTIES. DEBTOR CERTIFIES AND WARRANTS:(a) THE FINANCIAL AND OTHER INFORMATION WHICH DEBTOR HAS SUBMITTED, OR WILL SUBMIT, TO CREDITOR IN CONNECTION WITH THIS AGREEMENT IS, OR SHALL BE AT TIME OF SUBMISSION, TRUE AND COMPLETE; (b) THIS AGREEMENT HAS BEEN DULY AUTHORIZED BY DEBTOR AND UPON EXECUTION BY DEBTOR SHALL CONSTITUTE THE LEGAL, VALID AND BINDING OBLIGATION, CONTRACT AND AGREEMENT OF DEBTOR ENFORCEABLE AGAINST DEBTOR IN ACCORDANCE WITH ITS TERMS; AND (c) EACH SHOWING PROVIDED BY DEBTOR IN CONNECTION HEREWITH MAY BE FULLY RELIED UPON BY CREDITOR NONWITHSTANDING ANY TECHNICAL DEFICIENCY IN ATTESTATION OR OTHERWISE. THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF DEBTOR WARRANTS THAT PERSON'S DUE AUTHORITY TO DO SO. DEBTOR FURTHER WARRANTS THAT EACH ITEM OF COLLATERAL SHALL AT THE TIME CREDITOR FUNDS THE TOTAL ADVANCE BE OWNED BY DEBTOR FREE AND CLEAR OF LIENS OR ENCUMBRANCES AND BE IN GOOD CONDITION AND WORKING ORDER.

27. Counterparts and Facsimile Signatures. If this Agreement was sent electronically, Debtor hereby warrants that this Agreement has not been altered in any way. Any alteration or revision to any part of this Agreement or any attached documents will make all alterations or revisions non-binding and void. Only one counterpart of this Agreement and of each Schedule, Addenda, or Exhibit attached hereto shall bear our ink signed signature and shall be marked "Original". To the extent that any Equipment Financing Agreement, Schedule, Addenda or Exhibit hereto constitute chattel paper (as that term is defined by the Uniform Commercial Code), a security interest may only be created in this Agreement, Schedule, Addenda or Exhibit that bears our ink signed signature and is marked "Original".

Equipment Financing Agreement # 000-000

INITIAL____________ sign

BALBOA CAPITAL

DISBURSEMENT AUTHORIZATION

TO: Balboa Capital Corporation

The undersigned hereby certifies that all the property described below (the "Equipment"), which is to be financed for the undersigned pursuant to the Equipment Financing Agreement No. 000-000 dated as of ________________, (the "Agreement") between **Balboa Capital Corporation** and the undersigned, as Debtor, has been furnished to the undersigned, that delivery and installation has been fully completed and that the Equipment is acceptable in all respects to the undersigned.

In view of the above, the undersigned hereby authorizes and requests you to pay for the Equipment in accordance with the terms of any purchase orders the undersigned may have issued for the same and/or to pay the undersigned the advance amount to the extent the undersigned has previously paid for the Equipment, as appropriate. The undersigned acknowledges that you are relying upon this executed Delivery and Acceptance Certificate in so doing. Debtor hereby authorizes Creditor to disburse the Total Advance as follows:

Payee Name	Amount
Example Vendor	$100,000.00
Total Amount to be Disbursed	$100,000.00

EQUIPMENT - SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

The undersigned recognizes that by executing this Delivery and Acceptance Certificate the undersigned's non-terminable installment payment obligation under the Agreement will commence. The undersigned reaffirms its understanding that the Agreement is solely a financing agreement and that, accordingly, you have made no express warranties as to the Equipment of any other matter and that there are no related implied warranties created by law and further that, accordingly, the undersigned's obligation to pay amounts due under the Agreement will not be affected by any problems the undersigned experiences with the Equipment or any similar or dissimilar occurrence as also set forth in the Agreement.

Date Equipment accepted by Debtor *("Acceptance Date")*

________________________________ (Date)

I hereby authorize ________________________________ to orally verify my/our acceptance of the equipment subject to Equipment Finance Agreement # 000-000 in my absence

"Delivery of this document bearing a facsimile signature or signatures shall have the same force and effect as if the document bore an original signature."

Debtor Name: Example Docs LLC

sign **By:** ________________________________

Name: John Johnson

Title: Managing Member

Date: 03/05/14

EFA302

BALBOA CAPITAL

EXHIBIT 'A'
EQUIPMENT DESCRIPTION

The following invoice(s) are referenced, and hereby incorporated, for the purpose of describing the equipment subject to Equipment Financing Agreement ("Agreement") Number 000-000. By signing below, I, the debtor, acknowledge that I choose to finance the equipment listed on the invoice(s) per the payment schedule and the terms and conditions set out in the agreement, which is the governing document to this equipment financing regardless of the price and terms (if any) indicated on the invoice(s).

EQUIPMENT DESCRIPTION	INVOICE #	INVOICE DATE	VENDOR NAME

Equipment Financing Agreement Number 000-000

Debtor Name Example Docs LLC

sign **By:** ______________________

Name: John Johnson

Title: Managing Member

Date: 03/05/14

Page 1 of 1

"Delivery of this document bearing a facsimile signature or signatures shall have the same force and effect as if the document bore an original signature."

EFA248B

COPY OF DRIVERS LICENSE

Equipment Financing Agreement Number: 000-000

Debtor Name: Example Docs LLC

Please include a copy of your driver's license; with picture and signature, or another form of photo identification with signature.

Please provide a copy from the following individuals:

Signor **John Johnson**

PG 1 **John Johnson**

PG 2 **Jane Johnson**

PG 3 ____________________

PG 4 ____________________

Place copy of Driver's License(s) below:

PERSONAL GUARANTY

Equipment Financing Agreement # 000-000

THIS PERSONAL GUARANTY CREATES SPECIFIC LEGAL OBLIGATIONS. When we use the words **you** and **your** in this Personal Guaranty, we mean the **Personal Guarantor (s)** indicated below. When we use the words **we, us** and **our** in this Personal Guaranty, we mean **BALBOA CAPITAL CORPORATION,** its successors and assigns.

In consideration of our entering into the equipment financing agreement above ("EFA"), you unconditionally and irrevocably guarantee to us, our successors and assigns, the prompt payment and performance of any and all obligations of the Customer ("Debtor") under the EFA and any other financial transaction of any kind whatsoever, whether now existing or hereafter arising with us. You agree that this is a guaranty of payment and not of collection, and that we can proceed directly against you without first proceeding against the Debtor or against the Equipment covered by the EFA or against any collateral or security held by us. You waive all defenses and notices, including those of protest, presentment and demand. You agree that we can renew, extend or otherwise modify the terms of the EFA and you will be bound by such changes. If the Debtor defaults under the EFA, you will immediately perform all obligations of the Debtor under the EFA, including, but not limited to, paying all amounts due under the EFA. You will pay to us all expenses (including attorneys' fees) incurred by us in enforcing our rights against you or the Debtor. This is a continuing guaranty that will not be discharged or affected by your death and will bind your heirs and personal representatives. You waive any rights to seek repayment from the Debtor in the event you pay us. If more than one personal guarantor has signed this Personal Guaranty, each of you agree that your liability is joint and several. You authorize us or any of our affiliates to obtain credit bureau reports regarding your personal credit, and make other credit inquiries that we determine are necessary.

THIS PERSONAL GUARANTY IS GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU CONSENT TO THE JURISDICTION OF THE COUNTY OF ORANGE IN THE STATE OF CALIFORNIA. YOU HEREBY EXPRESSLY WAIVE THE RIGHT TO TRIAL BY JURY.

"Delivery of this document bearing a facsimile signature or signatures shall have the same force and effect as if the document bore an original signature."

sign X ______________________________

John Johnson
Name

03/05/14
Date

S. Oak Ave
Owatonna, MN 55060
Home Street Address, City, State, Zip Code

111111111
Social Security Number

Phone Number

EFA251

BALBOA CAPITAL

PERSONAL GUARANTY

Equipment Financing Agreement # 000-000

THIS PERSONAL GUARANTY CREATES SPECIFIC LEGAL OBLIGATIONS. When we use the words **you** and **your** in this Personal Guaranty, we mean the **Personal Guarantor (s)** indicated below. When we use the words **we, us** and **our** in this Personal Guaranty, we mean **BALBOA CAPITAL CORPORATION,** its successors and assigns.

In consideration of our entering into the equipment financing agreement above ("EFA"), you unconditionally and irrevocably guarantee to us, our successors and assigns, the prompt payment and performance of any and all obligations of the Customer ("Debtor") under the EFA and any other financial transaction of any kind whatsoever, whether now existing or hereafter arising with us. You agree that this is a guaranty of payment and not of collection, and that we can proceed directly against you without first proceeding against the Debtor or against the Equipment covered by the EFA or against any collateral or security held by us. You waive all defenses and notices, including those of protest, presentment and demand. You agree that we can renew, extend or otherwise modify the terms of the EFA and you will be bound by such changes. If the Debtor defaults under the EFA, you will immediately perform all obligations of the Debtor under the EFA, including, but not limited to, paying all amounts due under the EFA. You will pay to us all expenses (including attorneys' fees) incurred by us in enforcing our rights against you or the Debtor. This is a continuing guaranty that will not be discharged or affected by your death and will bind your heirs and personal representatives. You waive any rights to seek repayment from the Debtor in the event you pay us. If more than one personal guarantor has signed this Personal Guaranty, each of you agree that your liability is joint and several. You authorize us or any of our affiliates to obtain credit bureau reports regarding your personal credit, and make other credit inquiries that we determine are necessary.

THIS PERSONAL GUARANTY IS GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU CONSENT TO THE JURISDICTION OF THE COUNTY OF ORANGE IN THE STATE OF CALIFORNIA. YOU HEREBY EXPRESSLY WAIVE THE RIGHT TO TRIAL BY JURY.

"Delivery of this document bearing a facsimile signature or signatures shall have the same force and effect as if the document bore an original signature."

sign X ______________________________

Jane Johnson | 03/05/14

Name | **Date**

S. Oak Ave

Owatonna, MN 55060

Home Street Address, City, State, Zip Code

111111111

Social Security Number | **Phone Number**

LIVE OAK BANK

LIVE OAK BANK

March 14, 2018

Choice Franchisee
c/o Guarantor
Address
Address

RE: Prospective Franchisee - ***COMMITMENT TO LEND***

Dear Choice Franchisee,

Live Oak Bank ("Live Oak") is pleased to provide you a proposal to extend credit**. This proposal is for discussion purposes only and should not be construed as a commitment to lend.** A commitment may be made, but only after the completion of Live Oak Bank's underwriting process, formal loan approval by Lenders, and any contingencies thereto. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in future correspondence and/or loan documentation.

Loan Purpose:	To assist with the financing of construction located TBD; purchase of furniture, fixtures, and equipment (FF&E); financing of defined loan and construction softs costs; and finance SBA guaranty fee.
Borrower:	Choice Franchisee (or other designated entity)
Guarantors:	Unconditional guarantees of Guarantor "A" Any additional guarantors as may be required by SBA
Total Eligible Project Costs[1]:	$ 9,500,000
Total Project Costs[2]:	$ 9,500,000
Loan Amount:	$ 5,000,000 – SBA 7a (Loan One)* $ 2,000,000 – SBA Pari Passu (Loan Two)** $ 7,000,000 – Total
Borrower's Equity Contribution:	$ 2,500,000 (estimate) as follows: $ 500,000 – land $ 100,000 – prepaid costs $ 200,000 – prepaid construction (estimate) $ 1,700,000 – construction to be paid Inclusion of prepaid costs towards equity contribution to be at the sole discretion of Live Oak Bank. A detailed account of pre-paid costs will be required in closing.

[1] Please see ***Addendum 1*** for a detailed budget of expected project costs.
[2] Please see ***Addendum 1*** for a detailed budget of expected project costs.

Borrower equity to be from non-borrowed funds unless previously disclosed and approved by Live Oak.

Borrower will be required to verify and source all funds authorized as equity injection. Borrower will provide Live Oak with invoices and canceled checks verifying all prepaid costs, and will submit bank statements from which prepaid costs were paid, if applicable. In addition, Borrower will be required to evidence, through the submission of bank or brokerage statements, the ability to pay the remaining estimated cash-to-close.

Borrower's equity contribution is subject to change based on affirmation of Total Project Costs. Inclusion of prepaid costs towards equity contribution to be at the sole discretion of Live Oak Bank, and American Lending Center. A detailed account of pre-paid costs, regardless of eligibility, will be required during full underwriting

Fees

Origination Fee: Not Applicable

SBA 7a Fee: **Loan One:** $138,125

Construction Management Fee: Estimated at $25,000 to Lender, at closing, for the costs associated with underwriting, monitoring, and hiring a third-party management company to manage the construction process. Includes costs for draw inspections and title updates.

Construction Period

Loan Term:

7a Loan: 15 months, or the completion of construction (the earlier of the two).

Pari Passu: 15 months, or the completion of construction (the earlier of the two).

