FRANCHISE DISCLOSURE DOCUMENT

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

The franchise offered in this disclosure document is for the rights to own and/or operate a SLEEP INN® or SLEEP INN & SUITES® ("SLEEP INN") hotel business.

The total investment necessary to begin operation of an 84-room SLEEP INN & SUITES hotel business is between$3,925,060 and 7,199,927. This includes an affiliation fee of $300 per room for new construction and $550 per room for transfers and renewals ($40,000 minimum for new franchises, $45,000 for transfers and renewals); a property management system software license fee of between $10,750 and $14,750; and orientation and hospitality training fees of between $0 and $3,145 per person, all of which are 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 franchise 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 Brian Quinn, Vice President, Signature Brands Development at (301) 592-5000, 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850.

The terms of your franchise agreement will govern your franchise relationship. Do not rely on the disclosure document alone to understand your franchise agreement. Read all of your franchise agreement carefully. Show your franchise agreement 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, 2019

STATE COVER PAGE

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

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

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

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

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

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

3. AS OF DECEMBER 31, 2018, CHOICE HAD $243,784,000 IN CURRENT ASSETS AND HAD $318,439,000 IN CURRENT LIABILITIES. THIS MEANS THAT FOR EVERY DOLLAR OF LIABILITIES DUE WITHIN ONE YEAR, CHOICE HAD $0.77IN CURRENT ASSETS. AS OF DECEMBER 31, 2018, CHOICE HAD A NET INCOME OF $216,355,000, BUT A SHAREHOLDERS' DEFICIT OF $183,772,000, WHICH IS PRIMARILY ATTRIBUTABLE TO OUR REPURCHASE OF 50.5 MILLION SHARES OF TREASURY STOCK THROUGH DECEMBER 31, 2018. YOU MAY WISH TO CONSULT WITH YOUR FINANCIAL ADVISER.

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

5. 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.

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

6. THERE MAY BE OTHER RISKS FOR THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchises. A franchise broker or referral source represents 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 following page contains the effective dates of this disclosure document for each state with its own franchise registration law.

STATE EFFECTIVE DATES

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

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

TABLE OF CONTENTS

ITEM **PAGE**

ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES 1
ITEM 2 BUSINESS EXPERIENCE 4
ITEM 3 LITIGATION 10
ITEM 4 BANKRUPTCY 19
ITEM 5 INITIAL FEES 19
ITEM 6 OTHER FEES 21
ITEM 7 ESTIMATED INITIAL INVESTMENT 30
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS OR SERVICES 33
ITEM 9 FRANCHISEE'S OBLIGATIONS 36
ITEM 10 FINANCING 37
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING 44
ITEM 12 TERRITORY 54
ITEM 13 TRADEMARKS 56
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION 57
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS 58
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL 58
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION 59
ITEM 18 PUBLIC FIGURES 62
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS 62
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION 66
ITEM 21 FINANCIAL STATEMENTS 75
ITEM 22 CONTRACTS 76
ITEM 23 RECEIPT 76

EXHIBITS

EXHIBIT A STATE ADDENDA PAGES
EXHIBIT B REGULATORY AUTHORITIES; REGISTERED AGENTS FOR SERVICE OF PROCESS
EXHIBIT C FINANCIAL STATEMENTS
EXHIBIT D FRANCHISE AGREEMENT, PERSONAL GUARANTY AND STATE ADDENDA
EXHIBIT E choiceADVANTAGE SOFTWARE TERMS OF USE
EXHIBIT F CALL FORWARDING TERMS OF USE
EXHIBIT G GIFT CARD ENROLLMENT FORM
EXHIBIT H PROMISSORY NOTE
EXHIBIT I INCENTIVE PROMISSORY NOTE
EXHIBIT J LENDER DOCUMENTS
EXHIBIT K RULES AND REGULATIONS TABLE OF CONTENTS
EXHIBIT L FAIR FRANCHISING POLICY
EXHIBIT M INCREMENTAL IMPACT POLICY
EXHIBIT N FRANCHISEE ASSOCIATION INFORMATION
EXHIBIT O LIST OF FRANCHISEES
EXHIBIT P LIST OF FORMER FRANCHISEES
EXHIBIT Q FRANCHISE DISCLOSURE ACKNOWLEDGMENT FORM
EXHIBIT R RECEIPT

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" means the person who buys the franchise. "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 a SLEEP INN® or SLEEP INN & SUITES® branded hotel ("SLEEP INN" or "SLEEP INN Marks").

We do business under the following primary Choice Hotels trademarks among others: COMFORT INN®, COMFORT INN & SUITES®, COMFORT SUITES®, CAMBRIA®, QUALITY INN®, QUALITY INN & SUITES®, QUALITY SUITES®, QUALITY HOTEL®, QUALITY RESORT®, CLARION HOTEL®, CLARION INN®, CLARION INN & SUITES®, CLARION SUITES®, CLARION RESORT®, CLARION COLLECTION®, 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 RESORT COLLECTION®, ASCEND HOTEL COLLECTION® and WOODSPRING SUITES®.

Choice Background.

We are a Delaware corporation formed on January 8, 1963, under the name Quality Inns International, Inc. We changed our corporate name to Choice Hotels International, Inc. on July 25, 1990. From November 1, 1996 to October 15, 1997, our corporate name was Choice Hotels Franchising, Inc. Our 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 others' 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 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.

SLEEP INN Hotels.

We began offering franchises under the trademark SLEEP INN ("SLEEP INN hotels") in 1987. SLEEP INN offer rooms in the mid-scale limited service tier with an oversized work area with bright task lighting and convenient desk-level electrical outlets and ergonomic chair, along with amenities such as a free SLEEP INN Morning Medley breakfast, high-speed internet, free in-room coffee, and enhanced linens. Hotels that contain at least 10% suites may operate under the SLEEP INN & SUITES trademark.

We also offer a SLEEP INN and MAINSTAY SUITES combination hotel, which joins two great brands in one building. With a highly cost-effective design and operating model, it allows unique construction options enabling developers to capitalize on both transient and extended stay market demand under one roof. For additional information about MAINSTAY SUITES, please refer to the Franchise Disclosure Document for that brand.

Neither we, nor any current affiliate or predecessor, has owned or operated a SLEEP INN hotel. Sunburst Hospitality Corporation, which was our affiliate until October 15, 1997, has owned and operated SLEEP INN hotels.

Your receipt of this disclosure document does not mean that you will be approved as a franchisee or that you may develop or open any of our franchised hotels. Before you may develop and open any of our franchised hotels, we must approve you as a franchisee, we must approve the location of your proposed hotel, you must attend and successfully complete our training programs, we and you must sign the Franchise 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 franchisee.

General Market and Competition.

The market for hotel services is generally well developed but will largely depend on your hotel's location, size and its type of operation (for example, resort location, hotel for frequent business travelers, etc.). Franchisees 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 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. 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. Our largest hotel brand, COMFORT, provides a warm atmosphere, friendly service including free breakfast, in-room coffee and high-speed internet access. All-suites hotels under the COMFORT brand are offered under the COMFORT SUITES trademark. ECONO LODGE branded hotels provide a comfortable stay at a great value for business and leisure travelers. RODEWAY INN branded hotels are budget segment hotels for value-oriented travelers that offer a welcoming and efficient environment at an economy price.

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

On December 15, 2017, we entered into a unit purchase agreement ("Purchase Agreement") with, among other parties, WoodSpring Hotels Franchise Services LLC, a Kansas limited liability company ("WHFS") for the purchase of all issued and outstanding units of WHFS. The transaction closed on February 1, 2018 and we became the sole owner of WHFS. On February 1, 2018, WHFS transferred certain assets to us, including all existing WOODSPRING SUITES franchise agreements, and its intellectual property. WHFS' principal business address is the same as our principal business address. From 2004 to April 2015, WHFS offered extended-stay franchises under the name "VALUE PLACE," and in 2015 WHFS changed the brand to "WOODSPRING SUITES." A former affiliate of WHFS previously owned hotels using the "WOODSPRING SUITES" name, but no longer owns those hotels. We began offering franchises under the 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 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.

We also offer hotels under the trademark ASCEND, which is a special group of boutique, unique or historic hotels that have a strong local identity and share a common commitment to outstanding guest service. ASCEND member hotels range from historic to themed to contemporary and offer amenities, including operation of an onsite, upscale dining restaurant or are located within one city block of an upscale dining restaurant. From April 1, 2005 through April 30, 2008, we offered franchises for a similar concept under the trademark CLARION COLLECTION. As of December 31, 2018, there were 3 CLARION COLLECTION franchises. ASCEND member hotels typically will be conversions of existing hotels that

retain their existing name followed by the words, "an ASCEND HOTEL COLLECTION member" or "an ASCEND RESORT COLLECTION member" for local marketing and signage purposes.

On December 31, 2018, there were 40 CAMBRIA hotel franchises, 1,636 QUALITY hotel franchises, 1,054 COMFORT INN and COMFORT INN & SUITES hotel franchises, 569 COMFORT SUITES hotel franchises, 171 CLARION hotel franchises, 170 ASCEND hotel franchises, 3 CLARION COLLECTION hotel franchises, 0 CLARION POINTE hotel franchises, 393SLEEP INN and SLEEP INN & SUITES hotel franchises, 612 RODEWAY INN hotel franchises, 839 ECONO LODGE hotel franchises, 63 MAINSTAY SUITES hotel franchises and 54 SUBURBAN franchises, 247 WOODSPRING SUITES hotel franchises and 2 VALUE PLACE hotel franchises open in the United States. Choice does not operate any hotels under any of the Choice Marks

Industry Specific Laws and Regulations.

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

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

ITEM 2

BUSINESS EXPERIENCE

OFFICERS

President and Chief Executive Officer: Patrick S. Pacious

Mr. Pacious has been a Director and Chief Executive Officer since September 2017 and President since May 2016. He was Chief Operating Officer from December 2013 to September 2017.

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, Performance Analytics: William R. Carlson

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

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

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

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, Sales, Strategy and Operations: Jeannie Lin

Ms. Lin has been Vice President, Sales, Strategy and Operations since October 2018. She was Vice President, Marketing and Distribution Strategy and Performance from December 2015 to October 2018 and she was Senior Director, Marketing and Distribution Strategy and Performance from May 2014 to

December 2015. Ms. Lin was Senior Director, Business Transformation Office from May 2013 to May 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, Brand Management and Design and Compliance: Anne Smith

Ms. Smith has been Vice President, Brand Management and Design and Compliance since February 2018. She was Vice President, Brand Management and Design from April 2017 to January 2018 and she was Vice President, Brand Strategy from June 2013 to April 2017.

Vice President, Real Estate Investment and Asset Management: Justin Roberts

Mr. Roberts has been Vice President, Real Estate Investment and Asset Management since May 2017. He was Director of Real Estate of OTO Development in Spartanburg, South Carolina from March 2016 to April 2017 and he was Vice President of GE Capital in Norwalk, Connecticut from February 2014 to March 2016.

Vice President, Upscale Brands Development: Mark Shalala

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

Vice President, Signature Brands Development: Brian Quinn

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

Vice President, Foundation Brands Development: Tom Nee

Mr. Nee has been Vice President, Foundation Brands Development since January 2017. Mr. Nee was Regional Vice President, Franchise Sales from January 2014 to December 2016.

Vice President, Franchise Development, WoodSpring: Ron Burgett

Mr. Burgett has been Vice President, Franchise Development, WoodSpring since February 2018. 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, 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 January 2014.

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.

Regional Vice President, Franchise Sales: Brian Parker

Mr. Parker has been Regional Vice President, Franchise Development since May 2018. He was Regional Vice President, Franchise Sales from January 2012 to April 2018.

Regional Vice President, Franchise Sales: Jason Cowan

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

Regional Vice President, Franchise Sales: Thomas P. Bernardo

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

Regional Vice President, Franchise Sales: Nick DePaolo

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

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

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

Regional Vice President, Franchise Development: Anthony Goldstein

Mr. Goldstein has been Regional Vice President, Franchise Development since May 2018. 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.

Regional Vice President, Franchise Development: Jared Meabon

Mr. Meabon has been Regional Vice President, Franchise Development since May 2018. He was Regional Vice President, Franchise Sales from January 2015 to April 2018 and was Regional Development Director for Wyndham Worldwide Corporation in Parsippany, New Jersey from October 2008 to December 2014.

Regional Vice President, Franchise Development: Sonia Egyhazy

Ms. Egyhazy has been Regional Vice President, Franchise Development since January 2019. She was Director of Development from December 2014 to December 2018, and was Senior Director, Finance and Development of Crestline Hotels & Resorts, LLC in Fairfax, Virginia from December 2012 to December 2014.

