FRANCHISE DISCLOSURE DOCUMENT

Choice Hotels International, Inc., a Delaware corporation
1 Choice Hotels Circle, Suite 400
Rockville, Maryland 20850
(301) 592-5000
https://choicehotelsdevelopment.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® ("ASCEND") hotel business.

The total investment necessary to begin the operation of a newly constructed 80-room ASCEND hotel is between $7,982,845-$10,916,825and the total investment necessary to convert a qualified existing hotel and begin operation of a 71-room ASCEND hotel is between $174,325-$1,673,545. This includes the following fees that must be paid to the franchisor or its affiliates as follows: an affiliation fee of $525 per room ($45,000 minimum); a property management system software license and systems training fee of between $10,750 and $14,750; and orientation and hospitality training fees of between $0 and $3,345 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, 2020, as amended August 3, 2020

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at Choice's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of franchised outlets.
Will my Comfort business be the only Comfort business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What is it like to be a Comfort franchisee?	Exhibits O and P list current and former franchisees. You can contact them to ask them about their experience.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location your access to customers, what sell, how you market and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise
Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution**. The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Maryland. Out-of-state mediation arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Maryland than in your own state.
2. **Renewal**. 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.
3. **Franchisor's Financial Condition**. As of December 31, 2019, Choice had $236,589,000 in current assets and had $325,888,000 in current liabilities. This means that for every dollar of liabilities due within one year, Choice had $0.73 in current assets. As of December 31, 2019, Choice had a net income of $222,878,000, but a shareholders' deficit of $23,511,000, which is primarily attributable to our repurchase of 51.1 million shares of treasury stock through December 31, 2019. You may wish to consult with your financial adviser.
4. **Territory**. 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. **Costs of System/Brand Changes**. 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. **Termination**. While the franchise agreement has a term of twenty years, the franchise agreement provides for a termination without cause by either party on the 5th,10th or 15th anniversary of the opening date.
7. **Trademark**. 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.
8. **Franchise Brokers and Referral Sources**. We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchises. A franchise broker or referral source may represent us, not you. We pay this person a fee for selling our franchises or referring you to us. You should be sure to do your own investigation of our franchises.

This disclosure document is for use in the United States and its territories. The page following Item 23 contains the Effective Dates of this Disclosure Document for each state with its own franchise registration law. Certain states may require other risks to be highlighted. Check the “State-Specific Addenda” to see whether your state requires other risks to be highlighted.

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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®, CLARION HOTEL®, CLARION INN®, CLARION INN & SUITES®, CLARION SUITES®, CLARION RESORT®, CLARION COLLECTION®, CLARION POINTE®, 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 HOTEL COLLECTION®, WOODSPRING SUITES®, and EVERHOME 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 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. In 2018, we began franchising limited-service hotels under the trademark CLARION POINTE, which offer affordable accommodations with comfortable, contemporary rooms, free high-speed internet access, and a free better-for-you breakfast.

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 at which time 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 trademark WOODSPRING SUITES 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 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 began offering EVERHOME SUITES franchises in November 2019. EVERHOME SUITES offers in the mid-scale space studio and larger one-bedroom options, all of which include a fully equipped, modern kitchen complete with a full-sized refrigerator, dishwasher, stovetop, microwave, and ample counter space. Dishes, utensils, glassware, and cookware will be provided in room for free to enable guests to cook their own meals. Small appliances, such as blenders, crock-pots, and electric indoor grills, will be available to rent at the front desk.

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.

As of December 31, 2019, there were 45 CAMBRIA hotel franchises, 1,688 QUALITY hotel franchises, 1,045 COMFORT INN and COMFORT INN & SUITES hotel franchises, 564 COMFORT SUITES hotel franchises, 169 CLARION hotel franchises, 191 ASCEND hotel franchises, 3 CLARION COLLECTION hotel franchises, 6 CLARION POINTE hotel franchises, 402 SLEEP INN and SLEEP INN & SUITES hotel franchises, 600 RODEWAY INN hotel franchises, 807 ECONO LODGE hotel franchises, 73 MAINSTAY SUITES hotel franchises,60 SUBURBAN franchises, 268 WOODSPRING SUITES hotel franchises, 0 EVERHOME SUITES, and 2 VALUE PLACE hotel franchises open in the United States. Choice also currently owns 5 Cambria hotel franchises pursuant to transactions that closed on July 23, 2019 and August 6, 2019.

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 franchise 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.

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.

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 Brands: Janis Cannon

Ms. Cannon has been Senior Vice President, Upscale Brands since April 2015. She was Vice President & Global Brand Leader of InterContinental Hotels Group PLC in Atlanta, Georgia from July 2005 to March 2015.

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.

Chief Commercial Officer: Robert McDowell

Mr. McDowell has been Chief Commercial Officer for Choice Hotels International since May 2016. He was Senior Vice President, Marketing and Distribution from January 2011 to April 2016.

Senior Vice President, Enterprise Operations and Technology: John Bonds

Mr. Bonds has been Senior Vice President, Enterprise Operations and Technology since September 2017. He was Senior Vice President, Strategy & Services from December 2012 to August 2017.

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.

Vice President, Owner and Portfolio Strategy: Timothy R. Shuy

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

Vice President, Upscale Operations: Terri Ryan

Ms. Ryan has been Vice President, Upscale Operations since October 2018. She was Senior Vice President of Crestline Hotels and Resorts, LLC in Fairfax, Virginia from October 2012 to October 2018.

Senior Vice President, Upscale Brands Development: Mark Shalala

Mr. Shalala has been Senior Vice President, Upscale Brands Development since January 2020. He was Vice President, Upscale Brands Development from January 2017 to December 2019. He was Vice President, Development from March 2015 to December 2016. 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, 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.

Vice President, Extended Stay Brands: Keith Jones

Mr. Jones has been Vice President, Extended Stay Brands since January 2020. Previously he was Regional Vice President of Development from February 2018 to January 2020. He was Vice President of Development-WoodSpring Hotels from January 2013 to February 2018.

Vice President, Brand Management, Design and Commerce: Megan Brumagim

Ms. Brumagim has been Vice President, Brand Management, Design and Commerce since July 2019. Previously, she was Senior Director, Signature Brands for Choice Hotels from September 2017 to June 2019. She was Senior Director & Head of Domestic Brand Management, Comfort Hotels from April 2015 to September 2017.

Senior Vice President, Extended Stay Development: Ron Burgett

Mr. Burgett has been Senior Vice President, Extended Stay Development since January 2020. Previously, Mr. Burgett was Vice President, Franchise Development, WoodSpring from February 2018 to January 2020. He was Executive Vice President, Brand Development for WoodSpring Hotels Holdings, LLC in Topeka, Kansas from January 2014 to February 2018.

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.

Vice President, Extended Stay Brand Operations and Strategy: Anna Scozzafava

Ms. Scozzafava has been Vice President of Extended Stay Brand Operations and Strategy since June 2019. Previously, she was Vice President of Strategy and Planning from November 2017 to June 2019. She was Senior Director of Strategy and Planning from July 2016 to October 2017 and was Director of Corporate Strategy from January 2014 through June 2016.

Vice President, Franchise Services: Curtis Osekowsky

Mr. Osekowsky has been Vice President, Franchise Services since February 2018. He was Regional Vice President of Radisson Hotel Group in Minnetonka, Minnesota from April 2016 to February 2018 and was Regional Director of Carlson Rezidor Hotel Group in Minnetonka, Minnesota from December 2004 to March 2016.

Regional Vice President, Franchise Services: Byron Bean

Mr. Bean has been Regional Vice President, Franchise Services since February 2005.

Regional Vice President, Franchise Services: Jill Burke

Ms. Burke has been Regional Vice President, Franchise Services since January 2019. She was Area Director from May 2016 to January 2019, and she was Regional Area Director from March 2013 to April 2016.

Regional Vice President, Franchise Services: Patrick J. Mandas

Mr. Mandas has been Regional Vice President, Franchise Services since January 2014.

Regional Vice President, Franchise Services: Kevin Muttart

Mr. Muttart has been Regional Vice President, Franchise Services since January 2014.

Vice President, Franchise Development: Brian Parker

Mr. Parker has been Vice President, Franchise Development since January 2020. He was Regional Vice President, Franchise Sales from January 2012 to December 2019.

Senior Vice President, Franchise Development: Jason Cowan

Mr. Cowan has been Senior Vice President, Franchise Development since January 2020. Previously, he was Regional Vice President, Franchise Development from May 2018 to January 2020. He was Regional Vice President, Franchise Sales from January 2012 to April 2018.

Vice President, Franchise Development: Thomas P. Bernardo

Mr. Bernardo has been Vice President, Franchise Development since January 2020. Previously, he was Regional Vice President, Franchise Development from May 2018 to January 2020. He was Regional Vice President, Franchise Sales from February 2013 to May 2018. He has been owner of Giammarco's Italian Restaurant in Westerville, Ohio since 2003.

Vice President, Franchise Development: Nick DePaolo

Mr. DePaolo has been Vice President, Franchise Development since January 2020. He was Regional Vice President, Franchise Development from May 2018 to January 2020. He was Vice President, Franchise Sales from January 2017 to April 2018, and was Director, Franchise Sales from April 2008 to December 2016.

Vice President, Franchise Development: Scott Andrews

Mr. Andrews has been Vice President, Franchise Development since July 2019. Previously, Mr. Andrews was Regional Vice President, Franchise Development of Wyndham Hotels and Resorts in Parsippany, New Jersey from June 2006 to June 2019

Vice President of Hotel Development – Ascend Hotel Collection: Pete Metzger

Mr. Metzger has been Vice President of Hotel Development-Ascend Hotel Collection since January 2020. Previously, he was Regional Vice President Ascend Collection Development – Ascend Hotel Collection from May 2018 to January 2020. He was Director of Development for Choice Hotels International from January 2013 to August 2018.

Vice President, Franchise Development: Robert O'Leary

Mr. O'Leary has been Vice President, Franchise Development since February 2018 to the present. Previously, Mr. O'Leary was Vice President of WoodSpring in Wichita, Kansas (previously known as Value Place) from January 2015 to February 2018.

Vice President, Franchise Development: Anthony Goldstein

Mr. Goldstein has been Vice President, Franchise Development since January 2020. Previously, he was Regional Vice President, Franchise Development from May 2018 to January 2020. He was Regional Vice President, Franchise Sales from July 2017 to April 2018 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.

Vice President, Franchise Development: Sonia Egyhazy

Ms. Egyhazy has been Vice President, Franchise Development since December 2018. She was Director of Development from December 2014 to December 2018.

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, Onboarding Services: Colleen Kruse

Ms. Kruse has been Senior Director, Onboarding Services since January 2020. Previously, Ms. Kruse was Director, Franchise Development Operations from January 2015 to January 2020. Ms. Kruse was Manager, Franchise Sales and Applications from January 2012 to January 2015.

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 Executive Vice President and Chief Marketing Officer of E*Trade Financial Corporation in New York, New York from May 2013 to February 2015.

Director: Maureen Sullivan

Ms. Sullivan has been a Director since November 2018. She has been Chief Operating Officer of Rent the Runway, Inc. in New York, New York since September 2015 and she was President of AOL.com and Lifestyle Brands in New York, New York from April 2009 to September 2015.

ITEM 3

LITIGATION

I. PENDING LITIGATION AND ARBITRATION DEMANDS

(1) Sender Kohl v. Choice Hotels International, Inc.
In the United States District Court for the Southern District of Florida, Fort Lauderdale Division, Case #0:18-cv-62597
American Arbitration Association, Case #01-19-0000-1797

On October 29, 2018, Sender Kohl filed an action against Choice Hotels International, Inc. seeking damages in an unspecified amount. The complaint alleges breach of contract, breach of the implied covenant of good faith and fair dealing, fraud and material misrepresentations. In December 2018, the court action was stayed pending arbitration, pursuant to the terms of the franchise agreement, which was filed in January 2019. An arbitration hearing has been scheduled in this matter for June 1, 2020 through June 5, 2020 and July 13, 2020 through July 17, 2020.

(2) JAI SAI BABA LLC et al. v. CHOICE HOTELS INTERNATIONAL et al.
United States, Eastern District of Pennsylvania, Case No. 2:20-cv-02823, June 12, 2020

On June 12, 2020 (amended on July 15, 2020), approximately ninety current and former franchise owners that own and operate one or more Choice branded hotels ("Plaintiffs") filed suit against Choice Hotels ("Choice") and Choice Hotels Owner Council ("CHOC") (Choice and CHOC collectively referred to as "Defendants"). In the complaint, the Plaintiffs allege that the Defendants engaged in discriminatory and anti-competitive practices and violated the Racketeer Influenced and Corrupt Organizations Act, the Sherman Act, the Civil Rights Act, and various state franchise laws. Additionally, the Defendants have claimed that Choice is in in breach of contract, has breached the implied duty of good faith and fair dealing and committed common law fraud. The Plaintiffs are seeking unspecified actual damages, punitive damages, consequential and/or compensatory damages, attorneys' fees, costs and interest, a declaratory judgment that certain allegedly unconscionable provisions are unenforceable, an accounting of all fees paid by Plaintiffs, an order for restitution and the rescission of Maryland franchise agreements, a declaratory judgment that some or all franchise agreements are terminated, and certain permanent injunctive relief. On July 29, 2020, Choice filed a motion to stay the litigation and compel arbitration.

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
RKHTK, LLC, and Ron Davis	Circuit Court for Montgomery County, Maryland	461305V	January 3, 2019
Aashay Hospitality, LLC, Vivek Mehta, Nemesh Desai and Samir Desai	American Arbitration Association	01-19-0000-1012	January 10, 2019

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Argyle Waterfalls Development, LLC, Garry Olsen, Chris Spraragen and Tom Vataj	American Arbitration Association	01-19-0000-1749	January 16, 2019
AHI Group, LLC, Charanjit Singh and Kulwant Singh	American Arbitration Association	01-19-0000-1751	January 16, 2019
Henrose, Inc., Satkaval, Inc. and Mulraj Gandhi	American Arbitration Association	01-19-0000-1989	January 17, 2019
KCM Bhakta Motel Corporation, Mahesh Bhakta and Linaben M. Bhakta	United States District Court for the District of Maryland, Southern Division	8:19-cv-00285	January 25, 2019
Bharat R. Patel and Amir V. Patel	American Arbitration Association	01-19-0000-3457	January 31, 2019
Columbus Hotel Developers, Inc. and Michael A. Dora	American Arbitration Association	01-19-0000-3362	January 31, 2019
LR Mody Investments, LLC and Ratnakar Mody	United States District Court for the District of Maryland, Southern Division	8:19-00310	February 1, 2019
The Everest Hotel Group, LLC and Khanzada Khan	American Arbitration Association	01-19-0000-4818	February 12, 2019
LC Star Inv. Co., Chung Ki Choe, Hung Hong and Mun Lee	Circuit Court for Montgomery County, Maryland	463235V	February 12, 2019
Singh Lodging, Inc. and Kabal Virk	American Arbitration Association	01-19-0000-5034	February 14, 2019
Jeet, LLC, Shantaben Patel and Vinod Patel	American Arbitration Association	01-19-0000-5082	February 15, 2019
Prathamesh, LLC, Hasmukbhai Patel, Nilesh Kapadia and Nikunj Bhakta	American Arbitration Association	01-19-0000-5453	February 19, 2019
NM Hospitality Albuquerque, LLC, LAL Real Estate and Development, LLC, First Capital Real Estate Investments, LLC, Suneet Singal, Akash Lal and Praful Patel	United States District Court for the District of Maryland, Southern Division	8:19-cv-05555	February 21, 2019
Laredo Riverwalk Hospitality, LLC, Nimesh Desai, Vivek N. Mehta, Samir Desai and Kumud Mehta	United States District Court for the District of Maryland, Southern Division	8:19-cv-00463	February 22, 2019
Janam Madison Lodging, LLC and Sunita Patel	United States District Court for the District of Maryland, Southern Division	8:19-cv-00587	February 25, 2019
S & C Gulfport, LLC, So Ly and Chu Lam	United States District Court for the District of Maryland, Southern Division	8:19-cv-00588	February 25, 2019
Singh & Singh, LLC, Harmohinder Singh, Balwinder Syan, Takvinder Warraich, Balbir Warraich and Sandeep Warraich	American Arbitration Association	01-19-0000-7327	March 5, 2019

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Nishant Meraiya and Jashiben Patel	American Arbitration Association	01-19-0000-7325	March 5, 2019
Parul Makadia	American Arbitration Association	01-19-0000-8941	March 20, 2019
College Station Hotel Partners, Inc., Joga Mann, Ganta Singh, Satinder Gill, Sukmander Gill, Ajit Arora and Daljit Sindhu	American Arbitration Association	01-19-0000-9548	March 26, 2019
Jai Ambe Hospitality, LLC, Anil Gheewala and Manoj Mehta	American Arbitration Association	01-19-0000-9831	March 28, 2019
American Inn, LLC, Mamta Patel and Biju George	American Arbitration Association	01-19-0001-0543	April 4, 2019
Dan's Global Management Company, LLC, Dan's Global Hotels, LLC, Daniel C.S. Ahn and Ike B. Ahn	American Arbitration Association	01-19-0001-0544	April 4, 2019
Mina Hospitality, Inc. and Arvind Patel	Circuit Court for Montgomery County, Maryland	465555V	April 9, 2019
MAA Willcox Hospitality, LLC, Vishnu Patel, Ramesh Patel, Arvindbhai Patel and Mukesh Patel	American Arbitration Association	01-19-0001-1165	April 10, 2019
Cobleskill Enterprise, LLC, Ignatius Gomes, Parth Patel, Dharmesh Desai, Jyoti Patel, Mahesh Patel and Vivek Singhal	United States District Court for the District of Maryland, Southern Division	8:19-cv-01086	April 10, 2019
Hima-Kunal, LLC and Nishil Patel	United States District Court for the District of Maryland, Southern Division	1:19-cv-01087	April 10, 2019
Stonegate Hospitality, LLC and Syed Hussain	United States District Court for the District of Maryland, Southern Division	8:19-cv-01085	April 10, 2019
HRDMM Hospitality Services, Inc.,Imtiaz Hussain, Hana Imtiaz Chohan, Hassan Imtiaz Hussain, Ashok Kumar Kalra, Diviya Kalra, and Mamta Kalra	American Arbitration Association	01-19-0001-1400	April 11, 2019
Jermaine N. Brooks	American Arbitration Association	01-19-0001-1405	April 11, 2019
OM Capital, LLC and Dipesh K. Patel	American Arbitration Association	01-19-0001-1541	April 12, 2019
Arun Patel and Daxa Patel	Circuit Court for Montgomery County, Maryland	465989V	April 24, 2019
Aria Hotel Group, LLC, Roshan Patel and Nilesh Patel	American Arbitration Association	01-19-0001-4618	May 9, 2019
Jaimatajiclt, Inc. and Chandresh Patel	American Arbitration Association	01-19-0001-4620	May 10, 2019

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Sanela Raza and Nabile Amar	United States District Court for the District of Maryland, Southern Division	8:19-cv-01499	May 21, 2019
HPJA, LLC and Pushpaben Patel	American Arbitration Association	01-19-0001-6054	May 22, 2019
Uzzal Hossain	American Arbitration Association	01-19-0001-6793	May 28, 2019
ADI Hospitality, Inc. and Daxa Patel	American Arbitration Association	01-19-0001-7307	June 3, 2019
Parmjit Singh, Gurcharan Kaur and Harpreet Singh	American Arbitration Association	01-19-0001-7432	June 4, 2019
Hotels of Dekalb, LLC and Sanjay Patel	American Arbitration Association	01-19-0001-7431	June 4, 2019
Peralynna Properties, Inc., and David Lynn	American Arbitration Association	01-19-0001-7829	June 7, 2019
Jannat I, LLC, Chandresh M. Patel, Samir C. Patel and Hemal C. Patel	American Arbitration Association	01-19-0001-8150	June 11, 2019
Team Q Hospitality, Inc., Jason Morgan and Rajiv Johar	Circuit Court for Montgomery County, Maryland	4680000V	June 11, 2019
Golden Temple Corporation, Jujaar Singh and Avtar Singh Sanghera	United States District Court for the District of Maryland, Southern Division	8:19-cv-01716	June 12, 2019
Shiv Hotels, LLC, Blue Water Investment Dundee, LLC and Sanela Raza	United States District Court for the District of Maryland, Southern Division	8:19-cv-01717	June 12, 2019
Kledan Investments, LLC, Srinivasu Seeram, Swamy Pati and Venkata Vegasna	American Arbitration Association	01-19-0001-9044	June 18, 2019
Hancock Q Plaza, LLC, Adrian Shapiro, Alex Matov and Edward Shapiro	American Arbitration Association	01-19-0002-1352	July 9, 2019
Perry Monpara	United States District Court for the District of Maryland, Southern Division	8:19-cv-02126	July 19, 2019
Fred M. Rosendfeld	United States District Court for the District of Maryland, Southern Division	8:19-cv-02125	July 19, 2019
Tika Cheema	American Arbitration Association	01-19-0002-2765	July 22, 2019
Shiv, Inc. and Mira Chetan	American Arbitration Association	01-19-0002-3061	July 23, 2019
Super Inn of America, Inc. and Hasmukh A. Patel	American Arbitration Association	01-19-0002-3258	July 25, 2019

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Hasmukh H. Patel and Bharat H. Patel	Circuit Court for Montgomery County, Maryland	469874V	July 29, 2019
Palace Holdings, LLC, Leianna Mecham-Thrall, Dougla A. Thrall, and Alan Rappleye	Circuit Court for Montgomery County, Maryland	469875V	July 29, 2019
Laxmi Lodging, LLC, Kanaiylan Patel and Aka Patel	American Arbitration Association	01-19-0002-3955	July 31, 2019
JCV & JRR, LLC, Jiteshkumar B. Patel, and Balwantral H. Patel	Circuit Court for Montgomery County, Maryland	470262V	August 1, 2019
Victoria Tran Le	American Arbitration Association	01-19-0002-5087	August 9, 2019
Titan Fidelity Group Corporation and Reginald Jennings II	American Arbitration Association	01-19-0002-5277	August 12, 2019
High Point Hospitality, LLC, Mohan Patel and Rushabh Patel	American Arbitration Association	01-19-0002-6041	August 19, 2019
Mital Patel, Salilkumar Patel and Rina Patel	American Arbitration Association	01-19-0002-6039	August 19, 2019
Childress Gateway Enterprise, Inc., Manherial Balubhai Patel and Gita M. Patel	American Arbitration Association	01-19-0002-8529	September 9, 2019
Chula Vista Hospitality Investment, LLC, Neel Pujara and Veenay Solanki	American Arbitration Association	01-19-0002-9078	September 13, 2019
Cornerstone Hospitality, LLC, Abraham S. Lincoln, Gibi George, Indravaden Patel, P. John Lincoln, Murugan Athigaman, Anita N. Patel and Glenn Williams	American Arbitration Association	01-19-0003-0810	September 26, 2019
Innovation Hospitality Group, LLC, Mohammed Hmeidan and Ganesh Rao	American Arbitration Association	01-19-0003-0807	September 26, 2019
Manav Hospitality, Inc., Kalpesh I. Gandhi, Nitesh Gandhi and Rupam Gandhi	American Arbitration Association	01-19-0003-1352	October 2, 2019
Malisha Hotel, LLC, Dharmesh Patel, and Darshana Patel	Circuit for Montgomery County, Maryland	472855V	October 3, 2019
Valpo 786, LLC, ARC Valpo, LLC, Yaqoob Rana and Hamza Rashid	American Arbitration Association	01-19-0003-2043	October 8, 2019
ABCNY, Inc., Moris Yeroshalmi and YAD, LLC	American Arbitration Association	01-19-0003-2646	October 15, 2019
NIJANAND, INC. and Dipika Patel	American Arbitration Association	01-19-0003-2960	October 15, 2019
Hitesh Patel	American Arbitration Association	01-19-0003-3912	October 24, 2019
Blaze Holdings, LLC, Tri M. Nguyen and Ann H. Quach	American Arbitration Association	01-19-0003-3998	October 24, 2019
Arlington Lamar Investments, LLC, Oi Fai Wong and Sheryl Chan	American Arbitration Association	01-19-0004-0081	November 11, 2019
Sridh, LLC, Jignesh Patel, Chirag Patel and Jayanti Patel	American Arbitration Association	01-19-0004-1557	November 22, 2019

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Sonya Sawyer	American Arbitration Association	01-19-0004-1558	November 22, 2019
Woodbury Lodging, LLC and Diljit S. Khosa	American Arbitration Association	01-19-0004-1540	November 22, 2019
Unique Hospitality, LLC, Rajanikant Patel and Linaben Patel	American Arbitration Association	01-19-0004-4998	December 13, 2019
Bismillah, Inc. and Zarif Khan	American Arbitration Association	01-19-0004-4999	December 13, 2019

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

DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
The Everest Hotel Group, LLC and Khanzada Khan	United States District Court for the Northern District of New York – Main Office (Syracuse)	3:19-cv-01453	November 21, 2019

III. RESOLVED LITIGATION/PRIOR ACTIONS

(1) 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.

(2) 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.

(3) 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 franchisees $667,000 in damages and $533,000 in fees and other costs.

(4) 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 existing franchise agreements for other properties owned by franchisees reducing the royalty rate to 4.65% for 24 months and 4.25% for 24 months, respectively.

* * *

Other than these actions, no litigation must be disclosed in this disclosure document.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

APPLICATION AND AFFILIATION FEE

You must pay us, for the rights granted to you in the ASCEND hotel membership agreement, an affiliation fee of $525 per room, with a $45,000 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. The affiliation fee helps to cover the many costs of maintaining and developing the QUALITY brand, which includes general brand support. We will also collect a non-refundable application fee of $5,000 that will be credited towards the affiliation fee. If for any reason we do not grant you a membership, or a membership agreement is not countersigned by us, the affiliation fee, less the $5,000 application fee, 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, 2019, the affiliation fees ranged from $2,500 to $65,000 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 franchise 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 $995.