Repayment:

7a Loan: Interest-only, paid monthly; payments to be advanced from the Payment Reserve until exhausted. Should the Payment Reserve be exhausted prior to completion of construction, the Borrower is responsible for making the remaining payments.

Pari Passu: Interest-only, paid monthly; payments to be advanced from the Payment Reserve until exhausted. Should the Payment Reserve be exhausted prior to completion of construction, the Borrower is responsible for making the remaining payments.

Live Oak Bank
1741 Tiburon Drive
Wilmington, NC 28403
Tel 910.790.5867
Fax 866.634.8093

Interest Rate:

7a Loan: Wall Street Journal Prime ("Index") plus 2.00%, adjusting quarterly based on changes in the index. An indicative rate would be 6.50% if the loan closed today

Pari Passu: Wall Street Journal Prime ("Index") plus 2.00%, adjusting quarterly based on changes in the index. An indicative rate would be 6.50% if the loan closed today

Interest Reserve:

The total project budget includes a 15-month "reserve" for interest of $406,300 (estimate) on the construction loan while the hotel is being built. This reserve is in lieu of the Borrower having to make payments on the construction loan prior to the hotel being open and able to generate revenue. The Lender recognizes that the actual construction time frame may be substantially less than the allotted Construction Period of 15-months, but the Lender prefers to include enough of an interest cushion to allow for unforeseen events (weather related or otherwise) that could potentially delay construction in any way. If, after the hotel is open and the contractors are all paid, there are unused proceeds remaining, the balance will be used to make payments during the Permanent Period until those proceeds are exhausted.

Permanent Period
Loan Term:

7a Loan: 25 years

Pari Passu: 20 Years

Repayment:

7a Loan: Following Construction Period, additional 12-months Interest Only, followed by principal and interest, paid monthly, based on a 24-year amortization schedule; in the event the Interest Reserve was not exhausted during the Construction Period, payments to be advanced from the Interest Reserve until exhausted.

Pari Passu: Following Construction Period, additional 12-months Interest Only, followed by principal and interest, paid monthly, based on a 19-year amortization schedule; in the event the Interest Reserve was not exhausted during the Construction Period, payments to be advanced from the Interest Reserve until exhausted.

Interest Rate:

7a Loan: Upon completion of construction, interest shall accrue and be payable at a floating rate equal to Wall Street Journal

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liveoakbank.com

Prime plus 2.00%, adjusting quarterly based on changes in the index; with a floor rate of 6.00% An indicative rate would be 6.50% if the loan converted today. Interest is payable in arrears and calculated on the basis of a 360-day year over actual days elapsed.

Estimated payments based on a loan amount of $5,000,000 at a 6.50% interest rate would be $34,377.

Please Note: There are also fixed rate options available, which would be at the 5 year treasury + spread. The total rate would be about 6.5% fixed for five years.

Pari Passu: Upon completion of construction, interest shall accrue and be payable at a floating rate equal to Wall Street Journal Prime plus 2.00%, adjusting quarterly based on changes in the index. An indicative rate would be 6.50% if the loan converted today. Interest is payable in arrears and calculated on the basis of a 360-day year over actual days elapsed.

The floor rate will be the greater of 6.00% or the fully indexed rate applicable at the time of conversion to the permanent period.

Please Note: There are also fixed rate options available, which would be at the 5 year treasury + spread. The total rate would be about 6.5% fixed for five years.

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Working Capital Reserve: Live Oak Bank will fund a fund a working capital and pre-opening expense from loan proceeds in the amount of at closing in the amount of $350,000. Borrower may remit invoices for reimbursement of up to $175,000 in pre-opening expenses. Upon receipt of certificate of occupancy and satisfaction of the construction contract, Live Oak Bank will remit working capital funds of $175,000 back to the Borrower

Prepayment Penalty: **7a Loan:** The prepayment penalty will be on a 3 year sliding scale prepayment penalty (5% in year 1; 3% in years 2; 1% in year 3).

Pari Passu: There will be no prepayments allowed in the first 5 years of this loan request. The 5 year no prepayment timeline starts once the loan has closed. The borrower can prepay without penalty in year 6.

Collateral: **7a Loan & Pari Passu:** Shared First lien on subject property and improvements at TBD; UCC-1 financing statement on furniture fixtures and equipment in first position (required for special purpose properties); loan amount not to exceed 80% of appraised value as determined by Live Oak. UCC-1 financing statement on CapEx (FF&E) Reserve account held at Live Oak Bank.

CapEx (FF&E) Reserve:

Borrower is required to deposit, funds into a Live Oak Bank Hotel Reserve account based on the following schedule: 1% of gross revenues in year 1, 2% of gross revenues in year 2, 3% of gross revenues in year 3, 4% of gross revenues in year 4 and every year thereafter. The account will be maintained in trust for the Borrower and supplemented annually based on the schedule stated above.

**This interest-bearing account, its terms, and conditions for withdrawals to fund non-recurring CapEx expenditures shall be defined by a to-be-determined Deposit Agreement furnished to the Borrower prior to closing*

Construction Related:

<u>Advisory</u>
Borrower is advised not begin any construction on the subject property prior to loan closing. To do so will likely jeopardize the status and disbursement of this credit accommodation.

<u>Contractor</u>
You must utilize a contractor that is acceptable to Live Oak Bank in its sole discretion and agree to the standards for multiple disbursement loans that include inspections, methods of disbursement and other measures to help insure the completion of the construction in a timely manner and within the budgeted amounts.

<u>Construction Contract</u>
Contractor must provide a fixed-sum contract or a guaranteed maximum price contract without "cost savings" clause.

<u>Construction Timeline Extension</u>
The construction period outlined above is a set time frame. Should construction not be completed within the 15 month time frame, any cost incurred to modify the loan will be paid by the Borrower. In addition, the loan will be subject to a 1/8th basis point modification fee. These fees will be non-refundable.

<u>Construction Disbursements</u>
A construction disbursement control company is to be engaged by LOB to monitor the construction process. Loan proceeds for construction will be disbursed by the Bank to borrower/contractors/vendors, as designated by borrower, based on submitted invoices. Additional instructions on how to request disbursements will be provided at the time of loan closing.

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Retention
The Bank retains 10% of all disbursement requests for construction loans until the project is complete.

Change Orders
All change orders must be approved by Bank and its agent prior to commencement of construction.

Construction Completion Guarantee
A condition of this loan will be that Live Oak Bank is able to secure a construction completion guarantee. The construction monitoring firm engaged by Live Oak Bank that will provide the Bank with a construction completion guarantee will be conducting due diligence that will necessitate a detailed review and approval of the general contractor, final construction plans (sealed) and specifications, contract bids and the construction contract.

This review process requires 6-8 weeks to complete and may not be started until the final construction contract bids and contract are received by Live Oak. The results of this review, if not consistent with the Live Oak and USDA budget, may require changes to the line items in the previously approved construction loan budget and the injection of additional cash equity prior to closing. The loan closing will not be scheduled until the approval by the monitoring firm is received and the final budget is agreed to by Live Oak and Borrower.

Please see ***Addendum 1*** for an estimate of financing and loan closing soft costs**.** Borrower is responsible for any additional costs not included in this estimate. Should actual costs exceed the budgeted amounts Borrower will be responsible for the difference. Live Oak will not increase the loan amount to cover any shortfall. If the actual costs are less than budgeted we will transfer the additional funds to working capital or reduce the loan amounts, subject to SBA's approval.

This proposal is for discussion purposes only. This letter is not intended to be all-inclusive but serve as a basis for working towards a mutually acceptable agreement. Loan approval and funding would be subject, but not limited, to the following conditions, all of which must be acceptable to Live Oak in Live Oak's sole judgement:

Final Loan Approval

1) Formal approval by Live Oak and Bridge lender if applicable.
2) Contractor prepared construction cost breakdown (must be a fixed sum contract or guaranteed maximum price without "cost savings" clause).
3) Receipt of appraisal evidencing a maximum loan-to-value of 80% of the total cost or appraised value, whichever is less, as determined by Lender's review of the appraisal.
4) Receipt and satisfactory review of feasibility study from Lender approved feasibility company. Borrower to engage feasibility study independently.
5) Receipt and satisfactory review of Phase One.
6) Execution of SBA Franchise Addendum by Choice Hotels International.
7) Satisfactory proof that any debt used to acquire subject property has been paid off in full.

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Fax 866.634.8093

8) Satisfactory review of hotel management agreement.
9) Individual Debt Schedules on Borrowing Entity and Affiliated Entities (must be prepared individually for each entity), if applicable.
10) Completion of satisfactory site inspection by personnel or authorized representative of Live Oak Bank.
11) Evidence indicating that the real property benefiting from the use of funds is free of contamination from all hazardous substances, toxic substances, or hazardous waste as defined by any federal, state, or local law, statute, ordinance, or regulation, and is free of all other contamination, and contains no underground storage tanks. Live Oak reserves the right, at Borrower's expense, to retain an independent consultant to review any such evidence submitted by Borrower or to conduct its own investigation of the real property. All such evidence must be acceptable to Lender in Lender's sole judgement.
12) Any and all other items as may be required by Live Oak to complete Live Oak's required underwriting for the proposed credit accommodation.

Prior to Closing & Disbursement

1) Evidence that Borrower, and/or Guarantor, if applicable, is in good standing with the State in which it is headquartered.
2) Receipt and satisfactory review of Phase I environmental report and reliance letter.
3) Receipt, satisfactory review, and collateral assignment of all franchise related documents.
4) Receipt and satisfactory review of management agreement.
5) Verification and documentation of Borrower's required equity injection as defined by SBA.
6) Executed construction contract and collateral assignment of construction related documents.
7) Approval of contractor.
8) Architectural drawings, stamped approved by the local municipality or city of TBD.
9) Grading permit from the local municipality or city TBD.
10) A current ALTA survey.
11) A current survey in form acceptable to title company.
12) Completion guaranty issued by Fund's control company chosen by Live Oak.
13) Approval to participate or take-out assignment of all or a portion of the first lien loan and/or second lien loan by participating lender of Live Oak.
14) If the collateral for this loan is or will be located in an area designated by the Director of the Federal Emergency Management Agency as a Special Flood Hazard Area Zone, a Flood Insurance Policy, in form and substance satisfactory to the Bank, will be required prior to disbursement of the loan.
15) Borrower to provide Commercial Property Insurance Policy (Building Coverage) in the amount of the replacement cost of the Collateral listed above with a Mortgagee Clause in favor of Live Oak Banking Company, ISAOA (satisfactory to the Bank) prior to final disbursement of the loan.
16) Borrower to provide Business Personal Property Insurance (Business Contents) in the amount of the replacement cost of the business assets collateral listed above with a Mortgagee Clause, or a Lender's Loss Payable Endorsement (a Loss Payable Endorsement equivalent to a Lender's Loss Payable may be permissible if a copy of the endorsement on the policy is received and approved by the Bank) in favor or Live Oak Banking Company, ISAOA (satisfactory to the Bank) prior to final disbursement of the loan.
17) Workers' Compensation Insurance in an amount meeting state law requirements and with an insurance company satisfactory to Live Oak Bank.

Live Oak Bank
1741 Tiburon Drive
Wilmington, NC 28403
Tel 910.790.5867
Fax 866.634.8093

18) General Liability Insurance policy in a minimum amount of $1,000,000.
19) Borrower to provide Bank Hazard Insurance Policy in the amount of the replacement cost of the Collateral listed above with a Mortgagee, Loss Payable, and Lender's Loss Payable Endorsement (satisfactory to the Bank) prior to final disbursement of the loan.
20) Completed auto debit form for the automatic payment of loan payment after conversion to Permanent Period.

Conversion To Permanent Period Terms

1) Certificate of occupancy or other state or city issued certificate acknowledging completion of construction.
2) Copy of recorded Notice of Completion filed by contractor or owner.
3) Certification (from appraiser or inspector/third party disbursement entity) that improvements were completed substantially in accordance with plans and specifications as outlined in the appraisal report.
4) Receipt and satisfactory review of updated financial information.
5) Depository account to be established at Live Oak Bank for automatic deduction of loan payment.

At this time, a deposit towards expenses in the amount of **$25,000** is required to proceed with the underwriting of your loan request. **Upon receipt of the executed Acknowledgement and Authorization and receipt of the requested deposit**, Live Oak will proceed with the underwriting of your loan request. **If the loan is not approved, the deposit will be returned to you less any expenses incurred that have been approved by the Borrower.** A full accounting will be provided. If the loan is approved, the deposit is non-refundable should the loan be withdrawn for any reason.

Upon receipt of the requested items, you will receive a checklist of remaining documentation required to underwrite your loan request. Live Oak will forward a copy of all documentation received to American Lending Center to process the subject loan request.

Please note, all indicative and approximated interest rates used in this letter are current as of the approximate date of this letter, and are subject to change based on market conditions and movement in the any underlying index.

Pursuant to U. S. A. Patriot Act, you will be required to provide satisfactory evidence of your personal and/or business identity before credit is extended.