Senior Director, Relicensing: James Rudeau

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

Project Director, Relicensing: Phil Carandang

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

Senior Director, Opening Support: Bill Weimer

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

DIRECTORS

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

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

Director: Ervin Shames

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

Director: William Jews

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

Director: Scott A. Renschler

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

Director: John Tague

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

Director: Barbara T. Alexander

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

Director: Monte J. M. Koch

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

Director: Liza K. Landsman

Ms. Landsman has been a Director since October 2014. She has been Chief Customer Officer at Jet.com, Inc. in Montclair, New Jersey since March 2015. She was Execute Vice President and Chief

Marketing Officer of E*Trade Financial Corporation in New York, New York from May 2013 to February 2015.

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

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

(2) 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

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.

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
Kingson & Kingson, Inc. and Muhammad A. Kingson	Circuit Court for Montgomery County, Maryland	442404V	January 18, 2018
Star Hospitality, LLC, and Dhaval Patel	American Arbitration Association	01-18-0000-3661	January 19, 2018
Three Diamond Enterprises, LLC, Sam Parabia, Perin Parabia, Prakash Shah and Ratansha Parabia	United States District Court for the District of Maryland, Southern Division	8:18-cv-00177	January 19, 2018
Perry Monpara	American Arbitration Association	01-18-0000-4461	January 23, 2018
Rahi Corp, and Nishil Patel	American Arbitration Association	01-18-0000-4688	January 23, 2018
Shashtriji Inc, and Pramod Patel	American Arbitration Association	01-18-0000-5026	January 25, 2018
Jai Sunnydev Ltd., Shrimad Enterprises, Inc., Vimal R. Patel, Kaushik Patel, Chetan Hazari and Dhansukh Patel	Circuit Court for Montgomery County, Maryland	442724V	January 25, 2018
Aum Lake Hospitality, LLC and Vipul Patel	Circuit Court for Montgomery County, Maryland	442725V	January 25, 2018
Tallahassee Capital Hospitality, LLC, Infinit Properties, LLC, Monarch Projects, LLC, Harnish Patel, Renish Patel, Kamlesh Patel, Dharmistha Patel, Bhanuchandra Patel & Kinjal Desai	American Arbitration Association	01-18-0000-6108	January 30, 2018
Four Joy Investment, LLC and Ning Ding	American Arbitration Association	01-18-0000-6220	January 30, 2018
Skye Hospitality, Inc., VR Innkeepers, Inc., Rajiv Johar and Tammie Johar	United States District Court for the District of Maryland, Southern Division	8:18-cv-00300	January 31, 2018
Rreaf Jourdanton, LLC and Rreaf Holdings, LLC	American Arbitration Association	01-18-0000-7162	February 8, 2018
Rreaf Hobbs, LLC and Rreaf Holdings, LLC	American Arbitration Association	01-18-0000-7168	February 8, 2018
Laredo Riverwalk Hospitality, LLC, Nimesh Desai, Vivek N. Mehta, Samir Desai, and Kumud Mehta	American Arbitration Association	01-18-0000-7372	February 9, 2018
AKS Hospitality, LLC, Suresh Patel and Surekha Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-00453	February 14, 2018
B&B Hospitality, Balwinder Singh and Balwinder Gill	Circuit Court for Montgomery County, Maryland	443266V	February 15, 2018
RAM Investment, Inc. and Nitin Bhakta	American Arbitration Association	01-18-0000-9347	February 27, 2018
RAM-DEV Hotels, LLC, Jayshri Desai, Nitin Bhakta, Pinal Patel and Bhavna Bhakta	American Arbitration Association	01-18-0001-0575	March 8, 2018
Pinkesh, Inc., Chandubhai K. Patel and Raju Patel	American Arbitration Association	01-18-0001-0583	March 8, 2018

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Emerald Hospitality Group, LLC, Jayantilal M. Uka, Chetan Uka, Pankaj Khushal, Nilan Solanki and Sailesh Patel	American Arbitration Association	01-18-0001-0862	March 9, 2018
Dijashvi, Ltd., Dijashvi Management, LLC and Shirish Soma	Circuit Court for Montgomery County, Maryland	444116V	March 12, 2018
Jayanti K. Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-00758	March 14, 2018
S&V Enterprises of Gainesville, Inc., Sonal H. Patel, Ami D. Patel, Sonal B. Patel, Varsha H. Patel and Varsha D. Patel	American Arbitration Association	01-18-0001-1903	March 15, 2018
RKHTK, LLC, and Ron Davis	American Arbitration Association	01-18-0001-1903	March 19, 2018
Hospitality Suites V, LLC, Branden D. Hansen and BT Holdings of Utah, LLC	American Arbitration Association	01-18-0001-2046	March 20, 2018
Sonor Hotel Corp., and Mark Steven Anderson	American Arbitration Association	01-18-0001-2049	March 20, 2018
Canon City Lodging, LLC., Mike Works and Beverly A. Grady Trust	American Arbitration Association	01-18-0001-4014	April 5, 2018
Ivana Hospitality, Viren M Vaidya and Nencyben Vaidya	American Arbitration Association	01-18-0001-4052	April 5, 2018
Uttx Hospitality, LLC, Muljibhai Chaudhari and Peter Savani	Circuit Court for Montgomery County, Maryland	445566V	April 9, 2018
Avsar Hotel Enterprises, Inc., Hiren Shah and Nilesh Shah	United States District Court for the District of Maryland, Southern Division	8:18-cv-01035	April 10, 2018
Rajendra Patel and Minesh Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-01034	April 10, 2018
Britney Chau, LLC and Thanh Chau	Circuit Court for Montgomery County, Maryland	445667V	April 12, 2018
All City Hospitality Irwin, LLC, Haresh J. Bhavnani, Aravind Mothalampet, and Sanjeev Chopra	American Arbitration Association	01-18-0001-5453	April 17, 2018
Salem Road Development, LLC, and Paresh Brahmbhatt	American Arbitration Association	01-18-0001-6228	April 23, 2018
S & C Gulfport, LLC, So Ly, and Chu Lam	American Arbitration Association	01-18-0001-6557	April 26, 2018
Kapil, LLC and Riteshkumar D. Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-01232	April 27, 2018

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
NM Hospitality Albuquerque, LLC, Suneet Singal, Akash Lal, Praful Patel, Lal Real Estate and Development, LLC and First Capital Real Estate Investments LLC	American Arbitration Association	01-18-0001-8186	May 7, 2018
Capital City Hospitality Group, LLC, Hitesh Patel, and Trusha Patel	American Arbitration Association	01-18-0001-8524	May 9, 2018
Riverview Holdings, LLC, Benjamin E. Mastin, Fred G. Eidson, and Robert G. Greene	American Arbitration Association	01-18-0001-8651	May 10, 2018
Hosanna Properties, Inc., Gondosinaryo Listyo and Tio Sio Hun	American Arbitration Association	01-18-0001-9211	May 14, 2018
Arch Hospitality, Inc. and Rashmikant Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-01449	May 18, 2018
Nikul, LLC and Rajendra M. Patel	Circuit Court for Montgomery County, Maryland	448165V	May 21, 2018
Diamond Hospitality Corp., AALIA Hospitality Corporation, Kamlesh Brahmbhatt and Taj A. Khan	United States District Court for the District of Maryland, Southern Division	8:18-cv-01526	May 25, 2018
YYP of Montgomery, LLC, Vimalkant C. Patel and Nayan Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-01525	May 25, 2018
2015 Westhampton LLC and Peter A. Tucci, Sr.	American Arbitration Association	01-18-0002-1557	May 31, 2018
Equity Guard, LLC and Steven Hsu	American Arbitration Association	01-18-0002-1558	May 31, 2018
Shivshakti Hospitality, LLC, Balwantrai P. Patel, and Anilaben Patel	American Arbitration Association	01-18-0002-2058	June 5, 2018
SC Hotel Group, LLC, SC Hotel Partners, LLC, Lajwanti Gandhi, and Rolan Chowdhury	American Arbitration Association	01-18-0002-2394	June 7, 2018
Gopi Hospitality, LLC, Upesh Shah and Vipul M. Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-01680	June 8, 2018
Surajhira, LLC, and Darshil Patel	American Arbitration Association	01-18-0002-3075	June 13, 2018
Veda, LLC and Alka Joshi	Circuit Court for Montgomery County, Maryland	449902V	June 18, 2018
Laxmee, Inc. and Vijay Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-01818	June 19, 2018
Janam Madison Lodging, LLC and Sunita Patel	American Arbitration Association	01-18-0002-4430	June 22, 2018
JCV & JRR, LLC, Jiteshkumar B. Patel, and Balwantral H. Patel	American Arbitration Association	01-18-0002-5074	June 28, 2018

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Om Parmatma, Inc., Sanjay Patel and Beana Patel	Circuit Court for Montgomery County, Maryland	450555V	June 28, 2018
Arun Patel and Daxa Patel	American Arbitration Association	01-18-0002-5326	June 29, 2018
Silverlake Hotel Management, LLC and Anil C. Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-02010	July 2, 2018
Janam Madison Lodging, LLC and Sunita Patel	Circuit Court for Montgomery County, Maryland	450801V	July 5, 2018
JC Hotel Group, LLC and Daniel Yoon	United States District Court for the District of Maryland, Southern Division	8:18-cv-02043	July 6, 2018
HI-LAD, Inc., WV Hotel Ventures, Inc. and Gregory B. Hicks	American Arbitration Association	01-18-0002-6262	July 9, 2018
Namal Enterprises, LLC, Blue Water Investments Kissimee, LLC, Sanela Raza, and Nabile Amar	American Arbitration Association	01-18-0002-6649	July 11, 2018
Bhole Hospitality, Inc. and Vipul M. Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-02111	July 11, 2018
Vidhi Hospitality, Inc., and Hitesh Patel	American Arbitration Association	01-18-0002-6723	July 12, 2018
3.MEO, LLC, Thanh Q. Chau, Roger H. Nguyen and Janet Nguyen	American Arbitration Association	01-18-0002-8587	July 26, 2018
Pascales Investment, Inc., Atul Ratanji and Rita Ratanji	Circuit Court for Montgomery County, Maryland	451812V	July 26, 2018
Omega Management Group, Inc. and Prince H. Tuhin	United States District Court for the District of Maryland, Southern Division	8:18-cv-02292	July 27, 2018
Parkay, LLC, Isaack Bernstein, and Sam Kay	American Arbitration Association	01-18-0002-9170	July 31, 2018
Stardust Motel, LLC, Arvind Panchal, and Nalini Panchal	American Arbitration Association	01-18-0002-9862	August 6, 2018
Golden Temple Corporation, Jugaar Singh, and Avtar Singh Sanghera	American Arbitration Association	01-18-0002-9863	August 6, 2018
Hasmukh H. Patel and Bharat H. Patel	American Arbitration Association	01-18-0002-9941	August 7, 2018
Global Atlas, Inc., Mustaqbhai K. Momin-Umatia, Karim R. Ali, and Karim S. Karedia	American Arbitration Association	01-18-0003-1320	August 17, 2018
Three Dia, LLC and Parimal Patidar	Circuit Court for Montgomery County, Maryland	453222V	August 20, 2018
A Royal Touch Hospitality, LLC, Ujas B. Patel and Ketki Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-02595	August 22, 2018