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 training fees you must pay for orientation and hospitality operations training include Our Choice Onboard training fee, which is $1,950, and our HOST training fee, which is $1,395. The cost of attending the Choice Onboard training for any subsequent attendees is 50% of the tuition (not to exceed $875) per subsequent attendee. The HOST training fee covers an operator certification program that is offered virtually, consisting of self-paced online lessons, live interactive virtual workshops, and exams. The costs for both training programs do not include the cost of travel, lodging, or meals to attend the required training programs. The total training fee is between $0 and $3,345 per person, plus travel, lodging and meals for you and your General Manager. Training consists of a 3-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.	Payable Monthly	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.	Payable 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).	Payable Monthly	We have negotiated marketing arrangements with certain online providers such as Kayak and Commission Junction and may retain a portion of this fee (approximately $3.00 per transaction) 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. This program may be changed to provide for smaller commissions on all e-commerce reservations.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Marketing Processing Fee Programs Processing Fee	$0.48 per transaction per eligible stay for Affiliate, FedRooms, GSA fees $0.12 per transaction per eligible stay for Reward Program or CHERP fees (not charged if the Commission Processing Fee is charged by Onyx).	Payable Monthly	These fees cover our administrative costs of consolidating the billing and processing disbursements for the applicable Marketing and Rewards program costs.
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).
Third Party Distribution Fee	$3.00 for each consumed reservation made through directly connected online travel agents and DerbySoft.	Payable 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 remittance is available via the online portal of our commission processing vendor, Onyx CenterSource, each Monday and payment must be submitted no later than Thursday).	$0.48 per Commissionable Transaction processing fee is applied to the Onyx remittance. 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.	Payable Monthly	This fee covers commissions for international sales agents when they book reservations for international guests staying at domestic Choice brand hotels.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
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.	Payable 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).
PROPERTY MANAGEMENT SYSTEM			
choiceADVANTAGE Support Fee	$415-$684/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 $51/month each to the support fee.
choiceADVANTAGE Database Clean Up Fee	$500.	As incurred.	This fee covers the cost to assist with updating 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.
CrowdStrike	$30-$95	Payable monthly	The fee is required for all brands and covers security software and services to help monitor, detect and prevent software-based cyber security threats.
OTHER			
Annual Convention Registration Fee	$1,115 plus travel, lodging and living expenses. The Late Registration Fee is $1,305	Annually, before Convention.	You must attend. General Manager attendance is recommended.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Educational Resources Program	$1,000 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	$995	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%.
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	$7,500.	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	$3,000.	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.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Comfort Letter Fee	$2,500.	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. You may be required to sign this agreement as a condition of receiving a loan from your lender. Attached as Exhibit Q is our current form comfort letter.
SmartRates Pricing Optimization system (or similar program) (Note 6)	$45 - $350 based on number of rooms.	Monthly.	This fee is mandatory. This software provides forecasting and pricing recommendations.
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).
Choice Privileges Elite Benefits “Reserved Parking” Signs	Approximately $25 per “Reserved Parking” sign based on number of parking signs purchased	Upon purchase of parking signs	Hotels are required to offer Choice Privileges Elite Members the on-property benefit of “Reserved Parking” spaces. Hotels are required to purchase “Reserved Parking” signs based on Rules and Regulations.
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.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Close Family Member Transfer Fee	$0-$7,500	Upon transferee's submission of application.	Upon death or disability, if you wish to transfer to a close adult family member (such as a current spouse, parent, child, sibling, grandchild or grandparent) we shall charge a fully refundable application fee not to exceed $5,000.
Ascend Member-Only Pre-Registration Fee	$250 plus travel, lodging and living expenses.	Prior to meeting (October)	All owners are required to attend this meeting. If the owner cannot attend, an owner's designee that has decision rights for the property can attend. If you attend the Regional Franchise Meeting then you are exempt from paying this fee but are still required to attend the Ascend Members-Only meeting.
Insurance Reimbursement Fee	$25,000-$100,000	As incurred	This fee applies only if you fail to procure or provide us with evidence that you maintain at least the minimum insurance required by the Franchise Agreement. The range for this fee is dependent on market conditions and a policy may fall outside of this range depending on the current market rate.
Taxes	Amount assessed by federal, state and local tax authorities	When we invoice you	You must pay an amount equal to any sales tax, gross receipt tax or similar tax imposed with respect to any payments required under the Franchise Agreement, unless the tax is credited against income tax otherwise payable to us. You shall have no obligation for any tax which is based upon the net income of us.
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.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
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)	$415 - $1,595 based on offering tier/service levels and room count.	Monthly.	Participation in the Revenue Management Program is optional. During the first year of operation, the only minimum service levels available for enrollment are Silver or higher, as further set forth in the Rules and Regulations.
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).	Payable Monthly	You may opt out of this program.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Call Forwarding Reservation Service Fees (Effective May 2020)	$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. An early exit fee of $500/month remaining in the initial term (plus a pro rata share for the remaining portion of the current month)	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 terms of use agreements for Call Forwarding Premium, Call Forwarding DiGITAL, and Call Forwarding Flex services.
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).
Additional Consultation and Services Fee	Dependent on the service requested	As incurred	We may make available to you additional consultation and services to assist you to construct, renovate, maintain, operate, and/or market the Hotel.
ChoiceAdvantage Quick Shop	$30 monthly	Payable monthly	This is a feature to improve the process for hotels that have a side shop off the front desk to sell snacks and sundries. Available only upon request.
REMEDIES AND NON-COMPLIANCE			

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
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, non-compliance with the franchise agreement or the Rules and Regulations, and non-compliance with Minimum Choice Privileges Enrollment requirements. 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 Travel, CWT, BCD 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 program and costs include: a Revenue Management Technology Solution, reporting and analytical tools, and Revenue Management Consultation. The Revenue Management service will provide these elements as a package or individually to supplement the franchisees revenue management program. The cost will be determined by the offering provided. The Revenue Management programs works in tandem with SmartRates (or similar program). SmartRates is a revenue management technology solution that provides forecasting and pricing recommendations. The cost of both programs is determined by the number of rooms in the hotel and offering/service tier. Please see the SmartRates Pricing Optimization System fee in Item 6. Monthly fees for SmartRates will be bundled with the ChoiceRM Revenue Management System monthly program fee through December 31, 2020.

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, and preferencing through the various booking channels. For consumed reservations booked through a "mega" travel agency that are commissionable, the Travel Agent and Other Reservation Based Commissions Fee and Travel Agent Centralized Commission Processing Fee apply. These payments are made through ONYX. Hotels that are not current with their travel agent fees risk suspension from the agencies booking tool.

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)	$525/room ($45,000 minimum)	Lump sum	Upon application	Us
Property Improvements (Note 4)	$71,000-$1,278,000	As incurred	Before opening	Your general contractor
Insurance (Note 5)	$2,000-$70,000	As incurred	Before opening	Your insurance carriers

TYPE OF EXPENDITURE	AMOUNT (Note 2)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Advertising	$2,500-$40,000	As incurred	Before opening	Various advertising media
Hardware to operate choiceADVANTAGE property management system	$2,875-$8,500	Lump sum	Before opening	Insight (for Dell hardware), Shift4 Payments (for EMV chip readers)
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
Orientation Fees (Note 8)	$0-$1,950	As incurred	Prior to program attendance	Us
Hospitality Operations Training Fees (Note 8)	$0 - $1,395	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)	$174,325-$1,673,545			
TOTAL COST PER ROOM (Based on 71 Rooms)	$2,455-$23,571			

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 a 71-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: Orientation and Hospitality operations training includes the cost to attend Choice Onboard orientation training and Hospitality Operations Success Training ("HOST"). Our Choice Onboard training fee is $1,950 and covers 3 days of orientation training at our headquarters in Rockville, Maryland. The costs do not include the cost of travel, lodging, or meals to attend the required training programs. Our Hospitality training includes the cost to attend Hospitality Operations Success Training ("HOST"). Our HOST training fee is $1,395 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 businesspeople 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 $995 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)	$525/room ($45,000 minimum)	Lump sum	Upon application	Us
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	$2,875-$8,500	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
Orientation Fees (Note 10)	$0-$1,950	As incurred	Prior to program attendance	Us
Hospitality Training Fee (Note 10)	$0 - $1,395	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

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT (Note 2)	WHEN DUE	TO WHOM PAYMENT IS MADE
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
TOTAL ESTIMATED INITIAL INVESTMENT (Note 14)	$7,982,845-$10,916,825			
TOTAL COST PER ROOM (Based on 80 Rooms)	$99,786-$136,460			

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 10: Orientation and Hospitality operations training includes the cost to attend Choice Onboard orientation training and Hospitality Operations Success Training ("HOST"). Our Choice Onboard training fee is $1,950 and covers 3 days of orientation training at our headquarters in Rockville, Maryland. The costs do not include the cost of travel, lodging, or meals to attend the required training programs. Our Hospitality training includes the cost to attend Hospitality Operations Success Training ("HOST"). Our HOST training fee is $1,395 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 11: 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. 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 brand standards. We currently require you to use a designated Qualified Vendor to provide your High-Speed Internet Access solution.

Note 12: 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 13: We based these estimates on our experience with hotel franchises and memberships, discussions with hotel businesspeople and recent trends in pricing from other relevant companies.

Note 14: 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 $995 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 use a designated Qualified Vendor 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, 2019, our total revenues were about $1,114.9 million. Revenues attributable to franchisee purchases were about $88.1 million, or about 7.90% of our total revenues in 2019, 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. If the principal amount of the note, or any portion of the amount, is not paid on or before the maturity date, the note will bear interest from the date on which the funds are due until paid at a default annual rate equal to eighteen percent (18%). In the event of default, you must pay all of our costs of suit and reasonable attorney's fees. The note contains no pre-payment penalty. The owners of the franchise entity may be required to sign the note personally

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).

<u>Qualifications</u>

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.

<u>Incentive</u>

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 you or the owners of the franchise entity to sign personally. 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%. If the Default Payment Amount (as defined in Exhibit I) has not been paid in full 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. 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 of $10,000 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 of $15,000 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 of $12,000 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 of $15,000 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 of $15,000.Additionally NORTHEAST BANK pays Choice $5,000 per every $200,000 in loans generated.

* * *

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. Membership Agreement, Terms and Conditions Section 6. 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 length of time between the signing of a membership agreement and the opening of a newly constructed hotel may vary depending on a number of variables and circumstances. Typically, the timetable for opening a newly constructed Ascend hotel may take between 18 and 24 months. For an existing hotel to be converted to an ASCEND hotel, 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)).

At our discretion, we may provide 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 Brand 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. (Membership Agreement, Terms and Conditions Section 4(d).)

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)).

You must undertake any remodeling, renovations, and modifications to existing improvements, necessary to modernize and conform your hotel to the Rules and Regulations or other requirements of our System as described in your franchise agreement. (Franchise Agreement, Section 6(o)).

RULES & REGULATIONS

Upon request, you may view the current Rules and Regulations at our proprietary intranet site, www.choicecentral.com. Once you become an ASCEND franchisee you will have access to these Rules and Regulations without having to request them from us. 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. You must ensure your hotel opens in accordance with your membership agreement. (Franchise Agreement Section 6(s).)

TRAINING

TRAINING PROGRAM

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

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

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Digital Performance/Local Marketing	1	None	Rockville, Maryland
Revenue Management	1	None	Rockville, Maryland
Local Sales	1	None	Rockville, Maryland
Upscale-Specific Support	1	None	Rockville, Maryland
TOTAL	24	0	

Note 1: This training is mandatory for all General Managers of new hotels, conversions and transfers to new owners and must be completed to our satisfaction. Some or all of the training may not be required if a hotel staff member has previously earned the HOST certification. Choice Onboard classes are held 5 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 General Manager must attend the Choice Onboard Orientation Program within 90 days of opening in the Choice franchise system. The then-current cost of the training classes is currently $1,950 each for two attendees from the property plus travel, lodging and meals while attending the 3-day Choice Onboard Orientation Program. Instructional materials are included. Attendance at the Choice Onboard Orientation Program is open to other members of your staff. The cost for any subsequent attendees is 50% of the tuition each at a cost not to exceed $1,000 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, videos, and job aids covering: 1) Brands 2) Quality Assurance and Compliance 3) Choice Systems and Resources 4) Distribution and Reservations 5) Reputation Management 6) Profit and Loss (P&L) 7) Crisis/Emergency Management 8) Lodging Legal Fundamentals 9) Management and Talent Skills	10	None	Any location with internet access
Live Online Virtual Workshops and related activities covering: 1) Choice Distribution 2) Reputation Management 3) Financial Management 4) Leadership Hotel Operations	12	None	Any location with internet access
Online Exams covering: 1) Operations 2) Leadership 3) Systems and Distribution 4) Brands and Compliance	3	None	Any location with internet access
TOTAL	25	0	

Note 1: It is mandatory that at least one hotel staff member who is in a managerial role and is present on the hotel premises has completed the HOST training. The cost of the training class is $1,395.

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

Note 3: At least one hotel staff member who is in a managerial role must become HOST certified within 90 days of opening or relicensing 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. As described in Item 5, the HOST requirement will be waived if a hotel staff member in a managerial role has previously completed HOST training.

* * *

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

SALES TRAINING PROGRAM (NOTES 1 AND 2)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Foundations of Sales: 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	2.5	None	Any location with internet access or at an open and operating Choice branded hotel
Advanced Sales: Self-Paced Online Modules with topics to include: 1) The Sales Process 2) Driving Weekday Sales 3) Sourcing Sales Prospects Online 4) Local Sales and Sales Blitz 5) Sales Resources 6) Practical Applications	12	None	Any location with internet access or at an open and operating Choice branded hotel
TOTAL	14.5	0	

Note 1: The Sales curriculum is optional and is designed to help hoteliers sharpen their sales skills by building a knowledge foundation, then advanced skills, and live interaction and skill practice. The fee for advanced, immersive training will not exceed $500.

Note 2: Instructors for the Sales curriculum 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
The relicense training program entitles General Managers access to six (6) training videos, covering choiceADVANTAGE, Rates Center, SmartRates and ChoiceCentral. Topics include Choice's property management system, e-brochure, hotel configuration, rates management, direct billing and company profiles, housekeeping functionality, night audit procedures, and more. Additionally, Owners and Operators are entitled to live webinar sessions called Office Hours. Office Hours allows Owners and Operators access to experienced Choice University Learning Facilitators who can provide personalized training and answer questions about their individual hotel. Office Hours will be offered every Wednesday at a set time. Each Office Hours session will be scheduled for sixty minutes. The relicense training program allows unlimited access to Office Hours.	4	None	Any location with internet access
TOTAL	4	0	

When a Choice branded hotel changes owners and the new owners sign a franchise agreement with Choice (known as a "re-licensing"), the hotel is granted access to customized training videos as well as virtual sessions where they can get their systems questions for their individual hotel answered. The training videos are made available to the relicensed hotel via ChoiceU.com. Additionally, the live sessions are delivered remotely via webinar by a Choice University Learning Facilitator. The fee for this training is $995.

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 ONLINE REMOTE IMPLEMENTATION (Notes 1, 2, and 3)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Day one • Setup and configure hardware • Guide the Property Contact through adding Future Reservations, Pre-Paid Reservations, Company Profiles, Groups and Accounts Receivable. • Rates Center overview • choiceADVANTAGE User Admin set-up/overview • Training adding users to the choiceADVANTAGE system.	None	8-10	Your Hotel
Day two • choiceADVANTAGE (beginner and advanced information) • ChoiceCentral.com (beginner and advanced information) • choiceADVANTAGE User Admin (beginner and advance information) • Understanding and using reports • Utilizing Choice resources • Guide property through balance transfers • EMV Installation • Interface installation-	None	8-12	Your Hotel
TOTAL	0	16-22	

Note 1: eLearning 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 completed in ChoiceU.com and must be completed at ChoiceU.com by the General Manager and at least one front desk agent prior to the remote installation

Note 2: choiceADVANTAGE eLearning training is a series of training modules prepared by members of our SkyTouch Technology team.

Note 3: Optional on-site choiceADVANTAGE training is available and will be held at your hotel, preferably in a meeting room and required to have High Speed Internet Access. The on-site training would be conducted by members of our SkyTouch Technology team. On-site choiceADVANTAGE training requires you to provide one free hotel room per trainer per night for the on-site training. In the event you are unable to accommodate the trainer 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 trainer's stay at a comparable neighboring hotel Training Department. The fee for optional on-site choiceADVANTAGE training is $8,000.

Remote installation works closely with the Property Contact or a person designated by the Property Contact. Attendance for the optional on-site choiceADVANTAGE system training is open to (encouraged for) all members of the property. The fee for choiceADVANTAGE remote installation and project management is $2,500. There will be a rescheduling fee of $2,100 if you need to reschedule within 14 days of the trainer travel date or if training is not completed and a trainer needs to be rescheduled to complete the systems 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 trainer travel date.

Any supplemental or replacement General Manager must also complete the ChoiceU training, 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 3 days of classroom training. Instructors for Ascend Onboard include Choice University Learning Facilitators, Franchise Services Area Directors, brand managers, members of our architectural design team, and marketing staff. 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 $1,000 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 and which we control. We do not use any of the System Fee to solicit new franchisees or members. The System 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. All franchisees contribute to the System Fee at a rate dependent on their individual franchise agreement. Company-owned outlets (if any) contribute to the System fee at the standard rate as other franchised outlets. As of February 2020, there were no company-owned outlets. 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. The System Fees are aggregated into one fund and used for marketing and reservation purposes as described above. We do not prepare audited financial statements for the fund. Upon request, we will provide an unaudited statement of the fund for the previous calendar year. We have no obligation to separate incomes or expenditures between Choice brands. 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 2019, approximately 16.1% of all System Fees collected from the Choice Franchise System was spent on media and other advertising, 8.7% on the Choice Privileges Loyalty Program, which includes national advertising (broadcast and digital), 70.0% on marketing and distribution (for example, reservations services, global sales, eCommerce, publicity, research & analytics) and 5.2% 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 -- $6,000 (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)

EMV Fee- $875 - $3,500 (payable to Shift4 Payments)

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, including programming, to be approximately $875. 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 Payments, 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 exclusive 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, CLARION POINTE, COMFORT INN, COMFORT SUITES, ECONO LODGE, EVERHOME SUITES, 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 franchise 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 RESORT COLLECTION	4467665	14-Jan-2014

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 franchise agreement permits you to use. “Choice Marks” means collectively all of our trademarks or trade names, the trademarks and trade names ASCEND®, CAMBRIA®, CLARION®, CLARION POINTE®, COMFORT®, ECONO LODGE®, MAINSTAY®, QUALITY®, RODEWAY®, SLEEP®, SUBURBAN®, WOODSPRING®, EVERHOME™, and our slogans (such as “Our Business is You®”), the names/trademarks of any Choice products, 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, feedback, 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 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 20 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 20 year term expires.
c. Requirements for you to renew or extend	Not Applicable	
d. Termination by you	Section 4	You have the right to terminate on the 5th, 10th and 15th anniversaries of the Opening Date. You may only exercise such termination rights by giving us no less than 12 months prior written notice provided you pay all fees and charges under the Membership Agreement and any other related agreements at all times during the remainder of the term. In accordance with the Membership Agreement, you must continue to remain current on all fees and charges through the date of such termination in order for your termination to be effective. Any termination in accordance with this Section 4 will not be subject to liquidated damages as provided in the Membership Agreement. If you participate in the Diversity Developer Incentive Program described in Item 10, both you and we waive our rights to terminate without cause on the 5th anniversary of the Opening Date, unless you have executed a 5 year Diversity Developer Incentive Addendum and Promissory Note. If we are in default of material obligations, you may terminate the Membership Agreement, if after 60 days written notice, we have failed to cure the default.
e. Termination by us without cause	Not Applicable	

PROVISION	SECTION IN MEMBERSHIP AGREEMENT	SUMMARY
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.
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.

PROVISION	SECTION IN MEMBERSHIP AGREEMENT	SUMMARY
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	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, subject to Maryland law.
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.

PROVISION	SECTION IN choiceADVANTAGE SOFTWARE TERMS OF USE	SUMMARY
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.
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	

PROVISION	SECTION IN choiceADVANTAGE SOFTWARE TERMS OF USE	SUMMARY
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	
v. Choice of forum	Not Applicable	
w. Choice of law	GOVERNING LAW	Maryland law applies (subject to state law) 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: 2019 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, 2019
Average Occupancy Rate	64.7%
Average Daily Rate	$135.42
Revenue per Available Room ("RevPAR")	$87.61

Total Choice Proprietary Contribution	48.6%

As of December 31, 2019, there were 191 open and operating ASCEND hotels in the United States. Of these 191 hotels, all were franchised ASCEND hotels and 78 were ASCEND hotels that met the definition of the Performance Sample. The data presented in the above table are based on the 78 hotels in the Performance Sample. For the 78 hotels that were included in the sample, 39 hotels or 50.0% met or exceeded the Average Occupancy Rate; 41 hotels or 53.0% met or exceeded the Average Daily Rate; 40 hotels or 51.0% met or exceeded the average RevPAR, and 41 hotels or 53.0% met or exceeded the Total Choice Proprietary Contribution presented. For the 78 hotels in the Performance Sample, the median Average Occupancy Rate equaled 64.8% (with a low of 38.2% and a high of 89.5%); the median Average Daily Rate equaled $136.16 (with a low of $77.94 and a high of $304.09); the median RevPAR equaled $89.10 (with a low of $37.42 and a high of $187.87); and the median Total Choice Proprietary Contribution equaled 50.1% (with a low of 10.0% and a high of 100.0%).

Table 1a: 2020 Year-to-Date Average Occupancy Rate, Average Daily Rate, RevPAR, and Total Choice Contribution for ASCEND Hotels in the 2020 Performance Sample (Notes 1, 2 and 3)

	For Year-to-Date as of June 30, 2020
Average Occupancy Rate	42.0%
Average Daily Rate	$111.79
Revenue per Available Room (“RevPAR”)	$46.94
Total Choice Proprietary Contribution	48.5%

The data presented in the above table are based on the 53 hotels in the 2020 Performance Sample. For the 53 hotels that were included in the sample, 21 hotels or 40% met or exceeded the Average Occupancy Rate; 25 hotels or 47% met or exceeded the Average Daily Rate; 25 hotels or 47% met or exceeded the average RevPAR, and 30 hotels or 57% met or exceeded the Total Choice Proprietary Contribution presented. For the 53 hotels in the Performance Sample, the median Average Occupancy Rate equaled 40.1% (with a low of 16.3% and a high of 87.0%); the median Average Daily Rate equaled $109.04 (with a low of $69.75 and a high of $284.33); the median RevPAR equaled $43.96 (with a low of $16.91 and a high of $231.23); and the median Total Choice Proprietary Contribution equaled 52.1% (with a low of 17.5% and a high of 94.1%).

Table 2: 2019 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, 2019
Net Reservations Contribution	69.3%
CRS Average Daily Rate	$139.04

For the one-year period ending December 31, 2019, reservations generated through the CRS distribution sources presented in the above table represented an average of 69.3% of gross room revenue at an Average Daily Rate of $139.04 for the 78 ASCEND hotels that met the definition of the Performance Sample. For the hotels that were included in the sample, 42 hotels or 54.0% met or exceeded the Net Reservations Contribution presented in the table above, and 42 hotels or 54.0% met or exceeded the CRS Average Daily Rate presented in the table above. For the 78 hotels in the Performance Sample, the median Net Reservations Contribution equaled 71.3% (with a low of 21.0% and a high of 100.0%); and the median CRS Average Daily Rate equaled $145.15 (with a low of $29.66 and a high of $294.92).

Table 2a: 2020 Year-to-Date Net Reservations Contribution and CRS Average Daily Rate for ASCEND Hotels in the 2020 Performance Sample (Notes 1, 2 and 3)

	For Year-to-Date as of June 30, 2020
Net Reservations Contribution	66.8%
CRS Average Daily Rate	$121.19

For the six-month period ending June 30, 2020, reservations generated through the CRS represented an average of **66.8**% of gross room revenue at an Average Daily Rate of $**121.19** for the 53 ASCEND hotels that met the definition of the 2020 Performance Sample. For the hotels that were included in the sample, **30** hotels or **57**% met or exceeded the Net Reservations Contribution, and **23** hotels or **43**% met or exceeded the CRS Average Daily Rate presented in the table above. For the 53 hotels in the 2020 Performance Sample, the median Net Reservations Contribution equaled **74.4**% (with a low of **27.6**% and a high of **100.0**%); and the median CRS Average Daily Rate equaled $**115.15** (with a low of $**70.61** and a high of $**248.71**).

Note 1: "Performance Sample" means all ASCEND branded hotels that were open and operating as of December 31, 2019, and that were franchised by Choice and operating as ASCEND, on or after January 1, 2017, excluding hotels that: (1) had reservations suspended by Choice of more than 30 consecutive days during the period beginning January 1, 2018 and ending December 31, 2019; (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, 2018 and ending December 31, 2019; (3) had no hotel room inventory changes resulting in greater than 10% fluctuation of annual available room nights during the period beginning January 1, 2019 and ending December 31, 2019; (4) repositioned from another Choice brand to the ASCEND brand since January 1, 2019; and/or (5) are a part of the Bluegreen Collection or AMResorts of ASCEND hotels. The "2020 Performance Sample" means all ASCEND branded hotels that meet the definition of Performance sample and were open and operating as a ASCEND branded hotel as of June 30, 2020.

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, 2019, 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.

Note 3: The COVID-19 pandemic and its consequences have dramatically reduced travel and demand for hotel rooms, which has had, and is expected to continue to have, a material adverse impact on our franchised hotel businesses. At its peak, 158 ASCEND hotels in the United States temporarily closed due to reduced customer demand during the pandemic. As of the date of this amended franchise disclosure document, 10 ASCEND hotels remained temporarily closed. Tables 1a and 2a have been included to demonstrate the impact of the COVID-19 pandemic during the first half of 2020.

* * *

The financial performance representations in the above Tables 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 and 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. Typically, a new hotel requires at least two years of operating experience to reach a stabilized performance.

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 the above Tables 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 2017 to 2019

Outlet Type	Year	Outlets at Start of the Year	Outlets at End of the Year)	Net Change
Franchised	2017	124	160	+36
	2018	160	173	+12
	2019	173	191	+18
Company Owned	2017	0	0	0
	2018	0	0	0
	2019	0	0	0
Total Outlets	2017	124	160	+36
	2018	160	173	+12
	2019	173	191	+18

Table No. 2
Transfers of ASCEND HOTEL COLLECTION and ASCEND RESORT COLLECTION Outlets from Franchisees to New Owners
(Other than Choice)
For Years 2017 to 2019

State	Year	Number of Transfers
Arizona	2017	1
	2018	0
	2019	0
Arkansas	2017	1
	2018	0
	2019	0
California	2017	0
	2018	0
	2019	1
Florida	2017	1

State	Year	Number of Transfers
	2018	1
	2019	0
Louisiana	2017	0
	2018	0
	2019	1
Maine	2017	0
	2018	0
	2019	1
Massachusetts	2017	0
	2018	0
	2019	1
New Hampshire	2017	0
	2018	0
	2019	2
New Jersey	2017	0
	2018	1
	2019	0
New York	2017	0
	2018	1
	2019	0
South Carolina	2017	0
	2018	0
	2019	1
Utah	2017	0
	2018	1
	2019	0
Total	2017	3
	2018	4
	2019	7

Table No. 3
Status of ASCEND HOTEL COLLECTION and ASCEND RESORT COLLECTION Franchised Outlets
For Years 2017 to 2019

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
Arizona	2017	3	0	0	0	0	0	3
	2018	3	1	0	0	0	0	4
	2019	4	2	0	0	0	0	6
Arkansas	2017	3	2	0	0	0	0	5
	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	2	3
California	2017	14	10	0	0	0	0	24
	2018	15	2	0	0	0	1	25
	2019	25	5	0	0	0	1	29
Colorado	2017	4	1	0	0	0	1	4
	2018	4	1	0	0	0	0	5
	2019	5	1	0	0	0	0	6
Connecticut	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Florida	2017	11	6	0	0	0	2	15
	2018	15	5	0	0	0	3	17
	2019	17	0	0	0	0	2	15
Georgia	2017	2	1	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	1	0	0	0	0	4
Hawaii	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	1	0	0	0	1
Illinois	2017	4	0	0	1	0	1	2
	2018	2	1	0	0	0	0	3
	2019	3	0	0	0	0	0	3
Kansas	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
	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	0	0	2
Louisiana	2017	5	2	1	1	0	0	5
	2018	5	1	0	0	0	0	6
	2019	6	2	0	0	0	0	8
Maine	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Maryland	2017	6	0	0	0	0	1	5
	2018	5	0	1	0	0	0	4
	2019	4	0	0	0	0	0	4
Massachusetts	2017	3	2	0	0	0	0	5
	2018	5	1	0	0	0	0	6
	2019	6	1	0	0	0	0	7
Michigan	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
Minnesota	2017	2	1	0	0	0	0	3
	2018	3	0	0	0	0	1	2
	2019	2	0	0	0	0	0	2
Mississippi	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	1	1	0	0	0	1
Missouri	2017	2	3	0	0	0	0	5
	2018	5	0	0	0	0	0	5
	2019	5	2	0	0	0	0	7
Montana	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	3	0	0	0	0	5
	2016	1	0	0	0	0	0	1
Nebraska	2017	1	0	0	0	0	0	1
	2018	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
	2019	1	0	0	0	0	0	1
Nevada	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	1	1
New Hampshire	2017	3	1	0	0	0	0	4
	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
New Jersey	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	2	0	0	0	0	3
New Mexico	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
New York	2017	12	4	0	0	0	1	15
	2018	15	3	0	0	0	2	16
	2019	16	3	0	0	0	2	17
North Carolina	2017	1	1	0	0	0	0	2
	2018	2	1	0	0	0	1	2
	2019	2	3	0	0	0	0	5
Ohio	2017	4	1	0	0	0	0	5
	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
Oregon	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Pennsylvania	2017	6	2	0	0	0	0	8
	2018	8	0	0	0	0	1	7
	2019	7	1	0	0	0	1	7
Rhode Island	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
South Carolina	2017	4	5	0	0	0	0	9

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
	2018	9	1	0	0	0	0	10
	2019	10	0	0	0	0	0	10
South Dakota	2017	2	0	0	0	0	1	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Tennessee	2017	3	1	0	0	0	0	4
	2018	4	1	0	0	0	0	5
	2019	5	0	0	0	0	0	5
Texas	2017	2	0	0	0	0	0	2
	2018	2	3	0	0	0	0	5
	2019	5	0	0	0	0	1	4
Utah	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Vermont	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Virginia	2017	8	0	0	0	0	0	8
	2018	8	0	0	0	0	0	8
	2019	8	0	0	0	0	0	8
Washington	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Wisconsin	2017	2	1	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
Total	2017	124	47	1	2	0	8	160
	2018	160	23	1	0	0	9	173
	2019	173	30	2	0	0	10	191

Table No. 4
Status of Company-Owned Outlets
For Years 2017 to 2019

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	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0

Table No. 5
Projected ASCEND HOTEL COLLECTION and ASCEND RESORT COLLECTION Openings as of December 31, 2019 (Note 1)

State	Membership Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in Fiscal Year 2020	Projected Company-Owned Outlets in 2020
California	7	5	0
Florida	6	4	0
Illinois	1	0	0
Kansas	2	1	0
Maryland	1	1	0
Massachusetts	2	2	0
Mississippi	1	1	0
Montana	1	1	0
New Hampshire	1	1	0
New Jersey	2	1	0
New York	8	6	0
Ohio	1	0	0
Oklahoma	1	1	0
Oregon	5	2	0
Pennsylvania	2	2	0
South Carolina	1	1	0
Tennessee	1	0	0
Texas	2	0	0
Vermont	1	1	0
Washington	1	0	0
West Virginia	1	1	0
Wisconsin	1	1	0
Total	49	32	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, 2019. 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 2019 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. In 2008, we ceased offering CLARION COLLECTION franchises and we began offering a similar concept under the name ASCEND. Our CLARION COLLECTION franchises are substantially similar to the ASCEND franchise offered in this disclosure document. For that reason, we have included the CLARION COLLECTION franchises in the preceding tables. 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, 2019.