Live Oak reserves the right to advertise the completion of funding of this application. Live Oak may also assign and/or participate any portion of the funded loan.

Should you have any questions, please do not hesitate to contact me 336-749-3033, or jamie.bourgeois@liveoakbank.com.

Sincerely,

Mike McGinley
General Manager - Hospitality

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liveoakbank.com

Proposed Borrower(s) and Proposed Guarantor(s) Acknowledgment and Authorization

The proposed terms and conditions contained in this letter have been reviewed and accepted by the undersigned.

Proposed Borrowers and proposed Guarantors hereby direct Live Oak to proceed with evaluation and due diligence to be undertaken in the loan approval process. Proposed Borrowers and proposed Guarantors authorize Live Oak to conduct such investigations and inquiries as may be necessary or desirable (in the sole and absolute discretion of Live Oak) in connection with the consideration of your application. In addition, the undersigned authorizes Live Oak to share any and all information relating to this application with USDA and/or potential financial partners of Live Oak.

Applicant:

Signature: ______________________________

Title: ______________________________

Date: ______________________________

Live Oak Bank
1741 Tiburon Drive
Wilmington, NC 28403
Tel 910.790.5867
Fax 866.634.8093
liveoakbank.com

Addendum 1
Detailed Project Budget

Live Oak Bank
1741 Tiburon Drive
Wilmington, NC 28403
Tel 910.790.5867
Fax 866.634.8093
liveoakbank.com

NORTHEAST BANK

COMMERCIAL SBA 7A LOAN

[Insert Date Here]

[Personal Guarantor Name]
[Borrower Name 1]
[Borrower Name 2]
[Borrower Address]
[City, State, Zip Code]

Dear [Insert Personal Guarantor's Name],

Northeast Bank (hereinafter referred to as the "Bank") is pleased to provide [Borrower Name 1] **(hereinafter**, ***referred to as Co-Borrower(s)),*** with a conditional approval for a Term Loan in an amount not to exceed [write out loan amount] ($[loan amount]) (hereinafter referred to as the "Loan") subject to all the terms and conditions provided in this letter and as may be determined upon completion of full underwriting, in addition to all other requirements more fully described in the Loan documents. The Borrower understands that this conditional approval is currently based only upon a review of financial statements, credit bureau reports, and partial collateral information, and that final approval is subject to satisfactory review, in Bank's sole discretion and with the assistance of counsel, of loan documents, purchase and sale agreements, third-party reports, collateral inspection and any other information deemed relevant for a full evaluation of the proposed credit financing. Moreover, the Bank would not make this Loan under the proposed terms and conditions without the participation of the SBA 7(a) Loan program.

Bank: Northeast Bank

Co-Borrowers:

Guarantors: The Bank shall require the unlimited personal Guaranties of [TBD based on deal] (hereinafter referred to as the "Unlimited Guarantors").

Loan Amount: $ [TBD]

Purpose: [TBD based on the specific deal]

Sources and Uses of Proceeds:

$	%	Sources	$	%	Uses
$					
$	**100%**		**$**	**100%**	

Prior to closing, you must provide evidence satisfactory to the Bank, in its sole discretion, that you have injected at least $[TBD], as shown in the Sources and Uses Chart above. These funds must be injected prior to Loan closing and the source of the Borrower's injection must meet all SBA requirements and be clearly identified and documented to the Bank's satisfaction.

The Loan was approved based on the total project costs as estimated above. Any changes to the above project costs require Bank review and approval.

Single Advance: This Loan is a single advance Loan and all funds will be disbursed at closing.

Loan Type: SBA 7a Term Loan

Repayment Schedule: **P&I**
This Loan shall call for monthly payments of principal and interest based upon a [1 to 25] year amortization schedule.

Maturity: The Loan shall mature [12 to 300] months from the date of origination.

Interest Rate: This is a variable rate Loan in which the interest rate will fluctuate in accordance with the highest Prime Rate as published daily in the *Wall Street Journal* ("Base Rate"), currently Four and One Half percent (4.50%) per annum. The interest rate shall equal the Base Rate plus [one to two and three quarters] percent ([1.00% to 2.75%]) per annum.

The interest rate shall be adjusted calendar quarterly in accordance with the Base Rate. Installments of principal and interest may be adjusted at any time interest rates are adjusted in accordance with the then applicable interest rate, the principal balance then due, and the original amortization schedule in order to provide equal payments over the remaining term such that the Loan will be fully amortizing.

Interest shall be calculated on an actual/365 basis.

ACH Requirement: The Bank will require the Borrower to make monthly payments via ACH, which shall be established at closing.

Packaging Fee: As consideration for this financing, a packaging fee of ***$2,500.00*** will be due and payable in full at closing.

Late Charge: The loan documents shall contain a provision under which the Borrower agrees to pay to the Bank a late charge of five percent (5%) of any scheduled payment if said payment is received by the Bank ten (10) or more calendar days past the due date, in addition to any other rights and remedies which may be available to the Bank; and shall further provide that acceptance of late payments on any occasion shall not waive the Bank's right to require timely payments on any other occasion.

Prepayment: Prepayment in whole or part is permitted at any time during the term of this Loan.

Subsidy Recoupment Fee: When in any one of the first three years from the date of initial disbursement Borrower voluntarily prepays more than 20% of the outstanding principal balance of the Loan, Borrower must pay to Lender on behalf of SBA a prepayment fee for that year as follows:

a) During the first year after the date of initial disbursement, 5% of the total prepayment amount;
b) During the second year after the date of initial disbursement, 3% of the total prepayment amount; and

c) During the third year after the date of initial disbursement, 1% of the total prepayment amount.

Security: The Loan shall be secured by the following:

A valid first mortgage, free of all other liens, on property located at [TBD address based on the loan] and all improvements thereto, including fixtures and assignment of all rents and leases, existing or hereafter arising (hereinafter referred to as "Property").

A valid first lien on all business assets of the Borrower except for such other creditor liens as may be allowed by the Bank in writing. Borrower authorizes Bank prior to or after closing to file a UCC-1 financing statement on behalf of Borrower with the appropriate governing authority or any other documents necessary to perfect its security interest in the above collateral (hereinafter referred to as "Personal Property"). In the event the Borrower is a tenant upon leased property upon which the Personal Property is situated, if requested by the Bank, the Borrower shall obtain a Landlord's Waiver satisfactory to the Bank in its discretion

Legal Authority: **Limited Liability Company**

Borrower and/or Guarantor(s) shall represent and warrant that on and as of the date of closing that they are/it is the bona fide owner(s) of the assets to be pledged as collateral for the Loan. Prior to closing, Bank shall verify that Borrower and/or Guarantor(s) is/are in good standing with the jurisdiction in which it was formed. In addition, Borrower and/or Guarantor(s) shall provide Bank with the signed Commitment Letter and copies of the following documents:

1. Articles of Organization
2. Operating Agreement
3. Limited Liability Company Certificate (if applicable)
4. Limited Liability Company Vote or Resolution

Partnership (may or may not be filed with SOS)

Borrower and/or Guarantor(s) shall represent and warrant that on and as of the date of closing that they are/it is the bona fide owner(s) of the assets to be pledged as collateral for the Loan. Prior to closing, Bank shall verify that Borrower and/or Guarantor(s) is/are in good standing with the jurisdiction in which it was formed, if applicable. In addition, Borrower and/or Guarantor(s) shall provide Bank with the signed Commitment Letter and copies of the following documents:

1. Partnership Agreement
2. Partnership Certificate
3. Partnership Resolution

Legal Opinions: Borrower shall provide the Bank at closing an opinion of counsel satisfactory to the Bank and the Bank's counsel in their sole discretion which opinion shall address, without limitation, at least the following:

1.) Stating that all Loan documents have been duly authorized, executed and delivered by Borrower.

2.) Indicating compliance of the real estate with all laws, ordinances, codes, rules and regulations applicable to the use, occupancy and operation thereof.

3.) Stating that there is no action, suit or proceeding pending or threatened against or affecting Borrower or the assets to be pledged as collateral for the Loan, before any court, administrative agency, arbitrator or governmental authority.

4.) Such other and further items as the Bank or its counsel may reasonably require.

Insurance: Borrower shall purchase and maintain hazard insurance and general liability insurance on the pledged property in such amounts and for such coverage as shall be satisfactory in all respects to the Bank in its discretion. At no time shall hazard coverage be less than 80% of insurable value for the term of the Loan and the Bank shall be provided with any policies, endorsements and any riders thereto as the Bank may require. The Bank shall be designated as "Mortgagee" under the standard Mortgage Clause for the Property [and Residential Property, if applicable] and as "Lender Loss Payee" for Personal Property. The Bank shall also be designated as “Additional Insured” on all Liability Insurance. Policy endorsement shall require no less than 10-day written notice to the Bank prior to policy cancellation.

Said insurance shall include, but not be limited to:

[x] "All Risk" Physical Damage Insurance
[x] General Liability Insurance

Insurance certificates or binders documenting satisfactory hazard, general liability and any additional coverage determined necessary in the Bank’s sole discretion, with limits and sub-limits approved by the Bank, must be provided to the Bank at least 48 hours prior to closing.

The Mortgagee/Lender Loss Payee/Additional Insured clause must read as follows:

Northeast Bank
Attn: Loan Servicing
ISAOA/ATIMA
PO Box 1707
Lewiston, ME 04241

The Bank shall obtain, prior to closing, a flood certification effective for the life of the Loan determining whether the assets securing this Loan are located in a flood prone area as designated by Federal Emergency Management Agency ("FEMA"). This flood certification must include Flood Plain Map Information as well as the effective date of the map. The cost of this flood certification shall be borne by Borrower. If the assets securing this Loan are determined to be in a flood prone area, the Bank must receive satisfactory evidence that Borrower has purchased flood insurance in such amounts and coverage satisfactory to the Bank, including listing Bank as “Mortgagee” and “Lender Loss Payee”. Borrower will be obligated to maintain any required flood insurance for the life of the Loan.

At the option of the Bank, the Borrower shall pay to the Bank monthly an amount equal to one-twelfth (1/12) of the annual insurance premiums which the Bank estimates will become payable for such insurance.

Financial Statements: Borrowers agree to provide the following financial reports in format and frequency as outlined below:

- **Annual** submission of Borrower's and Guarantor's Federal Income Tax Return.
- **Annual** submission of Federal Income Tax Returns on any and all related entities in which the Borrower holds an interest.
- **Annual** submission of the Personal Financial Statement of Diego Chavez and Gustavo Molina.

The Borrower shall additionally furnish such other financial reporting as the Bank shall reasonably request from time-to-time.

Submission of all annual reports and financial statements shall be completed within ninety (90) days of fiscal year end or within thirty (30) days of filing of the Borrower's tax returns, whichever is earlier.

Title Requirements: The Bank shall be furnished with a title insurance policy insuring the mortgage upon the Property, issued by a title insurance company satisfactory to it, which shall be subject only to such exceptions as shall be approved by the Bank's Counsel. In particular, the policy will provide extended coverage and will insure against mechanic's and materialman's liens as required by the Bank. Said title insurance policy shall not contain an exception for survey coverage.

The Bank shall obtain a UCC-11 Search issued by the Secretary of State at the expense of the Borrower.

The Bank shall obtain a Title and/or Lien Search issued by the Secretary of State at the expense of the Borrower.

Taxes: At or prior to closing, Borrower shall provide the Bank with satisfactory evidence that all federal, state, and local taxes have been paid in full. At the option of the Bank, the Borrower shall pay to the Bank monthly an amount equal to one-twelfth (1/12th) of the assessed or estimated real estate taxes for the Property.

Appraisal: Prior to closing, the Bank shall obtain an **"as is"** appraisal, (within 12 months prior to the date of closing), appraising the Property at a minimum of $[TBD based on loan]. Said appraisal shall be reviewed and be acceptable in all respects, in the sole discretion of Bank, and a Bank accepted value will be designated. During the term of the Loan, Borrower shall provide the Bank with access to the collateral pledged to secure the Loan during normal business hours for the purpose of enabling the Bank and its consultants to perform audits, appraisals and inspections as determined by the Bank.

Hazardous Waste: Prior to closing, an appropriate environmental report will be commissioned by the Bank. If it is determined that the report is unsatisfactory, in Bank's sole discretion, then the Bank will require additional due diligence. It shall be commissioned by the

Bank with all costs borne by the Borrower and its content shall be acceptable to the Bank in all regards. If the review of the Environmental Report(s) reveals compliance problems with relevant environmental laws and regulations, the Bank reserves the right to terminate this commitment and shall have no obligation to make the Loan.

Borrower and each of the Guarantors agrees to execute an Environmental Indemnity Agreement or a Hazardous Waste Indemnity Agreement.