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
The Joseph Group, LLC and Charbel Joseph	United States District Court for the District of Maryland, Southern Division	8:18-cv-02596	August 22, 2018
Radhe Krishna Enterprises, Inc., and Vina Patel	American Arbitration Association	01-18-0003-2820	August 30, 2018
Malisha Hotel, LLC, Dharmesh Patel, and Darshana Patel	American Arbitration Association	01-18-0003-3543	September 6, 2018
Satpal Hospitality, Inc., Gurpreet Arora and Parmjit Garcha	Circuit Court for Montgomery County, Maryland	454112V	September 6, 2018
Pigeon Forge International Hospitality, LLC and Radha Batta	United States District Court for the District of Maryland, Southern Division	8:18-cv-02761	September 7, 2018
Henderson Hospitality LLC and Anthony L. Balthrop	American Arbitration Association	01-18-0003-4084	September 11, 2018
RR Tog, L.P., Terry D. Tognazzini, and Patricia Tognazzini	American Arbitration Association	01-18-0003-4083	September 11, 2018
Sun Hospitality, Inc., Christopher I. Myong, and Yong Nam Myong	American Arbitration Association	01-18-0003-4224	September 12, 2018
Four Joy Investment, LLC and Ning Ding	Circuit Court for Montgomery County, Maryland	454934V	September 18, 2018
K B H, LLC, Kazi Hossain, MD Khalequzzaman	United States District Court for the District of Maryland, Southern Division	8:18-cv-02929	September 21, 2018
Sonny Thottumkal	Circuit Court for Montgomery County, Maryland	455000V	September 24, 2018
Rahi Corporation and Nishil Patel	United States District Court for the District of Maryland, Southern Division	8:18-cv-02955	September 25, 2018
Sai Ram, Incorporated and Ramesh Patel	American Arbitration Association	01-18-0003-6837	October 3, 2018
Team Q Hospitality, Inc., Jason Morgan, and Rajiv Johar	American Arbitration Association	01-18-0003-6839	October 3, 2018
Tallahassee Capital Hospitality, LLC, Infinit Properties, LLC, Monarch Properties, LLC, Harnish Patel, Renish Patel, Kamlesh B. Patel, Dharmistha Patel, Bhanuchandra Patel and Kinjal Desai	Circuit Court for Montgomery County, Maryland	455783V	October 11, 2018
Atrium Hotel, LP, Belaire Properties, LLC, Steve Hsu, Jennifer Hsu and Katherine Hsu	Circuit Court for Montgomery County, Maryland	455784V	October 11, 2018
The Lead Group, LLC and J.R. Jones	United States District Court for the District of Maryland, Southern Division	8:18-cv-03169	October 12, 2018

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Kohinoor, LLC, Amish Patel, Bhupendra Patel, Shobhaben Patel, Amrat Ishanpara, and Mayur Patel	American Arbitration Association	01-18-0003-8244	October 15, 2018
Bristol Hospitality, LLC, Maheshchand M. Ratanji, Bhupendra M. Ratanji, Nehalkumar Ghandi, Harish Surati, and Hitesh Surati	American Arbitration Association	01-18-0003-8485	October 16, 2018
Brisam Brooklyn, LLC, Mahesh Ratanji and Harish Surati	American Arbitration Association	01-18-0003-8574	October 17, 2018
Ratan Totowa, LLC, Maheschand Ratanji and Harish Surati	American Arbitration Association	01-18-0003-8575	October 17, 2018
Smokies Hotel Management, Inc., Kalindiben Patel and Nimesh Patel	American Arbitration Association	01-18-0003-8942	October 19, 2018
Shasthriji, Inc. and Pramod Patel	Circuit Court for Montgomery County, Maryland	456936V	October 29, 2018
TK Hospitality Group, LLC, BRSV, LLC, Rakash Patel, Brian Dequincey Newman, Thakorbhai N. Patel and Brandon Riddick-Seals	United States District Court for the District of Maryland, Southern Division	8:18-cv-03364	October 30, 2018
Malvika LLC, and Rajesh Lakhani	American Arbitration Association	01-18-0004-1093	November 2, 2018
30800, LLC, Universal Sands, LLC and Remo Polselli	United States District Court for the District of Maryland, Southern Division	8:18-cv-03400	November 2, 2018
Super Eight of Estes Park, Inc., and Vincent Chung	American Arbitration Association	01-18-0004-1600	November 6, 2018
Bali Corp, Bharat Patel, and Falguni Patel	American Arbitration Association	01-18-0004-1943	November 8, 2018
Janusz Kustwan and Danuta Kustwan	United States District Court for the District of Maryland, Southern Division	8:18-cv-01231	November 8, 2018
Thatford Lodging, LLC, Kulwant Deol, and Harjinder Deol	American Arbitration Association	01-18-0004-1951	November 8, 2018
MYGHM Clear Spring, LLC, Dharam J. Goragandhi, Ashok Sheth, Nirav Patel, Nilesh Patel, Chriag Majmundar, Bhrijal Patel, Minalbahen Patel, and Chetnakumari Patel	American Arbitration Association	01-18-0004-2166	November 9, 2018
Jacksonville Hospitality, LLC, Vimal Kumar P. Kolappa, Kothai Swaninathan, Ambika S. Ravindran, and Baby Appa, LLC	American Arbitration Association	01-18-0004-2526	November 13, 2018
Ivana Hospitality, Viren M. Vaidya and Nencyben Vaidya	Circuit Court for Montgomery County, Maryland	458482V	November 19, 2018
Sita Corporation, and Jaimin Patel	American Arbitration Association	01-18-0004-3260	November 20, 2018
San Angelo Hotel & Conference Center, LLC, Mark Harati, and Ramon Verdin	American Arbitration Association	01-18-0004-3913	November 27, 2018
S and S Hospitality Group, LLC and Sahiq Amir	American Arbitration Association	01-18-0004-4697	December 4, 2018

RESPONDENT(S)/DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Pocono Plaza Inn, Inc., Shamshad Hassam, Nazim Hassam, and Faizal Bhimani	American Arbitration Association	01-18-0004-4947	December 6, 2018
New Rest Management Group LLC, Maninder Lail, Jarnail Lail, and Rajwant Lail	American Arbitration Association	01-18-0004-5452	December 11, 2018
Prince Organization, Nacogdoches, LLC and Sunil A. Tolani	American Arbitration Association	01-18-0004-5674	December 12, 2018
Delta Inn, Inc., and Sung Kim	American Arbitration Association	01-18-0004-5673	December 12, 2018
Link-Paras, LLC, Prasad Dugiralla, Lopa Sadana, Nikhil Shah, Ragini Shah, Kishor Desai, Vijaya Dugiralla, and Sure Development & Investments Corp.	American Arbitration Association	01-18-0004-5859	December 13, 2018

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

DEFENDANT(S)	VENUE	CASE NUMBER	FILING DATE
Pecos Inn, LLC, Ram Kunwar and Does 1-20	United States District Court for the Western District of Texas (Pecos)	4:18-cv-00009	February 21, 2018
Papamkrupa, LLC also known as Paramkrupa Hospitality, LLC and Does 1-20	United States District Court for the North District of Oklahoma (Tulsa)	4:18-cv-00285	May 25, 2018
Gosla Family Trust, Gosla Family Living Trust, Dated June 16, 1999, Yusuf Gosla, Julekha Gosla and Does 1-20	United States District Court for the Western District of Texas (San Antonio)	5:18-cv-00648	June 27, 2018
LR. Mody Investments, LLC, Ratkanar Mody and Does 1-20	United States District Court for the Western District of Texas (San Antonio)	5:18-cv-00744	July 19, 2018
Carolina Sun Hospitality, LLC, Khalid Durrani and Farrah Khalid	United States District Court for the Eastern District of North Carolina (Western Division)	5:18-cv-00587	December 12, 2018

III. RESOLVED LITIGATION/PRIOR ACTIONS

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

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

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

(2) 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.

(3) 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.

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

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

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

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

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

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

* * *

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

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

ITEM 5

INITIAL FEES

AFFILIATION FEE

You must pay us, for the rights granted to you in the SLEEP INN or SLEEP INN & SUITES hotel franchise agreement, an affiliation fee of $300 per room for new construction with a $40,000 minimum for new franchises; $550 per room for transfers and renewals, with a $45,000 minimum for transfers and renewals. The entire affiliation fee is due no later than the time you sign the franchise agreement and is non-refundable following our signing of the franchise agreement. If for any reason we do not grant you a franchise, or a franchise agreement is not countersigned by us, the affiliation fee, less $5,000, will be refunded to you. Financing information is in Item 10. In the past, we have agreed to reduce the affiliation fee in certain instances for multiple unit franchisees, franchisees with larger hotels, franchisees with whom we have previously dealt, franchisees that are departing other hotel chains or franchised systems and joining our system, and franchisees in other special circumstances. However, we do not always negotiate the affiliation fee even for franchisees 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, 2018, the affiliation fees ranged from $0 to $45,000 for new SLEEP INN franchise agreements.

EXTENSION FEE

If you do not begin construction within 12 months after both you and we sign the franchise agreement or if you do not complete renovations to an existing franchised hotel within the time required under your franchise agreement, you may apply for an additional 3 months in which to begin construction or complete renovations. 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 $500. For re-licensed hotels that prefer a Choice University Learning Facilitator on-site, a 2day option is available for $2,600.

ORIENTATION / HOSPITALITY TRAINING

We provide required training programs that you, your General Manager, or other key employees must complete before opening your hotel in the Choice franchise system. The total training fees you must pay for orientation and hospitality operations training is between $0 and $3,145 per person, plus travel, lodging and meals for you and your General Manager. Training consists of a 2.5-day Choice onboarding program at our headquarters in Maryland, as well as an online operator certification program that is offered virtually. Some or all of the training may not be required if you have previously owned a Choice branded hotel, obtained Choice Hotels training certification for another existing hotel and/or a hotel staff member has previously completed the training in a prior position.

Attendance is mandatory at the training programs identified in this Item 5. Failure to attend within the prescribed time frame may result in formal default, and failure to cure the default could result in the termination of your franchise agreement. For more detailed information on each training program, see Item 11. If you develop a SLEEP INN and MAINSTAY SUITES combination hotel, we will not require you to attend duplicate training programs.

* * *

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			
Royalty Fee (Note 2)	5.5% of the preceding month's Gross Room Revenues ("GRR") (Note 3).	Payable monthly.	
RESERVATIONS, MARKETING AND DISTRIBUTION PROGRAMS			
System Fee (Note 2)	3.5% of the preceding month's GRR (Note 3).	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 4).
Rewards Programs Fee (Choice Privileges)	4.5% - 5.5% of room revenue generated by rewards program members.	Monthly (Commission invoice is transmitted each Sunday night and payment must be submitted to us no later than Friday).	This fee is established by us to administer the program, reimburse hotels for reward nights. Fee may vary within the stated amount range based on hotel's participation in the Performance Based Loyalty Fee program, which measures enrollment performance over three month periods and can adjust based on hotel size and hotel enrollment performance.
Airline/Amtrak Frequent Traveler Program Fee	5% of room revenue generated by airline/Amtrak frequent travelers.	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 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.

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	$406-$670/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.
OTHER			
Choice Hotels Owners Council (CHOC) Dues	$50/month.	Payable monthly.	This fee is established by a vote of CHOC members and may be changed from time to time. This fee is collected by us and used to cover CHOC's operating expenses.
Association's Regional Franchise Meeting Fee	$299 per attendee plus travel, lodging and living expenses. The Late Registration fee is an additional $50.	Annually, prior to the meetings.	You must attend. General Manager attendance is recommended.
Annual Convention Registration Fee	$1,025 plus travel, lodging and living expenses. The Late Registration Fee is $1,200	Annually, before Convention.	You must attend. General Manager attendance is recommended.

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	$500 - $2,600	Within 90 days of transfer and franchise agreement execution.	This training is required when a hotel changes ownership, and the new owners sign a franchise 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 6)	$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 50% or more of the equity interest in you or the hotel.
Commitment to Your Satisfaction Program	Up to the cost of the dissatisfied guest's stay at your hotel.	Variable.	You must refund up to the cost for the number of nights during a stay that a customer is not completely satisfied (for example, if a customer is dissatisfied on 2 nights during a 3-night stay, you must refund the customer for 2 nights).
Property Improvement Plan Fee	$2,500.	Upon transferee's submission of application.	This fee is applicable only if we consent to a transfer of 50% or more of the equity interest in you or your hotel franchise. This fee is for the inspection of your hotel and the creation of a property improvement plan which will be integrated into the transferee's franchise agreement.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
SmartRates Pricing Optimization system	$35 - $75 based on number of rooms.	Monthly.	This software provides forecasting and pricing recommendations.
Comfort Letter Fee	$2,000.	Upon request for a Comfort Letter.	The comfort letter is a document issued by us in our sole discretion that grants your lender certain rights under the franchise agreement.
Choice Privileges Elite Welcome Gift 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).
Transfer Fee	The then current affiliation fee or $45,000, 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.
Choice Privileges "Points Plus" Packages	Approximately $0.005 per Choice Privileges point awarded to guest.	Monthly for Choice Privileges point reimbursements.	At the time of booking, when booking BAR, guests have the option to purchase 1,000 or 2,000 points in addition to their base stay points. Hotels are charged for the additional points purchased by the guest.
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.
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 7)	$415 - $1,595 based on offering tier and room count.	Monthly.	Participation in the Revenue Management Program is optional.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Architectural Design Review & Construction Services	Not to exceed $15,000.	As incurred.	If you request a waiver for using non-Prototypical building design, you must pay our then-current fee, regardless of whether the waiver is granted. This Fee includes Architectural design review fee and Construction Inspection fee.
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 8)	2.7% of total room revenue from consumed business (for example, actual rooms sold).	Payable monthly.	You may opt out of this program.
Call Forwarding Fee	$2.95 per call transferred from your hotel to our central reservations system ("CRS") plus any additional costs necessary to update telephones to support the call forwarding system.	Payable monthly.	This is an optional program and we may change the fee at any time upon 60 days written notice to you. Exhibit F includes the Call Forwarding Terms of Use, Call Forwarding Plus Terms of Use, and Call Forwarding Mobile Terms of Use. .
Choice Privileges Meeting/Group Planner Point Program	$0.005 per Choice Privileges point awarded.	Payable monthly.	Meeting organizers will be awarded 4 Choice Privileges per dollar spent on meeting related activities (meeting room rental, food and beverage, and meeting attendees' guest rooms)
Marketing Cooperative Fee	$400 - $2,400 annually.	Payable by November 15 of each year.	This fee is established by the regional franchisee marketing cooperatives and varies by region and hotel size. These fees are placed in a fund for each regional marketing cooperative and used for its operating expenses. Participation in a marketing cooperative is voluntary (See Item 11).
REMEDIES AND NON-COMPLIANCE			

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
Non-Compliance Penalty	$35 - $25,000 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 franchise 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.
Notice of Default Issuance Fee	$1,500	Upon issuance of NOD	A NOD issued for an audit-related reason will incur this fee. Under certain circumstances $500 may be refundable at the conclusion of the audit.
Late Fee	$1,000 per month	30 days from date of audit assessment.	A late fee is added to audit assessments that remain unresolved for 30 days, or longer. An additional late fee is added every 30 days past the initial period until resolved.
Revenue Reporting Late Fee	1.5% of the preceding month's Royalty 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.