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, 2019 to December 31, 2019 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, 2019, 2018, and 2017 are included in this disclosure document as Exhibit C.

ITEM 22

CONTRACTS

Attached as Exhibits D through J as well as Exhibit Q 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, the Comfort Letter and Franchise Disclosure Questionnaire.

ITEM 23

RECEIPT

The last two pages of this disclosure document (Exhibit R) 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
SOUTH DAKOTA
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.
3. Item 10 of the FDD is amended to provide that Balboa Capital Corporation, Access Point Financial, Ascentium Capital LLC, Northeast Bank, and Avana Capital all operate in California under a California Finance Lender license. PMC Commercial Trust holds a license issued directly by the Small Business Administration ("SBA") that allows it to make SBA 7a loans in every state, including the State of California.

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

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. Items 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).

ADDENDUM TO THE DISCLOSURE DOCUMENT FOR MICHIGAN

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; and

(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

1. The following information is added to the cover page of the Franchise Disclosure Document:

   INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

   Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

   A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

   B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

   C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

   D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from 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.

3. The following is added to the end of Item 4:

   Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (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 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

   The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), **"Requirements for you to renew or extend"** and Item 17(m) **"Conditions for our approval of transfer"**:

   However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), **"Termination by you"**:

   You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), **"Assignment of contract by us"**:

   However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), **"Choice of forum"**, and 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.

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 that 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 DISCLOSURE DOCUMENT FOR SOUTH DAKOTA

At the request of the South Dakota Securities Regulation Office, franchisee will enter into an escrow agreement with franchisor under which the initial franchise fees paid by franchisee will be escrowed until such time as franchisor performs its initial obligations and franchisee has commenced operations.

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. Subject to applicable state law, transfer or assumption fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

6. Non-compliance penalties are collectable to the extent that they are reasonable and consistent with RCW §§ 19.100.180(1), 2(h).

7. Pursuant to applicable law, liquidated damages will only be collected to the extent that they bear a reasonable relation to actual damages.

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
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
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
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
518-473-2492

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
Division of Insurance
Securities Regulation
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
651-539-1600

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
212-416-8236

NORTH DAKOTA

North Dakota Securities Department
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

Division of Insurance
Securities Regulation
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
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WASHINGTON

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

WISCONSIN

Commissioner of Securities
Department of Financial Institutions
Division of Securities
4822 Madison Yards Way, North Tower
Madison, WI 53705

EXHIBIT C

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 2, 2020 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for Choice Privileges Loyalty Program

Description of the Matter	The Company recognized $81.2 million loyalty point revenues, net of the cost of redemptions, and had a point liability and deferred revenue of $129.7 million and $60.4 million, respectively, as of December 31, 2019 associated with the Choice Privileges Loyalty Program ("Loyalty Program"). As discussed in Note 2 to the consolidated financial statements, loyalty points represent a performance obligation attributable to usage of the points, and thus revenues are recognized at the point in time when the loyalty points are redeemed by members for benefits. The liability for the Loyalty Program is developed based on an estimate of the eventual redemption rates and point values using various actuarial methods. The amount of the loyalty program fees in excess of the point liability represents deferred revenue, which is recognized to revenue as points are redeemed including an estimate of future forfeitures ("breakage"). Auditing the Loyalty Program results is complex due to: (1) the high volume of data and complexity of models used to monitor and account for the Loyalty Program results; and (2) the complexity of estimating the standalone selling price per Loyalty Program point, including the estimated redemption rate of Loyalty Program points. Such estimates are complex given the significant estimation uncertainty associated with redemption activity.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process of accounting for the Loyalty Program during the year. For example, we tested controls over management's review of the assumptions and data inputs used in the accounting model and actuarial methods to estimate the ultimate redemption rate of Loyalty Program points. To test the recognition of revenues and liabilities associated with the Loyalty Program, we included actuarial specialists on our team and performed audit procedures that included, among others, testing the clerical accuracy and consistency with US GAAP of the accounting model developed by the Company to recognize revenue and the liabilities associated with the Loyalty Program. We also tested significant inputs into the accounting model, including the estimated standalone selling price and recognition of points earned and redeemed during the period whereby we involved our actuarial specialists to assist in our testing procedures. We evaluated management's methodology for estimating the redemption rate of Loyalty Program points, as well as tested underlying data and actuarial assumptions used in estimating the ultimate redemption rate.

Asset Acquisition

Description of the Matter	During 2019, the Company acquired the remaining 60% ownership interest in four Cambria properties for net consideration of $169.0 million as disclosed in Note 25 to the financial statements. The purchase represents an asset acquisition based on the concentration of value in the acquired land and buildings. Auditing the accounting for this acquisition was complex due to: (1) the magnitude of total assets acquired and (2) the significant estimation involved in determining the relative fair value of the acquired assets.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's accounting for the acquisition. Our tests included controls over the estimation process supporting the allocation of the relative fair values to each qualifying asset. We also tested management's controls over the review of selected assumptions used in the valuation methods. For the acquisition of these assets, we read the purchase agreement, evaluated the significant assumptions and methods used in developing the fair value estimates, and tested the recognition of the assets acquired and liabilities assumed at fair value. We included valuation specialists in our team and evaluated, among other things, whether the significant assumptions used in valuing these assets were appropriate. Specifically, when evaluating assumptions related to the acquisition of each property, we assessed the operating metrics against competitive market trends, and assessed the appropriateness and sensitivity of the discount and terminal capitalization rates utilized in the valuation model. We also utilized various external sources in order to validate the land, building, site and furniture and fixtures value to determine reasonableness.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.

Tysons, Virginia
March 2, 2020

CONSOLIDATED FINANCIAL STATEMENTS

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2019	**2018**	**2017**
	(in thousands, except per share amounts)		
REVENUES:			
Royalty fees	**$ 388,151**	$ 376,676	$ 341,745
Initial franchise and relicensing fees	**27,489**	26,072	23,038
Procurement services	**61,429**	52,088	40,451
Marketing and reservation system	**577,426**	543,677	499,625
Owned hotels	**20,282**	—	—
Other	**40,043**	42,791	36,438
Total revenues	**1,114,820**	1,041,304	941,297
OPERATING EXPENSES:			
Selling, general and administrative	**168,833**	170,027	165,821
Depreciation and amortization	**18,828**	14,330	6,680
Marketing and reservation system	**579,139**	534,266	479,400
Owned hotels	**14,448**	—	—
Total operating expenses	**781,248**	718,623	651,901
Impairment of goodwill	**(3,097)**	(4,289)	—
Impairment of long-lived assets	**(7,259)**	—	—
Loss on sale of business	**(4,674)**	—	—
Gain on sale of assets, net	**100**	82	257
Operating income	**318,642**	318,474	289,653
OTHER INCOME AND EXPENSES, NET:			
Interest expense	**46,807**	45,908	45,039
Interest income	**(9,996)**	(7,452)	(5,920)
Loss on extinguishment of debt	**7,188**	—	—
Other (gain) loss	**(4,862)**	1,437	(3,229)
Equity in net loss of affiliates	**9,576**	5,323	4,546
Total other income and expenses, net	**48,713**	45,216	40,436
Income before income taxes	**269,929**	273,258	249,217
Income taxes	**47,051**	56,903	126,890
Net income	**$ 222,878**	$ 216,355	$ 122,327
Basic earnings per share:	**$ 4.00**	$ 3.83	$ 2.16
Diluted earnings per share:	**$ 3.98**	$ 3.80	$ 2.15

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,		
	2019	**2018**	**2017**
		(in thousands)	
Net income	**$ 222,878**	$ 216,355	$ 122,327
Other comprehensive income (loss), net of tax:			
Amortization of loss on cash flow hedge	**1,436**	862	862
Foreign currency translation adjustment	**(540)**	(1,609)	2,961
Other comprehensive income (loss), net of tax	**896**	(747)	3,823
Comprehensive income	**$ 223,774**	$ 215,608	$ 126,150

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
	(in thousands, except share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	**$ 33,766**	$ 26,642
Receivables (net of allowance for doubtful accounts of $18,482 and $15,905, respectively)	**141,566**	138,018
Income taxes receivable	**11,126**	10,122
Notes receivable, net of allowances	**25,404**	36,759
Other current assets	**24,727**	32,243
Total current assets	**236,589**	243,784
Property and equipment, at cost, net	**351,502**	127,535
Operating lease right-of-use assets	**24,088**	—
Goodwill	**159,196**	168,996
Intangible assets, net	**290,421**	271,188
Notes receivable, net of allowances	**103,054**	83,440
Investments, employee benefit plans, at fair value	**24,978**	19,398
Investments in unconsolidated entities	**78,655**	109,016
Deferred income taxes	**20,747**	30,613
Other assets	**97,442**	84,400
Total assets	**$ 1,386,672**	$ 1,138,370
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	**$ 73,449**	$ 73,511
Accrued expenses and other current liabilities	**90,364**	92,651
Deferred revenue	**71,594**	67,614
Liability for guest loyalty program	**82,970**	83,566
Current portion of long-term debt	**7,511**	1,097
Total current liabilities	**325,888**	318,439
Long-term debt	**844,102**	753,514
Long-term deferred revenue	**112,662**	110,278
Deferred compensation and retirement plan obligations	**29,949**	24,212
Income taxes payable	**26,147**	26,276
Operating lease liabilities	**21,270**	—
Liability for guest loyalty program	**46,698**	52,327
Other liabilities	**3,467**	37,096
Total liabilities	**1,410,183**	1,322,142
Commitments and Contingencies		
Common stock, $0.01 par value; 160,000,000 shares authorized; 95,065,638 shares issued at December 31, 2019 and December 31, 2018; 55,702,628 and 55,679,207 shares outstanding at December 31, 2019 and December 31, 2018, respectively	**951**	951
Additional paid-in-capital	**231,160**	213,170
Accumulated other comprehensive loss	**(4,550)**	(5,446)
Treasury stock, at cost; 39,363,010 and 39,386,431 shares at December 31, 2019 and December 31, 2018, respectively	**(1,219,905)**	(1,187,625)
Retained earnings	**968,833**	795,178
Total shareholders' deficit	**(23,511)**	(183,772)
Total liabilities and shareholders' deficit	**$ 1,386,672**	$ 1,138,370

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,		
	2019	2018	2017
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 222,878**	$ 216,355	$ 122,327
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**18,828**	14,330	6,680
Depreciation and amortization - marketing and reservation system	**17,294**	19,597	20,609
Franchise agreement acquisition cost amortization	**7,992**	9,239	7,191
Impairment of goodwill	**3,097**	4,289	—
Impairment of long-lived assets	**7,259**	—	—
Loss on sale of business	**4,674**	—	—
Loss on debt extinguishment	**7,188**	—	—
Gain on disposal of assets, net	**(2,103)**	(56)	(237)
Provision for bad debts, net	**8,240**	10,542	5,514
Non-cash stock compensation and other charges	**17,615**	15,986	22,857
Non-cash interest and other investment (income) loss	**(4,010)**	3,695	(772)
Deferred income taxes	**9,810**	(3,510)	57,106
Equity in net losses from unconsolidated joint ventures, less distributions received	**12,562**	7,389	6,579
Franchise agreement acquisition cost, net of reimbursements	**(38,944)**	(52,929)	(30,638)
Change in working capital and other, net of acquisition	**(21,824)**	(2,031)	40,158
Net cash provided by operating activities	**270,556**	242,896	257,374
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in property and equipment	**(57,342)**	(47,673)	(23,437)
Investment in intangible assets	**(6,699)**	(1,803)	(2,517)
Proceeds from sales of assets	**10,585**	3,053	1,000
Asset acquisition, net of cash acquired	**(168,954)**	(3,179)	—
Proceeds from sale of unconsolidated joint venture	**8,937**	—	—
Business acquisition, net of cash acquired	**—**	(231,317)	—
Payment on business disposition, net	**(10,783)**	—	—
Contributions to equity method investments	**(27,828)**	(9,604)	(50,554)
Distributions from equity method investments	**10,241**	1,429	4,569
Purchases of investments, employee benefit plans	**(3,175)**	(2,895)	(2,447)
Proceeds from sales of investments, employee benefit plans	**2,217**	2,825	2,245
Issuance of notes receivable	**(20,722)**	(36,045)	(19,738)
Collections of notes receivable	**14,231**	4,997	655
Other items, net	**(1,875)**	(1,040)	109
Net cash used in investing activities	**(251,167)**	(321,252)	(90,115)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of long term debt	**422,376**	9,037	—
Net (repayments) borrowings pursuant to revolving credit facilities	**(72,400)**	20,600	(115,003)
Principal payments on long-term debt, including premium on extinguishment	**(256,809)**	(603)	(660)
Debt issuance costs	**(3,936)**	(2,590)	—
Purchases of treasury stock	**(50,638)**	(148,679)	(9,807)
Dividends paid	**(48,089)**	(48,715)	(48,651)
(Payments on) proceeds from transfer of interest in notes receivable	**(24,409)**	173	24,237
Proceeds from exercise of stock options	**21,410**	41,360	14,107
Net cash used in financing activities	**(12,495)**	(129,417)	(135,777)
Net change in cash and cash equivalents	**6,894**	(207,773)	31,482
Effect of foreign exchange rate changes on cash and cash equivalents	**230**	(921)	1,391
Cash and cash equivalents at beginning of period	**26,642**	235,336	202,463
Cash and cash equivalents at end of period	**$ 33,766**	$ 26,642	$ 235,336

Supplemental disclosure of cash flow information:						
Cash payments during the year for:						
Income taxes, net of refunds	**$**	**41,859**	$	77,357	$	39,181
Interest, net of capitalized interest	**$**	**48,179**	$	43,254	$	42,405
Non-cash investing and financing activities:						
Dividends declared but not paid	**$**	**12,535**	$	11,977	$	12,185
Investment in property, equipment and intangibles acquired in accounts payable and accrued liabilities	**$**	**959**	$	5,949	$	1,099
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, 2016	56,299,949	$ 951	$ 159,045	$ (8,522)	$ (1,070,383)	$ 553,627	$ (365,282)
Net income	—	—	—	—	—	122,327	122,327
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)	627,272	(258,601)
Net income	—	—	—	—	—	216,355	216,355
Other comprehensive income	—	—	—	(747)	—	—	(747)
Share based payment activity	918,397	—	30,722	—	25,627	—	56,349
Dividends declared	—	—	—	—	—	(48,449)	(48,449)
Treasury purchases	(1,919,158)	—	—	—	(148,679)	—	(148,679)
Balance as of December 31, 2018	55,679,207	951	213,170	(5,446)	(1,187,625)	795,178	(183,772)
Net income	**—**	**—**	**—**	**—**	**—**	**222,878**	**222,878**
Other comprehensive income (loss)	**—**	**—**	**—**	**896**	**—**	**—**	**896**
Share based payment activity	**654,694**	**—**	**19,698**	**—**	**18,358**	**—**	**38,056**
Dividends declared	**—**	**—**	**—**	**—**	**—**	**(48,609)**	**(48,609)**
Treasury purchases	**(631,273)**	**—**	**—**	**—**	**(50,638)**	**—**	**(50,638)**
Other[(1)]	**—**	**—**	**(1,708)**	**—**	**—**	**(614)**	**(2,322)**
Balance as of December 31, 2019	**55,702,628**	**$ 951**	**$ 231,160**	**$ (4,550)**	**$ (1,219,905)**	**$ 968,833**	**$ (23,511)**

(1) Impacts of i) adoption of Topic 606 related to a foreign joint venture accounted for as an equity method investment on Retained Earnings and ii) transaction resulting in an increase in ownership of a consolidated joint venture for the construction and operation of a Cambria Hotel on Additional Paid-in-Capital.

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.

On July 23, 2019, the Company acquired the remaining interests in four operating Cambria hotels. The transaction has been accounted for as an asset acquisition and accordingly, assets and liabilities were recorded at cost and attributed to each asset class on a relative fair value basis. Refer to Note 25. As a result of this transaction and the opening of a Cambria hotel previously under development by the Company on August 1, 2019, the Company owns five open and operating Cambria hotels. The results of these hotels are primarily captured in the Owned hotels revenue and operating expense line items in the Company's consolidated statements of income.

On February 1, 2018, the Company acquired 100% of the issued and outstanding equity interest of WoodSpring Hotels Franchise Services ("WoodSpring"). 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 have been consolidated with the Company since February 1, 2018. Refer to Note 25.

Revenue Recognition

Refer to Note 2 *Revenue*.

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 $158.4 million, $141.8 million, and $114.1 million for the years ended December 31, 2019, 2018 and 2017, 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.

Assets Held for Sale

The Company considers assets to be 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 Long-Lived Assets, Intangibles, and Goodwill

The Company evaluates the potential impairment of property and equipment and other long-lived assets, including franchise rights and other definite-lived intangibles, annually or earlier upon the occurrence of an event or when other circumstances indicate 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. The fair value of intangibles and long lived assets are estimated primarily using undiscounted cash flow analyses. 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 recognized impairments on franchise sales commission assets and franchise agreement acquisition cost intangibles resulting from terminations of franchisees from the Choice system as discussed in Note 2. During the first quarter of 2019, the SaaS for vacation rentals reporting unit recognized impairment of long-lived assets as discussed in Note 6. Other than these recognized impairments, the Company did not identify any indicators of impairment of long-lived assets during the years ended December 31, 2019, 2018 and 2017.

The Company evaluates the impairment of goodwill and intangible assets with indefinite lives annually as of December 31 or earlier upon the occurrence of substantive unfavorable changes in economic conditions, industry trends, costs, cash flows, or ongoing declines in market capitalization that indicate 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 quantitative 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 quantitative impairment tests for goodwill and indefinite-lived intangibles. The Company determines the fair value of its reporting units and indefinite-lived intangibles using income and market methods.

Goodwill is allocated to the Company's reporting units, which are determined by the availability of discrete financial information relied upon by segment management. Goodwill has been allocated to two reporting units: (1) Hotel Franchising and (2) SaaS for vacation rentals. The Company performed the qualitative impairment analysis for the Hotel Franchising reporting unit, concluding that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount. As such, no impairment was recorded and a quantitative test was not required. The Company performed the quantitative test for the SaaS for vacation rentals reporting unit during the fourth quarter of 2018 and first quarter of 2019 determining that the carrying value of the reporting unit exceeded the fair value. As a result, the Company recognized a goodwill impairment of $4.3 million and $3.1 million in the fourth quarter of 2018 and first quarter of 2019, respectively. The SaaS for vacation rentals reporting unit was sold during the second quarter of 2019, resulting in the write-off of the remaining goodwill. Refer to Note 6. Other than the SaaS for vacation rental reporting unit, the Company did not record any impairment of goodwill or intangible assets with indefinite lives during the years ended December 31, 2019, 2018 and 2017.

Variable Interest Entities

In accordance with the guidance for the consolidation of variable interest entities ("VIE"), the Company analyzes its variable interests to determine if the entity in which the Company has a variable interest is a VIE. The Company's variable interests include equity investments, loans, and guaranties. The analysis includes both quantitative and qualitative consideration. For those entities determined to be VIEs, 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.

Valuation of Investments in Equity Method Investments

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.

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, 2019, 2018 and 2017 were $(0.1) million, $0.3 million, and $(3) thousand, 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, 2019 and 2018, there were no outstanding derivative positions.

Guaranties

The Company has historically issued certain guaranties to support the growth of its brands. A liability is recognized for the fair value of such guaranties upon inception of the guaranty and upon any subsequent modification, such as renewals, when the Company remains contingently liable. The fair value of a guaranty is the estimated amount at which the liability could be settled in a current transaction between willing unrelated parties. The Company evaluates these guaranties on a quarterly basis to determine if there is a probable loss requiring recognition.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* and issued subsequent amendments to the initial guidance at various points thereafter (collectively referred to as "Topic 842"). Topic 842 requires a lessee to recognize operating leases on its balance sheet by recording liabilities for its lease obligations and assets for its right-of-use ("ROU") of the underlying assets as of the lease commencement dates. This differs from prior treatment of operating leases in accordance with Accounting Standards Codification ("ASC") 840, *Leases (Topic 840)* ("Topic 840"), as operating leases were not captured on a lessee's consolidated balance sheet. Topic 842 prescribes that entities should recognize expenses on their consolidated statements of income in a manner similar to Topic 840 whereby minimum lease payments are recognized on a straight-line basis over a lease term.

The Company elected to apply the package of practical expedients that allows entities to forego reassessing at the transition date: (i) whether expired or existing contracts are or contain leases; (ii) lease classification for any expired or existing leases; and (iii) whether initial direct costs for existing leases qualify for capitalization.

Topic 842 allows entities an optional transitional method to apply the transition requirements at the effective date, rather than at the beginning of the earliest comparative period. An entity’s reporting for the comparative periods presented in the year of adoption continues to be in accordance with Topic 840, including the disclosure requirements of Topic 840. The Company adopted Topic 842 on January 1, 2019 using this optional transition method and therefore, the financial results reported in periods prior to January 1, 2019 are unchanged.

Adoption of the standard during the first quarter of 2019 resulted in the recording of operating lease ROU assets of $28.0 million and operating lease liabilities of $38.5 million as of March 31, 2019. Topic 842 did not have an impact on our consolidated statements of income. Refer to Note 20.

2. Revenue

Revenue Recognition

Revenues are primarily derived from franchise agreements with third-party hotel owners. The majority of the Company's performance obligations are a series of distinct services, as described in more detail below, for which the Company receives variable consideration through franchise fees. The Company enters into franchise agreements to provide franchisees with a limited non-exclusive license to utilize the Company's registered brand trade names and trademarks, marketing and reservation services, and other miscellaneous franchise services. These agreements typically have an initial term from 10 to 30 years, with provisions permitting franchisees or the Company to terminate the franchise agreement upon designated anniversaries of the hotel opening before the end of the initial term. An up-front initial or relicensing fee is assessed to third-party hotel owners to affiliate with our brands, which is typically paid prior to agreement execution and is non-refundable. After hotel opening, fees are typically generated based on a percentage of gross room revenues or as designated transactions and events occur (such as when a reservation is delivered to the hotel through a specified channel) and are due to the Company in the following month.

The franchise agreements are comprised of multiple performance obligations, which may require significant judgment in identifying. The primary performance obligations are as follows:

- *License of brand intellectual property and related services* ("brand intellectual property"): Grants the right to access the Company's intellectual property associated with brand trade names, trademarks, reservation systems, property management systems and related services.
- *Material rights for free or discounted goods or services to hotel guests:* Primarily consists of the points issued under the Company's guest loyalty program, Choice Privileges.
- *Point in time sale of goods:* The Company administered the delivery of chip-enabled credit card readers to its franchisees in 2017 and 2018 to aid in compliance with industry standards in exchange for a fee. Revenue was recognized at the point in time shipment was made to the franchisee within Other revenue. The Company determined the standalone selling price was equal to the amount invoiced to the franchisee.

Brand intellectual property

Fees generated from the brand intellectual property are recognized to revenue over time as hotel owners pay for access to these services for the duration of the franchise agreement. Franchise fees are typically based on the sales or usage of the underlying hotel, with the exception of fixed up-front fees that usually represent an insignificant portion of the transaction price. The variable consideration is recognizable after the completion of a hotel stay. As a result, variable transaction price is determined for the period when the underlying gross room revenues and transactions or events which generate fees are known.

Franchise fees include the following:

- *Royalty fees*. Royalty fees are earned in exchange for a license to brand intellectual property typically based on a percentage of gross room revenues. These fees are billed and collected monthly and revenues are recognized in the same period that the underlying gross room revenues are earned by the Company's franchisees.
- *Initial franchise and relicensing fees*. Initial and relicensing fees are charged when (i) new hotels enter the franchise system; (ii) there is a change of ownership; or (iii) existing franchise agreements are extended. These revenues are recognized as revenue ratably as services are provided over the enforceable period of the franchise agreement. The enforceable period is the period from hotel opening to the first point the franchisee or the Company can terminate the franchise agreement without incurring a significant penalty. Deferred revenues from initial and relicensing fees will typically be recognized over a five to ten-year period, unless the franchise agreement is terminated and the hotel exits the franchise system whereby remaining deferred amounts will be recognized to revenue in the period of termination.
- *Other revenue.* Other revenue is a combination of miscellaneous non-marketing and reservation system fees, inclusive of quality assurance, non-compliance and franchisee training fees, and is recognized in the period the designated transaction or event has occurred.

The Company's franchise agreements require the payment of marketing and reservation system fees. The Company is obligated to use these marketing and reservation system fees to provide marketing and reservation services such as advertising, providing a centralized reservation and property management system, providing reservation and revenue management services, and performing certain franchise services to support the operation of the overall franchise system. These services are comprised of multiple fees including the following:

- Fees based on a percentage of gross room revenues are recognized in the period the gross room revenue was earned, based on the underlying hotel's sales or usage.
- Fees based on the occurrence of a designated transaction or event are recognized in the period the transaction or event occurred.
- System implementation fees charged to franchisees are deferred and recognized as revenue over the enforceable period of the franchise agreement.
- Marketing and reservation system activities also include revenues generated from the Company's guest loyalty program. The revenue recognition of this program is discussed in *Material rights for free or discounted good or services to hotel guests* below.

Marketing and reservation system expenses are those expenses incurred to facilitate the delivery of marketing and reservation system services, including direct expenses and an allocation of costs for certain administrative activities required to carry out marketing and reservation services. Marketing and reservation system expenses are recognized as services are incurred or goods are received, and as such may not equal marketing and reservation system revenues in a specific period but are expected to equal revenues earned from franchisees over time. The Company's 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 and recover such advances in future periods through additional fee assessments or reduced spending.

Material rights for free or discounted good or services to hotel guests

Choice Privileges is the Company's frequent guest loyalty program, which enables members to earn points based on their spending levels with the Company's franchisees. The points, which the Company accumulates and tracks on the members' behalf, may be redeemed for free accommodations or other benefits (e.g., gift cards to participating retailers). The Company collects from franchisees a percentage of loyalty program members' gross room revenue from completed stays to operate the program. At such time points are redeemed for free accommodations or other benefits, the Company reimburses franchisees or third parties based on a rate derived in accordance with the franchise or vendor agreement.

Loyalty points represent a performance obligation attributable to usage of the points, and thus revenues are recognized at the point in time when the loyalty points are redeemed by members for benefits. The transaction price is variable and determined in the period when the loyalty points are earned and the underlying gross room revenues are known. No loyalty program revenues are recognized at the time the loyalty points are issued.