Conditions Precedent to Funding:

[Conditions are subject to change based upon specific deals]

1. This conditional Loan approval is subject to satisfactory review and approval of all documentation governing this transaction by Bank's counsel.
2. This Loan approval is conditioned upon receiving a Loan guaranty commitment from the SBA for the maximum guaranty available. The Borrower(s) and Guarantor(s) agree to provide any additional information as required by Bank and acknowledge and agree that the Loan cannot close without SBA approval.
3. Prior to closing, the Bank shall require an: (i) in-person meeting between Bank representative(s) and the Borrower, and (ii) inspection of the collateral securing the Loan, both of which must be satisfactory to the Bank in its sole and absolute discretion.
4. Bank must obtain IRS verification that the Borrower's, Affiliate's or Guarantor's tax returns from the past three years submitted with the Loan application by the Borrower, or in case of a business acquisition Loan, the tax returns submitted by the selling business, conform with the actual tax returns submitted to the IRS. Any significant differences must be resolved to the satisfaction of Bank and SBA in their sole discretion before Loan proceeds can be disbursed.
5. Bank in its sole discretion reserves the right to withdraw this commitment if during the course of its due diligence process, it or its counsel uncovers information that adversely affects the basis upon which this commitment was issued.
6. No additional debt shall be incurred by Borrower or liens placed on the Collateral without Bank's prior written approval, before or after closing. Such event shall be deemed a material adverse change, permitting Bank to withdraw this commitment.
7. Borrower must engage Legal Counsel to represent them for this transaction.
8. Full subordination of all current and future shareholder debt.
9. Executed lease between the EPC and OC which is to be co-terminus with the loan term.
10. Confirm that loan being refinanced is current and paid as agreed up through closing.

Miscellaneous:

1. ***Acceptance of this letter shall constitute Borrower's agreement to pay all fees, including financing and administration fees, commissions, costs, charges, taxes and other expenses incurred by the Bank in connection with this commitment and the making of the Loan, whether or not the Loan closes, including but not limited to fees and disbursements of the Bank's counsel, appraisal fees, re-appraisal fees, fees and charges for surveys, examination of title to the real estate, mortgage title insurance premiums and charges, transfer taxes and all recording fees and charges, whether incurred before, during or after closing. The responsibility of the Bank's counsel is limited to protection of the interest of the Bank, notwithstanding the fact that Borrower shall be obligated to pay all legal fees of the Bank's counsel (and special counsel, if any), including all costs and disbursements.***

2. The Bank shall not be required to pay any brokerage fees or commissions arising from the issuance of this letter or the making of the Loan and Borrower agrees to defend, indemnify, and hold the Bank harmless from and against any and all cost, claim, liability, damage or expense (including but not limited to reasonable attorney's fees) in connection therewith.

3. All real estate, and the use thereof, in which the Bank obtains a security interest shall be, as of the closing, and thereafter, remain in full compliance with applicable federal, state and local ordinances, laws, enactments, or regulations with respect to the protection of the environment or the presence, storage or release of toxic or hazardous pollutants or environmental contaminants, including asbestos. The Borrower and/or Guarantor(s) shall not use or lease any portion of the Property in connection with any marijuana-related activity (including leasing such real property to any marijuana-related business) whether or not such activity is legal under applicable local or state law.

4. No commitment to lend given by the Bank to Borrower shall be assignable by the Borrower.

5. All documentation for this Loan shall be acceptable to the Bank and its counsel in all respects. Borrower shall execute such documents to close this Loan as the Bank's counsel shall determine are necessary or advisable in the interest of the Bank, consistent with the terms of this commitment, including providing Bank with information it needs to comply with federally mandated regulations such as the Customer Identification Program.

6. No statements, agreements or representations, oral or written, which may have been made either by Bank, or by any employee, agent or broker acting on Bank’s behalf, with respect to this commitment or the Loan, shall be of any force or effect, except to the extent stated in this letter, and all prior agreements and representations in respect of this commitment and the Loan are merged herein so that this letter shall contain the entire agreement with respect to the Loan. The provisions of this letter may not be changed except by written agreement signed by Borrower and Bank, except that Bank reserves the right to waive, in whole or in part, any of the terms or conditions herein which are for Bank’s benefit (including but not limited to the right to extend any outside date for the Loan closing), but no such waiver shall be effective unless in writing signed by a duly authorized officer of the Bank.

7. Bank reserves the right to re-amortize the Loan at any time to ensure that it is fully amortizing at maturity and no balloon payment is required at the Maturity Date.

8. Notwithstanding anything to the contrary in the Commitment, Bank shall not, by making this commitment or by any action pursuant to this commitment, be deemed a partner or joint venturer with Borrower, and Borrower shall indemnify and hold harmless Bank from any and all damages resulting from such an interpretation of the parties and their relationship. Borrower agrees, by acceptance of this commitment, that Bank shall not be responsible or liable for any damages, consequential or otherwise, including without limitation lost profits, that may be incurred or alleged to be incurred by Borrower or by any other person or entity as a

result of this commitment or any action taken or omitted by Bank in connection with this commitment.

9. The commitment is delivered to Borrower on the condition that it be kept confidential and not be shown to, or discussed with, any third party, including any financial institution (other than on a confidential or need-to-know basis with the Borrower's directors, officers, employees, counsel and other advisors, or as required by law) without Bank's prior approval.

10. Bank may terminate its obligations under this letter if (i) the terms of the transaction are changed in any material respect, (ii) any material information submitted to Bank proves to have been inaccurate or incomplete in any material respect, (iii) any material adverse change occurs, or (iv) any additional information is disclosed to or discovered by Bank which Bank deems materially adverse in respect to the condition (financial or otherwise), of the business, operations, Property, assets, nature of assets, liabilities or prospects of the Borrower.

11. Bank shall not be responsible or liable to the Borrower or any other person or entity for any damages, consequential or otherwise, which may be incurred or alleged as a result of this letter, any term sheet or any of the transactions contemplated hereby.

No Oral Promises: UNDER MAINE LAW, NO PROMISE, CONTRACT OR AGREEMENT TO LEND MONEY, EXTEND CREDIT, FORBEAR FROM COLLECTION OF A DEBT OR MAKE ANY OTHER ACCOMMODATION FOR THE REPAYMENT OF A DEBT FOR MORE THAN $250,000.00 MAY BE ENFORCED IN COURT AGAINST A LENDER UNLESS THE PROMISE, CONTRACT OR AGREEMENT IS IN WRITING AND SIGNED BY THE LENDER. ACCORDINGLY, DEBTOR CANNOT ENFORCE ANY ORAL PROMISE UNLESS IT IS CONTAINED IN LOAN DOCUMENTS SIGNED BY THE LENDER, NOR CAN ANY CHANGE, FORBEARANCE, OR OTHER ACCOMMODATION RELATING TO THE OBLIGATIONS, THE NOTES OR ANY OTHER OF THE LOAN DOCUMENTS BE ENFORCED, UNLESS IT IS IN WRITING AND SIGNED BY THE LENDER. DEBTOR ALSO UNDERSTANDS AND AGREES THAT ALL FUTURE PROMISES, CONTRACTS OR AGREEMENTS OF THE LENDER RELATING TO ANY OTHER TRANSACTION BETWEEN IT AND THE LENDER CANNOT BE ENFORCED IN COURT UNLESS THEY ARE IN WRITING AND SIGNED BY THE LENDER. BY EXECUTION OF THIS AGREEMENT AND THE NOTES, DEBTOR HEREBY ACKNOWLEDGES AND AGREES THAT THE REQUIREMENT OF A WRITING DESCRIBED IN THIS PARAGRAPH SHALL APPLY TO THIS NOTE, THE OBLIGATIONS, THE LOAN DOCUMENTS, ANY EXTENSION, MODIFICATION, RENEWAL, FORBEARANCE OR OTHER ACCOMMODATION RELATING HERETO OR THERETO AND TO ANY OTHER CREDIT RELATIONSHIP BETWEEN DEBTOR AND THE LENDER (WHETHER NOW EXISTING OR CREATED IN THE FUTURE), WHETHER OR NOT THE AMOUNT INVOLVED EXCEEDS $250,000.00.

Jury Trial Waiver: BANK AND BORROWER AND/OR ANY GUARANTOR(S) AGREE THAT NEITHER OF THEM NOR ANY ASSIGNEE OR SUCCESSOR SHALL (A) SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY RELATED INSTRUMENTS, OR THE DEALINGS OR THE RELATIONSHIP

BETWEEN OR AMONG ANY OF THEM, OR (B) SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS PARAGRAPH HAVE BEEN FULLY DISCUSSED BY THE BANK AND THE BORROWER AND/OR ANY GUARANTOR(S), AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS NEITHER THE BANK NOR THE BORROWER HAS AGREED WITH OR REPRESENTED TO THE OTHER THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES, INCLUDING TERMINATION OF THIS LETTER.

Alienation Clause: It shall be a default under the Loan documents entitling the Bank to demand payment in full of the Loan if without the specific prior written consent of the Bank there shall occur, whether voluntarily, by operation of law or otherwise, any sale, assignment, transfer conveyance, mortgage, hypothecation or other encumbrance of all or any portion of the assets to be pledged as collateral for the Loan or any interest therein, or of any legal or beneficial interest in Borrower, or upon the making of any agreement to do any of the foregoing.

Expiration: This commitment given by the Bank to the Borrower ***shall expire if not accepted by the Borrower in writing and returned to the Bank within ten (10) business days of the date of this letter along with a check in the amount of $2,500.00, which represents due diligence costs. If accepted, this commitment shall, at the sole option and discretion of the Bank, become null and void at the close of business on December 8, 2018***. Failure to close the Loan by the foregoing date will result in the automatic termination of this commitment and the Bank may retain any fees paid by the Borrower, which fees shall be nonrefundable and deemed earned when paid. A Closing Specialist shall contact the Borrower within three (3) business days of receipt of written acceptance of proposed Loan terms by the Borrower to assign a closing date and to review any questions regarding required Loan documentation. Any extension to the deadlines provided herein must be agreed to in writing by the Bank and may require additional internal analysis and re-approval of the Loan at the sole discretion of the Bank. The Bank is under no obligation to extend the commitment beyond the expiration date.

Survival: The parties herein agree that upon closing of the Loan contemplated by this commitment, the commitment shall not survive the Loan closing and shall terminate and be of no further force and effect.

The provisions of this commitment cannot be waived or modified unless such waiver or modification is issued in writing and signed by the parties to this agreement.

Notwithstanding anything herein to the contrary, this letter does not constitute a final and binding commitment to lend. Such a commitment will exist only after final completion of all underwriting satisfactory to the Bank in its sole and absolute discretion, negotiation, execution and delivery of the required Loan documents and satisfaction of all of the conditions set forth herein and therein. All Loan documents, title and other insurance policies, the survey, legal opinions, leases, contracts, and all other agreements, documents and instruments to be delivered to Bank, shall in all respects be satisfactory to the Bank and to Bank's counsel, in each case in their sole, unfettered and exclusive discretion. The foregoing terms and conditions are predicated upon the present understanding of the Bank of the proposed financing and after a more comprehensive appreciation of the necessary mechanics and other details involved, some further assurance in the nature of security may be required. In addition to those terms and conditions which are stated above, the Bank's obligations hereunder are conditioned upon the Borrower's execution of such representations, covenants and warranties as may be required by the Bank or its counsel.

Termination: This commitment may be terminated by the Bank any time prior to closing if (a) Borrower shall fail or refuse to comply with any of the terms and conditions set forth herein, (b) any adverse change in the opinion of the Bank shall occur with respect to the project, Borrower or any other person or entity (including tenants) connected with the Loan or any collateral for the Loan or other source of repayment of the Loan at any time prior to the Loan closing, (c) any part of the project shall have suffered a casualty or shall have been taken in condemnation or other like proceeding, or any such proceeding is pending or threatened at any time of the Loan closing, (d) Borrower, or any other person or entity (including tenants) connected with the Loan or any collateral for the Loan or other source of repayment shall be insolvent or involved as debtor in any arrangement, bankruptcy, reorganization or insolvency proceeding, or (e) the final site inspection and/or in-person meeting with the Borrower is not satisfactory to the Bank in its sole and absolute discretion. Further, this commitment has been issued to Borrower on the basis of certain information and materials provided by Borrower and Guarantor to Bank and all representations, information, exhibits, data and other material submitted with and in support of Borrower’s Loan application. Any misinformation or withholding of material information incident thereto shall, at the option of Bank without limiting any other right or remedy of Bank, void all Bank’s obligations hereunder. You have the right to make a written request for the reasons for adverse action, no later than 60 days from the date of this commitment. You also have the right to make a written request for any appraisal within 90 days from the date of the Loan closing or adverse action, whichever occurs.

If this conditional commitment is acceptable to you please sign and return this letter by [insert date]. The undertakings made by the Bank in this commitment cannot be accepted conditionally, and any such conditional acceptance will terminate absolutely the undertakings made herein.

We are pleased to have the opportunity to assist you with this financing. If you have any questions or concerns regarding the content of this letter, please call me at [insert NEB phone number].

Sincerely,

[NEB Employee]

[NEB Employee Title]

Northeast Bank

By signing below, Co-Borrowers and Guarantors, if applicable, accept the terms of this Commitment and agree to provide all information needed on Bank's Commercial Loan Application.