TYPE OF FEE	AMOUNT (Note 1)	DUE DATE	REMARKS
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.
Liquidated Damages (Note 9)	If terminated before opening, the number of sleeping rooms multiplied by 36 months, multiplied by $40. If terminated after opening, the greater of (a) $40, multiplied by the number of sleeping rooms, multiplied by the number of months until the next date on which you may terminate the franchise agreement without penalty (not to exceed 36 months); or (b) the average monthly GRR for the last 12 months, multiplied by the Royalty Fee, multiplied by the number of months until the next date on which you may terminate the franchise agreement without penalty (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 franchise agreement because you abandon the hotel or stop using the SLEEP INN Marks) if within 15 days of termination you (i) pay all fees and charges due under the franchise agreement, (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 franchise agreement.	Upon demand.	If you continue to use our intellectual property after the expiration or termination of the franchise 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. Unless otherwise stated, all fees are uniformly imposed except when negotiated in special circumstances.

Note 2: If you construct a SLEEP INN and MAINSTAY SUITES dual brand hotel, we may increase the Royalty Fee and System Fee up to the standard amount for the MAINSTAY SUITES brand. If you construct a SLEEP INN hotel that is a dual brand with another Choice brand hotel, we may increase the Royalty Fee and System Fee up to the standard amount for that other Choice brand. Please refer to the applicable Franchise Disclosure Document for Royalty Fee information for another brand.

Note 3: "Gross Room Revenues" are revenues from the rental, sale, use or occupancy of sleeping rooms, meeting rooms and banquet 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. It does not include taxes required by law, revenues from telephone calls, movie rentals, vending machines, room service or food and beverage sales.

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

Note 6: 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 franchise agreement.

Note 7: The ChoiceRM Revenue Management System includes a revenue management technology solution, revenue management reporting and revenue management consultation. The cost will be determined by the number of rooms in the hotel and offering tier.

Note 8: Choice has secured preferred status with leading "mega" travel agencies (for example, multi-national travel management companies) and consortia of travel agencies so that our franchisees receive a high level of exposure within the Global Distribution System, corporate online booking tools, highlighted listings, and access to travel counselors in call centers. 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 may apply.
.

Note 9: This fee is payable only if the franchise 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

SLEEP INN & SUITES NEW CONSTRUCTION (Note 1)

TYPE OF EXPENDITURE	AMOUNT(Note 2)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Affiliation Fee (Note 3)	$300 per room for new construction and $550 per room for transfers and renewals ($40,000 minimum for new franchises, $45,000 for transfers and renewals)	Lump sum	Upon application	Us
Architectural Plans & Inspections (Note 4)	$90,000-$150,000	As incurred	Before opening	Your architect
Legal Fees	$10,000-$40,000	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)	$2,985,155-$5,543,860	As incurred	Before opening	Your general contractor
Insurance (Note 6)	$12,000-$85,000	As incurred	Before opening	Your insurance carriers
Pre-Opening Advertising	$5,000-$50,000	As incurred	Before opening	Various advertising media
Furniture, Fixtures & Equipment (Note 7)	$372,280-$503,672	As incurred	Before opening	Your suppliers or Qualified Vendor
Hardware required to operate choiceADVANTAGE property management system	$2,875.00-$8,500	Lump sum	Before opening	Insight (for Dell hardware), Shift4 Payments (for EMV chip readers)
choiceADVANTAGE Software License and Systems Training Fees (Note 8)	$10,750-$14,750	Lump sum	Before opening	Us
Opening Inventory of Supplies (Note 9)	$182,000-$280,000	As incurred	Before opening	Your suppliers or Qualified Vendor
Orientation and Hospitality Training Fees (Note 10)	$0-$3,145	As incurred	Before opening	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 and/or Qualified Vendor

TYPE OF EXPENDITURE	AMOUNT(Note 2)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Mandatory On-Premise Signs (including freight and installation)	$20,000-$80,000 (plus maintenance and insurance)	As incurred	Before opening	Qualified Vendors
Working Capital Required Before Operations Begin (Note 12)	$125,000-$270,000	As incurred	Before opening	Us, your suppliers, your employees, utilities, consultants
Additional Funds for 3 Month Initial Period (Note 13)	$50,000-$75,000	Monthly payment for recurring fees; as incurred for other expenses	After opening	Us, your suppliers, your employees, utilities
TOTAL ESTIMATED INITIAL INVESTMENT (Note 14)	$3,925,060-$7,199,927			
TOTAL COST PER ROOM (Based on 84 Rooms)	$46,727-$85,713			

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 prototype designs. Estimates are based on an 84-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. Where the hotel is an existing hotel, we are unable to estimate the initial investment since it depends in large part on the condition of the hotel and any upgrades necessary to bring the hotel up to our standards. 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. Costs for constructing a SLEEP INN and MAINSTAY SUITES combination hotel may vary. Please refer to the MAINSTAY SUITES Franchise Disclosure Document for estimated initial investment information for that brand.

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 franchise agreement and is non-refundable following our signing of the franchise agreement. If for any reason we do not grant you a franchise or a franchise agreement is not countersigned by us, the affiliation fee, less $5,000, will be refunded to you.

Note 4: You must use prototype architectural plans supplied by us and submit them 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 franchise 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 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 9: Opening inventory of supplies includes brand standards items, linen, paper supplies and housekeeping supplies. 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 $1,750 and covers 2.5 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 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. The costs do not include the cost of travel, lodging, or meals to attend the required training programs. 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 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. The estimate could be $0-$20,000 if you are converting an existing hotel to a Choice branded hotel 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, discussions with hotel business people 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 $950 and is payable only when a franchised hotel has changed ownership and the new owner signs a franchise 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 OR SERVICES

All SLEEP INN hotels are required to meet the current minimum design standards for the brand, including Choice-approved product in the public space and guestrooms. You must design the hotel to meet the current minimum standards for guest room size and facilities and equip the hotel with furniture, fixtures and equipment, bath and bed linens, draperies, bedcoverings, floor coverings, wall coverings, lighting, ice machines, telephone systems and other amenities for which we have established written specifications or minimum standards. We may modify our specifications in writing as we determine appropriate from time to time and may add new specifications or brand 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 SLEEP INN 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.

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 (Franchise 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, 2018, our total revenues were about $1,041.3 million. Revenues attributable to franchisee purchases were about $79.6 million, or about 7.65% of our total revenues in 2018, which includes revenues from Qualified Vendors and choiceADVANTAGE installation and support fees.

We estimate the cost for items that must be purchased from Qualified Vendors or subject to our standards or specifications to be less than 10% of your initial investment in a conversion or new construction facility. Your annual expenditures on these items may range between 10-15% 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 Franchise 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	Sections 6(b), (e), (f) & (g), (s)(3) & (8)	Not Applicable	Not Applicable	Items 5, 7, 8 & 11
(c) Site development & other pre-opening requirements	Section 6	Not Applicable	Not Applicable	Items 5, 7, 8 & 11
(d) Initial & ongoing training	Section 6(e)	Not Applicable	Not Applicable	Items 5, 6, 7 & 11
(e) Opening	Sections 1(f) & 6(s)	Not Applicable	Not Applicable	Item 11
(f) Fees	Sections 4, 6(e), (f), (g), (k), (n) & (r), (s) 8, 9(b), (c), 10(c), (d), 12 & 16	Not Applicable	Section 3	Items 5, 6, 11 & 17
(g) Compliance with Standards & Policies/Operating Manual	Sections 1(k), 5(a) & (b), 6 & 10	Not Applicable	Not Applicable	Items 8 & 11
(h) Trademarks & proprietary information	Sections 1(i) & (j), 6(s)(1) & 7	COPYRIGHTS & TRADEMARKS	Section 8	Items 13 & 14
(i) Restrictions on products/services offered	Section 6(b), (c) & (d)	Not Applicable	Not Applicable	Items 8 & 16
(j) Warranty & customer service requirements	Sections 6(l) & (q)	WARRANTIES	Section 6	Not Applicable
(k) Territorial development and sales quotas	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(l) Ongoing product/service purchases	Sections 6(b), (c), (e), (f), (g) & (o)	Not Applicable	Not Applicable	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 6(a), (b), (c), (d), (f), (o) & (p), 7(c) & 8	Not Applicable	Not Applicable	Items 6, 8 & 11
(n) Insurance	Section 12	Not Applicable	Not Applicable	Items 6, 7 & 8
(o) Advertising	Section 6(s)(4)	Not Applicable	Not Applicable	Items 6, 8 & 11
(p) Indemnification	Section 13	INDEMNIFICATION	Section 7	NONE

Obligation	Section in Franchise Agreement	Section in choiceADVANTAGE Terms of Use	Section in Call Forwarding Program Terms of Use	Disclosure Document Item
(q) Owner's Participation/ Management/Staffing	Not Applicable	Not Applicable	Not Applicable	Item 15
(r) Records and Reports	Sections 4(c), (d) & (e), 6(r)(4), 10(b)(2)(e) & 12(e)	Not Applicable	Not Applicable	Item 6
(s) Inspections and Audits	Sections 4(e) & (f), 5(b), 6(h) & (s)(2)	Not Applicable	Not Applicable	Items 6 & 11
(t) Transfer	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	Section 11	Not Applicable	Not Applicable	Items 6 &17
(w) Non-competition covenants	Not Applicable	Not Applicable	Not Applicable	Not Applicable
(x) Dispute resolution	Sections 16, 21, 22, 23, & 24	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 rate. In that event, you must sign a promissory note (see Exhibit H). Note payment is due in one full lump sum generally within three months after the note is signed. The note may be accelerated upon default and provides for a waiver of presentment, demand for payment, notice of dishonor, protest, and includes a confession of judgment clause. Personal guarantees may be required. The note contains no pre-payment penalty.

DIVERSITY AND VETERAN INCENTIVE PROGRAM

We participate in the International Franchise Association's Veteran's Transition Franchise Initiative (known as VetFran®). We are currently offering a diversity and veteran incentive program to encourage and increase the diversity of our franchise system and the hospitality industry as well as to encourage entrepreneurs that have served in the United States military and been honorably discharged from service ("Diversity and Veteran Incentive"). The Diversity and Veteran Incentive Program is intended to attract top hotel developers from diverse backgrounds and involves our commitment of capital to incentivize qualifying franchisees to develop either a newly constructed Choice-branded hotel or convert an existing hotel to a Choice-branded hotel. Qualifying franchisees who enter into franchise 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 franchisees will be given a 50% discount on the then-current affiliation fee due in connection with the re-licensed franchise agreement (see below).

Qualifications

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

Incentive

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

Termination Rights

In addition, unless you have signed a 5 year promissory note, you and we must agree to waive our right to terminate the franchise 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 a SLEEP INN branded hotel operating as part of the Choice franchise system at the time of purchase; and (3) enter into a franchise agreement with Choice to re-license the hotel as a SLEEP INN branded hotel, you will be granted a 50% discount on the then-current affiliation fee due in connection with your franchise agreement. Franchisees that enter into franchise agreements with Choice for the re-licensing of an existing Choice brand hotel and qualify and accept the Diversity and Veteran Incentive are not eligible to participate in any other incentive program.