The Company is an agent in coordinating delivery of the services between the loyalty program member and franchisee or third party, and as a result, revenues are recognized net of the cost of redemptions. The estimated fair value of future redemptions is reflected in current and non-current *Liability for guest loyalty program* in our consolidated balance sheets. The liability for guest loyalty program is developed based on an estimate of the eventual redemption rates and point values using various actuarial methods. These significant judgments determine the required point liability attributable to outstanding points, which is relieved as redemption costs are processed. The amount of the loyalty program fees in excess of the point liability represents current and non-current *Deferred revenue*, which is recognized to revenue as points are redeemed including an estimate of future forfeitures ("breakage"). The anticipated redemption pattern of the points is the basis for current and non-current designation of each liability. As of December 31, 2019, the current and non-current deferred revenue balances are $38.6 million and $21.8 million, respectively. Loyalty points are typically redeemed within three years of issuance. Loyalty program point redemption revenues are recognized within marketing and reservation system revenue in the consolidated statements of income.

The Company also earns revenues on contracts incidental to the support of operations for franchised hotels, including purchasing operations.

Partnership Agreements

The Company maintains various agreements with third-party partners, including the co-branding of the Choice Privileges credit card. The agreements typically provide for use of the Company's marks, limited access to the Company's distribution channels, and sale of Choice Privileges points, in exchange for fees primarily comprising variable consideration paid each month. Choice Privileges members can earn points through participation in the partner's program.

Partnership agreements include multiple performance obligations. The primary performance obligations are brand intellectual property and material rights for free or discounted goods or services to hotel guests. Allocation of fixed and variable consideration to the performance obligations is based on standalone selling price as estimated based on market and income methods, which represent significant judgments. The amounts allocated to brand intellectual property are recognized on a gross basis over time using the output measure of time elapsed, primarily within Procurement services revenue. The amounts allocated to material rights for free or discounted goods or services to hotel guests are recognized to revenue as points are redeemed including an estimate of breakage, primarily within marketing and reservation system revenue.

Qualified Vendors

The Company generates procurement services revenues from qualified vendors. Procurement services revenues are generally based on marketing services provided by the Company on behalf of the qualified vendors to hotel owners and guests. The Company provides these services in exchange for either fixed consideration or a percentage of revenues earned by the qualified vendor pertaining to purchases by the Company's franchisees or guests. Fixed consideration is paid in installments based on a contractual schedule, with an initial payment typically due at contract execution. Variable consideration is typically paid quarterly after sales to franchisees or guests have occurred.

Qualified vendor agreements comprise a single performance obligation, which is satisfied over time based on the access afforded and services provided to the qualified vendor for the stated duration of the agreement. Fixed consideration is allocated and recognized ratably to each period over the term of the agreement. Variable consideration is determined and recognized in the period when sales to franchisees or guests from vendors are known or cash payment has been remitted. Qualified vendor revenues are recognized within Procurement services revenue.

Other

The Company is party to other non-franchising agreements that generate revenue within Other revenue in the consolidated statements of income which are primarily SaaS arrangements for non-franchised hoteliers. SaaS agreements typically include fixed consideration for installment and other initiation fees paid at contract onset, and variable consideration for recurring subscription revenue paid monthly. SaaS agreements comprise a single performance obligation, which is satisfied over time based on the access to the software for the stated duration of the agreement. Fixed consideration is allocated and recognized ratably to each period over the term of the agreement. Variable consideration is determined at the conclusion of each period, and allocated to and recognized in the current period.

Owned Hotels

The Company owned five hotels at December 31, 2019, from which the Company derives revenues. As a hotel owner, the Company has performance obligations to provide accommodations to hotel guests and, in return, the Company earns a nightly fee for an agreed upon period that is generally payable at the time the hotel guest checks out of the hotel. The Company typically satisfies the performance obligations over the length of the stay and recognizes the revenue on a daily basis, as the hotel rooms are occupied and services are rendered.

Other ancillary goods and services at owned hotels are purchased independently of the hotel stay at standalone selling prices and are considered separate performance obligations, which are satisfied at the point in time when the related good or service is provided to the guest. These primarily consist of food and beverage, incidentals and parking fees.

Contract Liabilities

Contract liabilities relate to (i) advance consideration received, such as initial franchise and relicensing fees paid when a franchise agreement is executed and system implementation fees paid at time of installation, for services considered to be part of the brand intellectual property performance obligation and (ii) amounts received when Choice Privileges points are issued but for which revenue is not yet recognized since the related points have not been redeemed.

Significant changes in the contract liabilities balances during 2019 are as follows:

		(in thousands)
Balance as of December 31, 2018	$	153,180
Increases to the contract liability balance due to cash received		101,705
Revenue recognized in the period		(91,038)
Balance as of December 31, 2019	**$**	**163,847**

Remaining Performance Obligations

The aggregate amount of transaction price allocated to unsatisfied or partially unsatisfied performance obligations is $163.8 million as of December 31, 2019. This amount represents fixed transaction price that will be recognized as revenue in future periods, which is primarily captured in the balance sheet as current and non-current deferred revenue.

Based on practical expedient elections permitted by Topic 606, the Company does not disclose the value of unsatisfied performance obligations for (i) variable consideration subject to the sales or usage-based royalty constraint or comprising a component of a series (including franchise, partnership, qualified vendor, and SaaS agreements), (ii) variable consideration for which we recognize revenue at the amount to which we have the right to invoice for services performed, or (iii) contracts with an expected original duration of one year or less.

Capitalized Franchise Agreement Costs

Sales commissions earned by Company personnel upon execution of a franchise agreement ("franchise sales commissions") meet the requirement to be capitalized as an incremental cost of obtaining a contract with a customer. Capitalized franchise sales commission are amortized on a straight-line basis over the estimated benefit period of the arrangement, unless the franchise agreement is terminated and the hotel exits the system whereby remaining capitalized amounts will be expensed in the period of termination. The estimated benefit period is the Company's estimate of the duration a hotel will remain in the Choice system. Capitalized franchise sales commissions are $55.7 million and $51.9 million within Other assets as of December 31, 2019 and 2018, respectively. Amortization expense and impairment loss for the years ended December 31, 2019, 2018 and 2017 were $10.0 million, $9.0 million and $7.8 million, respectively, and is reflected within SG&A expenses.

The Company makes certain payments to customers as an incentive to enter in to new franchise agreements ("Franchise agreement acquisition cost"). These payments are recognized as an adjustment to transaction price and capitalized as an intangible asset. Franchise agreement acquisition cost intangibles are amortized on a straight-line basis over the estimated benefit period of the arrangement as an offset to royalty fees and marketing and reservation system fees. Impairments from hotel terminations for the years ended December 31, 2019, 2018 and 2017 were $1.0 million, $0.3 million and $0.3 million, respectively, and are recorded within SG&A expenses and marketing and reservation system expenses.

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.

Disaggregation of Revenue

The following table presents our revenues by over time and point in time recognition:

	Year Ended December 31, 2019		
	Over time	**Point in time**	**Total**
Revenues:		**(in thousands)**	
Royalty fees	**$ 388,151**	**$ —**	**$ 388,151**
Initial franchise and relicensing fees	**27,489**	**—**	**27,489**
Procurement services	**58,248**	**3,181**	**61,429**
Marketing and reservation system	**499,368**	**78,058**	**577,426**
Owned hotels	**17,345**	**2,821**	**20,166**
Other	**38,860**	**141**	**39,001**
Total Topic 606 revenues	**$ 1,029,461**	**$ 84,201**	**1,113,662**
Non-Topic 606 revenues			**1,158**
			$ 1,114,820

Revenues:	Year Ended December 31, 2018 Over time	Point in time	Total
		(in thousands)	
Royalty fees	$ 376,676	$ —	$ 376,676
Initial franchise and relicensing fees	26,072	—	26,072
Procurement services	49,496	2,592	52,088
Marketing and reservation system	490,025	53,652	543,677
Other	40,360	1,058	41,418
Total Topic 606 revenues	$ 982,629	$ 57,302	1,039,931
Non-Topic 606 revenues			1,373
			$ 1,041,304

Revenues:	Year Ended December 31, 2017 Over time	Point in time	Total
		(in thousands)	
Royalty fees	$ 341,745	$ —	$ 341,745
Initial franchise and relicensing fees	23,038	—	23,038
Procurement services	38,568	1,883	40,451
Marketing and reservation system	460,749	38,876	499,625
Other	28,744	6,298	35,042
Total Topic 606 revenues	$ 892,844	$ 47,057	939,901
Non-Topic 606 revenues			1,396
			$ 941,297

Marketing and reservation system and Procurement services point in time revenues represent loyalty points redeemed by members for benefits (including with third-party partners) including adjustments to estimated redemption rates, net of the cost of redemptions of $81.2 million, $56.2 million, and $40.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Non-Topic 606 revenues represent revenue from leasing (refer to Note 20) and are presented in Owned hotels and Other revenues in the consolidated statements of income.

As presented in Note 21, the Corporate & Other segment amounts represent $30.7 million, $14.3 million, and $10.8 million for the years ended December 31, 2019, 2018 and 2017, respectively, and are included in the Over time column of Other revenues and the Owned hotels and Non-Topic 606 revenues rows. The remaining revenues relate to the Hotel Franchising segment. Royalty fees and Marketing and reservation system revenues are presented net of $1.7 million in intersegment revenues described in Note 21.

3. Other Current Assets

Other current assets consist of the following at:

	December 31, 2019	2018
	(in thousands)	
Prepaid expenses	**$ 21,016**	$ 18,412
Other current assets	**3,711**	6,831
Land held for sale	**—**	7,000
Total	**$ 24,727**	$ 32,243

Land held for sale represented a parcel of land previously acquired by the Company as part of its program to incent franchise development in strategic markets for the Company's Cambria Hotels brand. During the year ended December 31, 2019, the Company sold the parcel of land, with a book value of $7.0 million recognizing a gain on sale of $0.1 million.

4. Notes Receivable and Allowance for Losses

The Company has provided financing to franchisees in support of the development of properties in strategic markets. The Company utilizes the level of security it has in the notes receivable as its primary credit quality indicator (i.e., senior, subordinated or unsecured) when determining the appropriate allowances for uncollectible loans. 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. Interest income associated with these notes receivable is reflected in the accompanying consolidated statements of income under the caption interest income.

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 guaranties 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 guaranties that have been provided by the borrower.

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 or restructured loans that are provided a concession, 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 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. For restructured loans that are provided a concession, the Company recognizes interest as earned as long as the borrower is in compliance with the restructured loan terms. The Company assesses the adequacy of its loan reserves on a quarterly 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 establish a valuation allowance with a corresponding charge 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 following table shows the composition of the Company's notes receivable balances:

	December 31,	
	2019	**2018**
Credit Quality Indicator:	(in thousands)	
Senior	**$ 98,545**	$ 94,349
Subordinated	**32,153**	28,100
Unsecured	**2,316**	2,435
Total notes receivable	**133,014**	124,884
Allowance for losses on receivables specifically evaluated for impairment	**4,426**	4,426
Allowance for losses on non-impaired loans	**130**	259
Total loan reserves	**4,556**	4,685
Net carrying value	**$ 128,458**	$ 120,199
Current portion, net	**$ 25,404**	$ 36,759
Long-term portion, net	**103,054**	83,440
Total	**$ 128,458**	$ 120,199

The Company classifies notes receivable due within one year as current assets.

The Company determined that approximately $52.0 million and $52.1 million of its notes receivable were impaired at December 31, 2019 and 2018. The total unpaid principal balances of these impaired notes, which were current on principal and interest payments based on their restructured loan maturity terms, as of both December 31, 2019 and 2018 were $51.8 million. The Company recorded allowances for credit losses on these impaired loans totaling $4.4 million for both the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, the average notes receivable on non-accrual status was approximately $1.7 million and $1.8 million. The Company recognized approximately $2.8 million and $44 thousand of interest income on impaired loans at December 31, 2019 and 2018, respectively, on the cash basis.

The Company provided loan reserves on non-impaired loans totaling $0.1 million and $0.3 million at December 31, 2019 and 2018, respectively.

The Company has identified loans totaling approximately $16.3 million and $12.9 million, respectively, with stated interest rates that are less than market rate, representing a total discount of $1.3 million and $1.5 million, respectively, at December 31, 2019 and 2018. These discounts are reflected as a reduction of the outstanding loan amounts and are amortized over the life of the related loan.

Past due balances of notes receivable by credit quality indicators are as follows:

	30-89 days Past Due	> 90 days Past Due	Total Past Due	Current	Total Notes Receivable
			(in thousands)		
As of December 31, 2019					
Senior	**$ —**	**$ —**	**$ —**	**$ 98,545**	**$ 98,545**
Subordinated	**—**	**—**	**—**	**32,153**	**32,153**
Unsecured	**—**	**—**	**—**	**2,316**	**2,316**
	$ —	**$ —**	**$ —**	**$ 133,014**	**$ 133,014**
As of December 31, 2018					
Senior	$ —	$ —	$ —	$ 94,349	$ 94,349
Subordinated	—	—	—	28,100	28,100
Unsecured	—	—	—	2,435	2,435
	$ —	$ —	$ —	$ 124,884	$ 124,884

Variable Interest through Notes Issued

The Company has issued notes receivables to certain entities that have created variable interests in these borrowers totaling $126.5 million and $114.3 million at December 31, 2019 and 2018, 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 following table summarizes the activity related to the Company's Notes Receivable allowance for losses for the years ended December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
	(in thousands)	
Beginning balance	**$ 4,685**	$ 2,137
Provisions	**—**	2,779
Write-offs	**(129)**	(231)
Ending balance	**$ 4,556**	$ 4,685

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. In the first quarter of 2018, an additional $0.2 million was transferred for a total of $24.4 million of a $50.1 million outstanding note. 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 retained 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. In February 2019 and in connection with the Company's restructuring negotiations with the borrower, the Company mutually agreed with the counter party to repurchase the $24.4 million note receivable previously transferred prior to the maturity date. At December 31, 2019 and 2018, Other Long-Term Liabilities includes $0 and $24.4 million, pursuant to this transaction, respectively.

5. Property and Equipment

The components of property and equipment are:

	December 31,	
	2019	**2018**
	(in thousands)	
Land and land improvements	**$ 29,648**	$ 2,197
Construction in progress and software under development	**20,138**	49,920
Computer equipment and software[(1)]	**197,665**	185,191
Buildings and leasehold improvements	**229,961**	30,019
Furniture, fixtures, vehicles and equipment	**60,798**	28,937
Property and equipment, at cost	**538,210**	296,264
Less: Accumulated depreciation and amortization	**(186,708)**	(168,729)
Property and equipment, at cost, net	**$ 351,502**	$ 127,535

(1) In 2019, $4.8 million of Assets under capital lease were transferred to Computer equipment and software as a result of adopting Topic 842 and paying off the lease. The $4.8 million of Assets under capital lease for the year ended 2018 have been reclassified to conform to current year presentation.

In the third quarter of 2019, the Company completed an asset acquisition for four Cambria Hotels with a total net asset basis of $194.0 million. Reference Note 25.

As construction in progress and software development are completed and placed in service, they are transferred to appropriate property and equipment categories and depreciation begins. In the third quarter of 2019, the rehabilitation and development of a former office building into a Cambria hotel was completed and the hotel opened. Interest capitalized as a cost of property and equipment totaled $0.2 million for the years ended December 31, 2019 and 2018.

Unamortized capitalized software development costs at December 31, 2019 and 2018 totaled $45.2 million and $38.9 million, respectively. Amortization of software development costs for the years ended December 31, 2019, 2018 and 2017 totaled $9.7 million, $11.2 million, and $11.7 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, vehicles and equipment	3-10 years

Depreciation expense, excluding amounts attributable to marketing and reservation activities, for the years ended December 31, 2019, 2018 and 2017 was $9.7 million, $5.5 million and $5.2 million, respectively.

6. Goodwill, Impairment of Assets, and Loss on Sale of Business

The following table details the carrying amount of our goodwill:

	December 31,	
	2019	**2018**
	(in thousands)	
Goodwill	**$ 173,070**	$ 173,477
Accumulated impairment losses	**(7,578)**	(4,481)
Disposition	**(6,296)**	—
Net carrying amount	**$ 159,196**	$ 168,996

The following is a summary of changes in the carrying amount of goodwill:

	December 31, 2018	**Acquisitions**	**Foreign Exchange**	**Impairment**	**Disposition**	**December 31, 2019**
Hotel Franchising	**$ 159,196**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 159,196**
Other	**9,800**	**—**	**(407)**	**(3,097)**	**(6,296)**	**—**
Total	**$ 168,996**	**$ —**	**$ (407)**	**$ (3,097)**	**$ (6,296)**	**$ 159,196**

	December 31, 2017	**Acquisitions**	**Foreign Exchange**	**Impairment**	**Disposition**	**December 31, 2018**
Hotel Franchising	$ 65,813	$ 93,383	$ —	$ —	$ —	$ 159,196
Other	14,944	—	(855)	(4,289)	—	9,800
Total	$ 80,757	$ 93,383	$ (855)	$ (4,289)	$ —	$ 168,996

Goodwill has historically been allocated to two reporting units: (1) Hotel Franchising and (2) SaaS for vacation rentals ("Other" in the table above). Activity by reporting unit in the current and prior period is organized by reporting unit below.

Hotel Franchising

The Company assessed the qualitative factors attributable to the Hotel Franchising reporting unit and determined it is not more likely than not that the fair value of the reporting unit is less than its carrying amount. The Hotel Franchising reporting unit is included in the Hotel Franchising reportable segment in Note 21.

WoodSpring acquisition

On February 1, 2018, the Company acquired 100% of the issued and outstanding equity interest of WoodSpring. The acquisition resulted in an additional $93.4 million in goodwill in the Hotel Franchising reporting unit.

SaaS for vacation rentals

Fourth Quarter of 2018 evaluation

The Company acquired the SaaS for vacation rentals reporting unit on August 11, 2015 as a complementary adjacent business line to its Vacation Rentals initiative with the intention of leveraging the established SaaS based platform to acquire new customers and expand into new markets. During the period from acquisition through 2017, the performance of the reporting unit was in line with the assumptions at the time the acquisition was consummated. In the fourth quarter of 2018, the Company concluded the reporting unit did not achieve the annual revenue and customer acquisition targets. As part of the Company's long range planning process, the Company assessed the long-term prospects for the reporting unit, determining certain investments are required to maintain the growth trajectory and achieve the customer acquisition assumed at the time of the acquisition. The Company elected not to make these investments as there was no longer a strategic alignment with the Vacation Rentals initiative. In contemplation of this strategic shift in combination with lower than expected revenues and customer acquisition in 2018, the Company revised its future outlook for the reporting unit. To estimate a fair value for the reporting unit, the Company utilized a combination of market and income approach valuation methods via quoted market prices, market multiples of comparable businesses, and performance of a discounted cash flow analysis.

During 2018, the Company early adopted ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which eliminated Step 2 from the goodwill impairment test. Based on the guidance in

ASU 2017-04, the Company recognized a non-cash pre-tax impairment charge on the SaaS for vacation rentals reporting unit's goodwill in the amount by which the carrying amount exceeded fair value of $4.3 million.

Prior to performing the goodwill impairment test, the Company assessed if any indicators of impairment were present in the long-lived assets related to the SaaS for vacation rentals reporting unit, including intangible assets. We concluded the reporting unit's long-lived assets were not impaired as of December 31, 2018.

As of December 31, 2018, the $9.8 million of carrying value remaining in Other goodwill was fully attributable to the SaaS for vacation rentals reporting unit.

First Quarter of 2019 evaluation

On January 29, 2019, the Company became aware that a key customer of the SaaS for vacation rentals reporting unit provided the unit's management team with a letter purporting to terminate the customer's contract. The unit's management team asserted, and the Company believed, that the purported termination notice was not valid. The customer was contemplated in the SaaS for vacation rentals reporting unit's projected revenues, and the Company determined that the unit's receipt of the purported termination notice, even though the validity of the notice was being actively contested by the unit, represented a triggering event which required an interim reevaluation of the reporting unit's long-lived assets group and goodwill in the first quarter of 2019.

The long-lived assets of the SaaS for vacation rentals reporting unit were comprised of $4.3 million of intangible assets, $1.7 million of operating lease ROU assets, and $1.3 million of property and equipment. The long-lived asset group was determined to be at the SaaS for vacation rentals reporting unit level. Recoverability of the long-lived asset group was assessed based on net, undiscounted expected cash flows of the asset group, which were less than the carrying amount of the asset group. An impairment charge was recorded for the excess of the carrying value over the fair value of the asset group. To estimate the fair value of the long-lived asset group, the Company utilized a combination of income and market approach valuation methods via performance of a discounted cash flow analysis and quoted market prices. The Company recognized a non-cash pre-tax long-lived asset group impairment charge for the full amount of SaaS for vacation rentals long-lived assets of $7.3 million.

The carrying value of the SaaS for vacation rentals reporting unit was adjusted after the $7.3 million long-lived asset impairment. The adjusted carrying value exceeded the fair value of the reporting unit by $3.1 million, resulting in an additional non-cash pre-tax impairment charge on the SaaS for vacation rentals reporting unit's goodwill in this amount. As of March 31, 2019, the carrying value of the reporting unit's goodwill was $6.4 million.

Second Quarter of 2019 evaluation

On June 3, 2019, the SaaS for vacation rentals reporting unit was sold. As a result of costs incurred in completing the disposition and the de-recognition of net assets of the reporting unit, including the remaining goodwill of $6.3 million, the Company recognized a loss on sale of $4.7 million.

The results of the SaaS for vacation rentals reporting unit prior to the disposition are included in the Corporate & Other segment in Note 21. The impairment charges and loss on sale do not have an impact on the Company's liquidity or calculation of financial covenants under existing debt arrangements.

7. Intangible assets

The components of the Company's intangible assets are as follows:

	As of December 31, 2019			As of December 31, 2018		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
	(in thousands)					
Unamortized Intangible Assets						
Trademarks[1]	**$ 23,014**	**$ —**	**$ 23,014**	$ 23,014	$ —	$ 23,014
Amortized Intangible Assets						
Franchise Rights[2]	**190,637**	**90,280**	**100,357**	190,663	82,632	108,031
Franchise Agreement Acquisition Costs[3]	**198,352**	**41,667**	**156,685**	164,174	34,986	129,188
Trademarks[4]	**14,300**	**10,961**	**3,339**	14,055	10,562	3,493
Capitalized SaaS Licenses[5]	**10,880**	**5,261**	**5,619**	5,468	2,903	2,565
Contract Acquisition Costs[6]	**—**	**—**	**—**	5,389	1,763	3,626
Acquired Lease Rights[7]	**3,041**	**1,634**	**1,407**	2,237	966	1,271
	417,210	**149,803**	**267,407**	381,986	133,812	248,174
Total	**$ 440,224**	**$ 149,803**	**$ 290,421**	$ 405,000	$ 133,812	$271,188

(1) Represents the purchase price assigned to the WoodSpring and Suburban trademarks at acquisition. The trademarks are expected to generate future cash flows for an indefinite period of time.
(2) Represents the purchase price assigned to long-term franchise contracts. The unamortized balance relates primarily to the acquisition of the WoodSpring franchise rights. The franchise rights are being amortized over lives ranging from 12 to 20 years on a straight-line basis.
(3) Represents certain payments to customers as an incentive to enter in to new franchise agreements amortized over lives ranging from 5 to 30 years on a straight-line basis commencing at hotel opening. Refer to Note 2.
(4) Represents definite-lived trademarks generally amortized on a straight-line basis over a period of 8 to 40 years.
(5) Represents software licenses capitalized under a SaaS agreement. Amortized over a period of 3 to 5 years.
(6) Represents non-franchise customer contracts acquired in a business combination. Amortized on a straight-line basis over a period of 5 to 12 years. Impairment and subsequent sale of the SaaS for vacation rentals reporting unit in 2019 resulted in no remaining value.
(7) Represents acquired lease rights recognized in conjunction with the acquisition of an office building and owned hotels. The costs are being amortized over various terms of the leases which range from 39 months to 10 years.

Amortization expense for the years ended December 31, 2019, 2018 and 2017 amounted to $19.4 million, $19.4 million, and $9.9 million, respectively.

The estimated annual amortization expense related to the Company's amortizable intangible assets for each of the years ending December 31, 2020 through 2024 is as follows:

Year:	**(in millions)**
2020	$ 21.7
2021	$ 20.1
2022	$ 18.9
2023	$ 17.4
2024	$ 16.7

During the year ended 2019, the SaaS for vacation rentals reporting unit experienced a triggering event requiring the interim reevaluation of the reporting unit's long-lived assets group resulting in the recognition of an impairment of $7.3 million. The reporting unit was subsequently sold. Reference discussion of the impairment and sale in Note 6.

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. The Company has equity method investments in joint ventures that represent variable interest entities ("VIEs") totaling $74.4 million and $103.0 million on the consolidated balance sheets at December 31, 2019 and 2018, respectively. These investments relate to the Company's program to offer equity support to qualified franchisees to develop and operate Cambria Hotels 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 these 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, 2019, 2018 and 2017, the Company recognized losses totaling $11.3 million, $8.0 million and $7.1 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 guaranties as described in Note 24 of these financial statements.

Equity method investment ownership interests at December 31, 2019 and 2018 are as follows:

	Ownership Interest	
Equity Method Investment	**December 31, 2019**	**December 31, 2018**
Main Street WP Hotel Associates, LLC	50%	50%
FBC-CHI Hotels, LLC (2)	—%	40%
CS Hotel 30W46th, LLC	25%	25%
CS Brickell, LLC	50%	50%
CS Maple Grove, LLC (3)	—%	50%
CS Hotel West Orange, LLC	50%	50%
Hotel JV Services, LLC (1)	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. (1)	50%	50%
Pine Street Long Beach LLC	50%	50%
SY Valley Vineyard Resorts LLC	50%	50%
CS Lakeside Santa Clara LLC	50%	50%
CS Main Pleasant Hill LLC (4)	—%	50%
BL 219 Holdco, LP	50%	—%
Integrated 32 West Randolph LLC	20%	—%

(1) Non-variable interest entity investments
(2) During the third quarter of 2019, the Company redeemed the remaining 60% ownership interest in four of the hotels under the equity method investment and sold its 40% ownership interest in the fifth hotel. Following the redemption, the Company consolidated the operations of the four acquired hotels, and recognized a $6.0 million loss on the sale of the fifth hotel which is recorded in equity in net loss (income) of affiliates. The financial results of the 100% owned hotels have been consolidated in the Company's financial statements since July 23, 2019. Reference Note 25.
(3) During the second quarter of 2019, the Company sold its ownership interest in the equity method investment recognizing a gain of $1.4 million.
(4) During the fourth quarter of 2019, the Company terminated its ownership interest in the equity method investment recognizing a loss of $0.4 million.

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,		
	2019	**2018**	**2017**
		(in thousands)	
Revenues	**$ 109,896**	$ 118,324	$ 87,033
Operating income	**12,617**	11,790	8,171
Income (loss) from continuing operations	**(1,400)**	1,658	2,140
Net income (loss)	**$ (2,564)**	$ 477	$ 940

	As of December 31,	
	2019	**2018**
	(in thousands)	
Current assets	**$ 53,324**	$ 75,453
Non-current assets	**390,881**	465,361
Total assets	**$ 444,205**	$ 540,814
Current liabilities	**$ 27,583**	$ 32,234
Non-current liabilities	**261,039**	239,581
Total liabilities	**$ 288,622**	$ 271,815

9. Other Assets

Other assets consist of the following at:

	December 31,	
	2019	**2018**
	(in thousands)	
Land and buildings	**$ 29,700**	$ 29,643
Capitalized franchise sales commissions (refer to Note 2)	**55,662**	51,929
Other assets	**12,080**	2,828
Total	**$ 97,442**	$ 84,400

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 the Cambria Hotels brand and is classified as Other Assets as the real estate is not presently under active construction.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31, 2019	December 31, 2018
	(in thousands)	
Accrued compensation and benefits	**$ 41,939**	$ 42,518
Accrued interest	**12,954**	16,640
Dividends payable	**12,535**	11,977
Deferred rent and unamortized lease incentives	**—**	2,772
Termination benefits	**1,782**	744
Current operating lease liabilities	**10,099**	—
Other liabilities and contingencies	**11,055**	18,000
Total	**$ 90,364**	$ 92,651

11. Deferred Revenue

Deferred revenue consists of the following:

	December 31, 2019	December 31, 2018
	(in thousands)	
Initial franchising and relicensing fees	**$ 106,196**	$ 104,287
Loyalty programs	**60,428**	53,749
System implementation fees	**7,986**	8,764
Procurement services fees	**6,037**	7,872
Other	**3,609**	3,220
Total	**$ 184,256**	$ 177,892
Current portion	**$ 71,594**	$ 67,614
Long-term portion	**112,662**	110,278
Total	**$ 184,256**	$ 177,892

Refer to Note 2 for revenue recognition policies resulting in the deferral of revenue, including loyalty programs and the relationship between the loyalty programs deferred revenue and the liability for the guest loyalty program.