Co-Borrowers:

____

By:
Its:
Date signed: _________________

____

By:
Its:
Date signed: _________________

Guarantors:

____

Date signed: _________________

____

Date signed: _________________

<u>PMC COMMERCIAL TRUST</u>

U.S. Small Business Administration

NOTE

SBA Loan #	
SBA Loan Name	
Date	
Loan Amount	
Interest Rate	
Borrower	
Operating Company	
Lender	

1. PROMISE TO PAY:

In return for the Loan, Borrower promises to pay to the order of Lender the amount c ___ ___________ Dollars, interest on the unpaid principal balance, and all other amounts required by this Note.

2. DEFINITIONS:

"Collateral" means any property taken as security for payment of this Note or any guarantee of this Note.
"Guarantor" means each person or entity that signs a guarantee of payment of this Note.
"Loan" means the loan evidenced by this Note.
"Loan Documents" means the documents related to this loan signed by Borrower, any Guarantor, or anyone who pledges collateral.
"SBA" means the Small Business Administration, an Agency of the United States of America.

3. PAYMENT TERMS:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

The interest rate on this Note will fluctuate. The initial interest rate is 6.00% per year. This initial rate is the prime rate in effect on the first business day of the month in which SBA received the loan application, plus 2.75%. The initial interest rate must remain in effect until the first change period begins unless reduced in accordance with SOP 50 10.

Borrower must pay a total of 2 payments of interest only on the disbursed principal balance beginning one month from the month this Note is dated and every month thereafter; payments must be made on the first calendar day in the months they are due.

Borrower must pay principal and interest payments of every month, beginning three months from the month this Note is dated; payments must be made on the first calendar day in the months they are due.

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

Lender and Borrower may agree to pay an additional amount into an escrow account for payment of real estate taxes and required insurance related to commercial real estate securing the loan. Any such account must comply with SOP 50 10.

The interest rate will be adjusted every calendar quarter (the "change period").

The "Prime Rate" is the prime rate in effect on the first business day of the month (as published in a national financial newspaper or website) in which SBA received the application, or any interest rate change occurs. Base Rates will be rounded to two decimal places with .004 being rounded down and .005 being rounded up.

The adjusted interest rate will be 2.75% above the Prime Rate. Lender will adjust the interest rate on the first calendar day of each change period. The change in interest rate is effective on that day whether or not Lender gives Borrower notice of the change.

The spread as identified in the Note may not be changed during the life of the Loan without the written agreement of the Borrower.

For variable rate loans, the interest rate adjustment period may not be changed without the written consent of the Borrower.

Lender must adjust the payment amount at least annually as needed to amortize principal over the remaining term of the note.

If SBA purchases the guaranteed portion of the unpaid principal balance, the interest rate becomes fixed at the rate in effect at the time of the earliest uncured payment default. If there is no uncured payment default, the rate becomes fixed at the rate in effect at the time of purchase.

LOAN PREPAYMENT:

Notwithstanding any provision in this Note to the contrary:

Borrower may prepay this Note. Borrower may prepay 20 percent or less of the unpaid principal balance at any time without notice. If Borrower prepays more than 20 percent and the Loan has been sold on the secondary market, Borrower must:

a. Give Lender written notice;
b. Pay all accrued interest; and
c. If the prepayment is received less than 21 days from the date Lender receives the notice, pay an amount equal to 21 days' interest from the date lender receives the notice, less any interest accrued during the 21 days and paid under subparagraph b., above.

If Borrower does not prepay within 30 days from the date Lender receives the notice, Borrower must give Lender a new notice.

Subsidy Recoupment Fee. When in any one of the first three years from the date of initial disbursement Borrower voluntarily prepays more than 25% of the outstanding principal balance of the loan, Borrower must pay to Lender on behalf of SBA a prepayment fee for that year as follows:

a. During the first year after the date on which the loan is first disbursed, 5% of the total prepayment amount;

b. During the second year after the date on which the loan is first disbursed, 3% of the total prepayment amount; and

c. During the third year after the date on which the loan is first disbursed, 1% of the total prepayment amount.

All remaining principal and accrued interest is due and payable 25 years and 2 months from the date of this Note.

Late Charge: If a payment on this Note is more than 10 days late, Lender may charge Borrower a late fee of up to 5% of the unpaid portion of the regularly scheduled payment.

4. DEFAULT:

Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower or Operating Company:

A. Fails to do anything required by this Note and other Loan Documents;
B. Defaults on any other loan with Lender;
C. Does not preserve, or account to Lender's satisfaction for, any of the Collateral or its proceeds;
D. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA;
E. Makes, or anyone acting on their behalf makes, a materially false or misleading representation to Lender or SBA;
F. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower's ability to pay this Note;
G. Fails to pay any taxes when due;
H. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
I. Has a receiver or liquidator appointed for any part of their business or property;
J. Makes an assignment for the benefit of creditors;
K. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower's ability to pay this Note;
L. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender's prior written consent; or
M. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower's ability to pay this Note.

5. LENDER'S RIGHTS IF THERE IS A DEFAULT:

Without notice or demand and without giving up any of its rights, Lender may:

A. Require immediate payment of all amounts owing under this Note;
B. Collect all amounts owing from any Borrower or Guarantor;
C. File suit and obtain judgment;
D. Take possession of any Collateral; or
E. Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.

6. LENDER'S GENERAL POWERS:

Without notice and without Borrower's consent, Lender may:

A. Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses;
B. Incur expenses to collect amounts due under this Note, enforce the terms of this Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney's fees and costs. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance;
C. Release anyone obligated to pay this Note;

D. Compromise, release, renew, extend or substitute any of the Collateral; and
E. Take any action necessary to protect the Collateral or collect amounts owing on this Note.

7. WHEN FEDERAL LAW APPLIES:

When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

8. SUCCESSORS AND ASSIGNS:

Under this Note, Borrower and Operating Company include the successors of each, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:

A. All individuals and entities signing this Note are jointly and severally liable.
B. Borrower waives all suretyship defenses.
C. Borrower must sign all documents necessary at any time to comply with the Loan Documents and to enable Lender to acquire, perfect, or maintain Lender's liens on Collateral.
D. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.
E. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Note.
F. If any part of this Note is unenforceable, all other parts remain in effect.
G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that Lender did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale.

10. STATE - SPECIFIC PROVISIONS:

None.

11. BORROWER'S NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated under this Note as Borrower.

EXHIBIT K

Ascend Collection Rules & Regulations

900. Guestrooms and Housekeeping Services

- 910 General Housekeeping Services
- 920 Corridors
- 930 Guestrooms
- 940 Bathroom Contents and Condition

1000. Universal Food and Beverage Standards

- 1010 Food and Beverage Facilities
- 1020 Food and Beverage Services
- 1030 Room Service
- 1040 Restaurant & Lounge Services

1100. Banquets and Meetings

- 1110 Atmosphere, Furnishings and Déco
- 1112 Audio Visual Services
- 1113 Banquets

1200. Universal Facility Standards

- 1210 Employee Accountability
- 1220 Building Structure, Curb Appeal and Landscaping
- 1230 Exterior Signs
- 1240 Interior Cleanliness and Maintenance
- 1250 Interior and Lobby Areas

1300. Membership Administration

- 1310 Fees and Commissions
- 1320 Waivers
- 1330 Quality Assurance Reviews/Compliance
- 1340 Insurance Coverage
- 1350 Staff Training and Development
- 1360 Convention and Regional Meetings

1400. Appendix

- 1410 High Speed Internet Resource Guide

EXHIBIT L

FAIR FRANCHISING POLICY

(Updated January 1, 2017)

Choice Hotels International, Inc. ("Choice," "we," or "us") and our franchisees ("Franchisees" or "you") share substantial interests in our brands, as well as the worldwide lodging system they comprise ("System"). Choice and our franchisees each benefit by considering System interests first when making policy. For these reasons, Choice has adopted the following guiding principles, which may be modified from time to time after consultation with our Franchisee Associations.

Mission Statement

Both Choice and our franchisees have a responsibility to build and maintain the System. At the individual property level, it is your responsibility to represent your brand in a manner that continually builds brand equity, while we are responsible for confirming that general System and individual brand standards are met throughout the entire Choice franchise System.

Even under the best of circumstances, however, we realize that situations can arise that may create conflict between Choice and our franchisees. Accordingly, Choice maintains this fair franchising policy ("Fair Franchising Policy") to help us mutually address these situations. The Fair Franchising Policy contains standards relating to the system and is available for review at any time. We also have an Ombudsperson and Vice President of Owner Relations & Franchise Management dedicated to addressing any conflicts in a manner that is fair and non-retaliatory to all parties concerned. We encourage you to contact any member of our Fair Franchising Department to discuss the Fair Franchising Policy or any concerns that you have regarding your relationship with Choice.

Impact

Choice and our franchisees agree that every Choice brand, each property, and the entire System benefit from strategic growth and strong brand awareness.

Impact Policy. * In some cases, a franchisee may believe that a third party's application for a new franchise is too close to the franchisee's existing property. To address this concern, Choice has instituted an incremental impact policy ("Impact Policy"), which has been benchmarked with our competitors and tailored to carefully balance the rights of the existing franchisee with the need for growth that benefits our entire System. The Impact Policy also permits a franchisee (in good standing) to object to the granting of a same-brand franchise, if the applying franchise is within a specified radius of that franchisee's property.

Under our Impact Policy, we will notify both your designated representative and the general manager of your property: (i) by electronic mail, if we have received an application for a hotel of a different brand than your hotel if the proposed hotel is within 5 miles of your existing property and your existing brand is included in the Impact Policy; (ii) in writing (via express mail to the designated representative and via first-class mail to the general manager), if we have accepted an application for a same-brand hotel and the applying franchise is within a specified radius of your property; or (iii) by telephone, if you are an applicant and we have received an additional application for a same-brand hotel to be located within the Area of Enhanced Protection (as defined in the Impact Policy) of your proposed hotel.

*As of the date of this Fair Franchising Policy, the Impact Policy applies only to the following brands: Clarion, Comfort, Comfort Suites, Econo Lodge, MainStay Suites, Quality, Rodeway Inn, and Sleep Inn.

First opportunity to develop in franchisee's Area of Enhanced Protection (AOEP). In addition to the objection rights described above, each existing franchisee in good standing will have the option of submitting an application for a new same-brand hotel within its AOEP before Choice will approve a same-brand application within that AOEP from another prospective franchisee. Specifically, Choice will permit existing franchisees to submit an application for a same-brand property within 15-calendar days of being notified of a proposed application by another prospective franchisee, and the existing franchisee will receive preference in the application for a same-brand property. In making a final decision, however, we will also consider other factors, such as site location, financing, relative strength of each application and Choice's past experience with the existing franchisee. Finally, our Franchise Sales Management team will inform the existing same brand franchisee of our decision before we grant final approval of an application for a same-brand hotel within that franchisee's AOEP.

Consultation. As has been our practice, we will continue to consult with our franchisees on amendments and modifications to the Impact Policy. For more information, please refer to our **Impact Policy,** at www.choicecentral.com or call the Fair Franchising Department for a detailed explanation of our Impact Policy.

Exercise of Contractual Outs

Company Philosophy. Choice Hotels is committed to meeting the evolving needs of its guests across all of its brands and driving continued brand equity. It is imperative that each hotel delivers a top-notch, consistent experience to every guest, every time. Our brands are as strong as their weakest performer, so if a guest has a bad experience at one hotel, it adversely impacts us all. Not only should each hotel be clean, in good condition and in working order, they should be modern, up-to-date, and competitive within their markets. Choice Hotels' contractual out evaluation process was created to ensure that we all meet these objectives.

Contractual Out Evaluation Process. Our franchise agreements with each hotel generally include a mutual right to end the franchise agreement early on the 5th, 10th, or 15th anniversary of the Opening Date by providing advance written notice. Choice Hotels reviews every active property prior to these anniversaries and evaluates the following aspects of the hotel:

- How well does the hotel meet guest expectations as measured by Guest Insight System ("GIS") scores and customer complaints?
- How do the hotel's GIS scores and guest complaints compare to other hotels within its brand?
- How strongly does the hotel compete in its local market as determined by Smith Travel Research (STR) reports compared to both local competitive set and tract chain scale?
- What is the hotel's historic pass/fail rate for Quality Assurance ("QA") inspections?
- Has the hotel been defaulted in the past for any reason, including but not limited to QA, After Entering System ("AES"), credit or legal reasons?
- How does the physical plant of the hotel compare to its competitive set within its market?
- How does the physical plant of the hotel compare to other hotels within its brand?
- If there are gaps between the property and its competitive set or peers, can the property be updated cost-effectively?