PMC COMMERCIAL TRUST

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

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

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

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

BALBOA CAPITAL CORPORATION

We have entered into a non-exclusive Qualified Vendor agreement with a third party named Balboa Capital Corporation ("Balboa"), which is a company authorized to provide loans. Under this agreement, Balboa may offer conventional and lease financing to those of our franchisees that qualify and choose to

use Balboa to finance some of the following costs: affiliation fee, costs to meet brand standards, property improvement or remodeling, equipment and/or fixtures, replacement of equipment or fixtures, and other continuing expenses. These loans are generally available for up to 100% of the value of the collateral and generally range from $5,000 to $1,000,000.

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

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

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

ACCESS POINT FINANCIAL

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

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

If you default on the note, the entire remaining principal balance becomes due and the lender may have the right to take possession of the collateral and/or sell or lease the collateral. You must waive your rights to presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands or notices. On default, the note will bear interest at the maximum rate permitted by

applicable law. You must also pay APF all the costs of collection or costs of exercising its remedies, including attorneys' fees. You must waive your right to object to jurisdiction in the courts of Atlanta, Georgia as the venue for the resolution of disputes and must waive your right to a trial by jury. See the sample documents in Exhibit J for APF additional rights and remedies.

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

ASCENTIUM CAPITAL LLC

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

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

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

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

NORTHEAST BANK

We have entered into a non-exclusive Qualified Vendor agreement with a third party named NORTHEAST BANK, which is a company authorized to provide loans. Under this agreement, NORTHEAST BANK may offer conventional and Small Business Administration (SBA) financing to those of our franchisees that qualify and choose to use NORTHEAST BANK to finance some of the following costs: affiliation fee, costs to meet brand standards, property improvements or remodeling, equipment and/or fixtures, replacement of equipment or fixtures, debt refinancing, and other reasonable and permissible uses of business debt allowed by the SBA or NORTHEAST BANK's commercial lending

policies. These loans are generally available for up to 90% of the value of the collateral and range from $350,000 to $10,000,000.

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

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

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

AVANA CAPITAL

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

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

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

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

FUNDATION

We have entered into a non-exclusive Qualified Vendor agreement with a third party lender named FUNDATION, which may offer conventional financing to those of our franchisees that qualify and choose to use FUNDATION to finance any and all of the following: general purpose working capital needs, labor 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 range from $20,000.00 to $500,000.00. General purpose lines of credit are also available and range from $20,000.00 to $100,000.00

Interest rates are competitive and are determined at FUNDATION's discretion in accordance with its credit policy. You are not required to use FUNDATION as your lender. If you choose to use FUNDATION as your lender, you must enter into one or more agreements with FUNDATION, substantially in the form attached as Exhibit K or as FUNDATION may otherwise require, depending on your specific loan. The term loans will be for terms between 12 and 60 months and will require semi-monthly or monthly payments, with the amount of the payments based on the terms agreed upon. You may be required to grant FUNDATION a security interest in and lien on the assets of your business. FUNDATION may also require that you personally guarantee the loan. The loans can be pre-paid without penalty.

If you default on the loan, FUNDATION will have certain rights and remedies granted to them under the loan agreement. Upon default, the entire remaining balance becomes due and FUNDATION may pursue its legal remedies, including against the personal guarantor. Additionally, the loan will bear interest at a default rate set forth in the loan agreement. You may also be responsible for paying FUNDATION's costs of collection, including attorneys' fees. FUNDATION'S loan agreements are governed by California or Virginia law, depending on your place of business. See the sample documents in Exhibit K for each party's additional rights, remedies and obligations.

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

*** * ***

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

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

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

SITE SELECTION

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

CONSTRUCTION

If the hotel is to be newly constructed, we will review and comment on whether your preliminary drawings, final working drawings and architectural designs for the hotel satisfy the prototype design specifications. Our approval of your designs does not assure that they are adequate (Franchise Agreement, Section 6(r)).

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 (Franchise Agreement, Section 6(r)). 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 our approval at least 60 days prior to your revised Construction Start. Our review of your architectural designs is for compliance with our brand 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.

You must begin construction of your hotel within 12 months after the date of the franchise agreement, and, within 5 days after Construction Start, notify us that the Construction Start has occurred (Franchise Agreement, Section 6(r)(2)), 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. (Franchise Agreement, Section 6(r)(3)).

RULES & REGULATIONS

Franchisees may view the current Rules and Regulations at our proprietary intranet site, www.choicecentral.com (Franchise Agreement, Section 5(a)). We may periodically revise, add to or update brand standards and other requirements by issuing revisions to the Rules and Regulations and other manuals that we may publish. As of the date of this disclosure document, the Rules and Regulations were a minimum of 146 pages in length. The Table of Contents for our Rules and Regulations manual is attached as Exhibit K to this disclosure document.

OPENING SERVICES SUPPORT

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

TRAINING

TRAINING PROGRAM

We will provide training, as described below (Franchise Agreement, Section 6(e)):

CHOICE ONBOARD
(Notes 1, 2, and 3)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Choice History, Mission, and Culture	2	None	Rockville, Maryland
Choice Privileges Loyalty Program	1	None	Rockville, Maryland
Choice Resources (including Choice University, ChoiceCentral, choiceAdvantage	4	None	Rockville, Maryland
Legislative Advocacy	0.5	None	Rockville, Maryland
Franchise Services and Support	2.5	None	Rockville, Maryland
Staff Retention Best Practices	0.5	None	Rockville, Maryland

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Owner Portfolio Strategy (including PIP management)	1	None	Rockville, Maryland
Performance Metrics	1.5	None	Rockville, Maryland
Global Sales and SmartMarketing Tools	1	None	Rockville, Maryland
Guest Insight Reporting and Operations	2.5	None	Rockville, Maryland
Brand Identities, Standards and Culture (including Compliance and Awards)	2.5	None	Rockville, Maryland
Procurement	0.5	None	Rockville, Maryland
Crisis Management	0.5	None	Rockville, Maryland
TOTAL	20	0	

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

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

Note 3: Each owner and General Manager must attend the Choice Onboard Orientation Program within 90 days of opening in the Choice franchise system. The cost of the training classes will not exceed $1,750 each for the owner and the General Manager plus travel, lodging and meals while attending the 2.5-day Choice Onboard Orientation Program. Instructional materials are included. Attendance at the Choice Onboard Orientation Program is open to other members of your staff. The cost for any subsequent attendees is 50% of the tuition each at a cost not to exceed $875 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 franchise agreement, and failure to cure the formal default could result in the termination of your franchise agreement.

* * *

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

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

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

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Self-Paced Online Modules covering: 1) Room Condition Program 2) Breakfast Operations 3) Choice Privileges 4) Guest Experience 5) Compliance 6) choiceADVANTAGE 7) Revenue Management 8) Introduction to Sales 9) Distribution 10) Reputation Management 11) Crisis/Emergency Management 12) Lodging Legal Fundamentals 13) Management and Talent Skills	10	None	Any location with internet access
Live Online Virtual Workshops and related activities covering: 1) Guest Experience 2) Reputation Management 3) Rooms Management 4) Standards and Compliance 5) eCommerce and Channel Management 6) Talent Management 7) Financial Management	12	None	Any location with internet access
Online Exams covering: 1) Choice Operations 2) Choice Distribution 3) Business Operations	3	None	Any location with internet access
TOTAL	25	0	

Note 1: It is mandatory that at least one hotel staff member that has completed HOST training is on the hotel premises at all times. The cost of the training class will is $1,395.

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

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

* * *

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

SALES CERTIFICATION TRAINING PROGRAM (Notes 1 and 2)

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Fundamentals 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: topics to include: 1) The Sales Process 2) The Buying Process 3) Sales Resources 4) Practical Applications	12	None	Any location with internet access or at an open and operating Choice branded hotel
TOTAL	14.5	0	

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

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

* * *

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

REMOTE RE-LICENSED HOTEL TRAINING

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
The relicense training program entitles General Managers to six (6) months of access to four (3) live webinars, covering choiceADVANTAGE, Rates Management (Rates Center and SmartRates) and ChoiceCentral, with a session called Office Hours. Each of the first three webinars is a one (1) hour session followed by 30 minutes of Q&A. Office Hours allows General Managers access to experienced trainers that can answer questions about their individual hotel. A different session will be offered every Wednesday on a rotating schedule. 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.	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 required to attend customized virtual training sessions. The sessions are delivered remotely via webinar by a Choice University Learning Facilitator. The fee for this training is $500.

In addition, upon re-licensing, the new owners and new General Manager must attend the Choice Onboard Orientation Program, as detailed above, at the earliest available session. However, the new owners must attend the Choice Onboard Orientation Program within 90 days of hotel re-licensing.

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

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 will also provide choiceADVANTAGE training, as described below:

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

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Day one – Learning Facilitator arrives, checks equipment and sets up the training room.	None	None	Your Hotel
Day two – Training with General Manager on choiceADVANTAGE and ChoiceCentral. Subjects covered User Admin, Rates Center, Accounts Receivables, Groups, Brand Page and resources available.	4-8	4-8	Your Hotel
Day three – Training with Front Desk Staff on the use of Choice's proprietary software systems. Subjects include reservations management, check-ins and basic functions of choiceADVANTAGE and ChoiceCentral.	6-8	6-8	Your Hotel
Day four – Additional training on Choice's systems. Subjects include check-outs, folio management, night audit, emergency procedures and groups.	6-8	6-8	Your Hotel
Day five – Conversion Day. Learning Facilitator assists the General Manager and front desk staff with transferring guest information to the new system, including reservations, balances, accounts receivables and groups. Learning Facilitator will also complete General Manager training on Mandatory Rates Center Certification.	None	4-8	Your Hotel
Day six – Live on-site support for choiceADVANTAGE. System interfaces are set up. Learning Facilitator also reviews additional system functionality.	None	2-4	Your Hotel
Day seven – Learning Facilitator departs.	None	None	Your Hotel
TOTAL	16-24	22-36	

Note 1: choiceADVANTAGE training is mandatory for all General Managers, assistant General Managers, front office managers and all front desk staff and must be completed to our satisfaction. The training is held at your hotel preferably in a meeting room and required to have High Speed Internet Access.

Note 2: choiceADVANTAGE systems training is conducted by members of the SkyTouch Technology Training team.. Instructional materials for the training include a participant guide and reproducible forms.

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

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

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

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

* * *

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 OBLIGATIONS. During the operation of the hotel in the Choice franchise system, we will provide the following services:

QUALITY ASSURANCE

We will administer a quality assurance program that may include periodic visits to your hotel (by us or our authorized representatives and/or guest satisfaction surveys to evaluate your compliance with your franchise 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 franchise agreement and/or the Rules and Regulations (Franchise Agreement, Section 5(b)).

MARKETING AND RESERVATIONS

We will provide an advance reservation system for your hotel and other Choice branded hotels using the System Fee that you will pay each month during the term of your franchise agreement. We will also provide national, international and regional advertising, promotion, publicity, marketing research, system programs and related programs as we reasonably determine to be appropriate for the entire Choice franchise system, using the System Fee.

Marketing and advertising is primarily disseminated via media such as direct sales efforts, digital media, multi-brand television campaigns, trade publications, radio, 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 pays each month during the term of its franchise agreement. We do not use any of the System Fee to solicit new franchisees. See Item 6 for a description of the System Fee.

Currently, Choice Hotels Owners Council, the Econo Lodge Franchisee 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 web sites. All websites that are accessed from a domain name that uses one or 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 Franchise 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. 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 2018, approximately 13.7% of all System Fees collected from the Choice franchise system was spent on media and other advertising, 9.5% on the Choice Privileges Loyalty Program, which includes national advertising (broadcast and digital), 70.3% on marketing and distribution (for example, reservations services, global sales, eCommerce, publicity, research & analytics) and 6.5% 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 and Administrative Fee -- $2,350-$4,350 (payable to us)

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

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

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

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

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

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 required 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 brand 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 guestrooms to your hotel after receipt of your room count change fee (if applicable) and construction plans (Franchise Agreement, Section 8).

ITEM 12

TERRITORY

We grant franchises for specific sites only. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, we may, depending on local market conditions or other factors such as your prior history with us (if any) and number of hotels franchised by us, grant territories in

which no other hotel of the same brand will be franchised or operated, for a period of time that we determine. Preferred regions and exclusive territories, if any, are determined by us. Our grant of a preferred region or exclusive territory can be terminated by us if you default under your franchise 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 or open company owned hotels at any location under any brand name other than the location specified in your franchise agreement. We may open company-owned hotels under any brand and offer hotel franchises 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 franchise agreements. Customarily, we do not grant to franchisees options, rights of first refusal or similar rights to acquire additional franchises.