12. Other Non-Current Liabilities

Other non-current liabilities consist of the following at:

	December 31, 2019	December 31, 2018
	(in thousands)	
Deferred rent and unamortized lease incentives	**$ —**	$ 7,903
Uncertain tax positions	**3,094**	1,788
Participating interest in notes receivable (refer to Note 4)	**—**	24,409
Other liabilities	**373**	2,996
Total	**$ 3,467**	$ 37,096

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, 2019	December 31, 2018
	(in thousands)	
$400 million senior unsecured notes due 2022 with an effective interest rate of 6.0% less deferred issuance costs of $2.3 million and $3.2 million at December 31, 2019 and December 31, 2018, respectively	**$ 397,680**	$ 396,844
$250 million senior unsecured notes with an effective interest rate of 6.19% less a discount and deferred issuance costs of $0.5 million at December 31, 2018	**—**	249,489
$600 million senior unsecured credit facility with an effective interest rate of 2.76% and 3.50%, less deferred issuance costs of $2.7 million and $3.0 million at December 31, 2019 and December 31, 2018, respectively	**15,502**	87,582
$400 million senior unsecured notes due 2029 with an effective interest rate of 3.88%, less a discount and deferred issuance costs of $6.0 million at December 31, 2019	**394,039**	—
Construction loan with an effective interest rate of 6.23% and 6.70%, less deferred issuance costs of $0.6 million and $0.9 million at December 31, 2019 and December 31, 2018, respectively	**32,465**	7,652
Fixed rate collateralized mortgage with an effective interest rate of 4.57%, plus a fair value adjustment of $0.2 million and $0.4 million at December 31, 2019 and December 31, 2018, respectively	**7,511**	8,197
Economic development loans with an effective interest rate of 3.0% at December 31, 2019 and December 31, 2018, respectively	**4,416**	4,240
Other notes payable	**—**	607
Total debt	**$ 851,613**	$ 754,611
Less current portion	**7,511**	1,097
Total long-term debt	**$ 844,102**	$ 753,514

Scheduled principal maturities of debt, net of unamortized discounts, premiums and deferred issuance costs, as of December 31, 2019 were as follows:

Year Ending:	Senior Notes	Construction Loan	Revolving Credit Facility	Other Notes Payable	Total
			(in thousands)		
2020	$ —	$ —	$ —	$ 7,511	$ 7,511
2021	—	—	—	—	—
2022	397,680	32,465	—	—	430,145
2023	—	—	—	4,416	4,416
2024	—	—	15,502	—	15,502
Thereafter	394,039	—	—	—	394,039
Total payments	$ 791,719	$ 32,465	$ 15,502	$ 11,927	$ 851,613

Restated Senior Unsecured Credit Facility

On August 20, 2018, the Company entered into a Restated Credit Agreement, which amended and restated the Company's existing senior unsecured revolving credit agreement, dated July 21, 2015.

The Restated Credit Agreement increased the commitments under the credit facility to $600 million and extended the final maturity date to August 20, 2023, 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 Restated Credit Agreement. The effectiveness of such extensions is subject to the consent of the lenders under the Restated Credit Agreement and certain customary conditions. The Restated Credit Agreement also provides that up to $35 million of borrowings under the Restated Credit Agreement may be used for alternative currency loans and up to $25 million of borrowings under the Revolver may be used for swingline loans. The Company may from time to time designate one or more wholly owned subsidiaries of the Company as additional borrowers under the Restated Credit Agreement, subject to the consent of the lenders and certain customary conditions. On July 2, 2019, the Company exercised the first one-year extension option on the Restated Credit Agreement, extending the maturity date from August 20, 2023 to August 20, 2024.

There are no subsidiary guarantors under the Restated Credit Agreement. Previously, if certain subsidiaries of the Company subsequently incur certain recourse debt or become obligors in respect of certain recourse debt of the Company or certain of its other subsidiaries, the Restated Credit Agreement required such obligated subsidiaries to guarantee the Company's obligations under the Restated Credit Agreement (the "springing guarantee"). In the event that the springing guarantee was triggered under the Restated Credit Agreement the same subsidiary guarantees would be required under the 2012 and 2019 Senior Notes and certain hedging and bank product arrangements, if any, with lenders that are parties to the Restated Credit Agreement. However, on February 18, 2020, the Company amended the Restated Credit Agreement to, among other things, remove the springing guarantee and other provisions and references in the Restated Credit Agreement related to the potential existence of subsidiary guarantors.

The Company may at any time prior to the final maturity date increase the amount of the Restated Credit Agreement or add one or more term loan facilities under the Restated Credit Agreement by up to an additional $250 million in the aggregate to the extent that any one or more lenders commit to being a lender for the additional amount of such term loan facility and certain other customary conditions are met.

The Restated Credit Agreement provides that the Company may elect to have borrowings bear interest at a rate equal to (i) LIBOR plus a margin ranging from 90 to 150 basis points or (ii) a base rate plus a margin ranging from 0 to 50 basis points, in each case, with the margin determined according to the Company's senior unsecured long-term debt rating or under circumstances as set forth in the Restated Credit Agreement, the Company's total leverage ratio in the event that such total leverage ratio is less than 2.5 to 1.0.

The Restated Credit Agreement requires the Company to pay a fee on the total commitments, calculated on the basis of the actual daily amount of the commitments (regardless of usage) times a percentage per annum ranging from 0.075% to 0.25% (depending on the Company's senior unsecured long-term debt rating or under circumstances as set forth in the Restated Credit Agreement, the Company's total leverage ratio in the event that such total leverage ratio is less than 2.5 to 1.0).

The Restated 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.

The Restated Credit Agreement imposes financial maintenance covenants requiring the Company to maintain a consolidated fixed charge coverage ratio of at least 2.5 to 1.0 and a total leverage ratio of not more than 4.5 to 1.0 or, on up to two nonconsecutive occasions, 5.5 to 1.0 for up to three consecutive quarters following a material acquisition commencing with the fiscal quarter in which such material acquisition occurred. The Company currently maintains an Investment Grade Rating, as defined in the Restated Credit Agreement, and therefore is not currently required to comply with the consolidated fixed charge coverage ratio covenant.

The Restated 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 Restated Credit Agreement to be immediately due and payable. At December 31, 2019, the Company was in compliance with all financial covenants under the Restated Credit Agreement.

Debt issuance costs incurred in connection with the Restated Credit Agreement 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 proceeds of the Restated Credit Agreement 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 Restated Credit Agreement.

Senior Unsecured Notes Due 2029

On November 27, 2019, the Company issued unsecured senior notes in the principal amount of $400 million (the "2019 Senior Notes") at a discount of $2.4 million, bearing a coupon of 3.70% with an effective rate of 3.88%. The 2019 Senior Notes will mature on December 1, 2029, with interest to be paid semi-annually on December 1st and June 1st. The Company used the net proceeds of this offering, after deducting underwriting discounts, commissions and other offering expenses, to repay the 2010 Senior Notes (referenced below) and for working capital and other general corporate purposes.

Bond discounts and debt issuance costs incurred in connection with the 2019 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 2019 Senior Notes, in whole or in part, at its option at the applicable redemption price before they mature. If the Company redeems the 2019 Senior Notes prior to September 1, 2029 (three months prior to the maturity date) (the “Par Call Date”), the redemption price will be 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 that would have been payable had the 2019 Senior Notes matured on the Par Call Date, discounted to the redemption date on a semi-annual basis at the applicable Treasury Rate plus 30 basis points, plus accrued and unpaid interest. If the Company redeems the 2019 Senior Notes on or after the Par Call Date, the redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest.

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.

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 were scheduled to 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.

Bond discounts and debt issuance costs incurred in connection with the 2010 Senior Notes were amortized on a straight-line basis, which was not materially different than the effective interest method, through maturity. Amortization of these costs are included in interest expense in the consolidated statements of income.

On December 16, 2019, with the net proceeds from the issuance of the 2019 Senior Notes, the Company redeemed the 2010 Senior Notes prior to the maturity date of August 28, 2020. The early redemption provisions of the 2010 Senior Notes required the Company to redeem the notes at a price equal to 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. The Company paid $256.3 million to redeem the notes and recorded a loss on extinguishment of debt in the amount of $7.2 million, which included the make whole premium of $6.3 million and the write off of previously unamortized deferred financing fees and discounts.

Construction Loan

In March 2018, the Company entered into a construction loan agreement for the rehabilitation and development of a former office building into a hotel through a consolidated joint venture with a commercial lender, which is secured by the building. The construction loan can be drawn up to $34.9 million, bears an interest rate at LIBOR plus a margin of 435 basis points and has a maturity date of March 28, 2022 with two one-year extension options. The Company has made certain guaranties on this construction loan, referred to in Note 24. At December 31, 2019, the Company recorded $0.9 million of capitalized interest costs. The Company incurred $0.9 million in debt issuance costs in connection with the construction loan which are amortized using the straight-line method, which is not materially different than the effective interest method, through the maturity date. Amortization of these costs is included in interest expense in the consolidated statements of income. During the third quarter of 2019, the Company completed construction of the hotel and purchased the remaining interest of the unaffiliated joint venture partner.

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 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, 2019, the Company had been fully advanced the amounts due pursuant to these agreements. 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, 2019.

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 $32.1 million and $26.1 million at December 31, 2019 and 2018, 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, 2019, 2018 and 2017 were $5.3 million, $(0.7) million, and $3.7 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 $27.1 million and $21.3 million as of December 31, 2019 and 2018, respectively, and are recorded at their fair value, based on quoted market prices. At December 31, 2019, the Company expects $2.1 million of the assets held in the trust to be distributed during the year ended December 31, 2020 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, 2019, 2018 and 2017 of $4.9 million, $(1.3) million, and $3.2 million, respectively. The Deferred Compensation Plan held no shares of the Company's common stock at December 31, 2019 and 2018.

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.

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, 2019 and 2018.

As of December 31, 2019 and 2018, 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
	(in thousands)			
December 31, 2019				
Mutual funds[1]	**$ 24,927**	**$ 24,927**	**$ —**	**$ —**
Money market funds[1]	**2,192**	**—**	**2,192**	**—**
Total	**$ 27,119**	**$ 24,927**	**$ 2,192**	**$ —**
December 31, 2018				
Mutual funds[1]	$ 19,378	$ 19,378	$ —	$ —
Money market funds[1]	1,923	—	1,923	—
Total	$ 21,301	$ 19,378	$ 1,923	$ —

[1] Included in Investments, employee benefit plans, at fair value and other current assets on the 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 Restated Credit Agreement adjust frequently based on current market rates; accordingly its carrying amount approximates fair value.

The Company believes the fair value of notes receivable approximate their carrying value, which is estimated 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 4.

The fair value of the Company's $250 million 2010 Senior Notes, $400 million 2012 Senior Notes, and $400 million 2019 Senior Notes are classified as Level 2 as the significant inputs are observable in an active market. At December 31, 2019 and 2018, the $400 million 2012 Senior Notes had an approximate fair value of $432.0 million and $415.7 million, respectively. On December 16, 2019, with the net proceeds from the 2019 Senior Notes, the Company, at its option, redeemed the 2010 Senior Notes prior to the maturity date of August 28, 2020. Refer to Note 13. At December 31, 2018, the $250 million 2010 Senior Notes had an approximate fair value of $257.0 million. At December 31, 2019, the $400 million 2019 Senior Notes had an approximate fair value of $403.4 million.

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. Income Taxes

Total income before income taxes, classified by source of income, was as follows:

	Year Ended December 31,		
	2019	2018	2017
		(in thousands)	
U.S.	**$ 259,943**	$ 251,056	$ 217,725
Outside the U.S.	**9,986**	22,202	31,492
Income from before income taxes	**$ 269,929**	$ 273,258	$ 249,217

The provision for income taxes, classified by the timing and location of payment, was as follows:

	Year Ended December 31,		
	2019	2018	2017
		(in thousands)	
Current tax expense			
Federal	**$ 31,556**	$ 48,941	$ 63,279
State	**10,154**	8,966	5,183
Foreign	**1,619**	1,471	2,000
Deferred tax (benefit) expense			
Federal	**3,380**	(1,459)	55,007
State	**1,635**	(959)	1,676
Foreign	**(1,293)**	(57)	(255)
Income taxes	**$ 47,051**	$ 56,903	$ 126,890

Net deferred tax assets consisted of:

	December 31,	
	2019	2018
	(in thousands)	
Deferred tax assets:		
Accrued compensation	**$ 13,070**	$ 12,790
Accrued expenses	**32,193**	30,721
Tax credits	**8,978**	2,438
Operating lease liabilities	**7,324**	—
Foreign net operating losses	**2,330**	2,119
Partnership interests	**—**	548
Other	**2,827**	3,033
Total gross deferred tax assets	**66,722**	51,649
Less: Valuation Allowance	**(10,840)**	(1,653)
Deferred tax assets	**55,882**	49,996
Deferred tax liabilities:		
Property, equipment and intangible assets	**(22,280)**	(17,212)
Operating lease ROU assets	**(7,324)**	—
Partnership interests	**(3,002)**	—
Other	**(2,529)**	(2,171)
Deferred tax liabilities	**(35,135)**	(19,383)
Net deferred tax assets	**$ 20,747**	$ 30,613

The Company assesses available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. On the basis of this evaluation, the Company recorded a net change to its valuation allowance of $9.2 million to bring the total valuation allowance to $10.8 million as of December 31, 2019.

As of December 31, 2019, the Company had approximately $0.9 million of net operating losses related to state tax jurisdictions. The state net operating losses are due to expire at various dates but no later than 2039. In 2019, the Company identified $11.6 million of state tax credit carryforwards due to expire at various dates but no later than 2034. The Company believes that it is more likely than not that the benefits from certain state tax credit carryforwards will not be realized. Accordingly, the Company has provided a valuation allowance of $9.0 million for these credits.

As of December 31, 2019, the Company had foreign net operating losses of $7.3 million. The Company believes that it is more likely than not that the benefits from certain foreign NOL carryforwards will not be realized. Accordingly, the Company has provided a valuation allowance of $5.6 million on the deferred tax assets related to the foreign net operating losses. Most of the remaining foreign net operating losses have an indefinite carry forward life.

The statutory United States federal income tax rate reconciles to the effective income tax rates for continuing operations as follows:

	Year Ended December 31,		
	2019	**2018**	**2017**
Statutory U.S. federal income tax rate	**21.0 %**	21.0 %	35.0 %
State income taxes, net of federal tax benefit	**3.4 %**	2.9 %	1.8 %
Benefits and taxes related to foreign operations	**(0.6)%**	(0.5)%	(3.9)%
Excess tax benefit on share-based compensation	**(1.6)%**	(1.8)%	(1.5)%
Unrecognized tax positions	**1.6 %**	(0.4)%	(0.2)%
Transition Tax imposed on unrepatriated foreign earnings	**— %**	(0.1)%	14.1 %
Write-down of net deferred tax assets due to U.S. rate change	**— %**	0.4 %	5.3 %
Tax credits	**(9.6)%**	(0.5)%	(0.3)%
Valuation allowance on tax credits	**3.6 %**	— %	— %
Other	**(0.4)%**	(0.2)%	0.6 %
Effective income tax rates	**17.4 %**	20.8 %	50.9 %

The Company's effective income tax rates from continuing operations were 17.4%, 20.8% and 50.9%, for the years ended December 31, 2019, 2018 and 2017, respectively.

The Tax Cuts and Jobs Act subjects a U.S. shareholder to a minimum tax on “global intangible low-taxed income” ("GILTI") earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740 No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI resulting from those items in the year the tax is incurred. The Company has elected to recognize the resulting tax on GILTI as a period expense in the period the tax is incurred and has incurred tax for the year ended December 31, 2018.

The effective income tax rate for the year ended December 31, 2019 was lower than the U.S. federal income tax rate of 21.0% due to tax credits recognized during the year of $11.6 million, excess tax benefits from share-based compensation, and the impact of foreign operations, partially offset by the impact of state income taxes. The effective income tax rate for the year ended December 31, 2018 was lower than the U.S. federal income tax rate of 21% due to excess tax benefits from share-based compensation and the impact of foreign operations, partially offset by the impact of state income taxes.

As of December 31, 2019, 2018, and 2017, the Company's gross unrecognized tax benefits totaled $7.7 million, $1.6 million, and $2.3 million respectively. After considering the deferred income tax accounting impact, it is expected that about $4.4 million of the total as of December 31, 2019 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:

	2019	2018	2017
		(in thousands)	
Balance, January 1	**$ 1,588**	$ 2,284	$ 2,691
Changes for tax positions of prior years	**4,633**	(861)	(16)
Increases for tax positions related to the current year	**2,084**	165	138
Settlements and lapsing of statutes of limitations	**(567)**	—	(529)
Balance, December 31	**$ 7,738**	$ 1,588	$ 2,284

It is reasonably possible that the Company's unrecognized tax benefits could decrease within the next 12 months by as much as $1.4 million due to settlements and the expiration of applicable statutes of limitations. The Company's federal income tax return for tax years 2015 and 2016 remain subject to examination by the Internal Revenue Service for a tax credit refund claim. Further, the Company's federal income tax return for tax years 2017 and 2018 also 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 2019 and 2018. The Company had $0.3 million and $0.2 million of accrued interest and penalties at December 31, 2019 and 2018, respectively.

17. Share-Based Compensation and Capital Stock

Dividends

The Company currently pays a quarterly dividend on its common stock of $0.225 per share, however the declaration of future dividends is subject to the discretion of the board of directors. The Company may not declare or make any payment if there is an existing event of default under the Restated Credit Agreement or if the payment would create an event of default.

During the year ended December 31, 2019, the Company's quarterly dividend rate was $0.215 per share for the first three quarters. In the fourth quarter of 2019, the Company's board of directors announced an increase in the quarterly dividend rate to $0.225 per share. Annual dividends declared during the year ended December 31, 2019 were $0.87 per share or $48.5 million. During the year ended December 31, 2018, the Company's quarterly dividend rate was $0.215 per share. Annual dividends declared during the year ended December 31, 2018 were $0.86 per share or $48.4 million. During the year ended December 31, 2017, the Company's quarterly dividend rate was $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, 2019, 2018 and 2017, the Company paid previously declared but unrecorded dividends totaling $0.2 million, $0.1 million, and $0.1 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 which 2.8 million shares of the Company's common stock remain available for grant as of December 31, 2019. 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 0.1 million, 0.1 million and 0.2 million options to certain employees of the Company at a fair value of approximately $2.2 million, $1.8 million and $2.1 million during the years ended December 31, 2019, 2018 and 2017, 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:

	2019	2018	2017
Risk-free interest rate	**2.46%**	2.58%	1.76%
Expected volatility	**21.49%**	21.17%	21.64%
Expected life of stock option	**4.4 years**	4.6 years	4.6 years
Dividend yield	**1.06%**	1.05%	1.42%
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)	**$ 15.84**	$ 16.27	$ 10.81

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, 2019 was $36.5 million and $24.8 million, respectively. The total intrinsic value of options exercised during the years ended December 31, 2019, 2018 and 2017 was $15.8 million, $26.4 million and $9.2 million, respectively.

The Company received $21.4 million, $41.4 million and $14.1 million in proceeds from the exercise of 0.4 million, 0.8 million and 0.4 million employee stock options during the years ended December 31, 2019, 2018 and 2017, respectively.

The following table summarizes information about stock options outstanding at December 31, 2019:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2019	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2019	Weighted Average Exercise Price
$39.01 to $48.75	148,737	1.2 years	$ 45.59	148,737	$ 45.59
$48.76 to $65.00	477,821	3.1 years	$ 56.54	338,814	$ 57.22
$65.01 to $81.55	247,337	5.7 years	$ 81.32	26,373	$ 81.55
	873,895	3.5 years	$ 61.69	513,924	$ 55.10

Restricted Stock

The following table is a summary of activity related to restricted stock grants:

	For the Year Ended December 31,		
	2019	2018	2017
Restricted shares granted	**167,731**	101,325	175,644
Weighted average grant date fair value per share	**$ 81.92**	$ 81.21	$ 61.84
Aggregate grant date fair value ($000)	**$ 13,741**	$ 8,229	$ 10,862
Restricted shares forfeited	**32,735**	46,785	30,375
Vesting service period of shares granted	**12 - 48 months**	12 - 48 months	12 - 48 months
Fair value of shares vested ($000)	**$ 10,671**	$ 8,025	$ 12,616

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 175% 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.

The following table is a summary of activity related to PVRSU grants:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Performance vested restricted stock units granted at target	**83,934**	100,919	162,523
Weighted average grant date fair value per share	**$ 81.15**	$ 81.25	$ 60.63
Aggregate grant date fair value ($000)	**$ 6,811**	$ 8,200	$ 9,853
Stock units forfeited	**18,379**	27,255	74,734
Requisite service period	**36 - 48 months**	36 - 39 months	30 - 36 months

During the years ended December 31, 2019, 2018 and 2017, PVRSUs totaling 73,242, 31,048 and 39,056, respectively, vested at a fair value of $5.5 million, $2.5 million, and $1.8 million, respectively. During the year ended December 31, 2019, an additional 1,583 units were awarded because the Company's performance exceeded the conditions provided in the awards. During the year ended December 31, 2018, PVRSU award vested at target, therefore no additional PVRSU units were awarded. During the year ended December 31, 2017, an additional 9,491 PVRSU units were awarded because the Company's performance exceeded the conditions provided in the awards.

There were no stock units forfeited from the cancellation of shares for the year ended December 31, 2019 due to the Company not achieving certain performance conditions contained in the stock awards. Stock units forfeited include the cancellation of 416, and 14,754 shares for the years ended December 2018 and 2017, respectively, since the Company did not achieve certain performance conditions contained in the stock awards.

A summary of stock-based award activity as of December 31, 2019, 2018 and 2017 and the changes during the years are presented below:

	2019						
	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, 2019	1,186,180	$ 54.13		303,765	$ 65.06	336,820	$ 63.28
Granted	141,827	$ 81.15		167,731	$ 81.92	83,934	$ 81.15
Performance-Based Leveraging*	—	$ —		—	$ —	1,583	$ 51.49
Exercised/Vested	(446,456)	$ 47.96		(126,664)	$ 60.39	(73,242)	$ 50.69
Expired	—	$ —		—	$ —	—	$ —
Forfeited	(7,656)	$ 51.49		(32,735)	$ 72.54	(18,379)	$ 72.50
Outstanding at December 31, 2019	873,895	$ 61.69	3.5 years	312,097	$ 75.23	330,716	$ 70.03
Options exercisable at December 31, 2019	513,924	$ 55.10	2.6 years				

* PVRSU units outstanding have been increased by 1,583 units during the year ended December 31, 2019, due to the Company exceeding the targeted performance conditions contained in PVRSU's granted in prior periods.

	2018						
	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, 2018	1,976,326	$ 50.80		348,876	$ 57.05	294,204	$ 56.95
Granted	109,045	$ 81.55		101,325	$ 81.21	100,919	$ 81.25
Exercised/Vested	(832,809)	$ 49.66		(99,651)	$ 55.64	(31,048)	$ 60.60
Expired	(2,018)	$ 63.47		—	$ —	—	$ —
Forfeited	(64,364)	$ 55.79		(46,785)	$ 60.40	(27,255)	$ 64.49
Outstanding at December 31, 2018	1,186,180	$ 54.13	3.5 years	303,765	$ 65.06	336,820	$ 63.28
Options exercisable at December 31, 2018	753,681	$ 49.55	2.7 years				

	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 during the year ended December 31, 2017, due to the Company exceeding the targeted performance conditions contained in PVRSUs 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 Year Ended December 31,		
(In millions)	2019	2018	2017
Stock options	**$ 2.2**	$ 2.4	$ 9.2
Restricted stock	**8.0**	6.8	9.0
Performance vested restricted stock units	**6.4**	5.8	6.7
Total	**$ 16.6**	$ 15.0	$ 24.9
Income tax benefits	**$ 4.0**	$ 3.6	$ 9.2

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, 2019 are as follows:

	Unrecognized Compensation Expense on Unvested Awards	Weighted Average Remaining Amortization Period
	(in millions)	
Stock options	$ 3.0	2.57 years
Restricted stock	15.9	2.52 years
Performance vested restricted stock units	8.7	1.83 years
Total	$ 27.6	

Share Repurchases and Redemptions

The Company purchased stock under a stock repurchase program 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, 2019, the Company repurchased 0.6 million shares of its common stock under the repurchase program at a total cost of $44.1 million. During the year ended December 31, 2018, the Company repurchased 1.8 million shares of its common stock under the repurchase program at a total cost of $141.2 million. 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. On a cumulative basis through December 31, 2019, the Company repurchased 51.1 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 $1.4 billion.

During 2019, the Company redeemed 79,603 shares of common stock at a total cost of $6.5 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 2018 and 2017, the Company redeemed 92,366 and 154,950 shares of common stock at a total cost of $7.4 million and $9.6 million, respectively. These redemptions were outside the share repurchase program initiated in June 1998.

18. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss is as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
		(in thousands)	
Foreign currency translation adjustments	**$ (4,550)**	$ (4,010)	$ (2,401)
Deferred loss on cash flow hedge	**—**	(1,436)	(2,298)
Total accumulated other comprehensive loss	**$ (4,550)**	$ (5,446)	$ (4,699)

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 accounting 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) and is amortizing it over the term of the related debt as interest expense. The ineffective portion was recognized immediately as a component of earnings under interest expense in the Company's consolidated statements of income. On December 16, 2019, the Company paid off the 2010 Senior Notes early and the unamortized deferred loss of $0.6 million was written off and recorded as a loss on extinguishment of debt.

The following represents the changes in accumulated other comprehensive loss, net of tax by component for the years ended December 31, 2019 and 2018:

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Loss on Cash Flow Hedge	Foreign Currency Items	Total	Loss on Cash Flow Hedge	Foreign Currency Items	Total
		(in thousands)			(in thousands)	
Beginning Balance	**$ (1,436)**	**$ (4,010)**	**$ (5,446)**	$ (2,298)	$ (2,401)	$ (4,699)
Other comprehensive loss before reclassification	**—**	**(540)**	**(540)**	—	(1,609)	(1,609)
Amounts reclassified from accumulated other comprehensive income	**1,436**	**—**	**1,436**	862	—	862
Net current period other comprehensive income (loss)	**1,436**	**(540)**	**896**	862	(1,609)	(747)
Ending Balance	**$ —**	**$ (4,550)**	**$ (4,550)**	$ (1,436)	$ (4,010)	$ (5,446)

The amounts below were reclassified from other accumulated other comprehensive income (loss) to the following line items in the Company's Consolidated Statements of Income. There is no income tax expense (benefit) attributable to these components.