Risk Factors. In keeping with Choice Hotels philosophy, we review in detail the aggregate results of these questions referenced above for each hotel. In particular, we take into account any unique aspects of the hotel's market or its guest base. There is no standardized formula that is applied to every hotel and each situation is evaluated independently. Furthermore, Choice Hotels reserves the right under the Franchise Agreement to exercise its contractual out for any reason or no reason at all. There are certain factors, however, that place a property at risk in determining whether Choice Hotels will exercise its contractual out, including but not limited to:

- The property is ranked in the bottom third of its brand for the most recent 12-month period.
- The property's Likelihood to Recommend ("LTR") score places it in the bottom third of its brand for the most recent 12 month period.

** 60 months for Cambria/ 60 months Post- Opening for Suburban and MainStay

- The property has guest complaints per thousand (“CPT”) higher than the brand average for the most recent 12 month period.
- The property has a history of shifting between passing and failing scores on QA inspections.
- The property passes its QA inspections but only minimally.
- The property performs below the tract chain scale as determined by STR.
- The physical plant of the property is outdated, worn, and/or in poor condition.

Note on Comfort Inn: To achieve the brand’s goal of becoming one of the top 3 brands in the Midscale without Food & Beverage segment, all Comfort Inn properties must be held to a higher standard in terms of both guest satisfaction and physical representation. For example, the outside appearance of the hotel must meet or be able to achieve a consistent, above-average guest experience when compared to other hotels within the brand and to its national competitive set, which includes Holiday Inn Express and Fairfield Inn.

If the physical plant of a Comfort Inn property resembles economy-level competitors in the market due to its room size, lobby size, public space, corridor type (interior v. exterior), single loaded v. double loaded, or other aspects, then Choice Hotels may elect to exercise its contractual out or, if desirable, discuss the potential for the property to reposition to another Choice Hotels brand.

Management Committee. Due to the importance of these decisions and their impact on both Choice Hotels and the Franchisee, no single person at Choice Hotels has the ability to exercise a contractual out. All decisions to exercise this right are made by a Committee and must be unanimously supported by each member of that Committee. The Management Committee is comprised of representatives from:

- Fair Franchising
- Franchise Management
- Legal
- Sales
- Services
- Credit

Contractual Out Notification Process. Approximately eighteen (18) months prior to a contractual out, a representative from Choice Hotels will contact the Franchisee’s Designated Representative if:

1. Choice Hotels is considering whether to exercise its contractual out and feels that a Product Improvement Plan (“PIP”) is necessary to continue the relationship.
   - The Franchisee’s Designated Representative will receive a letter explaining Choice Hotels position and the PIP process. A copy of the letter will be sent to the hotel’s General Manager.
   - Once the PIP is prepared, the Franchisee’s Designated Representative will receive a phone call from a member of Choice Hotels Franchise Management department to discuss the scope of work to update the property. (see below)

2. Choice Hotels has decided to exercise its contractual out.
   - The Franchisee’s Designated Representative will receive a phone call from Choice Hotels to discuss the decision.
   - If Choice Hotels is unable to reach the Franchisee’s Designated Representative by phone, a letter will be sent notifying the hotel of the attempts to contact the Designated Representative by phone and requesting the hotel contact Choice Hotels immediately. If Choice Hotels is unsuccessful in contacting the Franchisee, then Choice Hotels will release a formal Notice of Termination letter generally twelve (12) months prior to the contractual out date. Individual franchise agreements may contain different notice periods. If that is the case, those notice periods will apply, however Choice Hotels will attempt to provide as much notice as is reasonably possible.

** 60 months for Cambria/ 60 months Post- Opening for Suburban and MainStay

Please note that each Franchisee is obligated to maintain accurate contact information with Choice Hotels. If the Franchisee's Designated Representative name, address, or telephone number on file is no longer valid, then Choice Hotels cannot be held responsible for any resulting delays in reaching the Franchisee.

Product Improvement Plans. In most cases, Choice Hotels will agree to continue its relationship based on an agreed scope of work to update and refresh the property and/or additional training. These requirements will be detailed in the PIP. If Choice Hotels and the Franchisee's Designated Representative cannot finalize and execute the PIP twelve (12) months prior to the contractual out date, then Choice Hotels will issue a Notice of Termination to the Franchisee's Designated Representative.

This Notice of Termination can be rescinded if subsequent discussions result in a mutually agreeable PIP Addendum that is executed by both parties within 30 days of the Notice of Termination letter.

Options Available to Properties. There are 4 options available to properties where Choice Hotels has exercised its contractual out

1. Reposition to Another Choice Hotels Brand

In many cases, there will be another Choice Hotels brand available in the market for the hotel to consider. There are many financial benefits to remaining with the Choice Hotels system rather than exiting the Choice Hotels system. When Choice Hotels calls the Franchisee's Designated Representative to inform them that Choice Hotels is exercising its contractual out, the availability of this option will be discussed.

2. Replace the Existing Hotel

Many owners prefer to replace their hotel with newer product in their market. Please let a Choice Hotels representative know your interest in this option and the appropriate person will contact you.

3. Appeal the Decision

If a Franchisee's Designated Representative would like to appeal a contractual out decision, then a letter detailing the request and the reasons for appeal should be emailed to portfolio_operations@choicehotels.com. Upon receipt of the appeal request, a confirmation email will be sent within 48 hours. The Management Committee will review the appeal within 7-10 business days following the receipt confirmation. The Franchisee's Designated Representative will receive the results of the Committee review via email.

4. Early Termination following Choice's exercise of a window.

When Choice exercises its option to terminate a franchise agreement at a contractual out, and a franchisee in good standing wishes to leave the Choice system before the agreed-upon termination date, Choice will take special consideration, on a case-by-case basis, in reviewing a franchisee's request to discount or waive any liquidated damages that may be owing due to the early termination.

Non-retaliation. As is current practice, in deciding whether to exercise our contractual out, Choice will not discriminate or retaliate against a property that has requested or is in the process of requesting an impact study or has challenged some other action taken by Choice.

Marketing and Reservation Services Funds:

Consultation. Choice is committed to the practice of consulting with its franchisee associations on the marketing campaigns the company undertakes and generally on the use of those portions of monthly fees that are designated for marketing purposes and reservation services purposes and on changing the amounts of those fees.

Disclosure. As stated in the most current version of our form franchise agreements, Choice will make available to its franchise associations audited financial statements showing the receipts and expenditures of those portions of System fees that are designated for marketing and reservation services purposes, as

** 60 months for Cambria/ 60 months Post- Opening for Suburban and MainStay

soon as reasonably practicable following completion of the audit. Moreover, as a public company, Choice will continue to report its System fees (including marketing and reservations fees) in accordance with GAAP (generally accepted accounting principles) on its income statements, which are reviewed and published quarterly.

Corporate Ethics:

Ethical Conduct. Choice expects all Choice associates, franchisees and vendors to practice “good faith and fair dealing” in all business matters. All Choice associates are subject to a corporate ethics policy that mandates certain standards of conduct. In addition, your franchise agreement contains provisions that require you to operate your franchise in a manner that does not negatively impact our business or violate any laws.

Termination for Cause:

Liquidated Damages. If your franchise agreement is terminated before the end of its term, we have capped liquated damages at the greater of 36 months** of historical royalty fees and the minimum formula applicable to each brand. In addition, a 20% discount on liquidated damages will be applied –for all brands excluding Cambria- as an incentive for quickly settling accounts unless the franchise agreement was terminated due to your abandonment of the hotel or your cessation of operating the hotel as our brand. Moreover, our approach to liquidated damages seeks only to recoup lost royalty fees, not lost System fees.

Extraordinary Circumstances. If you encounter extraordinary, unforeseen circumstances (such as the death of franchisee, environmental issues, permanent disabilities, etc.) that affect your ability to operate your franchise in good standing, it is your responsibility to contact us in a timely manner to work towards possible resolutions. In these instances, we will give special consideration to our franchisees and will attempt to find a mutually acceptable resolution to the particular situation.

Transfers:

Family Transfer. If you wish to transfer your franchise to a close family member (*e.g.*, current spouse, parent, child, sibling, or grandparent) (“Close Family Member”), that Close Family Member must demonstrate to us that he or she has both the financial ability and experience necessary to operate your franchise in accordance with Choice standards before we will approve a transfer. If you wish to transfer your franchise to a Close Family Member, you must pay an application fee (not to exceed $5,000), which will be fully refunded if we do not approve the transfer.

Supplier Options:

Vendor Exclusivity. We do not generally mandate that you source products or services from a particular vendor. Instead, certain standards and specifications are mandated for the purpose of maintaining brand consistency and quality. We solicit feedback from the elected members of our franchisee associations before implementing new brand standards or vendor requirements. Additionally, we attempt to identify 3 or more vendors who are capable of meeting most brand standards.

Building Brand Equity:

Quality Assurance Reviews. Our entire System benefits from positive brand equity. Building brand equity begins at the local level with how you operate your hotel and also includes policies and practices that we communicate in order to confirm that each of our brands is meeting or exceeding customer expectations (“Brand Standards”).

** 60 months for Cambria/ 60 months Post- Opening for Suburban and MainStay

Brand Standards change from time to time to reflect changing customer trends and in response to our competition. Where applicable, we will consult with the various brand associations regarding significant changes contemplated for the Brand Standards before implementation, and we will provide our franchisees with a reasonable period of time to absorb such changes financially.

In addition, each of us has an obligation to your guests to require that your hotel meets or exceeds our brand-specific performance and quality standards. In that regard, we will continue to apply our Quality Assurance process in a fair and impartial manner. If at any time you wish to dispute your Quality Assurance scores, you may make an appeal to the Brand Standards Department.

Database Information:

Prohibited Uses. We have agreed not to share individual, hotel-specific property reservation data for the purpose of selling new franchises.

Dispute Resolution:

Informal Process. We have found that most disputes with our franchisees can be handled locally or through our established organizational structure. Our Ombudsperson and Vice President of Owner Relations & Franchise Management both provide a retribution-free outlet for our franchisees to share their concerns regarding fairness.

Arbitration. Through arbitration, franchise disputes can be quickly and economically resolved by submitting the claim to binding arbitration before the American Arbitration Association or alternative arbitration groups. We continue to examine other mediation alternatives to avoid lengthy and expensive lawsuits.

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** 60 months for Cambria/ 60 months Post- Opening for Suburban and MainStay

EXHIBIT M

CHOC

Cassandra Hill
Executive Director
4200 Morganton Rd Ste 200-13, Fayetteville NC 28314
Phone: 910-778-2456
Fax: 910-568-4110
Email: execdir@choicehotelsownerscouncil.com

EXHIBIT N

ASCEND FRANCHISES OPEN AND OPERATING AS OF DECEMBER 31, 2017

AZ385	BLUEGREEN RESORTS MANAGEMENT	27501 North Lake Pleasant Pkwy	Peoria	Arizona	85383	480-653-9334
AZ021	ARROYO PINION SEDONA HOTEL, LLC	3119 W. Highway 89A	Sedona	Arizona	86336	928-204-1146
AZ389	LA POSADA I, LLC	5900 North Oracle Road	Tucson	Arizona	85704	520-887-4800
AR219	MSW PROPERTIES, INC.	302 N. Main Street	Harrison	Arkansas	72601	870-741-2321
AR259	TKZ, LLC	340 Central Avenue	Hot Springs	Arkansas	71901	501-321-0001
AR245	SHG MANAGEMENT, LLC	625 West Capitol Avenue	Little Rock	Arkansas	72201	501-379-8497
AR260	SOUTHERN LODGING, LLC	1501 Merrill Drive	Little Rock	Arkansas	72211	501-224-8051
AR045	JOHNSON MILL HOSPITALITY, INC.	3906 Johnson Mill Blvd.	Springdale	Arkansas	72762	479-443-1800
CAD51	IZABELLA INVESTMENT, LLC	4125 Riverside Place	Anderson	California	96007	530-365-7077
CAE40	BLUEGREEN RESORTS MANAGEMENT	40671 Village Drive	Big Bear Lake	California	92315	480-653-9267
CA739	HIGH SIERRA HOSPITALITY, LLC	651 N. Main Street	Bishop	California	93514	760-873-6380
CA469	COMFORT PROPERTY, LLC	1865 Lincoln Ave.	Calistoga	California	94515	707-942-9400
CA401	HOLLYWOOD CORNER, LLC	2430 Newport Blvd.	Costa Mesa	California	92627	949-631-7840
CAD04	ROYAL GUEST HOTELS, INC	245 First Street	Davis	California	95616	480-386-9522
CAE68	GOLD MINERS INN, LLC	121 Bank Street	Grass Valley	California	95945	530-477-1700
CAD23	LEES LAGUNA HILL RESORTS, LLC	25205 La Paz Road	Laguna Hills	California	92653	949-586-5000
CA821	MS INVESTMENTS, INC.	200 E. Willow Street	Long Beach	California	90806	562-426-7611
CAD46	CAHUENGA PASS HOTEL, LLC	3241 Cahuenga Blvd W	Los Angeles	California	90068	323-845-1600
CAD37	NO WINERY ACCESS HERE, LLC	1998 Trower Avenue	Napa	California	94558	707-257-7220
CAF88	250 ENTRADA DRIVE, LLC	250 Entrada Drive	Novato	California	94949-5574	415-883-5952
CAE56	AUNG FISH CAMP, LLC	50552 Road 632	Oakhurst	California	93644	559-683-8040
CAF12	THE OAKS HOTEL PASO ROBLES	3000 Riverside Avenue	Paso Robles	California	93446	805-237-8700
CAE28	BMS INVESTMENTS 3, LLC	205 Kentucky Street	Petaluma	California	94952	707-559-3393
CAC81	ASHOK R. PATEL	1530 N Street	Sacramento	California	95814	916-447-8100
CAD64	RAJPUTANA, LLC	2356 Stockton Blvd	Sacramento	California	95817	916-455-4000
CA654	MONTES FAMILY REVOCABLE TRUST 11/11/96	620 El Camino Real	San Bruno	California	94066	650-745-0111
CAF03	LEE'S SAN CLEMENTE RESORT, LLC	111 S Avenida De La Estrella	San Clemente	California	92672	520-505-2279
CAF56	587 EDDY STREET, LLC	587 Eddy Street	San Francisco	California	94109	415-872-7189