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 and franchisees 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 franchise 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, including principles for informal resolution of disputes between Choice and our franchisees. In addition, we have adopted an Incremental Impact Policy (attached as Exhibit M) that establishes a procedure that our franchisees can use under certain circumstances, to object to our grant of an application for a new same brand hotel franchise within a designated area of protection. The Incremental Impact Policy is only offered to certain Choice brands. Both the Incremental Impact Policy and the Fair Franchising Policy are internal policies, not contractual obligations and can be changed or revoked by Choice in our sole discretion at any time on reasonable notice.

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 INN & SUITES, COMFORT SUITES, ECONO LODGE, MAINSTAY SUITES, QUALITY, RODEWAY, SLEEP INN, SUBURBAN and WOODSPRING SUITES. We have the right to operate and franchise these hotels at any location in accordance with the terms of your 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 franchise 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 brand you may be granted to use in your franchise agreement:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
SLEEP	3008870	25-Oct-2005
SLEEP INN	1690604	02-Jun-1992
SLEEP INN	4379617	06-Aug-2013
SLEEP INN & Design (Concave Arc)	2665526	24-Dec-2002
SLEEP INN & Design (Concave Arc)	4379616	06-Aug-2013
SLEEP INN & SUITES	3163646	24-Oct-2006
SLEEP INN & SUITES & Design (Concave Arc)	3304069	02-Oct-2007
SLEEP INN & Design (Concave Arc) (color)	3449309	17-Jun-2008
SLEEP & Design (Concave Arc)	3935665	22-Mar-2011

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 INN®, COMFORT SUITES®, ECONO LODGE®, MAINSTAY SUITES®, QUALITY®, RODEWAY INN®, SLEEP INN®, SUBURBAN®, WOODSPRING SUITES®, the names of our property management system, reservation system, guest loyalty program and any other additional or substituted trademarks, trade names, service marks or logos. You cannot use any Choice Marks or anything similar to these words in your name or the name of any of your affiliates, whether a partnership, corporation, limited liability company, joint venture or any other type of business organization.

You may not establish a website on the internet using the Choice Marks, or anything similar to the aforementioned words that does not comply with our Domain Name Policy, Internet Distribution Policy or our Property Website Guidelines (or such similar policies or regulations adopted by us from time to time). We retain the right to pre-approve your use of linking and framing between your internet web pages (or other network) and all other websites. All websites that are accessed from a domain name that uses a Choice Mark must conform to the Choice Hotels Property Website Guidelines and Internet Distribution Policy and cannot contain, or link to other web pages that contain, logos or information relating to non-Choice branded hotels. We have the right to determine the content and use of online or electronic media associated with any of the Choice Marks. You may not participate in any website or other electronic media (including social media) that markets goods and services under the Choice Marks unless it is first approved in writing by us.

If you are required by law to register any of the Choice Marks, your trademark application must specify that you use the Choice Marks: (1) only at your hotel and in advertising for your hotel; (2) only during the term of your franchise agreement; and (3) without claiming any property right in the Choice Marks during or after the term of your franchise 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 franchise 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 franchise 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 franchise agreement, the Rules and Regulations, or as otherwise authorized by us, you may never, during the term of your franchise agreement or after your franchise agreement expires or is terminated, reveal any of our proprietary information to another person or use it for any other purpose or business. You may not copy any of our proprietary information or give it to a third party except as we authorize in writing prior to any such transfer.

Our proprietary information includes any manuals, automated advance reservation and property management methods, our ecommerce offerings, any other automated systems techniques, our business referral, gift card and credit card agreements, your franchise agreement, the Rules and Regulations, and those identifying brand 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.

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 more information.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

FRANCHISE AGREEMENT

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Section 3	Term is 20 years from the Opening Date, subject to (d), (e) and (f) below. If you are entering into a replacement franchise agreement for your existing Sleep Inn brand hotel, we have the discretion to offer you a term of less than 20 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	Sections 3 and 10(a)	You have the right to terminate on the 5th, 10th or 15th anniversary of the Opening Date by giving us no less than 12 months prior written notice provided you pay all fees and charges under the franchise agreement and any other related agreement at all times during the remainder of the term. If you participate in an Incentive Program described in Item 10, you waive your right 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 franchise agreement, if after 60 days written notice, we have failed to cure the default.
e. Termination by us without cause	Section 3	On the 5th, 10th or 15th anniversary of the Opening Date by giving 12 months written notice. If you participate in the Diversity Developer Incentive Program described in Item 10, we waive our right 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.
f. Termination by us with cause	Section 10(b)	We may terminate if you are in default and fail to cure within the applicable time period.
g. "Cause" defined - curable defaults	Section10(b)(1)	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 franchise agreement.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. "Cause" defined – non-curable defaults	Section 10(b)(2)	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	Sections 10 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 franchise agreement.
j. Assignment of contract by us	Section 9(a)	No restrictions on our right to assign.
k. "Transfer" by you- defined	Section 9(b)	Includes sale, assignment, lease, or other encumberment of the franchise agreement, the hotel or ownership change.
l. Our approval of transfer by you	Section 9(b)	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	Sections 9(b) and 9(c)	Transferee must meet all of our then-current qualifications for new franchisees; the hotel must comply with our then-current brand image and standards. In addition, if you transfer a Controlling Interest in you (if you are an entity) or the hotel, the transferee must sign our then-current form of franchise agreement and pay a re-licensing fee equal to the then-current affiliation fee we charge. If we approve the transfer to a Close Family Member (for example, current spouse, parent, child, sibling, or grandparent), that Close Family Member must pay us an application fee (not to exceed $5,000).
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	Section 9(c)	Franchise must be assigned by estate to a remaining franchisee or to your heirs, when we approve, within 12 months.
q. Non-competition covenants during the term of the franchise	Not Applicable	

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	
s. Modification of the agreement	Section 20(h)	This agreement may only be modified in writing and signed by both parties.
t. Integration/merger clause	Section 24	Only the terms of the franchise 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	Section 21	Except for certain claims, all disputes must be arbitrated.
v. Choice of forum	Sections 21 and 24	Arbitration must be in Maryland (subject to state law). See Exhibit D, Addenda to the Franchise Agreement.
w. Choice of law	Sections 20(f) and 21	Maryland law applies (subject to state law). See Exhibit D, Addenda to the Franchise Agreement.
x. Other – Liquidated Damages	Sections 10(d) and 11(a)	If we terminate the franchise agreement due to your default, or if you use our trademarks after the franchise agreement is terminated, you may be subject to liquidated damages.

choiceADVANTAGE® SOFTWARE TERMS OF USE

PROVISIONS	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 franchise agreement terminates or expires, if you are in default of the Terms of Use or if you fail to make payments for the use of the software.
b. Renewal or extension of the term	Not Applicable	
c. Requirements for you to renew or extend	Not Applicable	
d. Termination by you	Not Applicable	
e. Termination by us without cause	TERMINATION	Upon expiration of the franchise 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 franchise 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.

PROVISIONS	SECTION IN choiceADVANTAGE SOFTWARE TERMS OF USE	SUMMARY
l. Our approval of transfer	SOFTWARE USE AND SITE ACCESS; GENERAL	You may not assign without Choice's written permission to do so.
m. Conditions for our approval of transfer	Not Applicable	
n. Our right of first refusal to acquire your business	Not Applicable	
o. Our option to purchase your business	Not Applicable	
p. Your death or disability	Not Applicable	
q. Non-competition covenants during the term of the franchise	Not Applicable	
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	
s. Modification of the agreement	PREAMBLE	We may modify, add or remove any terms and conditions without notice or liability to you. You accept and agree to any modifications, additions, or removals by your subsequent use of the software.
t. Integration/merger clause	ENTIRE AGREEMENT	Only the terms of the Terms of Use and the Franchise 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 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 franchise.

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: 2018 Average Occupancy Rate, Average Daily Rate, Revenue Per Available Room ("RevPAR"), and Total Choice Contribution for SLEEP INN and SLEEP INN & SUITES Hotels in the Performance Sample (Notes 1 and 3)

	For Year Ended December 31, 2018
Average Occupancy Rate	64.1%
Average Daily Rate	$85.46
RevPAR	$54.75
Total Choice Proprietary Contribution	60.3%

As of December 31, 2018, there were 393 open and operating SLEEP INN and SLEEP INN & SUITES hotels in the United States. Of these 393 hotels, 301 were SLEEP INN and SLEEP INN & SUITES hotels in the United States that met the definition of the Performance Sample. The data presented in the above table are based on the 301 hotels in the Performance Sample. For the 301 hotels that were included in the sample, 145 hotels or 48.2% met or exceeded the Average Occupancy Rate presented; 122 hotels or 40.5% met or exceeded the Average Daily Rate; 117 hotels or 38.9% met or exceeded the RevPAR, and 163 hotels or 54.2% met or exceeded the Total Choice Proprietary Contribution presented. For the 301 hotels in the Performance Sample, the median Average Occupancy Rate equaled 63.2%; the median Average Daily Rate equaled $81.78; the median RevPAR equaled $51.22; and the median Total Choice Proprietary Contribution equaled 62.5%.

TABLE 2: 2018 Net Reservations Contribution and Reservations Average Daily Rate for SLEEP INN and SLEEP INN & SUITES Hotels in the Performance Sample (Notes 1 and 3)

	For Year Ended December 31, 2018
Net Reservations Contribution	51.8%
CRS Average Daily Rate	$86.34

For the one-year period ending December 31, 2018, reservations generated through the CRS represented an average of 51.8% of gross room revenue at an Average Daily Rate of $86.34 for the 301 SLEEP INN and SLEEP INN & SUITES hotels that met the definition of the Performance Sample. For the hotels that were included in the sample, 151 hotels or 50.2% met or exceeded the Net Reservations Contribution and 123 hotels or 40.9% met or exceeded the CRS Average Daily Rate presented in the table above. For the 301 hotels in the Performance Sample, the median Net Reservations Contribution equaled 51.9%; and the median CRS Average Daily Rate equaled $83.15.

Table 3: 2018 CP Contribution and CP Average Daily Rate for SLEEP INN and SLEEP INN & SUITES Hotels in the Performance Sample (Notes 1 and 3)

	For Year Ended December 31, 2018
CP Contribution (through all sources)	49.3%
CP Average Daily Rate	$82.52

For the one-year period ending December 31, 2018, reservations generated through our guest loyalty program and affiliated loyalty programs represented an average of 49.3% of gross room revenue at an Average Daily Rate of $82.52for the 301 SLEEP INN and SLEEP INN & SUITES hotels that met the definition of the Performance Sample. For the hotels that were included in the sample, 174 hotels or 57.8% met or exceeded the CP Contribution, and 131 hotels or 43.5% met or exceeded the CP Average Daily Rate

presented in the table above. For the 301 hotels in the Performance Sample, the median CP Contribution equaled 51.4%; and the median CP Average Daily Rate equaled $80.14.

Table 4: 2018 Average Occupancy Rate, Average Daily Rate, Revenue Per Available Room ("RevPAR"), and Total Choice Contribution for SLEEP INN and SLEEP INN & SUITES Hotels in the Designed to Dream® Sample (Notes 2 and 3)

	For Year Ended December 31, 2018
Average Occupancy Rate	63.6%
Average Daily Rate	$94.00
RevPAR	$59.77
Total Choice Proprietary Contribution	66.1%

As of December 31, 2018, there were 393 open and operating SLEEP INN and SLEEP INN & SUITES hotels in the United States. Of these hotels, 47 were hotels in the United States that met the definition of the Designed to Dream Sample. The data presented in the above table are based on the 47 SLEEP INN and SLEEP INN & SUITES hotels that met the definition of the Designed to Dream Sample. For the hotels that were included in the sample, 20 hotels or 42.6% met or exceeded the Average Occupancy Rate presented; 16 hotels or 34.0% met or exceeded the Average Daily Rate; 17 hotels or 36.2% met or exceeded the RevPAR, and 34 hotels or 72.3% met or exceeded the Total Choice Proprietary Contribution presented. For the 47 hotels in the Designed to Dream Sample, the median Average Occupancy Rate equaled 61.3%; the median Average Daily Rate equaled $86.74; the median RevPAR equaled $54.74; and the median Total Choice Proprietary Contribution equaled 70.0%.