Component	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) Year Ended December 31, 2019	2018	Affected Line Item in the Consolidated Statement of Income
(In thousands)			
Loss on cash flow hedge:			
Interest rate contract	**$ 790**	$ 862	Interest expense
Interest rate contract	**646**	—	Loss on extinguishment of debt
Total	**$ 1,436**	$ 862	

19. Earnings Per Share

The computation of basic and diluted earnings per common share is as follows:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands, except per share amounts)		
Computation of Basic Earnings Per Share:			
Numerator:			
Net income	**$ 222,878**	$ 216,355	$ 122,327
Income allocated to participating securities	**(1,352)**	(1,248)	(845)
Net income available to common shareholders	**$ 221,526**	$ 215,107	$ 121,482
Denominator			
Weighted average common shares outstanding - basic	**55,358**	56,130	56,114
Basic earnings per share	**$ 4.00**	$ 3.83	$ 2.16
Computation of Diluted Earnings Per Share:			
Numerator:			
Net income	**$ 222,878**	$ 216,355	$ 122,327
Income allocated to participating securities	**(1,346)**	(1,241)	(842)
Net income available to common shareholders	**$ 221,532**	$ 215,114	$ 121,485
Denominator:			
Weighted average common shares outstanding - basic	**55,358**	56,130	56,114
Diluted effect of stock options and PVRSUs	**310**	471	412
Weighted average commons shares outstanding - diluted	**55,668**	56,601	56,526
Diluted earnings per share	**$ 3.98**	$ 3.80	$ 2.15

The Company's unvested restricted shares contain rights to receive nonforfeitable 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, 2019, 2018 and 2017, the Company had 0.9 million, 1.2 million, and 2.0 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 years ended December 31, 2019 and 2017, no anti-dilutive stock options were excluded from the diluted earnings per share calculation. For the year ended December 31, 2018, the Company excluded 0.1 million of anti-dilutive stock options from the diluted earnings 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, 2019, 2018 and 2017, PVRSUs totaling 168,244, 242,942, and 251,228, respectively, were excluded from the computation since the performance conditions had not been met.

20. Leases

Lessee

The Company determines if an arrangement is a lease and classification as operating or financing at lease inception. Operating leases are included in operating lease ROU assets, accrued expenses and other current liabilities, and operating lease liabilities on our consolidated balance sheets. The Company does not have any leases classified as financing.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Operating lease ROU assets are further offset by any prepaid rent, lease incentives and initial direct costs incurred. When a lease agreement does not provide an implicit rate, the Company utilizes its incremental borrowing rate based on the information available at commencement date in determining the present value of future minimum lease payments.

Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Variable lease payments include certain index-based changes in rent, certain nonlease components (such as maintenance and other services provided by the lessor), and other charges included in the lease. Variable lease payments are excluded from future minimum lease payments and expensed as incurred.

The Company elected the practical expedient to not separate lease and non-lease components for all classes of underlying assets in which it is the lessee and made a policy election to not account for leases with an initial term of 12 months or less on the balance sheet. These short-term leases are expensed on a straight-line basis over the lease term.

The Company has operating leases primarily for office space, buildings, and equipment. Our leases have remaining lease terms of one month to four years, some of which may include options to extend leases for up to fifteen years and some which may include options to terminate the leases within one year.

The Company's lease costs were as follows:

	Year ended December 31, 2019
	(in thousands)
Operating lease cost	$ 9,837
Sublease income	(84)
Total lease cost	$ 9,753

Leases recorded on the consolidated balance sheet consist of the following:

	December 31, 2019
	(in thousands)
Assets:	
Operating lease right-of-use assets	$ 24,088
Liabilities:	
Current operating lease liabilities	$ 10,099
Long-term operating lease liabilities	21,270
Total lease liabilities	$ 31,369

Other information related to the Company's lease arrangements is as follows:

	Year Ended December 31, 2019	
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$**	**12,322**
ROU assets obtained in exchange for lease liabilities in non-cash transactions:		
Operating lease assets obtained in exchange for operating lease liabilities	**$**	**3,818**
Weighted-average remaining lease term		**3.09 years**
Weighted-average discount rate[1]		**3.60%**

[1] Discount rates used for existing operating leases upon adoption of Topic 842 were established based on remaining lease term as of January 1, 2019.

Maturities of lease liabilities are as follows:

	As of December 31, 2019	
	(in thousands)	
2020	**$**	**11,043**
2021		**10,276**
2022		**8,558**
2023		**3,321**
2024		**2**
Thereafter		**—**
Total minimum lease payments	**$**	**33,200**
Less imputed interest		**1,831**
Present value of minimum lease payments	**$**	**31,369**

During the year ended December 31, 2019, the Company entered into a sale and leaseback transaction in which we sold an office building for a gain of $2.0 million within the Marketing and reservation system line item on the consolidated statements of income and entered into a lease terminating in 2020. This lease is included in the tables above.

The Company adopted Topic 842 on January 1, 2019 using the optional transition method to present comparative periods prior to adoption date in accordance with Topic 840, including disclosure. The following table discloses future minimum lease payments in accordance with Topic 840:

	As of December 31, 2018	
	(in thousands)	
2019 (net of minimum sublease rentals of $124)	$	12,509
2020		10,638
2021		9,258
2022		8,866
2023		3,514
Thereafter		—
Total	$	44,785

In the third quarter of 2019, we entered into two office lease agreements with unrelated third-parties that we expect to account for as operating leases. These leases are not reflected in our consolidated balance sheets or in the table above as the leases have not commenced. A lease with an approximately 3-year term is expected to commence in the first quarter of 2020 and a lease with an approximately 10-year term is expected to commence in the third quarter of 2021.

Lessor

The Company leases to third-party tenants (i) an office building with a remaining lease term of less than two years and (ii) a restaurant space within an operating hotel with a remaining lease term of less than ten years. Income for the two leases comprises of fixed and fixed escalating lease payments of $1.2 million for the year ended December 31, 2019. Neither lease contains an option to purchase the underlying assets. The Company elected to not separate lease and nonlease components.

Related Party

The Company and family members of the Company's largest shareholder entered into an agreement that allows those family members to lease the Company aircraft from time to time for their personal use. The agreement provides 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 lease agreements are consistent with the terms of lease agreements that the Company has entered into with unrelated third parties for use of the aircraft. During the year ended December 31, 2019, the Company received $12 thousand pursuant to this arrangement.

In December 2013, the Company's board of directors approved an arrangement between the Company and 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. In May 2016, the sublease was amended for the expansion of the office space. The sublease was not renewed following April 2019. The sublease had a month-to-month term, with a 90-day notice period and annual lease payments totaling approximately $0.1 million. During the year ended December 31, 2019, the Company received approximately $49 thousand in rent payments associated with this lease. Subsequent to the sublease and affiliated lease ending in the office space in April 2019, the entity controlled by family member of the Company's largest shareholder entered into a separate lease with the third-party lessor. The Company reimburses the entity for use of the space by the Company's Chairman. During the year ended December 31, 2019, the Company reimbursed the entity approximately $76 thousand.

21. Reportable Segment Information

Hotel Franchising: Hotel Franchising includes the Company's hotel franchising operations consisting of its fourteen brands. The fourteen 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 hotel 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 system activities to calculate hotel franchising operating income.

The Company evaluates its hotel franchising segment 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 & Other column. Corporate & Other revenues include owned hotel revenues and rental income related to an office building owned by the Company, as well as revenues related to the Company's vacation rental activities and its SaaS technology solutions divisions which provide cloud-based property management software to non-franchised hoteliers and vacation rental management companies. Equity in earnings or losses from hotel franchising related joint ventures is allocated to the Company's hotel franchising segment. The Company does not allocate interest expense, interest income, other gains and losses or income taxes to its segments.

The intersegment revenue adjustment is from the elimination of Hotel Franchising revenue which include royalty and marketing and reservation system fees charged to our owned hotels against franchise fee expense recognized by our owned hotels in Corporate & Other operating income (loss).

Our President and Chief Executive Officer, who is our chief operating decision maker (“CODM”), does not use assets by operating segment when assessing performance or making operating segment resource allocations and therefore assets by segment are not disclosed below.

The following tables present the financial information for the Company's segments:

(In thousands)	For the Year Ended December 31, 2019							
		Hotel Franchising		Corporate & Other		Intersegment Eliminations		Consolidated
Revenues	**$**	**1,085,860**	**$**	**30,700**	**$**	**(1,740)**	**$**	**1,114,820**
Operating income (loss)		**392,405**		**(73,763)**		**—**		**318,642**
Depreciation and amortization		**7,995**		**10,833**		**—**		**18,828**
Income (loss) before income taxes		**382,829**		**(112,900)**		**—**		**269,929**

(In thousands)	For the Year Ended December 31, 2018							
		Hotel Franchising		Corporate & Other		Intersegment Eliminations		Consolidated
Revenues	$	1,027,047	$	14,257	$	—	$	1,041,304
Operating income (loss)		378,014		(59,540)		—		318,474
Depreciation and amortization		7,352		6,978		—		14,330
Income (loss) before income taxes		372,691		(99,433)		—		273,258

(In thousands)	For the Year Ended December 31, 2017							
		Hotel Franchising		Corporate & Other		Intersegment Eliminations		Consolidated
Revenues	$	930,479	$	10,818	$	—	$	941,297
Operating income (loss)		356,187		(66,534)		—		289,653
Depreciation and amortization		462		6,218		—		6,680
Income (loss) before income taxes		351,641		(102,424)		—		249,217

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, 2019, 2018 and 2017 were $69.5 million, $72.1 million, and $65.8 million, respectively.

22. 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 (as amended, the "Strategic Alliance Agreement"). Among other things, the Strategic Alliance Agreement provided for revised royalty and system fees and 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.

On June 5, 2019, the Strategic Alliance Agreement was terminated and replaced with addenda to each of the five hotels under franchise. The addenda preserve certain terms from the Strategic Alliance Agreement with respect to the five hotels, including the revised royalty and system fee and liquidated damage provisions, which would also apply to new franchise agreements signed for the five hotels (as either a renewal or a change to another Choice brand not contemplated at the time of original agreement execution). No terms were substantially modified with respect to the five operating hotels under franchise. On June 5, 2019 and June 27, 2019, the Company and Sunburst entered into master development agreements which provide Sunburst geographic exclusivity in two specified regions for development of six WoodSpring branded hotels. One new franchise agreement was signed between the Company and Sunburst during the year ended December 31, 2019. As of December 31, 2019, Sunburst operates 4 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 $1.8 million, $1.9 million, and $2.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019 and 2018, 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 lease the Company aircraft from time to time for their personal use; additionally, the have had leasing arrangements with an entity controlled by the family members of the Company's largest shareholder. Refer to Note 20, Operating Leases.

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, 2018, the Company had $0.6 million outstanding under this agreement, which was reflected within the current portion of long term debt on the balance sheet. The Company settled the outstanding balance as part of the sale of the SaaS for vacation rentals reporting unit in the second quarter of 2019.

23. Transactions with Unconsolidated Joint Ventures

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, 2019. The promissory note matures on September 3, 2023, bears interest at variable rates, and is payable monthly.

In October 2017, May 2018, and December 2018, the Company entered into three promissory notes with a development company which is a member of one of the Company's unconsolidated joint ventures formed in 2018. The October 2017 promissory note matured in January 2019 and was repaid in full. The May 2018 and December 2018 promissory notes were extended and mature in May 2020 and March 2020, respectively, bear interest at fixed and variable rates, and are payable monthly. At December 31, 2019, the outstanding balance of the promissory notes totaled $20.5 million.

In May 2019, the Company entered into a joint venture agreement with a development company which has outstanding promissory notes totaling $50.1 million as of December 31, 2019. The Company has determined the promissory notes are impaired and recorded allowances for credit losses on these impaired loans in the amount of $2.8 million. The promissory notes mature in November 2022, bear interest at fixed and variable rates, and are payable monthly.

The Company signed a management fee arrangement for marketing services with a joint venture partner. For the years ended December 31, 2019, 2018 and 2017, fees earned and payroll costs reimbursed under this arrangement totaled $2.3 million, $1.7 million and $1.4 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 $25.2 million, $25.4 million, and $22.4 million, for the years ended December 31, 2019, 2018 and 2017, respectively. The Company recorded $1.4 million and $1.1 million as a receivable due from these joint ventures as of December 31, 2019 and 2018, respectively. In addition, the Company paid commissions of $0.3 million, $0.2 million, and $0.2 million for the years ended December 31, 2019, 2018 and 2017, respectively, to an online travel agent for which the Company is a joint venture member.

24. 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

The Company entered into various limited payment guaranties with regards to the Company's VIEs supporting the VIE's efforts to develop and own hotels franchised under the Company's brands. Under these limited payment guaranties, the Company has agreed to guaranty a portion of the outstanding debt until certain conditions are met such as (a) the loan matures, (b) certain debt covenants are achieved, (c) the maximum amount guaranteed by the Company is paid in full, or (d) the Company, through its affiliates, ceases to be a member of the VIE. The maximum exposure of principal incidental to these limited payment guaranties is $7.5 million, plus unpaid expenses and accrued unpaid interest. The Company believes the likelihood of having to perform under the aforementioned limited payment guaranties was remote as of December 31, 2019 and

December 31, 2018. In the event of performance, the Company has recourse for two of the transactions in the form of a membership interest pledge as collateral for the guaranty.

In a prior year, the Company transferred $24.4 million of a $50.1 million outstanding note receivable with a maturity date of November 30, 2019 to a third party. Refer to Note 4. Under the agreement, the counter party had the right to require the Company to purchase the outstanding interest in the note under certain circumstances, including if the Company declares a default against the borrower and enters into foreclosure proceedings. In February 2019, in connection with the Company's restructuring negotiations with the borrower, the Company mutually agreed with the counter party to repurchase the $24.4 million previously transferred prior to the maturity date. The Company retains the full loan balance as recorded in Notes receivable, net of allowances as of December 31, 2019.

Commitments

The Company has the following commitments outstanding:

- The Company provides financing in the form of franchise agreement acquisition payments to franchisees for property improvements, hotel development efforts and other purposes. At December 31, 2019, the Company had commitments to extend an additional $300.4 million for these purposes provided certain conditions are met by its franchisees.
- The Company committed to make additional capital contributions totaling $10.1 million to existing joint ventures related to the construction of various hotels to be operated under the Company's Cambria Hotels brand.
- The Company committed to provide financing in the form of mezzanine loans or credit facilities to franchisees for Choice brand development efforts. The Company has committed to provide an aggregate of approximately $34.6 million, upon certain conditions being met. As of December 31, 2019, $17.7 million has been disbursed.
- In March 2018, the Company entered into a construction loan agreement for the rehabilitation and development of a former office building into a hotel through a consolidated joint venture with a commercial lender, which is secured by the building. The construction loan can be drawn up to $34.9 million. The Company has a carve-out guaranty and the unaffiliated joint venture partner has a completion guaranty in relation to the loan, in which both parties are required to meet certain financial covenants relating to liquidity and net worth. The rehabilitation of the building is considered a qualified asset that requires a significant amount of time to prepare for its intended use. Therefore, any interest costs incurred during the development period of the building is considered an element of the historical cost of the qualifying asset. At December 31, 2019, the Company has borrowed $33.1 million of the construction loan and recorded $0.9 million of capitalized interest costs. The construction was completed and the hotel opened in the third quarter of 2019, resulting in the satisfaction of the completion guaranty. Additionally, the Company purchased the remaining interest of the unaffiliated joint venture partner in the third quarter of 2019.
- The Company’s franchise agreements require the payment of franchise fees, which include marketing and reservation system fees. In accordance with terms of our franchise agreements, 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. To the extent revenues collected exceed expenditures incurred, the Company has a commitment to the franchisee system to make expenditures in future years. Conversely, to the extent expenditures incurred exceed revenues collected, the Company has the contractual enforceable right to assess and collect such amounts.

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.

25. Acquisitions

2019 Asset Acquisition

Prior to July 23, 2019, the Company held a 40% ownership interest of a joint venture that owned five Cambria hotels recorded as an investment in unconsolidated entities. On July 23, 2019, the Company redeemed the remaining 60% ownership interest in four of the hotels for approximately $169.0 million cash paid (inclusive of $0.7 million in capitalized transaction costs), net of cash acquired. The transaction was funded with cash and borrowings under the Company's revolving credit facility.

In accordance with the provisions of ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, the purchase represents an asset acquisition based on the concentration of value in the acquired land and buildings. This assessment was performed on the four hotels as a group of similar identifiable assets based on the similar risk characteristics as operating Cambria Hotels. The $25.0 million previously in investments in unconsolidated entities is included in the total net asset basis of $194.0 million. The total net asset basis was attributed to each asset and asset class based on a relative fair value allocation to qualifying assets, resulting in $21.7 million to land, $148.4 million to building and improvements, $27.0 million to furniture, fixtures, and equipment, $0.8 million to an in-place lease intangible asset, and $3.9 million to net liabilities assumed.

2018 WoodSpring Suites Business Combination

On February 1, 2018, the Company acquired 100% of the issued and outstanding equity interest of WoodSpring Suites. At the time of the acquisition, WoodSpring franchised 239 economy extended stay hotels across 35 U.S. states. The total consideration was $231.6 million, which consisted of cash paid, net of cash acquired, of $231.3 million as well as liabilities assumed of $0.4 million and a preliminary working capital adjustment of $0.1 million. The transaction has been accounted for as a business combination and accordingly, assets acquired, and liabilities assumed were recorded at their fair values as of the acquisition date. The results of WoodSpring have been consolidated with the Company since February 1, 2018 and are included in the Company’s hotel franchising segment.

The Company allocated the purchase price based upon a preliminary assessment of the fair value of the assets and liabilities assumed as of February 1, 2018. The Company completed its assessment of the WoodSpring acquisition in the third quarter of 2018, identifying no adjustments to the fair value determination. As a result, the purchase price allocation is final as of the third quarter of 2018, with no adjustments made from the preliminary allocation.

The fair value of the assets and liabilities is as follows:

		(in thousands)
Cash	$	250
Accounts receivables		1,258
Prepaid		23
Contract assets		115,000
Tradename		22,000
Goodwill		93,384
Accounts payable		(348)
Total Consideration	**$**	**231,567**

The purchase price was based on the projected business growth and cash flows over the next several years and indicated a value that was in excess of the existing net book value of the business, resulting in the recognition of various identifiable intangible assets and goodwill as follows:

		(in thousands)	Useful Life
Franchise agreements acquired	$	115,000	12-20 years
WoodSpring tradename		22,000	Indefinite
Goodwill		93,384	Indefinite
Total	**$**	**230,384**	

The excess value recorded in goodwill is expected to be recovered through growth within the existing customer base, improvements in hotel RevPAR and new agreements signed with new franchisees and developers. The full amount of goodwill is deductible for tax purposes. The Company's pro forma results of operations for this acquisition have not been presented here because the effect of this acquisition was not material to the Company's consolidated results of operations.

26. Selected Quarterly Financial Data—(Unaudited)

(in thousands, except per share data)		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		2019[1]
Revenues	**$**	**218,320**	**$**	**317,684**	**$**	**310,732**	**$**	**268,084**	**$**	**1,114,820**
Operating income	**$**	**45,050**	**$**	**102,537**	**$**	**102,420**	**$**	**68,635**	**$**	**318,642**
Income before income taxes	**$**	**36,479**	**$**	**94,154**	**$**	**85,924**	**$**	**53,372**	**$**	**269,929**
Net income	**$**	**30,081**	**$**	**74,389**	**$**	**76,239**	**$**	**42,169**	**$**	**222,878**
Earnings per share:										
Basic	**$**	**0.54**	**$**	**1.34**	**$**	**1.37**	**$**	**0.76**	**$**	**4.00**
Diluted	**$**	**0.54**	**$**	**1.33**	**$**	**1.36**	**$**	**0.75**	**$**	**3.98**

(in thousands, except per share data)		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		2018[1]
Revenues	$	209,394	$	295,441	$	291,490	$	244,979	$	1,041,304
Operating income	$	46,249	$	109,016	$	111,168	$	52,041	$	318,474
Income before income taxes	$	30,461	$	100,024	$	102,443	$	40,330	$	273,258
Net income	$	25,086	$	79,839	$	79,959	$	31,471	$	216,355
Earnings per share:										
Basic	$	0.44	$	1.41	$	1.42	$	0.56	$	3.83
Diluted	$	0.44	$	1.40	$	1.41	$	0.56	$	3.80

[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.
- Marketing and Reservation System Activities: Due to the seasonal nature of the Company’s hotel franchising business or multi-year investments that are required to support franchise operations, quarterly or annual deficits and surpluses may be generated from the Company’s contractual obligation to utilize marketing and reservation system revenues to provide franchise services defined in the franchise agreements. During the year ended December 31, 2019, the Company incurred surpluses (deficits) from marketing and reservation system activities totaling ($9.8) million, $12.3 million, ($1.4) million and ($2.9) million, respectively, in the first, second, third and fourth quarters. During the year ended December 31, 2018, the Company incurred surpluses (deficits) from marketing and reservation system activities totaling ($12.2) million, $20.8 million, $14.0 million and ($13.2) million, respectively, in the first, second, third and fourth 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.
- Operating income and net income in 2019 reflect the Company's acquisition of four operating hotels in the third quarter of 2019. A fifth hotel previously under development by the Company opened in the third quarter of 2019. The Company recognized revenue related to these hotels totaling $8.7 million and $11.6 million during the third and fourth quarters of 2019, respectively. The addition of these owned hotels contributed operating income of $0.5 million and $0.4 million for the third and fourth quarter of 2019, respectively. In addition, the Company sold an unconsolidated joint venture interest resulting in a loss of $6.0 million in the third quarter of 2019. Refer to Notes 8 and 25 of our consolidated financial statements.
- During the fourth quarter of 2019, the Company recorded a loss on extinguishment of debt of $7.2 million for the early redemption of the unsecured senior notes in the principal amount of $250 million due in August 2020 prior to their maturity date.
- The Company acquired WoodSpring on February 1, 2018 and incurred acquisition transaction and integration costs totaling $4.2 million, $0.8 million, $0.6 million and $1.3 million in SG&A expenses in the first, second, third and fourth quarters of 2018, respectively.
- The Company's fourth quarter 2018 results reflect an impairment of non-hotel franchising goodwill of $4.3 million in the impairment of goodwill line item and a loan valuation allowance charge of $2.8 million in SG&A expenses. In addition, the Company recognized an additional impairment of non-hotel franchising goodwill and long-lived assets of $3.1 million and $7.3 million, respectively, in the first quarter of 2019 related to the Company's SaaS for vacation rentals reporting unit. The reporting unit was disposed of on June 3, 2019 and the Company recognized an additional $4.7 million loss on the sale during the second quarter of 2019. Refer to Item 7, Critical Accounting Policies and Note 6 to our consolidated financial statements for additional information.

27. Future Adoption of Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* and issued subsequent amendments to the initial guidance at various points thereafter ("Topic 326"), 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. Topic 326 requires enhanced disclosures, including qualitative and quantitative requirements, to provide insight to significant estimates and judgments used in estimating credit losses and the amounts recorded in the financial statements. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years. Topic 326 requires the use of the modified retrospective approach for adoption. The Company will adopt Topic 326 on January 1, 2020 and currently expects a cumulative-effect adjustment to be recorded in retained earnings as of the date of adoption that will not be material to the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 modifies disclosure requirements on fair value measurements. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-13 to have an impact on the consolidated financial statement disclosures.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The Company plans to adopt ASU 2018-15 on a prospective basis on January 1, 2020. As the majority of the Company's hosting arrangements are service contracts, the capitalization and subsequent amortization of implementation costs incurred after adoption are expected to impact the timing, but not classification, of expense recognition.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 enhances and simplifies various aspects of the income tax accounting guidance in ASC 740. The guidance is effective for annual reporting periods beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the effect of adopting ASU 2019-12 but does not expect adoption will have a material impact on the consolidated financial statements and disclosures.

28. Subsequent Events

On January 1, 2018, the Company adopted ASU 2016-16, *Income Taxes (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"), which provides guidance on recognition of current income tax consequences for inter-company asset transfers (other than inventory) at the time of transfer. On January 1, 2020, the Company completed a reorganization of its foreign legal entity structure, resulting in the recognition of income tax benefits and a deferred tax asset in the first quarter of 2020 in accordance with ASU 2016-16.

On February 18, 2020, the Company entered into the First Amendment to the Amended and Restated Senior Unsecured Credit Agreement (the “Amendment”) among the Company, Deutsche Bank AG New York Branch, as administrative agent (the “Administrative Agent”) and the lenders party thereto. The Amendment amended the Restated Credit Agreement. Prior to the Amendment, the Credit Agreement provided that if certain subsidiaries of the Company were to incur certain recourse debt or become obligors in respect of certain recourse debt of the Company or certain of its other subsidiaries, those obligated subsidiaries were required to guarantee the Company’s obligations under the unsecured revolving credit facility provided pursuant to the Restated Credit Agreement (the “springing guarantee”). The Amendment, among other things, removes the springing guarantee and other provisions and references in the Restated Credit Agreement related to the potential existence of subsidiary guarantors.

On February 28, 2020, the Company's board of directors declared a quarterly cash dividend of $0.225 per share of common stock. The dividend is payable on April 16, 2020 to shareholders of record on April 2, 2020.

EXHIBIT D

4/20**«PROP_CODE» - «CONTRACT_ID»**
[City, State]

ASCEND HOTEL COLLECTION®
MEMBERSHIP AGREEMENT

between

CHOICE HOTELS INTERNATIONAL, INC.

and

____

THIS MEMBERSHIP AGREEMENT ("Membership 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 Membership Agreement.

> **YOU ACKNOWLEDGE THAT YOU READ AND FULLY UNDERSTAND THE TERMS AND CONDITIONS ATTACHED TO THIS MEMBERSHIP 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 Membership Agreement and to receive notices under this Membership 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 Membership 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 (as defined below). 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 Membership Agreement ("Term") begins on the Effective Date and ends on the date that is 20 years after the Opening Date. You have no right or option to renew this Membership Agreement or extend the Term. Both you and we shall have the right to terminate this Membership Agreement, with or without cause, and as a matter of right, on the 5th, 10th and 15th anniversaries of the Opening Date. You or we may only exercise such termination right by giving prior written notice to the other party, provided, that you may not exercise your termination right under this Section 4 unless you have paid all fees and charges due under this Membership Agreement (and all related agreements, including any promissory notes or other incentive agreements, and any agreements relating to the use of our System) at the time you give us notice and at the time of the proposed termination. The written notice required by this Section 4 shall be given at least 12 months prior to the date that the proposed termination as a matter of right would be effective. If you elect to terminate this Membership Agreement in accordance with this Section 4, you must continue to remain current on all fees and charges under this Membership Agreement through the date of such termination in order for your termination to be effective. Any termination in accordance with this Section 4 will not be subject to liquidated damages as described in Section 10(d)(iii).

5. Fees.

a. Affiliation Fee. By no later than the date you sign this Membership 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 Membership 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 Membership 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 Membership Agreement.

e. Interest. You will pay us interest on all charges, costs, fees and amounts due under this Membership 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 Membership Agreement, we may terminate this Membership 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 Membership Agreement, you may terminate this Membership Agreement only if you first give us written notice of the default and your intention to terminate this Membership Agreement and we have not cured the default 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 MEMBERSHIP AGREEMENT, EXCEPT FOR CERTAIN CLAIMS OF OURS DESCRIBED IN SECTION 7 OF THE TERMS AND CONDITIONS, WILL BE SUBJECT TO ARBITRATION IN THE STATE OF 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 Membership 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 Membership 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 Ascend Hotel Collection® Terms and Conditions ("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 HOTEL COLLECTION®, CAMBRIA®, COMFORT INN®, COMFORT SUITES®, CLARION®, CLARION POINTE®, QUALITY®, SLEEP INN®, MAINSTAY SUITES®, SUBURBAN EXTENDED STAY HOTEL®, ECONO LODGE®, RODEWAY INN®, WOODSPRING SUITES®, EVERHOME SUITES™ 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.

k. "Controlling Interest" For purposes of this Agreement, "Controlling Interest" includes your interest if you are an individual and you own 50% or more ownership interest in the Hotel, any general partner's interest in a partnership entity, 50% or more of the voting stock of a corporate entity, 50% or more of the ownership interests in a limited liability company or a 50% or more undivided interest in the Hotel.

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;

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; and

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); and

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) 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 (iii) 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 or these Terms and Conditions, 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. If any amount to be paid or reimbursed under this Agreement to us, or any of our affiliates, is subject to state gross receipts or other state income tax, then you must pay or reimburse an additional amount to us (or to our affiliate as the case may be), so that the amount actually received by us (or our affiliate) after such deduction, payment or withholding will equal the full amount stated to be payable or reimbursable under this Agreement.