CAE54	AUNG SOLVANG, LLC	293 Alisal Road	Solvang	California	93463	805-688-4404
CAA20	BAECHTEL CREEK INN, INC	101 Gregory Lane	Willits	California	95490	707-459-9063
CO341	BLUEGREEN RESORTS MANAGEMENT INC.	233 West Main Street	Aspen	Colorado	81611	850-344-7829
CO357	RIVER CENTRE DEVELOPMENT, LLC	27 Main Street	Edwards	Colorado	81632	970-926-0606
CO226	MCBRIDE NEW CASTLE & ASSOCIATES, LLC	2625 Gilstrap Ct.	Glenwood Springs	Colorado	81601	970-384-4700
CO193	GOLDEN HOTEL MANAGEMENT, LLC	800 11th Street	Golden	Colorado	80401	303-279-0100
FLC65	KINGWOOD CRYSTAL RIVER RESORT CORP.	9301 West Fort Island Trail	Crystal River	Florida	34429	352-795-4211
FLC49	BLUEGREEN RESORTS MANGEMENT	3125 South Atlantic Avenue	Daytona Beach Shores	Florida	32118	480-653-9279
FL544	FLORIDA HOTEL VENTURES, LLC	4944 W. Irlo Bronson Hwy.	Kissimmee	Florida	34746	407-507-8500
FLC50	BLUEGREEN RESORTS MANAGEMENT	1688 Overseas Highway	Marathon	Florida	33050	480-653-9272
FLE24	940 OCEAN DRIVE, LLC	940 Ocean Drive	Miami Beach	Florida	33139	305-532-2362
FLE25	1236 OCEAN DRIVE, LLC	1230 Ocean Drive	Miami Beach	Florida	33139	305-672-2579
FLE26	1444 DREXEL, LLC	507 Espanola Way	Miami Beach	Florida	33139	305-672-4449
FLC51	BLUEGREEN RESORTS MANAGEMENT	12400 South International Driv	Orlando	Florida	32821	480-653-9341
FLC55	BLUEGREEN RESORTS MANAGEMENT INC	5473 Del Verde Way	Orlando	Florida	32819	480-653-9278
FLC54	BLUEGREEN RESORTS MANAGEMENT	621 South Atlantic Avenue	Ormond Beach	Florida	32176	480-653-9286
FL696	SHREE VITHALJI, INC.	42 San Marco Avenue	Saint Augustine	Florida	32084	904-829-2292
FL788	MSB HOTELS III, LLC	530 A1A Beach Blvd.	Saint Augustine	Florida	32080	904-471-3505
FLC52	BLUEGREEN RESORTS MANGEMENT	100 Front Nine Drive	St Augustine	Florida	32092	480-653-9296
FLC53	BLUEGREEN RESORTS MANAGEMENT	8801 Collins Avenue	Surfside	Florida	33154	480-653-9298
FLE41	TMH CAPITAL MANAGEMENT, LP	2501 E Fowler Ave	Tampa	Florida	33612	813-559-8000
GA045	MOGAR FARMS V, LLC	330 West Peachtree Street, NW	Atlanta	Georgia	30308	404-577-6970
GA911	BLUEGREEN RESORTS MANAGEMENT	120 W. Bryan Street	Savannah	Georgia	31401	480-653-9285
GAA39	DUKE HOSPITALITY, LLC	3499 Hwy 76 West	Young Harris	Georgia	30582	706-896-2262
HI037	HAWAII POLO INN, LLC	1696 Ala Moana Blvd	Honolulu	Hawaii	96815	808-949-0061
HI038	M R AND T MAUI HOTEL MANAGEMENT, LLC	551 South Kihei Road	Kihei	Hawaii	96753	808-879-1261
IL480	BLUEGREEN RESORTS MANAGEMENT	500 S. Dearborn Street	Chicago	Illinois	60605	312-986-1234
IL460	1566 OAK AVENUE, LLC	1566 Oak Avenue	Evanston	Illinois	60201	847-869-2273

KS208	SAMY'S VENTURES, LLC	1212 Stone Creek Drive	Garden City	Kansas	67846	620-277-7477
LA369	SPARGO, LLC	1015 W Pinhook Road	Lafayette	Louisiana	70503	337-291-1088
LA376	GULF VENTURES ASSOCIATES, LLC	2601 Severn Avenue	Metairie	Louisiana	70002	504-888-9500
LA282	BM HOTELS, LLC	330 Magazine Street	New Orleans	Louisiana	70130-2425	504-304-4000
LA292	BLUEGREEN RESORTS MANAGEMENT	115 Decatur Street	New Orleans	Louisiana	70130	480-653-9305
LA252	EVANGELINE HOSPITALITY, LLC	2235 Creswell Lane Ext.	Opelousas	Louisiana	70570	480-719-7960
ME028	FORTUNE HOSPITALITY MANAGEMENT, INC.	55 York Street	Kennebunk	Maine	04043	207-985-6100
MD280	MJ FELLS POINT, LLC	888 South Broadway	Baltimore	Maryland	21231	410-522-7377
MD281	MJ HENDERSON'S WHARF, LLC	1000 Fell St.	Baltimore	Maryland	21231	410-522-7777
MD307	PERALYNNA PROPERTIES, INC.	10605 State Route 108	Columbia	Maryland	21044	410-715-4600
MD199	TEKMEN & TEKMEN OC, LLC	11 N. Baltimore Avenue	Ocean City	Maryland	21842	443-664-4020
MD275	PINEY POINT HOSPITALITY, LLC	16810 Piney Point Road	Piney Point	Maryland	20674	301-994-1234
MA199	SDS HOSPITALITY, LLC	81 South Huntington Avenue	Boston	Massachusetts	02130	617-383-5229
MA207	BLUEGREEN RESORTS MANAGEMENT	79 Chase Avenue	Dennis Port	Massachusetts	02639	480-653-9343
MA248	BLUEGREEN RESORTS MANAGEMENT, INC.	61 Chase Avenue	Dennis Port	Massachusetts	02639	480-653-9262
MA225	GAUTAM SHARMA	1834 Revere Beach Parkway	Everett	Massachusetts	02149	617-917-3400
MA177	BHAVIK JARIWALA ET AL	435 Laurel Street	Lee	Massachusetts	01238	413-243-2700
MI426	BLUEGREEN RESORTS MANAGEMENT	3230 Mountain Edge Road	Boyne Falls	Michigan	49713	480-653-9284
MI471	CORKTOWN HOTEL, LLC	1331 Trumbull Street	Detroit	Michigan	48216	313-496-1400
MI423	RIVERFRONT HOTEL, LLC	270 Ann Street Northwest	Grand Rapids	Michigan	49504	616-363-9001
MI322	SHORELINE INN, LLC	750 Terrace Point Road	Muskegon	Michigan	49440	231-727-8483
MN168	FED PLAZA HOTEL, LLC	219 South 4th Street	Minneapolis	Minnesota	55401	612-338-3500
MN170	DUNVILLA, INC.	48153 US Hwy 59	Pelican Rapids	Minnesota	56572	218-863-8000
MN127	VISION SDS HOSPITALITY, LLC	701 Concord Street South	South Saint Paul	Minnesota	55075	651-455-3600
MS293	BARRINGTON DEVELOPMENT, LLC	1230 Beach Blvd	Biloxi	Mississippi	39530	228-233-1230
MO423	BLUEGREEN RESORTS MANAGEMENT, INC.	200 Creekside Road	Branson	Missouri	65616	480-653-9268
MO334	BLUEGREEN RESORTS MANAGEMENT	250 Lakewood Drive	Hollister	Missouri	65672	480-653-9315
MO384	UNITY SCHOOL OF CHRISTIANITY	1901 NW Blue Parkway	Lees Summit	Missouri	64065	816-347-5537
MO189	FURNELL INVESTMENTS, INC.	103 E. 4th Street	Sedalia	Missouri	65301	660-826-5588

MO395	CAMPUS, INC.	2546 N Glenstone	Springfield	Missouri	65803	417-866-5253
MT086	BILLING VENTURES, LP	1801 Majestic Lane	Billings	Montana	59102	406-839-9300
MT099	YELLOWSTONE VALLEY LODGE, LLC	3840 Highway 89 South	Livingston	Montana	59047	406-333-4787
NE086	NORFOLK LODGE & SUITES, LLC	4200 W. Norfolk Avenue	Norfolk	Nebraska	68701	402-379-3833
NV104	CIM GROUP HOTEL LLC	206 North 3rd Street	Las Vegas	Nevada	89101	702-953-4343
NV105	BLUEGREEN RESORTS MANAGEMENT	372 East Tropicana Avenue	Las Vegas	Nevada	89169	480-653-9301
NH025	STERLING PARTNERS, LLC	181 Silver St.	Dover	New Hampshire	03820	603-842-6783
NH061	BLUEGREEN RESORTS MANAGEMENT	23 InnSeasons Drive	Lincoln	New Hampshire	03251	480-653-9323
NH063	THE PORT INN, INC.	505 US Highway 1 Bypass	Portsmouth	New Hampshire	03801	603-436-4378
NH062	PPT, INC.	20 Riverside Drive	West Chesterfield	New Hampshire	03466	603-256-4200
NJ330	20 BAYARD B AND B, LLC	20 Bayard Lane	Princeton	New Jersey	08540	609-924-1707
NM223	LINDERBAUGH, LLC	1202 Futurity Drive	Sunland Park	New Mexico	88063	575-332-9200
NY649	AMG ELTON, LLC	681 Elton Avenue	Bronx	New York	10455	718-924-2100
NY473	611 DEGRAW LLC	611 DeGraw Street	Brooklyn	New York	11217	718-403-0614
NY507	SEABRING HOTEL, LLC	17 Seabring Street	Brooklyn	New York	11231	718-222-3200
NY569	645-651 UNION INVESTOR, LLC	645-651 Union St.	Brooklyn	New York	11217	718-855-6500
NY633	CURTISS BUFFALO, INC.	210 Franklin Street	Buffalo	New York	14202	716-954-4900
NY228	CLIFTON HOSPITALITY INC.	7 Northside Drive	Clifton Park	New York	12065	518-373-2255
NY680	NORTHWOODS INN, LLC	2520 Main St	Lake Placid	New York	12946	518-523-1818
NY338	THE CENTURY HOUSE HOTEL, LLC	997 New Loudon Rd.	Latham	New York	12110	518-785-0931
NY659	RATAN REALTY THREE, LLC	40-47 22nd Street	Long Island City	New York	11101	929-208-0006
NY288	SOLITA SOHO HOTEL, LLC	159 Grand Street	New York	New York	10013	212-925-3600
NY425	J&N HOTEL ASSOCIATES LLC	135 E. Houston Street	New York	New York	10002	212-358-8844
NY426	300 WEST 22 REALTY, LLC	300 West 22nd Street	New York	New York	10011	212-675-1911
NY501	32-34 WEST 29 STREET REALTY, LLC	32 West 29th Street	New York	New York	10001	212-204-5750
NY654	FIRST STREET GROUP, LLC	222 1st Street	Niagara Falls	New York	14303	716-299-0200
NY587	GARDEN PLACE, INC.	6615 Transit Road	Williamsville	New York	14221	716-635-9000
NC908	BLUEGREEN RESORTS MANAGEMENT, INC.	3781 Tynecastle Highway	Banner Elk	North Carolina	28604	480-653-9264
NC785	CROWN HOTEL & TRAVEL MANAGEMENT, LLC	814 Shepard Street	Morehead City	North Carolina	28557	252-499-9200