TABLE 5: 2018 Net Reservations Contribution and Reservations Average Daily Rate for SLEEP INN and SLEEP INN & SUITES Hotels in the Designed to Dream Sample (Notes 2 and 3)

	For Year Ended December 31, 2018
Net Reservations Contribution	49.0%
CRS Average Daily Rate	$95.81

For the one-year period ending December 31, 2018, reservations generated through the CRS represented an average of 49.0% of gross room revenue at an Average Daily Rate of $95.81 for the 47 SLEEP INN and SLEEP INN & SUITES hotels that met the definition of the Designed to Dream Sample. For the hotels that were included in the sample, 25 hotels or 53.2% met or exceeded the Net Reservations Contribution and 18 hotels or 38.3% met or exceeded the CRS Average Daily Rate presented in the table above. For the 47 hotels in the Designed to Dream Sample, the median Net Reservations Contribution equaled 50.9%; and the median CRS Average Daily Rate equaled $88.59.

Table 6: 2018 CP Contribution and CP Average Daily Rate for SLEEP INN and SLEEP INN & SUITES Hotels in the Designed to Dream Sample (Notes 2 and 3)

	For Year Ended December 31, 2018
CP Contribution (through all sources)	53.1%
CP Average Daily Rate	$90.52

For the one-year period ending December 31, 2018, reservations generated through our guest loyalty program and affiliated loyalty programs represented an average of 53.1% of gross room revenue at an Average Daily Rate of $90.52 for the 47 SLEEP INN and SLEEP INN & SUITES hotels that met the definition of the Designed to Dream Sample. For the hotels that were included in the sample, 29 hotels or 61.7% met or exceeded the CP Contribution, and 18 hotels or 38.3% met or exceeded the CP Average Daily

Rate presented in the table above. For the 42 hotels in the Designed to Dream Sample, the median CP Contribution equaled 54.9%; and the median CP Average Daily Rate equaled $85.16.

Note 1: "Performance Sample" means all SLEEP INN and SLEEP INN & SUITES branded hotels that were open and operating as of December 31, 2018, and that were open and operating on or before January 1, 2017, excluding hotels that: (1) had reservations suspended by Choice of more than 30 consecutive days during the period beginning January 1, 2017 and ending December 31, 2018; (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, 2017 and ending December 31, 2018; (3) had no hotel room inventory changes resulting in greater than 10% fluctuation of annual available room nights during the period beginning January 1, 2018 and ending December 31, 2018; and/or (4) repositioned from another Choice brand to the SLEEP INN or SLEEP INN & SUITES brand since January 1, 2018.

Note 2: "Designed to Dream Sample" means all SLEEP INN and SLEEP INN & SUITES hotels that were (1) newly constructed and opened within 7 years preceding December 31, 2018, (2) completed the SLEEP INN brand standard Designed to Dream hotel renovations by December 31, 2014, and (3) were open and operating as of December 31, 2018, excluding hotels that: (1) had reservations suspended by Choice of more than 30 consecutive days during the period beginning January 1, 2017 and ending December 31, 2018; (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, 2017 and ending December 31, 2018; (3) had no hotel room inventory changes resulting in greater than 10% fluctuation of annual available room nights during the period beginning January 1, 2018 and ending December 31, 2018; and/or (4) repositioned from another Choice brand to the SLEEP INN or SLEEP INN & SUITES brand since January 1, 2018.

Note 3: We used the following definition 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. "CP Contribution" is the average of each hotel's eligible revenue generated through our Choice Privileges guest loyalty program and other affiliated loyalty programs through all sources, including Amtrak and airline loyalty programs and the CRS, and excluding cancelled reservations, divided by that hotel's gross room revenues. "CP Average Daily Rate" is the Average Daily Rate for reservations generated through our Choice Privileges guest loyalty program and other affiliated loyalty programs, including Amtrak and airline loyalty programs, excluding cancelled reservations.

* * *

The financial performance representations in Tables 1, 2, 3, 4, 5 and 6 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. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

The data presented in Tables 1, 2, 3, 4, 5 and 6 relate to historical performance of franchised SLEEP INN and SLEEP INN & SUITES hotels in the United States and represent average performance of SLEEP INN and SLEEP INN & SUITES branded hotels in a specific performance sample. We do not claim that you can expect to achieve the same results. Actual results vary from hotel to hotel and depend on the specific size, location, and seasonality of your hotel, and on factors such as your real estate and construction costs, financing terms and arrangements, the length of time that your hotel has been open and operating, the efficiency with which you operate your hotel, and the competitive factors affecting demand for your hotel. We cannot, therefore, estimate the results of any particular location. Typically, a new hotel requires at least two years of operating experience to reach a stabilized performance, and new franchisees should not expect the same results as the data presented in Tables 1, 2 and 3 above.

Some franchised SLEEP INN and/or SLEEP INN & SUITES hotels have earned the results indicated above. Your individual results may differ. There is no assurance that you'll earn as much.

The data presented in Tables 1, 2, 3, 4, 5 and 6 are based on information that individual franchise owners provided to us and verified as accurate. We have not audited or otherwise verified the accuracy of the information that the franchisees 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 SLEEP INN or SLEEP INN & SUITES hotel franchise.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SLEEP INN and SLEEP INN & SUITES Hotels
System-wide Outlet Summary
For Years 2016 to 2018

Outlet Type	Year	Outlets at Start of the Year	Outlets at End of the Year	Net Change
Franchised	2016	377	379	+2
	2017	379	384	+5
	2018	384	393	+9
Company Owned	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Total Outlets	2016	377	379	+2
	2017	379	384	+5
	2018	384	393	+9

Table No. 2
Transfers of SLEEP INN and SLEEP INN & SUITES Outlets from Franchisees to New Owners (Other than Choice)
For Years 2016 to 2018

State	Year	Number of Transfers
Alabama	2016	2
	2017	0
	2018	1
Arizona	2016	1
	2017	2
	2018	0
California	2016	1
	2017	0
	2018	0
Florida	2016	3
	2017	3
	2018	2
Georgia	2016	0
	2017	1
	2018	3
Idaho	2016	0
	2017	0
	2018	1
Illinois	2016	1
	2017	1
	2018	2
Indiana	2016	2
	2017	0
	2018	0
Iowa	2016	1
	2017	0
	2018	1
Kansas	2016	2
	2017	0

State	Year	Number of Transfers
	2018	0
Kentucky	2016	0
	2017	2
	2018	1
Louisiana	2016	0
	2017	2
	2018	0
Maryland	2016	3
	2017	1
	2018	2
Michigan	2016	1
	2017	2
	2018	0
Missouri	2016	0
	2017	0
	2018	1
Nebraska	2016	1
	2017	1
	2018	1
New Mexico	2016	0
	2017	0
	2018	2
North Carolina	2016	4
	2017	3
	2018	2
Ohio	2016	0
	2017	1
	2018	0
Oklahoma	2016	2
	2017	1
	2018	0
Oregon	2016	0

State	Year	Number of Transfers
	2017	0
	2018	1
Pennsylvania	2016	0
	2017	1
	2018	1
South Carolina	2016	3
	2017	1
	2018	2
Tennessee	2016	1
	2017	1
	2018	2
Texas	2016	2
	2017	2
	2018	6
Virginia	2016	2
	2017	3
	2018	4
Washington	2016	0
	2017	0
	2018	2
West Virginia	2016	0
	2017	0
	2018	2
Total	2016	32
	2017	28
	2018	39

Table No. 3
Status of SLEEP INN and SLEEP INN & SUITES Franchised Outlets
For Years 2016 to 2018

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Choice	Ceased Operations – Other Reason	Outlets at End of the Year
Alabama	2016	14	1	0	0	0	0	15
	2017	15	0	0	0	0	0	15
	2018	15	0	0	0	0	0	15
Arizona	2016	6	0	0	0	0	0	6
	2017	6	0	0	0	0	0	6
	2018	6	0	0	0	0	0	6
Arkansas	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
California	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	1	1
	2018	1	0	0	0	0	0	1
Colorado	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
Connecticut	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Delaware	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Florida	2016	25	0	0	0	0	0	25
	2017	25	0	0	1	0	0	24
	2018	24	1	0	0	0	0	25
Georgia	2016	21	0	2	0	0	0	19
	2017	19	0	0	0	0	1	18
	2018	18	1	0	0	0	0	19
Idaho	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3

Illinois	2016	12	0	1	0	0	0	11
	2017	11	0	0	0	0	0	11
	2018	11	1	0	0	0	0	12
Indiana	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
Iowa	2016	7	1	0	0	0	0	8
	2017	8	1	0	0	0	0	9
	2018	9	1	0	1	0	0	9
Kansas	2016	10	0	0	0	0	0	10
	2017	10	0	0	0	0	0	10
	2018	10	0	0	0	0	1	9
Kentucky	2016	10	1	0	0	0	0	11
	2017	11	0	1	0	0	0	10
	2018	10	0	0	0	0	0	10
Louisiana	2016	10	0	0	0	0	0	10
	2017	10	0	0	0	0	0	10
	2018	10	1	0	0	0	0	11
Maryland	2016	13	1	0	0	0	1	13
	2017	13	0	0	0	0	0	13
	2018	13	0	0	0	0	2	11
Michigan	2016	7	0	0	0	0	0	7
	2017	7	0	0	0	0	1	6
	2018	6	0	0	0	0	0	6
Minnesota	2016	1	1	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Mississippi	2016	6	0	1	0	0	0	5
	2017	5	1	0	0	0	0	6
	2018	6	0	0	0	0	0	6
Missouri	2016	7	1	0	0	0	0	8
	2017	8	1	0	0	0	0	9
	2018	9	0	0	0	0	0	9
Montana	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3

	2018	3	0	0	0	0	0	3
Nebraska	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
New Hampshire	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
New Jersey	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
New Mexico	2016	5	0	1	0	0	0	4
	2017	4	0	0	0	0	0	4
	2018	4	1	0	0	0	0	5
New York	2016	9	1	0	0	0	0	10
	2017	10	1	0	0	0	2	9
	2018	9	1	0	0	0	0	10
North Carolina	2016	29	0	0	0	0	1	28
	2017	28	0	0	0	0	0	28
	2018	28	0	0	0	0	0	28
North Dakota	2016	5	0	0	0	0	0	5
	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	0	5
Ohio	2016	8	0	0	0	0	0	8
	2017	8	1	0	0	0	0	9
	2018	9	1	0	0	0	0	10
Oklahoma	2016	11	0	0	0	0	0	11
	2017	11	0	0	0	0	0	11
	2018	11	1	0	0	0	0	12
Oregon	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
	2018	4	1	0	0	0	0	5
Pennsylvania	2016	14	0	0	0	0	0	14
	2017	14	0	0	0	0	0	14
	2018	14	0	0	0	0	1	13
	2016	21	0	0	0	0	0	21

South Carolina	2017	21	0	0	0	0	0	21
	2018	21	1	0	0	0	0	22
South Dakota	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Tennessee	2016	16	1	0	0	0	0	17
	2017	17	1	0	0	0	0	18
	2018	18	1	0	0	0	1	18
Texas	2016	32	0	1	0	0	0	31
	2017	31	6	0	0	0	0	37
	2018	37	3	1	0	0	1	38
Utah	2016	5	0	0	0	0	0	5
	2017	5	1	0	0	0	1	5
	2018	5	0	0	0	0	0	5
Virginia	2016	24	1	0	0	0	0	25
	2017	25	0	0	0	0	0	25
	2018	25	0	0	0	0	0	25
Washington	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
West Virginia	2016	8	1	0	0	0	0	9
	2017	9	0	0	0	0	0	9
	2018	9	0	0	0	0	0	9
Wisconsin	2016	6	0	0	0	0	0	6
	2017	6	0	0	0	0	0	6
	2018	6	1	0	0	0	0	7
Wyoming	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Total	2016	377	10	6	0	0	2	379
	2017	379	13	1	1	0	6	384
	2018	384	17	1	1	0	6	393

Table No. 4
Status of Company-Owned Outlets
For Years 2016 to 2018

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	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

Table No. 5
Projected Openings for SLEEP INN and SLEEP INN & SUITES as of December 31, 2018 (Note 1)

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in Fiscal Year 2019	Projected Company-Owned Outlets in 2019
Alabama	5	0	0
Arizona	2	0	0
Arkansas	1	1	0
California	15	0	0
Colorado	10	0	0
Florida	10	1	0
Georgia	5	2	0
Illinois	1	0	0
Indiana	3	1	0
Iowa	6	0	0
Kansas	3	0	0
Kentucky	4	1	0
Louisiana	1	0	0
Massachusetts	1	0	0
Michigan	1	0	0
Minnesota	2	0	0
Mississippi	3	0	0
Montana	4	1	0
Nebraska	3	0	0
New Jersey	2	0	0
New Mexico	1	0	0
New York	7	1	0
North Carolina	4	0	0
Ohio	6	2	0
Oklahoma	5	1	0
Oregon	2	0	0
Pennsylvania	2	0	0
South Carolina	7	0	0
Tennessee	11	2	0
Texas	19	1	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in Fiscal Year 2019	Projected Company-Owned Outlets in 2019
Utah	3	0	0
Vermont	1	0	0
Washington	3	1	0
West Virginia	1	0	0
Wisconsin	1	0	0
Total	155	15	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, 2018. Projected openings are not a guarantee of future performance and involve uncertainties and other factors.