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 businessperson. 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. This includes, but is not limited to, hiring and firing employees, supervising and controlling employees' work schedules and conditions of employment, determining employees' rate and method of payment, and maintaining employees' employment records. 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 before you 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 Rules and Regulations 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 the Maryland Franchise 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. We and you 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 Membership 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 Section 21 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. NO CLASS ACTIONS. 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. WAIVER OF JURY TRIAL. 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]

«PROP_CODE» - «CONTRACT_ID»
«Brand_Name»

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 care of the Designated Representative at the address set forth in the Franchise Agreement. 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: Title: Date:	Name: Title: 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:

<u>ADDENDUM TO THE FRANCHISE AGREEMENT FOR NEW YORK</u>

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:

ADDENDUM TO THE FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA

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 FOR SOUTH DAKOTA

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of South Dakota. If and to the extent that the South Dakota franchise statutes and regulations apply to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

At the request of the South Dakota Securities Regulation Office, franchisee will enter into an escrow agreement with franchisor under which the initial franchise fees paid by franchisee will be escrowed until such time as franchisor performs its initial obligations and franchisee has commenced operations.

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, together with any software updates or other software or API or other interfaces provided to you in connection therewith (collectively, the "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) update or replace the recommended hardware as required by Choice in order to accommodate changes to the Software or the Site.

Choice may, in our sole and absolute discretion, allow or disallow certain third parties to interface with the Software. You may not attach any third party equipment, interfaces or applications to the Software that have not been tested and approved in advance by Choice. You must receive Choice's prior written approval to use an interface with the Software in the form and manner required by Choice from time to time. Even if Choice approves a third party to interface with the Software, you are solely responsible for your use of any such third party equipment, interfaces or applications and shall indemnify, defend and hold harmless Choice from any third party claims relating to such third party equipment, interfaces or applications. Choice reserves the right to charge you a fee (e.g. an initial set up fee, or recurring fee) for using an interface with the Software. With respect to an interface that you are granted permission by Choice to use with the Software, you must maintain a valid agreement from the applicable third party provider to access and use such third party provider's system and services for as long as you are authorized by Choice to use such interface.

Choice reserves the right to update, modify, replace, terminate or otherwise change, at any time and in our sole discretion, any interfaces integrated with the Software.

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 the purposes of check-in, check-out and/or billing. All other access to personal information or use of personal information is strictly prohibited. Personal means any data that relates to an identified or identifiable living person, including, but not limited to: 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 transport layer security (TLS) 1.2 or higher, 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 11 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 each user of the Site will be assigned a unique 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.

WARRANTIES UNDER THIS SECTION SHALL NOT APPLY TO ANY INTERFACE TO THE EXTENT ANY IMPARIMENT OR LIMITATION ON INTERFACE PERFORMANCE OR FUNCTIONALITY IS CAUSED BY THE SYSTEM ACCESSED THROUGH AN INTERFACE, OR SUCH SYSTEM’S PROVIDER, OR THE INFORMATION OR DATA PROVIDED BY SUCH SYSTEM.

CHOICE MAKES NO RECOMMENDATION, ENDORSEMENT, REPRESENTATION, WARRANTY OR CONDITION REGARDING ANY THIRD PARTY SYSTEM OR SERVICE THAT MAY INTERFACE WITH THE SOFTWARE, INCLUDING THE CURRENT OR CONTINUING SUITABILITY OR AVAILABILITY OF SUCH SYSTEM OR SERVICE. YOU HEREBY ACKNOWLEDGE THAT YOU ARE SOLELY RESPONSIBLE FOR YOUR USE OF THE SYSTEM OR SERVICE THAT YOU ACCESSES VIA SUCH AN INTERFACE, AND THAT YOU WILL LOOK SOLELY TO THE THIRD PARTY PROVIDER OF SUCH SYSTEM OR SERVICE TO ADDRESS FUNCTIONALITY OR PERFORMANCE ISSUES ARISING OUT OF SUCH SYSTEM OR SERVICE.

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; 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

choiceADVANTAGE.com
Choice Hotels International, Inc.
1 Choice Hotels Circle
Rockville, Maryland 20850
http://www.choicehotels.com

For Canada:
Choice Hotels International Licensing ULC
5090 Explorer Drive, Suite 500
Mississauga, Ontario L4W 4T9

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.

Service Option #1 — Call Forwarding

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

Service Option #3 — Call Forwarding Plus

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

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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.M

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.

11. 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**

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 : ONLY REDEEM GIFT CARDS (NON-ELECTRONIC). I wish only to "redeem" 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 : SELL & REDEEM GIFT CARDS. I wish to "sell and redeem" 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.

ACCEPTED AND AGREED:

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 #: ____________________

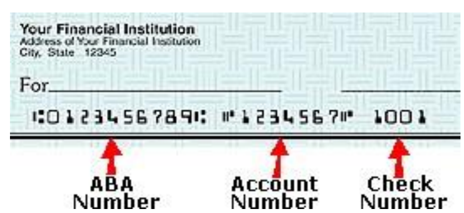
Bank Name: ____________________

***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):
<u>Card Redemptions</u>: 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, IL60004
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%). The maximum interest rate in California is 10% annually. 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

<u>ACCESS POINT FINANCIAL</u>

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. <u>BORROWER ESTOPPEL CERTIFICATES</u>. 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. <u>USURY</u>. 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. <u>NOTICES</u>. 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. <u>MISCELLANEOUS</u>.

a. <u>Entire Agreement Modification</u>. 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:

____
____

ASCENTIUM CAPITAL LLC

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: .

Ascentium Capital LLC
23970 HWY 59 N
Kingwood, TX 77339-1535
AscentiumCapital.com

AUTHORIZATION TO PERFORM VERBAL VERIFICATION

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. <u>Assignment; Inspection</u>: 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. <u>Risk of Loss</u>: 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. <u>Choice of Law; Waiver of Jury Trial</u>: 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. <u>Miscellaneous</u>: 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

<u>GUARANTY</u>: 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

Ascentium Capital LLC
23970 HWY 59 N
Kingwood, TX 77339-1535
AscentiumCapital.com

DELIVERY AND ACCEPTANCE CERTIFICATE

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: ____

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.

EFA337E

BALBOA CAPITAL

EQUIPMENT FINANCING AGREEMENT (Page 1 of 2)

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)	**(DEBTOR)**
BALBOA CAPITAL CORPORATION **2010 Main Street** **11th Floor** **Irvine, Ca 92614**	**Example Docs LLC** 43RD ST Owatonna, MN 55060
By: ______________________ Vice President	sign By: ______________________ Name: John Johnson Title: Managing Member
Date ____________	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

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

BALBOA CAPITAL

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:

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 ______________________________

John 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**

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
Name

03/05/14
Date

S. Oak Ave
Owatonna, MN 55060
Home Street Address, City, State, Zip Code

111111111
Social Security Number

Phone Number

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:	By:
Its:	Its:
Date signed: _________________	Date signed: _________________

Guarantors:

____

Date signed: _________________

____

Date signed: _________________

PMC COMMERCIAL TRUST

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

Rules & Regulations by Categories

Ascend Collection Rules & Regulations

Preface & Introduction

100. Universal Service Standards

- 110 Ascend Collection Service Style
- 130 Pure Experience
- 140 Guest Complaints

200. Reservations

- 210 Reservation Systems and Services
- 220 Honoring Reservations
- 230 Choice Privileges Program

300. Marketing

- 310 Service Marks and Usage
- 320 Display of Affiliations

400. Front Desk

- 410 Front Desk Services
- 420 Front Desk Facilities

600. Business Center and Services

- 610 Business Center

700. Telephone Services

- 710 Property Telephone Service

800. Fitness Center

- 810 Fitness Center Requirements
- 820 Swimming Pools

900. Guestrooms and Housekeeping Services

- 910 General Housekeeping Services

EXHIBIT L

FAIR FRANCHISING POLICY

(Updated March __, 2020)

Choice Hotels International, Inc. ("Choice," "we," or "us") and our franchisee(s) ("Franchisee", "Franchisees", or "you") share substantial interests in the success of our brands, as well as the worldwide lodging system they comprise ("System"). Choice and its Franchisees all benefit when Choice considers System interests first when making policies. For these reasons, Choice has adopted the following guiding principles, which may be modified from time to time in our sole discretion. Any substantive changes to this policy will be conducted in 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 hotel's brand in a manner that continually builds brand equity; and 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 & Portfolio Strategy dedicated to addressing any conflicts between Choice and Franchisees 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 Franchisees agree that every Choice brand, each property, and the entire System benefit from strategic growth and strong brand awareness.

Impact Policy.[1] In some cases, a Franchisee may believe that a third party's application for a new Choice franchise is too close in proximity 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 existing Franchisees with the need for growth that benefits our entire System. The Impact Policy permits a Franchisee (in good standing) to object to the grant of a same-brand franchise, if the applying franchise is within a specified radius of the existing Franchisee's property.

Under the 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, the proposed hotel is within 5 miles of your existing property, and your existing brand is covered by 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

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[1] As of the date of this Fair Franchising Policy, the Impact Policy applies only to the following brands: Clarion, Comfort, Econo Lodge, MainStay Suites, Quality, Rodeway Inn, Sleep Inn, and certain WoodSpring properties.

Enhanced Protection (as defined more fully in the Impact Policy) of your proposed hotel.

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 with Choice 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 Development team will inform the existing 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 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 and the System. 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's contractual out evaluation process was created to ensure that we all meet these objectives.

Contractual Out Evaluation Process. For some brands the franchise agreement may include a mutual right to terminate the franchise agreement on the 5th, 10th, or 15th anniversary of the Opening Date by providing advance written notice.[2] Choice 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?

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[2] As of the date of this Fair Franchising Policy, there is no mutual right of termination in our standard WoodSpring franchise agreement. For our Comfort brands, the standard franchise agreement includes an out on the 5th anniversary of the Opening Date for conversion properties only. For Cambria, the standard form franchise agreement includes outs at the 10th and 15th anniversary of the Opening Date for Mainstay and Sleep, the standard franchise agreement includes an out on the 10th and 15th anniversaries of the Opening Date for new construction properties only. For Rodeway, the standard franchise agreement includes annual outs on the anniversary of the Opening Date.

Risk Factors. In keeping with Choice's 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, typically Choice reserves the right under the franchise agreement to exercise its contractual out for any reason or no reason at all, subject to state law. There are certain factors, however, that place a property at greater risk that Choice typically will exercise its contractual out, including but not limited to (subject to state law):

-
- The property's Likelihood to Recommend ("LTR") score places it in the bottom third of its brand for the most recent 12 month period.
- 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 may elect to exercise its contractual out or, if desirable, discuss the potential for the property to reposition to another Choice brand.

Management Committee. Due to the importance of these decisions and their impact on both Choice and the Franchisee, no single person at Choice 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
- Owner & Portfolio Strategy
- Legal
- Development
- Services
- Credit

Contractual Out Notification Process. Approximately eighteen (18) months prior to a contractual out, a representative from Choice will contact the Franchisee's Designated Representative if:

1. Choice 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's 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's Owner & Portfolio Strategy department to discuss the scope of work to update the property. (See below)

2. Choice has decided to exercise its contractual out.

- The Franchisee’s Designated Representative will receive a phone call from Choice to discuss the decision.
- If Choice is unable to reach the Franchisee’s Designated Representative by phone, Choice will send a letter notifying the hotel of its attempts to contact the Designated Representative by phone and requesting the hotel contact Choice immediately. If Choice is unsuccessful in contacting the Franchisee, then Choice 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 will attempt to provide as much notice as is reasonably possible.

Please note that each Franchisee is obligated to maintain accurate contact information with Choice. If the Franchisee’s Designated Representative name, address, or telephone number on file is no longer valid, then Choice cannot be held responsible for any resulting delays in reaching the Franchisee.

Product Improvement Plans. In many cases, Choice 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 and the Franchisee’s Designated Representative cannot finalize and execute the PIP twelve (12) months prior to the contractual out date, then Choice may 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 has exercised its contractual out:

1. Reposition to Another Choice Brand

In many cases, there will be another Choice brand available in the market for the hotel to consider. There may be many financial benefits to remaining with the Choice System rather than exiting the System completely. When Choice calls the Franchisee’s Designated Representative to inform them that Choice is exercising its contractual out, he or she will discuss the availability of this option.

2. Replace the Existing Hotel

Many owners prefer to replace their hotel with a newer product in their market. Please let a Choice 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 the contact person on the termination notice.. Upon receipt of the appeal request, a confirmation email will be sent within approximately 48 hours. The Management Committee will generally 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 owed due to the early termination.

Non-retaliation. 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 applicable franchisee association(s) on certain marketing campaigns the company undertakes and generally on the use of monthly fees designated for marketing, and reservation services. The franchise associations also are consulted on changing the amounts of those fees.

Disclosure. Upon request, Choice will make available to Franchisees its unaudited financial statements for those portions of System fees that are designated for marketing and reservation services purposes. Choice has no obligation to separate incomes or expenditures between Choice brands. 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 Choice and the brand or violate any laws.

Termination for Cause:

Liquidated Damages. For most brands, if the standard franchise agreement is terminated before the end of its term, we have generally capped both pre-opening and post-opening liquated damages at 36 months of historical royalty fees (membership fees for Ascend properties) and the formula applicable to each brand.[3] In addition, under certain circumstances and for certain brands, a 20% discount on liquidated damages will be applied 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, Choice's approach to liquidated damages seeks only to recoup future lost royalty fees, not lost system fees. Individual franchise agreements may contain different terms, and your agreement will control the amount of liquidated damages you will have to pay.

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 attempt in good faith to find a mutually acceptable resolution to the particular situation.

Transfers:

[3] Typically, 60 months of historical royalty fees for Cambria. In addition, typically 60 months historical royalty fees for Post-Opening liquidated damages for Suburban and MainStay Hotels.

Family Transfer.[4] If you wish to transfer your franchise to a close adult family member (*e.g.*, current spouse, parent, child, sibling, grandchild 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, among other requirements. If the transfer to a Close Family Member occurs outside of circumstances involving death and/or mental incapacity, you must pay an application fee (not to exceed $5,000), which will be fully refunded if we do not approve the transfer. The terms of your franchise agreement may differ and, in that case, the terms of your agreement may override the family transfer provision described above.

Supplier Options:

Vendor Exclusivity. 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. We frequently solicit feedback from the elected members of our franchisee associations before implementing new brand standards or vendor requirements. Additionally, for most products and services, we attempt to identify 3 or more vendors who are capable of meeting our 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 Brand Standards or Rules and Regulations that we communicate to you in order to ensure that each of our hotels is meeting or exceeding customer expectations.

Brand Standards or Rules and Regulations, as applicable, 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/Rules and Regulations before implementation, and we will provide our franchisees with a reasonable period 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 & Compliance..

Database Information:

Prohibited Uses. We have agreed not to share individual, hotel-specific property reservation data for the sole purpose of selling new franchises.

Dispute Resolution:

There are two mechanisms for handling disputes. The first is an informal process, and the second is through arbitration.

Informal Process. We have found that certain disputes with our franchisees can be handled locally or through our established organizational structure. Our Ombudsperson and Vice President of Owner & Portfolio Strategy both provide a retribution-free outlet for our franchisees to share their concerns regarding fairness.

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[4] Ascend Membership Agreements allow a transfer to a close family member for estate planning purposes and does not include a transfer to a Close Family Member based on death and mental incapacity.

Arbitration. The terms of the franchise agreement (which control) generally require all franchise disputes to be resolved by submitting the claim to binding arbitration before the American Arbitration Association or alternative arbitration groups.

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EXHIBIT M

CHOICE HOTELS OWNERS COUNCIL

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, 2019

AZ385	BLUEGREEN RESORTS MANAGEMENT	27501 North Lake Pleasant Pkwy	Peoria	Arizona	85383	480-653-9334
AZ415	PAPAGO INN, LLC	7017 E McDowell Rd	Scottsdale	Arizona	85257	480-947-7335
AZ021	ARROYO PINION SEDONA HOTEL, LLC	3119 W. Highway 89A	Sedona	Arizona	86336	928-204-1146
AZ444	PALM COURT HOLDINGS, INC.	12545 W Bell Rd	Surprise	Arizona	85378	623-583-0133
AZ213	MILE HARBOR DEVELOPMENT, LLC	1375 E. University Dr.	Tempe	Arizona	85281	480-774-2500
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
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	909-366-5399
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
CAA18	RAKESH VASANT ET AL	NE 5th & Mission	Carmel By The Sea	California	93921	831-250-6000
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	530-756-0352
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
CA080	J.S.R. (L.A.) HOTEL VENTURE, LP	321 North Vermont Ave	Los Angeles	California	90004	323-665-0344
CAD46	CAHUENGA PASS HOTEL, LLC	3241 Cahuenga Blvd W	Los Angeles	California	90068	323-845-1600
CAG24	OWI NAPA HOTEL, LP	1556 Polk Street	Napa	California	94559	707-257-0476
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
CAA16	RAKESH VASANT & FALUNNI VASANT	1038 Lighthouse Ave.	Pacific Grove	California	93950	831-920-5801
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
CAD64	VALIBA, INC.	2356 Stockton Blvd	Sacramento	California	95817	916-455-4000
CAC81	ASHOK R. PATEL	1530 N Street	Sacramento	California	95814	916-447-8100
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	949-361-3000
CAF56	587 EDDY STREET, LLC	587 Eddy Street	San Francisco	California	94109	415-872-7189
CAB17	2322 LOMBARD STEET, LLC	2322 Lombard Street	San Francisco	California	94123	415-913-7311
CAH01	HACIENDA DE LEAL, LLC	410 The Alameda	San Juan Bautista	California	95045	831-623-4380
CAH36	ALIKA, LLC	9200 Inwood Drive	Santee	California	92071	619-448-4242
CAE97	NARS, INC.	2448 Sepulveda Blvd	Torrance	California	90501	310-539-9888
CAA20	BAECHTEL CREEK INN, INC	101 Gregory Lane	Willits	California	95490	707-459-9063
CA796	LAXMI HOSPITALITY, LLC	20157 Ventura Boulevard	Woodland Hills	California	91364	818-347-8080
CO341	BLUEGREEN RESORTS MANAGEMENT INC.	233 West Main Street	Aspen	Colorado	81611	970-315-4165
CO357	RIVER CENTRE DEVELOPMENT, LLC	27 Main Street	Edwards	Colorado	81632	970-926-0606
CO358	DNC PARKS & RESORTS AT ROCKY MOUNTAIN PA	101 S Saint Vrain Avenue	Estes Park	Colorado	80517	970-480-0110
CO252	NEW VISION HOTELS TWO, LLC	1129 N. Summit Boulevard	Frisco	Colorado	80443	970-239-0193
CO226	MCBRIDE NEW CASTLE & ASSOCIATES, LLC	2625 Gilstrap Ct.	Glenwood Springs	Colorado	81601	970-372-0424
CO193	GOLDEN HOTEL MANAGEMENT, LLC	800 11th Street	Golden	Colorado	80401	303-279-0100
CT163	SHANTI CC HARTFORD, LLC	440 Asylum Street	Hartford	Connecticut	06103	860-455-4001
FLF47	CHI APALACH, LLC	80 6th Street	Apalachicola	Florida	32320	850-502-5322
FLF48	PANHANDLE INVESTMENTS, LLC	329 Water Street	Apalachicola	Florida	32320	850-502-5134
FLC65	KINGWOOD CRYSTAL RIVER RESORT CORP.	9301 West Fort Island Trail	Crystal River	Florida	34429	352-795-4211
FLD07	N & S PROPERTIES, LLC	28 South Federal Highway	Dania Beach	Florida	33004	954-773-7174
FLC49	BLUEGREEN RESORTS MANGEMENT	3125 South Atlantic Avenue	Daytona Beach Shores	Florida	32118	386-868-3528
FLC50	BLUEGREEN RESORTS MANAGEMENT	1688 Overseas Highway	Marathon	Florida	33050	305-748-4083
FLC51	BLUEGREEN RESORTS MANAGEMENT	12400 South International Driv	Orlando	Florida	32821	407-573-6744
FLC55	BLUEGREEN RESORTS MANAGEMENT INC	5473 Del Verde Way	Orlando	Florida	32819	407-641-1283
FLC54	BLUEGREEN RESORTS MANAGEMENT	621 South Atlantic Avenue	Ormond Beach	Florida	32176	386-262-1098
FLF58	WYVERN HOSPITALITY, LLC	101 E Retta Esplanade	Punta Gorda	Florida	33950	941-639-7700
FL696	SHREE VITHALJI, INC.	42 San Marco Avenue	Saint Augustine	Florida	32084	904-829-2292
FLC52	BLUEGREEN RESORTS MANGEMENT	100 Front Nine Drive	Saint Augustine	Florida	32092	904-201-1760
FL788	MSB HOTELS III, LLC	530 A1A Beach Blvd.	Saint Augustine	Florida	32080	904-471-3505
FLC53	BLUEGREEN RESORTS MANAGEMENT	8801 Collins Avenue	Surfside	Florida	33154	786-533-3635
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

GA396	BA JEKYLL ISLAND, LLC	700 North Beachview Drive	Jekyll Island	Georgia	31527	912-635-2202
GA911	BLUEGREEN RESORTS MANAGEMENT	120 W. Bryan Street	Savannah	Georgia	31401	912-525-2380
GAA39	DUKE-RIDGES HOTEL, LLC	3499 Highway 76 West	Young Harris	Georgia	30582	706-896-2262
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
IL049	ROCK RIVER BRIDGE HOTEL, LLC	700 W. Riverside Blvd.	Rockford	Illinois	61103	815-282-3033
KS208	SAMY'S VENTURES, LLC	1212 Stone Creek Drive	Garden City	Kansas	67846	620-277-7477
KS302	BEAUMONT ENTERPRISES, LLC	701 Village West Pkwy	Kansas City	Kansas	66111	913-596-6000
LA369	LAUREL HOTEL ASSOCIATES, LLC	1015 W Pinhook Road	Lafayette	Louisiana	70503	337-291-1088
LA376	GULF VENTURES ASSOCIATES, LLC	2601 Severn Avenue, Building B	Metairie	Louisiana	70002	225-289-4247
LA087	BOUTIQUE HOTELS, LLC	2001 St. Charles Ave	New Orleans	Louisiana	70130	504-558-9966
LA446	FESTIVA REAL ESTATE HOLDINGS, LLC	519 Frenchmen Street	New Orleans	Louisiana	70116	504-943-3100
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	504-655-9302
LA428	BLUEGREEN RESORTS MANAGEMENT, INC.	144 Elk Place	New Orleans	Louisiana	70112	504-371-5800
LA252	EVANGELINE HOSPITALITY, LLC	2235 Creswell Lane Ext. Lot B	Opelousas	Louisiana	70570	337-447-4252
ME028	GIRI KENNEBUNK, INC.	55 York Street	Kennebunk	Maine	04043	207-401-2411
ME074	AMIN HOTELS, INC	17 Post Road	Wells	Maine	04090	207-261-0947
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
MD199	TEKMEN & TEKMEN OC, LLC	11 N. Baltimore Avenue	Ocean City	Maryland	21842	4436644020
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	508-258-3138
MA248	BLUEGREEN RESORTS MANAGEMENT, INC.	61 Chase Avenue	Dennis Port	Massachusetts	02639	508-258-3139
MA073	MV EDGAR LLC	227 Upper Main St.	Edgartown	Massachusetts	02539	508-627-5161
MA225	GAUTAM SHARMA	1834 Revere Beach Parkway	Everett	Massachusetts	02149	617-917-3400
MA177	M&M LODGING, LLC	435 Laurel Street	Lee	Massachusetts	01238	413-243-2700
MA210	NB HOTEL MT, LLC	222 Union St	New Bedford	Massachusetts	02740	508-999-1292
MI426	BLUEGREEN RESORTS MANAGEMENT	3230 Mountain Edge Road	Boyne Falls	Michigan	49713	231-237-4187

MI471	CORKTOWN HOTEL, LLC	1331 Trumbull Street	Detroit	Michigan	48216	313-774-8808
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	952-225-2684
MN127	VISION SDS HOSPITALITY, LLC	701 Concord Street South	South Saint Paul	Minnesota	55075	651-455-3600
MS365	RIVERVIEW HOTEL MANAGEMENT, LLC	130 John R Junkin Drive	Natchez	Mississippi	39120	601-442-9976
MO448	THOUSAND HILLS MANAGEMENT COMPANY, INC.	245 S. Wildwood Drive	Branson	Missouri	65616	866-562-9677
MO423	BLUEGREEN RESORTS MANAGEMENT, INC.	200 Creekside Road	Branson	Missouri	65616	417-213-5221
MO334	BLUEGREEN RESORTS MANAGEMENT	250 Lakewood Drive	Hollister	Missouri	65672	417-297-0059
MO407	ADMJM WP1, LLC	801 Westport Rd.	Kansas City	Missouri	64111	816-463-2487
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 North Glenstone	Springfield	Missouri	65803	417-866-5253
MT086	BILLING VENTURES, LP	1801 Majestic Lane	Billings	Montana	59102	406-839-9300
MT094	CK OPERATIONS, LLC	4655 Harrison Avenue	Butte	Montana	59701	406-565-5001
MT124	DNC PARKS & RESORTS AT GARDINER, INC.	905 Scott Street W	Gardiner	Montana	59030	406-203-9965
MT099	YELLOWSTONE VALLEY LODGE, LLC	3840 Highway 89 South	Livingston	Montana	59047	406-333-4787
MT030	DNC PARKS & RESORTS AT WHITEFISH, INC	920 Spokane Ave.	Whitefish	Montana	59937	406-204-4519
NE086	NORFOLK LODGE & SUITES, LLC	4200 W. Norfolk Avenue	Norfolk	Nebraska	68701	402-379-3833
NV105	BLUEGREEN RESORTS MANAGEMENT	372 East Tropicana Avenue	Las Vegas	Nevada	89169	702-997-4922
NH025	GIRI DOVER 200, INC	200 Sterling Way	Dover	New Hampshire	03820	603-842-6783
NH061	BLUEGREEN RESORTS MANAGEMENT	23 InnSeasons Drive	Lincoln	New Hampshire	03251	480-653-9323
NH063	GIRI PORTSMOUTH 505, 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	PEACOCK OPERATIONS OF PRINCETON, LLC	20 Bayard Lane	Princeton	New Jersey	08540	609-924-1707
NJ162	SOMERSET HOSPITALITY HOLDINGS, LLC	11 Cedar Grove Lane	Somerset	New Jersey	08873	732-563-1000
NJ388	4001 ATLANTIC AVE, LLC	4001 Atlantic Avenue	Wildwood	New Jersey	08260	609-600-1619
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