OH641	AURORA HOTEL PARTNERS, LLC	30 Shawnee Trail	Aurora	Ohio	44202	330-562-0767
OH074	REED HARTMAN HOSPITALITY, LLC	11349 Reed Hartman Hwy.	Blue Ash	Ohio	45241	513-530-5999
OH684	GARLAND N.C., LLC	150 Garland Way	New Concord	Ohio	43762	855-462-9255
OH685	GARLAND N.P., LLC	1186 W High Ave	New Philadelphia	Ohio	44663	330-339-4334
OH615	RTB HOLDINGS OF WALNUT CREEK, LTD	2870 Cove Lane	Walnut Creek	Ohio	44687	800-824-2013
OR266	NEWPORT HOTEL ASSOCIATES, LLC	232 Southwest Elizabeth Street	Newport	Oregon	97365	541-265-9400
PA817	FREUD BUILDERS, LLC	7471 Keebler Way	Allentown	Pennsylvania	18106	610-391-1500
PA774	WINDSOR HOSPITALITY, LLC	8040 Oliver Road	Erie	Pennsylvania	16509	814-864-5810
PA700	MONAHAN PARTNERSHIP, LP	75 Springs Avenue	Gettysburg	Pennsylvania	17325	717-334-7800
PA721	BLUEGREEN RESORTS MANAGEMENT	176 East Hershey Park Drive	Hershey	Pennsylvania	17033	480-653-9288
PA501	MENDENHALL MANAGEMENT, INC.	323 Route 52	Mendenhall	Pennsylvania	19357	610-388-2100
PA635	TOFTREES PCF, INC.	100 Cricklewood Drive	State College	Pennsylvania	16803	814-234-2424
PA705	ATHERTON STREET PARTNERSHIP	125 S. Atherton Street	State College	Pennsylvania	16801-3896	814-231-2100
PA657	ROKOM, INC.	1073 Highway 315	Wilkes Barre	Pennsylvania	18702	570-824-9831
RI023	93 MIANTONOMI AVENUE LLC	93 Miantonomi Ave.	Middletown	Rhode Island	02842	401-841-0018
SC559	BLUEGREEN RESORTS MANAGEMENT, INC.	583 King Street	Charleston	South Carolina	29403	480-653-9330
SC393	DNS HOSPITALITY, LLC	621 South Assembly Street	Columbia	South Carolina	29201	803-708-3311
SC477	DOWNTOWN HOSPITALITY LLC	126 West Evans Street	Florence	South Carolina	29501	843-629-0100
SC547	HILTON HEAD HOSPITALITY, LLC	36 South Forest Beach Drive	Hilton Head Island	South Carolina	29928	843-842-3100
SC473	BLUEGREEN RESORTS MANAGEMENT	2690 Harbour Lights Drive	Myrtle Beach	South Carolina	29579	480-653-9282
SC474	BLUEGREEN RESORTS MANAGEMENT	1400 North Ocean Blvd	Myrtle Beach	South Carolina	29577	480-653-9321
SC575	BLUEGREEN RESORTS MANAGEMENT, INC.	2505 North Ocean Boulevard	Myrtle Beach	South Carolina	29577	480-653-9257
SC576	BLUEGREEN RESORTS MANAGEMENT, INC.	215 77th Avenue N.	Myrtle Beach	South Carolina	29572	480-653-9265
SC516	BLUEGREEN RESORTS MANAGEMENT INC	4709 South Ocean Blvd	North Myrtle Beach	South Carolina	29582	480-653-9271
SD103	K BAR S LODGE, LLC	434 Old Hill City Road	Keystone	South Dakota	57751	605-666-4545
TN686	BLUEGREEN RESORTS MANAGEMENT	110 Mountainloft Drive	Gatlinburg	Tennessee	37738	480-653-9349
TN729	SUNA WINCHESTER, LLC	179 Madison Avenue	Memphis	Tennessee	38103	901-526-0002

TN724	CONTINENTAL INNS OF AMERICA, 7TH & UNION	711 Union Street	Nashville	Tennessee	37219	615-242-4311
TN687	BLUEGREEN RESORTS MANAGEMENT, INC.	2628 Laurel Crest Lane	Pigeon Forge	Tennessee	37863	480-653-9266
TXA57	KIMBALL BEND OF CLEBURNE, LP	205 South Caddo Street	Cleburne	Texas	76031	817-556-3700
TX778	NEW O'BRIEN, LLC	116 Navarro Street	San Antonio	Texas	78205	210-527-1111
UT162	NBT-ERI OGDEN, LLC	2510 Washington Blvd	Ogden	Utah	84401	801-627-1900
UT182	NBT HOTEL HOLDINGS, LLC	110 West Broadway	Salt Lake City	Utah	84101	801-521-4300
VA655	THE VIRGINIAN ASSOCIATES, LLC	1500 Arlington Blvd.	Arlington	Virginia	22209	703-522-9600
VA737	BAYSIDE HOSPITALITY, LLC	3801 South Main Street	Chincoteague	Virginia	23336	757-336-3500
VA688	BLUEGREEN RESORTS MANAGEMENT	174 Horseshoe Circle	Gordonsville	Virginia	22942	480-653-9347
VA510	HARRISON VIRGINIA ATLANTIC, LLC	1101 Atlantic Avenue	Virginia Beach	Virginia	23451	757-422-5000
VA731	BLUEGREEN RESORTS MANAGEMENT, INC.	1827 Merrimac Trail	Williamsburg	Virginia	23185	480-653-9353
VA732	BLUEGREEN RESORTS MANAGEMENT, INC.	249 York Street	Williamsburg	Virginia	23185	480-653-9317
VA665	170 EAST MAIN, LLC	170 East Main Street	Wytheville	Virginia	24382	276-223-2333
WI118	ST. NORBERT COLLEGE, INC.	300 Grant Street	De Pere	Wisconsin	54115	920-403-5100
WI247	BLUEGREEN RESORTS MANAGEMENT	S944 Christmas Mountain Road	Wisconsin Dells	Wisconsin	53965	480-653-9322
WI303	BLUEGREEN RESORTS MANAGEMENT, INC.	1701 Wisconsin Dells Parkway	Wisconsin Dells	Wisconsin	53965	480-653-9260

EXHIBIT O

ASCEND FRANCHISES WHO LEFT THE SYSTEM BETWEEN JANUARY 1, 2017 AND DECEMBER 31, 2017

CO101	BOULDER HOTEL GROUP, LLC	466 Green Street	San Francisco	California	94133	415/519-1516
CT146	1595 PRE WESTPORT, LLC	1 Elmcroft Road, Suite 500	Stamford	Connecticut	06902	203/644-1522
FLB74	LONGSON PROPERTIES, LLC	6525 Collins Avenue	Miami Beach	Florida	33141	305/867-5000
FLC82	SAFETY HARBOR, FL-HOTEL AND RESORT, LLC	100 Main Street	Safety Harbor	Florida	34695	727/736-8622
IL383	COLLATERAL TRUSTEE, INC	1030 N. Clark Street, Suite 300	Chicago	Illinois	60610	312/988-0460
IL211	THE STATEHOUSE INN, LLC	101 East Adams Street	Springfield	Illinois	62701	217/528-5100
LA281	JM HOTELS, LLC	2237 N. Hullen Street, Suite 202	Metairie	Louisiana	70001	504/669-4989
LA250	JULIET HOTEL, LLC	59118 N. Pearl Drive	Slidell	Louisiana	70461	985/469-1077
MD062	MJ HARBOR HOTEL, LLC	711 Eastern Avenue	Baltimore	Maryland	21202	
NY424	342 PROPERTY, LLC	342 W. 40th Street	New York	New York	10018	732/695-3257
SD095	B.Y. DEVELOPMENT, INC	502 West Blvd	Rapid City	South Dakota	57701	605/341-0500

EXHIBIT P

FRANCHISE DISCLOSURE ACKNOWLEDGMENT FORM

Choice Hotels International, Inc. (“Choice”) and you are preparing to enter into a Franchise Agreement for a hotel operating under the Choice system. The purpose of this Acknowledgment Form is to confirm that you are making an informed investment decision and to determine whether any improper statements or promises were made to you that Choice has not authorized. Please review each of the following acknowledgments carefully and provide your initials to indicate your understanding of, and agreement with, the statements made.

1. You acknowledge and agree that you received a copy of the Franchise Disclosure Document at least 14 calendar days before you signed any agreement with Choice or made any payment to Choice.

Initial ________

2. You acknowledge and agree that you received and personally reviewed the Franchise Agreement and each of its attachments.

Initial ________

3. You acknowledge and agree that you consulted an attorney before signing the Franchise Agreement, or that you voluntarily declined to do so.

Initial ________

4. You acknowledge and agree that you understand the risks of operating a hotel under the Choice system and understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, the overall economy, and other economic and business factors.

Initial ________

5. You acknowledge and agree that no Choice employee or representative has made any statement or promise concerning the revenues, profits or earnings of a hotel operating in the Choice system that is different from or inconsistent with the information contained in the Franchise Disclosure Document.

Initial ________

6. You acknowledge and agree that no Choice employee or representative has made any promise or guaranty regarding the amount of money you may earn, the amount of revenue a hotel operating under the Choice system may generate, or the likelihood of your success.

Initial ________

7. You acknowledge and agree that no Choice employee or representative has made any statement or promise concerning the advertising, marketing, training, support service or other assistance that Choice will furnish to you that is different from or inconsistent with the information contained in the Franchise Disclosure Document.

Initial ________

8. If the Franchisee is a corporation, partnership, limited liability or other entity, you acknowledge and agree that (a) you have the authority to bind the entity for purposes of this Acknowledgment Form, and (b) you have discussed this Acknowledgment Form with all principal owners and have obtained their oral or written agreement with the statements made in this Acknowledgment Form.

Initial ________

9. You understand that this Acknowledgment Form is important to Choice and that we are relying on the accuracy and truthfulness of your acknowledgments as a condition of signing the Franchise Agreement.

Initial ________

This Acknowledgment Form is not intended to disclaim the representations we made in the Franchise Disclosure Document that we have furnished to you. This Acknowledgment Form is not intended nor will it act as a release, estoppel, or waiver of any liability incurred under the Illinois Franchise Disclosure Act or the Maryland Franchise Registration and Disclosure Law.

*   *   *

EXHIBIT Q

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Choice Hotels International, Inc. ("Choice") offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Choice or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that Choice gives you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Choice gives you this Disclosure Document at the earlier of 10 business days before the execution of any binding franchise agreement or the payment of any consideration.

If Choice does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed in Exhibit B.

Franchise Seller(s): Mark Shalala and/or ____,
Choice Hotels International, 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850, 301-592-5000.

Issuance Date: April 1, 2018

We authorize the respective agents and/or state agencies identified in Exhibit B to receive service of process for us. This Disclosure Document is for use in all states and the District of Columbia (see state Effective Dates at the beginning of this document).

I have received an Ascend disclosure document dated April 1, 2018 that included the following Exhibits: (A) State Addenda; (B) Regulatory Agencies and Registered Agents for Service of Process; (C) Audited Financial Statements; (D) the Membership Agreement, Personal Guaranty and State Addenda; (E) choiceADVANTAGE Software Terms of Use; (F) Call Forwarding Terms of Use; (G) Gift Card Enrollment Form; (H) Promissory Note; (I) Incentive Promissory Note; (J) Sample Lender Agreements; (K) Rules & Regulations Table of Contents; (L) Fair Franchising Policy; (M) Franchisee Association Information; (N) List of Current Members; (O) List of Former Members; (P) Franchise Disclosure Questionnaire; and (Q) Receipt Page.

Location in which you are interested: ____(City, State)

Date Received: _________________________

ENTITY:

Entity Name:____

Print Name:____

Title:____

Signature:____

INDIVIDUALS: All persons signing a Franchise Agreement must sign Receipt (Owners, Partners, Members)

Signature:____________________________________ Signature:____

Name: ______________________________________ Name:____

Franchisee's Copy

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Choice Hotels International, Inc. ("Choice") offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Choice or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that Choice gives you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Choice gives you this Disclosure Document at the earlier of 10 business days before the execution of any binding franchise agreement or the payment of any consideration.

If Choice does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed in Exhibit B.

Franchise Seller(s): Mark Shalala and/or ____,
Choice Hotels International, 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850, 301-592-5000.

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I have received an Ascend disclosure document dated April 1, 2018 that included the following Exhibits: (A) State Addenda; (B) Regulatory Agencies and Registered Agents for Service of Process; (C) Audited Financial Statements; (D) the Membership Agreement, Personal Guaranty and State Addenda; (E) choiceADVANTAGE Software Terms of Use; (F) Call Forwarding Terms of Use; (G) Gift Card Enrollment Form; (H) Promissory Note; (I) Incentive Promissory Note; (J) Sample Lender Agreements; (K) Rules & Regulations Table of Contents; (L) Fair Franchising Policy; (M) Franchisee Association Information; (N) List of Current Members; (O) List of Former Members; (P) Franchise Disclosure Questionnaire; and (Q) Receipt Page.

Location in which you are interested: ____(City, State)

Date Received: ________________________

ENTITY:

Entity Name:____

Print Name:____

Title:____

Signature:____

INDIVIDUALS: All persons signing a Franchise Agreement must sign Receipt (Owners, Partners, Members)

Signature:__________________________________ Signature:________________________________

Name: ____________________________________ Name:___________________________________

Choice Hotels Copy