NY629	32 STREET LIU, LLC	135 32nd Street	Brooklyn	New York	11232	718-788-1801
NY774	VERTU ROC, LLC	1110 60th Street	Brooklyn	New York	11219	718-435-2060
NY569	GIY OWNEWR LLC	645-651 Union St.	Brooklyn	New York	11217	718-855-6503
NY648	SUNSET PARK GROUP, LLC	741 61st Street	Brooklyn	New York	11220	718-567-5858
NY633	CURTISS BUFFALO, INC.	210 Franklin Street	Buffalo	New York	14202	716-954-4900
NY709	TRADITIONS AT THE GLEN, LLC	4101 Watson Blvd	Johnson City	New York	13790	607-797-2381
NY680	LAKE PLACID HOTEL PARTNERS, 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
NY777	HHM HOTELS, LLC	1777 Burrstone Road	New Hartford	New York	13413	315-797-2131
NY501	32-34 WEST 29 STREET REALTY, LLC	32 West 29th Street	New York	New York	10001	212-204-5750
NY288	SOLITA SOHO HOTEL, LLC	159 Grand Street	New York	New York	10013	212-925-3600
NY654	FIRST STREET GROUP, LLC	222 1st Street	Niagara Falls	New York	14303	716-299-0200
NY033	LOUIS WILLIAMS, INC.	6765 State Hwy. 37	Ogdensburg	New York	13669	315-393-4550
NC912	OMKAR OF ASHEVILLE, LLC	4 Roberts Road	Asheville	North Carolina	28803	828-398-5888
NC908	BLUEGREEN RESORTS MANAGEMENT, INC.	3781 Tynecastle Highway	Banner Elk	North Carolina	28604	480-653-9264
NC856	BEAUFORT HOSPITALITY ENTERPRISES, LLC	2440 Lennoxville Rd	Beaufort	North Carolina	28516	252-728-3000
NC786	ESQUIRE HOTEL GASTONIA, LLC	168 W Main Ave	Gastonia	North Carolina	28052	980-888-1500
NC843	CASCADES MOUNTAIN RESORT, LLC	201 Sugarloaf Road	Hendersonville	North Carolina	28792	828-595-8155
OH641	AURORA HOTEL PARTNERS, LLC	30 Shawnee Trail	Aurora	Ohio	44202	330-341-4036
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
PA635	TOFTREES PCF, INC.	100 Cricklewood Drive	State College	Pennsylvania	16803	814-234-2424
PA605	BHAVI CORPORATION	700 Main St.	Stroudsburg	Pennsylvania	18360	570-421-2200
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	GALLUS INN, 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	843-765-4004
SC592	I'ON HOTEL AND INN GROUP, LLC	148 Civitas Street	Mount Pleasant	South Carolina	29464	843-284-0850
SC473	BLUEGREEN RESORTS MANAGEMENT	2690 Harbour Lights Drive	Myrtle Beach	South Carolina	29579	843-353-4696
SC474	BLUEGREEN RESORTS MANAGEMENT	1400 North Ocean Blvd	Myrtle Beach	South Carolina	29577	843-353-4504
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	605-857-8805
TN811	CDH HOSPITALITY, LLC	100 W 21st Street	Chattanooga	Tennessee	37408-2528	423-265-3151
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	865-366-5249
TXA57	KIMBALL BEND OF CLEBURNE, LP	205 South Caddo Street	Cleburne	Texas	76031	817-556-3700
TXI33	JAY SHREE KAPI HOSPITALITY, LLC	8080 Main Street	Houston	Texas	77025	713-665-4439
TXJ34	ARBOR HOTEL AND CONFERENCE CENTER, LLC	6401 62nd St	Lubbock	Texas	79424	806-771-2420
TXK43	BLUEGREEN RESORTS MANAGEMENT, INC.	18603 La Cantera Terrace	San Antonio	Texas	78256	210-598-2900
UT162	NBT-ERI OGDEN, LLC	2510 Washington Blvd	Ogden	Utah	84401	801-627-1900
UT182	NBT-ERI PEERY, LLC	110 West Broadway	Salt Lake City	Utah	84101	801-521-4300
VT087	DINAND REAL ESTATE ASSOCIATES, LLC	511 Mountain Road	Stowe	Vermont	05672	802-253-4811
VA058	ARLINGTON HOTEL HOLDINGS, INC.	1200 N. Courthouse Rd.	Arlington	Virginia	22201	703-524-4000
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	757-941-7276
VA688	BLUEGREEN RESORTS MANAGEMENT	174 Horseshoe Circle	Gordonsville	Virginia	22942	540-907-4242
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
WA269	GRACE K CORP.	1700 W Marine View Drive	Everett	Washington	98201	425-252-6779
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	608-678-3220
WI303	BLUEGREEN RESORTS MANAGEMENT, INC.	1701 Wisconsin Dells Parkway	Wisconsin Dells	Wisconsin	53965	608-678-3218

EXHIBIT O

ASCEND FRANCHISES WHO LEFT THE SYSTEM BETWEEN JANUARY 1, 2019 AND DECEMBER 31, 2019

MAKAN,BHU D.	Southern Lodging, LLC. PO Box 24117	Little Rock	Arkansas	72221	501/240-8110
PATEL,KISHAN	204 Fork River Road	Sherwood	Arkansas	72120	501/246-1577
MYERS,BRAXTON	2350 West Shaw Ave	Fresno	California	93711	559/429-8080
DOAK,BILL	6922 Hollywood Blvd	Los Angeles	California	90028	
TOMAT,ARIEL	17070 Collins Avenue	North Miami Beach	Florida	33160	305/944-8300
BOWEN,WILLIAM D.	1368 Turner Church Road	Enigma	Georgia	31749	229/436-9119
DAILEY,MICHAEL	1696 Ala Moana Blvd	Honolulu	Hawaii	96815	808/949-0061
STEWART,LORI	660 Bay Cove Drive	Biloxi	Mississippi	39532	228/702-0142
SALVATORE,JOSEPH	6461 Transit Road	Depew	New York	14043	716/635-9000
JARIWALA,RITESH	300 West 22nd Street	New York	New York	10011	
HIONIS,LOUKIANOS	323 Route 52 (Kennett Pike)	Mendenhall	Pennsylvania	19357	610/388-2100
BARBERA,JOSE EDUERDO	116 Navarro Street	San Antonio	Texas	78205	917/340-2806

EXHIBIT P

Todays Date

Lender Name
Lender Address
Lender Address
Attention: Lender contact name/title

Re: HOTEL BRAND NAME (PROPERTY CODE)
HOTEL ADDRESS
HOTEL ADDRESS (the "Hotel")

Dear Lender:

Choice Hotels International, Inc. ("Franchisor") and ____________________________ ("Franchisee") are parties to a Franchise Agreement dated ________________________(as amended, the "Franchise Agreement"). The Franchise Agreement permits Franchisee to operate the Hotel as a HOTEL BRAND® hotel.

As of the date of this letter agreement, the Franchise Agreement is in full force and effect, Franchisee is in good standing with Franchisor, and Franchisor has issued no notice of default under the Franchise Agreement which has not been cured; and to the best of Franchisor's knowledge and belief, Franchisee is not currently in default of the Franchise Agreement. "Franchisor's knowledge" means the actual knowledge of obvious Hotel operational matters regularly reviewed by company employees who have given their attention to such matters in the ordinary course of business and does not include any investigation by those employees or others of other matters or beyond their usual and customary reviews of the Hotel, nor does it include constructive notice of matters or information located in public or Hotel records. "Default" means matters which have been the subject of an actual notice of default under the Franchise Agreement and does not include matters which are or may be in process, under discussion, or otherwise addressed.

______________________ ("Lender") and Franchisee have informed Franchisor that Lender has issued a commitment to loan funds (the "Loan") to Franchisee to be used for the direct benefit of the Hotel and secured by the Hotel.

Lender and Franchisee have requested that Franchisor enter into this letter agreement (the "Comfort Letter") and have submitted the nonrefundable current processing fee. The undersigned parties agree as follows:

1. Opportunity to Cure Defaults.

(a) Notice and Cure Period. Franchisor will copy Lender on any notice of default or termination issued to Franchisee under the Franchise Agreement. Lender shall have the right, but not the obligation, to cure the default within a cure period of fifteen (15) calendar days for monetary defaults or forty-five (45) days for non-monetary defaults beyond the expiration of the cure period, if any, given to Franchisee ("Lender's Cure Period").

(b) Non-Monetary Default Requiring Possession to Cure. If the default is a non-monetary default which Lender can only cure by acquiring ownership of the Hotel (an "Acquisition"), Lender may have an additional one hundred eighty (180) calendar days ("Additional Period") commencing at the expiration of Lender's Cure Period to complete the Acquisition, through foreclosure or other appropriate proceedings.

1 Choice Hotels Circle, Suite 400, Rockville, MD 20850 (301) 592-5000

If requested by Lender, Franchisor may extend the Additional Period, at Franchisor's determination taking into consideration the period of time that may be necessary to complete the foreclosure or other proceeding in the applicable jurisdiction and any period of time during which such action has been stayed or enjoined. To request the Additional Period, Lender must: (i) notify Franchisor no later than the date it commences proceedings (or promptly after action is stayed or enjoined) that Lender wants the Additional Period; (ii) commence proceedings within Lender's Cure Period and diligently prosecute such proceedings to completion; and (iii) comply with the obligations of Franchisee under the Franchise Agreement not being performed by Franchisee during the Additional Period including payment of all monetary obligations but excluding those obligations which can only be performed by Franchisee or which Lender cannot perform without ownership of the Hotel.

(c) Foreclosure. If Lender commences a foreclosure or other proceeding intended to result in the Acquisition but Franchisor has not issued a default notice to Franchisee or Lender has cured Franchisee's default during Lender's Cure Period, Lender may exercise the rights under this Comfort Letter if Lender (i) notifies Franchisor of its proceeding as required by this Comfort Letter and confirms its intention to proceed under the terms of this Comfort Letter and (ii) subsequently completes its Acquisition within one hundred eighty (180) calendar days of the date Lender commenced its proceeding (as such one hundred eighty (180) day period may be extended by Franchisor in its determination if requested by Lender, which determination shall take into consideration the period of time required to complete a foreclosure in the applicable jurisdiction, and any period of time in which Lender's action has been stayed or enjoined). Lender must also comply with the obligations in Paragraph 1(b)(iii) while the Acquisition is pending. Franchisor acknowledges and agrees that an Acquisition shall not be deemed a sale or lease of the Hotel under the Franchise Agreement, nor a violation of any control or transfer provisions of the Franchise Agreement, and shall not be subject to any right of first refusal or right of first offer contained in the Franchise Agreement.

(d) Franchisor's Rights to Terminate Franchise Agreement. Notwithstanding any other provision of this Comfort Letter, Franchisor may terminate the Franchise Agreement if any of the following occur: (i) Franchisee's default or any subsequent default, in the sole opinion of Franchisor, damages the image or reputation of Franchisor or any brand name owned and/or licensed by Franchisor; (ii) Franchisor is required to terminate the Franchise Agreement by court order or action of any trustee in bankruptcy or debtor in possession of the Hotel; or (iii) the Additional Period expires without other arrangements, satisfactory to Franchisor in its sole discretion, having been entered into between Franchisor and Lender.

(e) Expiration of Franchise Agreement. Nothing in this Comfort Letter will extend the Franchise Agreement beyond its stated Term.

2. Elections Upon Lender Acquisition.

(a) Election Not to Operate. If Lender completes its Acquisition before the expiration of the applicable time periods set forth in Paragraph 1, Lender may elect not to continue operating the Hotel under the terms of the Franchise Agreement. In such event, Lender must give written notice to Franchisor within thirty (30) calendar days after the Acquisition of its election not to operate. Upon receipt by Franchisor of such notice, Franchisor shall terminate the Franchise Agreement in accordance with the terms thereof. Upon such termination of the Franchise Agreement pursuant to this Section, Lender shall not be liable for any termination fees or liquidated damages for early termination. Lender shall be solely liable for all fees and obligations of Franchisee that accrued during the time period from the date of the Acquisition through the date of Lender's notice not to operate, and Lender shall be responsible for complying with the de-identification obligations contained in the Franchise Agreement.

(b) Election to Operate. If Lender completes its Acquisition before the expiration of the applicable time periods set forth in Paragraph 1 and Lender elects to continue operating the Hotel as a HOTEL BRAND NAME hotel, Lender may, by notice and payment to Franchisor of an affiliation fee in the amount of $15,000 by no later than thirty (30) days after the Acquisition, elect to enter into a new franchise agreement on Franchisor's then-current form. Lender and Franchisor will execute the new franchise agreement within thirty (30) days of Lender's Acquisition. Such franchise agreement shall be dated as of the later of (i) the date that Lender acquired the Hotel or (ii) the date that we sign the new franchise agreement. Additionally, in connection with a new franchise agreement pursuant to this Paragraph 2(b)., Lender shall: (a) comply with any renovation or upgrading requirements that are set forth in the new franchise agreement, and (b) cure any quality, service, monetary or other deficiency in Franchisee's prior performance of obligations under the Franchise Agreement; however, Lender shall not be liable for any termination fees or liquidated damages. Lender will, within ten (10) business days after the request by Franchisor, provide Franchisor all information necessary for Franchisor to determine that Lender is not a Sanctioned Person as defined in Paragraph 10(a) herein. If Lender fails to timely execute and deliver to Franchisor the franchise agreement, Franchisor shall have the unrestricted right to terminate the Franchise Agreement.

The conditions contained in the Section 9 transfer provisions of the Franchise Agreement relevant to a new franchisee as determined appropriate by Franchisor shall apply with respect to the transfer to Lender, including but not limited to submission by Lender of its ownership structure, evidence of ADA compliance and evidence of insurance. Any renovation requirements imposed by Franchisor will not exceed those which Franchisor could have imposed had Franchisee remained as the Franchisee under the Franchise Agreement. Lender must diligently cure all defaults which it could not cure before the Acquisition under the terms of Paragraph 1(b), except for personal and non-curable defaults as defined below, within the time period determined by Franchisor based on the nature of the default and/or the condition of the Hotel at the time of Lender's Acquisition. The term "personal and non-curable defaults" as used in this Paragraph shall mean such defaults that (i) occurred before the date of Lender's Acquisition; (ii) are non-curable; (iii) are purely personal to Franchisee (*e.g.*, failure to provide adequate notice or past failure to maintain Franchisee's company status); and (iv) are unrelated to the operation of the Hotel.

3. Receivership. If a receiver is appointed by court order to operate the Hotel, and Lender desires the Hotel to continue to be operated as a HOTEL BRAND NAME hotel, Lender may, by notice and payment to Franchisor of a non-refundable $7,500 administrative fee within thirty (30) days of receiver's appointment and subject to Paragraph 2(b) above, elect to have receiver enter into an assumption of the franchise agreement on Franchisor's then-current form. The receiver must execute an assumption of the Franchise Agreement within thirty (30) days of receiver's appointment. Before Franchisor approves such assumption of the Franchise Agreement pursuant to this Paragraph 3, (i) Franchisor, Lender and receiver must reach agreement concerning the cure of any quality, service or other deficiencies in Franchisee's prior performance of its obligations under the Franchise Agreement, including any deficiencies under any other agreements with Franchisor and/or its affiliates relating to the Hotel but excluding liquidated damages; (ii) receiver must enter into an assumption of the Franchise Agreement containing all terms required by Franchisor, which will be dated as of receiver's possession date; and (iii) receiver must specifically be authorized by court order to operate the Hotel and enter into and comply with the agreements referenced in subsection (ii) above.

4. Notifications to Franchisor. Lender agrees to notify Franchisor: (i) contemporaneously with commencement of foreclosure proceedings regarding the Hotel; (ii) contemporaneously with the filing of any petition for appointment of a receiver, to obtain the entry of an order for relief, or take any action under federal or state bankruptcy laws or similar laws with regard to the Hotel; (iii) contemporaneously with the acceptance of a deed for the Hotel in lieu of foreclosure; and (iv) promptly, after taking ownership, possession or control of the Hotel, directly or indirectly, in any manner. Lender's notice to Franchisor must identify the court in which any such action referred to in subsection (i) or subsection (ii) is or will be filed. Lender shall promptly notify Franchisor in writing of the commencement by another party of foreclosure proceedings or the filing of an action for the appointment of a receiver or petition for relief under state or federal bankruptcy laws after Lender receives notice of commencement of such proceedings.

1 Choice Hotels Circle, Suite 400, Rockville, MD 20850 (301) 592-5000

5. **No Consent to Assignment of Franchise Agreement.** Lender and Franchisee acknowledge and agree that any current and any future collateral assignment, pledge, grant of a security interest or other transfer to Lender or its Affiliates of any interest in the Franchise Agreement: (i) has not been and will not be consented to by Franchisor; (ii) does not and will not affect Franchisor's rights under the Franchise Agreement; (iii) does not and will not grant Lender or any person gaining ownership or possession of the Hotel any rights under the Franchise Agreement or with respect to the license granted thereunder, including the right to operate the Hotel as a HOTEL BRAND NAME hotel; and (iv) is and will be limited by the terms and conditions of this Comfort Letter. If the Hotel is acquired by anyone other than Lender neither Lender nor Franchisee will have the right or authority to sell, convey, assign or in any manner transfer any rights under this Comfort Letter or under the Franchise Agreement without the prior written consent of Franchisor. Lender's only rights with respect to the Franchise Agreement and the license granted thereunder, including the right to operate the Hotel as a HOTEL BRAND NAME hotel, are stated in this Comfort Letter.

6. **Subsequent Sale.** Any subsequent sale, assignment or transfer of the Hotel by Lender to a third party who desires to continue to operate the Hotel as a HOTEL BRAND NAME Hotel must be in accordance with the transfer and assignment provisions of the Franchise Agreement, which require, among other things, submission of a relicensing application, payment of an affiliation fee, and payment of all amounts due to Franchisor. Franchisor will require the transfer applicant to sign the then-current form of franchise agreement, which will include a new property improvement plan.

7. **No Claims.** Franchisor may discuss with Lender or its designee the status of the Hotel, the Franchise Agreement, the terms of any agreement contemplated by this Comfort Letter and any of the matters to which Lender is entitled to notice. Franchisor and its respective owners, affiliates, agents, employees, officers, directors, successors, assigns and representatives ("Released Persons") shall not be liable to any person for taking any action or providing any information required or contemplated by this Comfort Letter ("Comfort Letter Acts") and Franchisee, on behalf of itself and its owners, affiliates, agents, officers, directors, employees, representatives, successors and assigns, hereby releases the Released Persons of and from any and all actions, causes of action, suits, claims, demands, contingencies, debts, accounts and judgments whatsoever, at law or in equity, for any Comfort Letter Acts.

8. **Notices.** All notices required under this Comfort Letter shall be in writing, sent by certified mail, return receipt requested, or by Federal Express or other national express delivery service and addressed, if to Lender, to:

Lender name
Lender address
Lender address
Attention: Lender contact/title

if to Franchisee, to:

Franchisee Name
Franchisee Address
Attn: Designated Representative

If to Franchisor, to:

Choice Hotels International, Inc.
1 Choice Hotels Circle, Suite 400
Rockville, MD 20850
Attention: Franchise Attorney

Any notice sent pursuant to this Comfort Letter shall be deemed to be given three (3) days after mailing or on the next business day after such notice is deposited with a national express delivery service.

9. Franchisee Estoppel and Release. As consideration for this Comfort Letter relating to the Loan, Franchisee hereby:

(a) certifies to Franchisor that the Franchise Agreement is in full force and effect, and no default, claim, breach, offset, defense to full and strict enforcement, waiver, or estoppel (collectively, a "**Claim**"), or condition that could with passage of time, giving notice or otherwise become a Claim, currently exists or has existed against Franchisor under the Franchise Agreement.

(b) agrees that this Comfort Letter will remain in full force and effect in favor of Lender with respect to the Loan, as the Loan may periodically be modified, amended, extended, supplemented, or restated.

(c) agrees that this Comfort Letter was provided to Lender at Franchisee's request.

(d) fully and forever releases, discharges, and agrees to indemnify, defend, and hold harmless Franchisor, its predecessors, successors and assigns and each of their respective former and present officers, employees, directors, shareholders, partners, members, parents, subsidiaries, affiliates, alter egos, representatives, agents, and attorneys (collectively, the "Released Parties"), from any and all Claims, demands, liens, actions, agreements, suits, causes of action, obligations, controversies, debts, costs, attorney's fees, expenses, damages, judgments, orders, and liabilities of whatever kind or nature in law, equity, or otherwise, whether now known or suspected which have, may or do exist ("Released Claims"), based on any facts, events, or omissions occurring before the execution of this Comfort Letter which arise out of, concern, pertain, or relate in any way to the subject matter of this Comfort Letter. Franchisee acknowledges that it may hereafter discover Claims presently unknown or unsuspected, or facts in addition to or different from those which it now knows or believes to be true, with respect to the matters released by this Comfort Letter. Nevertheless, Franchisee fully and finally settles and releases all such matters, and all Claims relative thereto, which do now exist, may exist or have existed between the Released Parties and Franchisee.

10. Lender Estoppel and Release. As consideration for this Comfort Letter relating to the Loan, Lender hereby:

(a) certifies to Franchisor that Lender is not a Sanctioned Person. "Sanctioned Person" means any person or entity (including financial institutions) who is: (i) or is controlled by or acting on behalf of the Government of any country subject to comprehensive U.S. sanctions in force and which currently include the Government of Cuba, Iran, North Korea, Sudan, and Syria ("Sanctioned Countries"); (ii) located in, organized under the laws of or ordinarily resident in Sanctioned Countries; and/or (iii) identified by any government or legal authority under applicable Trade Restrictions as a person with whom dealings and transactions by Lender and/or its affiliates are prohibited or restricted, including but not limited to persons designated under United Nations Security Council Resolutions, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") List of Specially Designated Nationals and Other Blocked Persons; the U.S. Department of State's lists of persons subject to non-proliferation sanctions; the European Union Financial Sanctions List; persons and entities subject to Special Measures regulations under Section 311 of the USA PATRIOT Act and the Bank Secrecy Act;

(b) agrees that this Comfort Letter shall remain in full force and effect in favor of Lender with respect to the Loan, as the Loan may periodically be modified, amended, extended, supplemented or restated; and

(c) fully and forever releases and discharges the Released Parties from any and all Released Claims by or through Lender based on any facts, events, or omissions occurring before the execution of this Comfort Letter which arise out of, concern, pertain, or relate in any way to this Comfort Letter.

11. No Representations or Warranties. In no event shall this Comfort Letter or any other circumstances surrounding the provision of financing by Lender be construed to involve: (i) any representation by Franchisor that Franchisor endorses, approves, recommends or otherwise concurs in the financing; (ii) any guarantee or assurance by Franchisor that Franchisee or any other party to the Loan will be able to repay the Loan in accordance with its terms; (iii) any endorsement, approval, recommendation or concurrence in any financial projections submitted to Lender in connection with the Loan; or (iv) any endorsement, approval or recommendation of Franchisee's character or reputation. Franchisor's representation in the second paragraph of this Comfort Letter regarding the status of the Franchise Agreement pertains to the status of the Franchise Agreement as of the date of this Comfort Letter only. As a result, Lender acknowledges that Franchisor makes no representation that it has or has not issued any default notice after the date hereof, and Lender is not relying on any such representation (or absence of a representation) in making any decision or representation or warranty in connection with any material modification, securitization, or sale of the Loan.

12. Replacement Comfort Letter. Franchisor will issue a replacement comfort letter, substantially similar in form to Franchisor's then current comfort letter and then current fee if Lender (a)(i) appoints a third-party loan servicing agent to service the Loan, (ii) transfers the Loan to a successor mortgagee that is a financial institution in the business of routinely financing real estate transactions, or (iii) designates a trustee of a trust established in connection with the securitization of the Loan, provided that such transferee, designee, or appointee is not a Competitor, an affiliate of a Competitor, or a Person as defined in Section 19.k of the Franchise Agreement, and is not an affiliate of Franchisee, and (b) Franchisor receives a written request to issue a replacement comfort letter within sixty (60) days of the date of such appointment or transfer, setting forth the name, address of the entity for which the replacement comfort letter is requested, the name, address, telephone number and email address for the contact person for such entity, and the date of such appointment or transfer.

“Competitor" means an individual person who directly, or indirectly through an affiliate, owns or controls a hotel brand (or brands) and brands hotels through branded management, licensing and/or franchising (or similar means) for at least ten (10) hotels; provided, however, that a financial investor (such as an investment bank, private equity fund, pension fund, hedge fund or similar institution or any investor therein) shall not be deemed a competitor solely because of its financial investment in any competitor so long as either such financing investor is a passive investor or such financial investor is not actively involved in the day-to-day business operations of the brand and an appropriate and sufficient barrier is established to prevent such financial investor from receiving any confidential information of Franchisee, as applicable. In addition, a bank or other institutional lender that provides commercial financing to a competitor shall not be deemed a competitor solely because in the ordinary course of business it has financed a competitor, whether or not such financing results in, or has the potential to result in, such lender having control of a competitor as a result of the enforcement of remedies in the applicable financing documents, provided that such lender does not assume active management of the day to day operations of such competitor. Franchisor reserves the right to require representations and warranties or certifications that the conditions in this Paragraph are satisfied prior to issuing any replacement comfort letter. Any such replacement comfort letter shall supersede and replace this Comfort Letter.

13. Possession of the Hotel. If Lender owns, controls or possesses the Hotel after termination of the Franchise Agreement for any reason and Lender has not entered into a franchise agreement with Franchisor pursuant to Paragraph 2(b) herein, Lender will (i) upon Franchisor's request immediately perform the requirements of the Franchise Agreement with respect to de-identifying the Hotel as a HOTEL BRAND NAME hotel and (ii) indemnify, defend and hold harmless Franchisor and its affiliates from and against any loss, claim or other liability of any kind arising from or in connection with the operation of the Hotel as a HOTEL BRAND NAME hotel during such ownership, control or possession. Lender's obligations under this Paragraph shall survive termination of this Comfort Letter, and nothing in the letter agreement shall limit Franchisor's rights to seek legal redress for any unauthorized use of Franchisor's trademarks, service marks, or systems.

14. Termination. This Comfort Letter shall terminate and Lender shall have no rights hereunder if:

(i) Lender has been taken over in any manner by any state or federal agency or is in a receivership, conservatorship, reorganization, or liquidation, or Lender or any of its officers or directors has entered into or is subject to a cease and desist order or any other formal or informal written agreement with a federal or state regulatory agency;

(ii) Lender no longer holds a valid first mortgage or security deed for the Hotel unless (a) Lender has acquired the Hotel by foreclosure, deed in lieu of foreclosure, or any other exercise of its rights as a secured lender, in which case Lender will have the rights stated in Paragraph 2 for the period stated in such Paragraph, or (b) there has been a securitization or transfer of the Loan, in which case Lender will have the rights stated in Paragraph 12 for the period stated in such Paragraph;

(iii) the Franchise Agreement has expired by its terms;

(iv) the Franchise Agreement has been terminated, unless such a termination is the result of the timely exercise of Lender's rights under Paragraph 2 or Paragraph 3, in which case this comfort letter will terminate on the exercise or expiration of such rights, but in no event later than forty-five (45) days after such termination of the Franchise Agreement; or

(v) Lender breaches this Comfort Letter.

15. **<u>Confidentiality</u>**. You agree to keep the grant of modifications contained in the Comfort Letter in strict confidence and to not disclose them to any persons other than your directors, officers, partners, employees, agents and advisors who have a need to know for the sole purpose of the servicing, sale, administration, or securitization of the Loan. Any unauthorized disclosure is a default under the terms of the Comfort Letter, and we may, at our option, immediately terminate the Comfort Letter upon notice to you. The modifications outlined in this Comfort Letter are for the Hotel only and do not indicate that other hotels owned by you or by others will receive similar modifications. You acknowledge and agree that nothing in the Comfort Letter prohibits us from disclosing the terms of the Comfort Letter to any vendors, lenders, or other third parties as we determine in our reasonable discretion.

16. <u>Final Agreement.</u> Except as otherwise expressly set forth, this Comfort Letter is the final integration of the agreements between the parties with respect to the matters covered by it and supersedes any prior understanding or agreement, oral or written, with respect to the matters covered by the Comfort Letter.

17. <u>Effectiveness</u>. Franchisor shall have no obligations hereunder unless Lender and Franchisee have executed and delivered to the other parties this Comfort Letter, which may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which shall constitute, collectively, one and the same letter agreement. Delivery of an executed signature page to this Comfort Letter by electronic transmission is as effective as delivery of an original signed counterpart. This Comfort Letter is effective as of the date Franchisor signs the letter agreement. Franchisor's offer to enter into this Comfort Letter will be automatically withdrawn if (i) Franchisor does not receive signed copies from lender and Franchisee within 30 days of the date on page 1 herein, or (ii) Franchisor does not receive proof of the date of Loan closing within 60 days of the date on page 1 herein.

1 Choice Hotels Circle, Suite 400, Rockville, MD 20850 (301) 592-5000

Very truly yours,

CHOICE HOTELS INTERNATIONAL, INC.

By: ______________________________
Iris Figueroa Rosario
Franchise Counsel

Date: ______________________________

((signatures continue on following page)

1 Choice Hotels Circle, Suite 400, Rockville, MD 20850 (301) 592-5000

FRANCHISEE:

By:________________________________L.S.
Name:
Title:

Date: _________________________

LENDER:

____

By:________________________________

Name:_____________________________

Title:______________________________

Date: _________________________

1 Choice Hotels Circle, Suite 400, Rockville, MD 20850 (301) 592-5000

EXHIBIT Q

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 on a number of factors, including 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 oral, written or visual claim or representation concerning the revenues, profits or earnings of a hotel (or hotels) 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 oral, written or visual 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 oral, written or visual 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 any representations made in the Franchise Disclosure Document that was 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 R

STATE EFFECTIVE DATES

The following states have franchise laws that 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 document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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, 2020, as amended August 3, 2020

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, 2020, as amended August 3, 2020, 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) Comfort Letter (Q) Franchise Disclosure Questionnaire; and (R) 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:____________________________

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