The number of franchises as of year-end may differ from that in the 2018 audited financial statements as the financial statements also include franchises in Puerto Rico, Dominican Republic, Turks & Caicos, the Cayman Islands and the Bahamas.

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

Attached as Exhibit O is a list of the names, addresses and telephone numbers of all SLEEP franchisees in the United States as of December 31, 2018.

Attached as Exhibit P is the name, last known address and telephone number of each SLEEP franchisee in the United States who had a franchised hotel terminated, canceled or not renewed or who otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the period January 1, 2018 to December 31, 2018 or have not communicated with Choice within 10 weeks before the issuance date of this disclosure document. If you buy this franchise, 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 franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Choice. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Exhibit N 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, 2018, 2017 and 2016 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 Franchise Agreement, Personal Guaranty and State Addenda to the Franchise Agreement, choiceADVANTAGE Software Terms of Use, Call Forwarding Terms of Use, Gift Card Enrollment Form, Promissory Note, Incentive Promissory Note, Lender Documents and Franchise Disclosure Questionnaire.

ITEM 23

RECEIPT

The last two pages of this disclosure document (Exhibit 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
VIRGINIA
WASHINGTON
WISCONSIN

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR CALIFORNIA

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

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

ITEM 3 LITIGATION

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

ITEM 6 OTHER FEES

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

ITEM 10 FINANCING

1. We will comply with all appropriate laws governing any direct financing offered by us to you including, if applicable, the California Finance Lenders Law.

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

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

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

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

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

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

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

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

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

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

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

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

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

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

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

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

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

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

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

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

Item 5.

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

Item 7.

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

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

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

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

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

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

ADDENDUM TO THE DISCLOSURE DOCUMENT FOR MARYLAND

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

ITEM 17

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

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

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

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

DISCLOSURES REQUIRED BY MICHIGAN LAW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR NEW YORK

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

ITEM 2. BUSINESS EXPERIENCE

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

ITEM 3. LITIGATION

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

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

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

ITEM 4. BANKRUPTCY

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

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

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

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

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

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

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR NORTH DAKOTA

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

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

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

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

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

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

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

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

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

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

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

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

ADDENDUM TO THE FRANCHISE DISLCOSURE DOCUMENT FOR RHODE ISLAND

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

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

ADDENDUM TO THE FRANCHISE DISLCOSURE DOCUMENT FOR VIRGINIA

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

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

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

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

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

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

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

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

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

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR WISCONSIN

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

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

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

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

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

EXHIBIT B

REGISTERED AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Department of Business Oversight
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) 539-1616

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
(804) 371-9051

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.

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm	2
Consolidated Statements of Income	3
Consolidated Statements of Comprehensive Income	4
Consolidated Balance Sheets	5
Consolidated Statements of Cash Flow	6
Consolidated Statements of Shareholders' Deficit	8
Notes to Consolidated Financial Statements	9

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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, 2018, 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 February 26, 2019 expressed an unqualified opinion thereon.

Adoption of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for recognizing revenue from contracts with customers due to the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and the amendments in ASUs 2015-14, 2016-08, 2016-10 and 2016-12, on January 1, 2018 using the full retrospective adoption method.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

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

Tysons, Virginia
February 26, 2019

CONSOLIDATED FINANCIAL STATEMENTS

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2018	2017	2016
	(in thousands, except per share amounts)		
REVENUES:			
Royalty fees	**$ 376,676**	$ 341,745	$ 317,699
Initial franchise and relicensing fees	**26,072**	23,038	19,720
Procurement services	**52,088**	40,451	35,844
Marketing and reservation system	**543,677**	499,625	409,120
Other	**42,791**	36,438	25,526
Total revenues	**1,041,304**	941,297	807,909
OPERATING EXPENSES:			
Selling, general and administrative	**170,027**	165,821	154,720
Depreciation and amortization	**14,330**	6,680	6,996
Marketing and reservation system	**534,266**	479,400	459,765
Total operating expenses	**718,623**	651,901	621,481
Impairment of goodwill	**(4,289)**	—	—
Gain on sale of assets, net	**82**	257	627
Operating income	**318,474**	289,653	187,055
OTHER INCOME AND EXPENSES, NET:			
Interest expense	**45,908**	45,039	44,446
Interest income	**(7,452)**	(5,920)	(3,535)
Other (gain) loss	**1,437**	(3,229)	(1,504)
Equity in net (income) loss of affiliates	**5,323**	4,546	(492)
Total other income and expenses, net	**45,216**	40,436	38,915
Income before income taxes	**273,258**	249,217	148,140
Income taxes	**56,903**	126,890	41,428
Net income	**$ 216,355**	$ 122,327	$ 106,712
Basic earnings per share:	**$ 3.83**	$ 2.16	$ 1.90
Diluted earnings per share:	**$ 3.80**	$ 2.15	$ 1.89

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,		
	2018	**2017**	**2016**
		(in thousands)	
Net income	**$ 216,355**	$ 122,327	$ 106,712
Other comprehensive income (loss), net of tax:			
Amortization of loss on cash flow hedge	**862**	862	862
Foreign currency translation adjustment	**(1,609)**	2,961	(606)
Other comprehensive income (loss), net of tax	**(747)**	3,823	256
Comprehensive income	**$ 215,608**	$ 126,150	$ 106,968

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

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
	(in thousands, except share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	**$ 26,642**	$ 235,336
Receivables (net of allowance for doubtful accounts of $15,905 and $12,221, respectively)	**138,018**	125,870
Income taxes receivable	**10,122**	—
Notes receivable, net of allowances	**36,759**	13,256
Other current assets	**32,243**	25,967
Total current assets	**243,784**	400,429
Property and equipment, at cost, net	**127,535**	83,374
Goodwill	**168,996**	80,757
Intangible assets, net	**271,188**	100,492
Notes receivable, net of allowances	**83,440**	80,136
Investments, employee benefit plans, at fair value	**19,398**	20,838
Investments in unconsolidated entities	**109,016**	134,226
Deferred income taxes	**30,613**	27,224
Other assets	**84,400**	67,715
Total assets	**$ 1,138,370**	$ 995,191
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	**$ 73,511**	$ 67,839
Accrued expenses and other current liabilities	**92,651**	84,315
Deferred revenue	**67,614**	52,142
Liability for guest loyalty program	**83,566**	79,123
Current portion of long-term debt	**1,097**	1,232
Total current liabilities	**318,439**	284,651
Long-term debt	**753,514**	725,292
Long-term deferred revenue	**110,278**	98,459
Deferred compensation and retirement plan obligations	**24,212**	25,566
Income taxes payable	**26,276**	29,041
Deferred income taxes	**—**	39
Liability for guest loyalty program	**52,327**	48,701
Other liabilities	**37,096**	42,043
Total liabilities	**1,322,142**	1,253,792
Commitments and Contingencies		
Common stock, $0.01 par value; 160,000,000 shares authorized; 95,065,638 shares issued at December 31, 2018 and December 31, 2017; 55,679,207 and 56,679,968 shares outstanding at December 31, 2018 and December 31, 2017, respectively	**951**	951
Additional paid-in-capital	**213,170**	182,448
Accumulated other comprehensive loss	**(5,446)**	(4,699)
Treasury stock, at cost; 39,386,431 and 38,385,670 shares at December 31, 2018 and December 31, 2017, respectively	**(1,187,625)**	(1,064,573)
Retained earnings	**795,178**	627,272
Total shareholders' deficit	**(183,772)**	(258,601)
Total liabilities and shareholders' deficit	**$ 1,138,370**	$ 995,191

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,		
	2018	**2017**	**2016**
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 216,355**	$ 122,327	$ 106,712
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**14,330**	6,680	6,996
Depreciation and amortization - marketing and reservation system	**19,597**	20,609	20,663
Franchise agreement acquisition cost amortization	**9,239**	7,191	6,423
Impairment of goodwill	**4,289**	—	—
Gain on disposal of assets, net	**(56)**	(237)	(571)
Provision for bad debts, net	**10,542**	5,514	3,365
Non-cash stock compensation and other charges	**15,986**	22,857	15,346
Non-cash interest and other investment (income) loss	**3,695**	(772)	1,059
Deferred income taxes	**(3,510)**	57,106	(29,723)
Equity in net losses from unconsolidated joint ventures, less distributions received	**7,389**	6,579	1,025
Franchise agreement acquisition cost, net of reimbursements	**(52,929)**	(30,638)	(17,410)
Change in working capital and other, net of acquisition	**(2,031)**	40,158	38,150
Net cash provided by operating activities	**242,896**	257,374	152,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in property and equipment	**(47,673)**	(23,437)	(25,191)
Investment in intangible assets	**(1,803)**	(2,517)	(2,580)
Proceeds from sales of assets	**3,053**	1,000	11,462
Asset acquisition, net of cash acquired	**(3,179)**	—	(28,583)
Business acquisition, net of cash acquired	**(231,317)**	—	(1,341)
Contributions to equity method investments	**(9,604)**	(50,554)	(34,661)
Distributions from equity method investments	**1,429**	4,569	3,700
Purchases of investments, employee benefit plans	**(2,895)**	(2,447)	(1,661)
Proceeds from sales of investments, employee benefit plans	**2,825**	2,245	1,911
Issuance of notes receivable	**(36,045)**	(19,738)	(32,604)
Collections of notes receivable	**4,997**	655	11,070
Other items, net	**(1,040)**	109	11
Net cash used in investing activities	**(321,252)**	(90,115)	(98,467)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of long term debt	**9,037**	—	—
Net (repayments) borrowings pursuant to revolving credit facilities	**20,600**	(115,003)	25,795
Principal payments on long-term debt	**(603)**	(660)	(988)
Proceeds from other debt agreements	**—**	—	550
Debt issuance costs	**(2,590)**	—	(284)
Purchases of treasury stock	**(148,679)**	(9,807)	(35,926)
Dividends paid	**(48,715)**	(48,651)	(46,182)
Proceeds from transfer of interest in notes receivable	**173**	24,237	—
Proceeds from exercise of stock options	**41,360**	14,107	12,951
Net cash used in financing activities	**(129,417)**	(135,777)	(44,084)
Net change in cash and cash equivalents	**(207,773)**	31,482	9,484
Effect of foreign exchange rate changes on cash and cash equivalents	**(921)**	1,391	(462)
Cash and cash equivalents at beginning of period	**235,336**	202,463	193,441
Cash and cash equivalents at end of period	**$ 26,642**	$ 235,336	$ 202,463

Supplemental disclosure of cash flow information:			
Cash payments during the year for:			
Income taxes, net of refunds	**$ 77,357**	$ 39,181	$ 65,683
Interest, net of capitalized interest	**$ 43,254**	$ 42,405	$ 41,992
Non-cash investing and financing activities:			
Dividends declared but not paid	**$ 11,977**	$ 12,185	$ 12,112
Investment in property, equipment and intangibles acquired in accounts payable and accrued liabilities	**$ 5,949**	$ 1,099	$ 3,648
Sale of investment in unconsolidated joint venture	**$ —**	$ —	$ 2,350
Seller-financing to purchaser	**$ —**	$ 2,000	$ —

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

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

(in thousands, except share amounts)

	Common Stock - Shares Outstanding	Common Stock - Par Value	Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total
Balance as of December 31, 2015	56,336,566	$ 951	$ 149,895	$ (8,778)	$ (1,052,864)	$ 514,897	$ (395,899)
ASC 606 transition adjustment	—	—	—	—	—	(21,274)	(21,274)
Net income	—	—	—	—	—	106,712	106,712
Other comprehensive income	—	—	—	256	—	—	256
Share based payment activity	732,735	—	9,150	—	18,407	—	27,557
Dividends declared	—	—	—	—	—	(46,708)	(46,708)
Treasury purchases	(769,352)	—	—	—	(35,926)	—	(35,926)
Balance as of December 31, 2016	56,299,949	951	159,045	(8,522)	(1,070,383)	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 (loss)	—	—	—	**(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)**

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 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 of WoodSpring have been consolidated with the Company since February 1, 2018. See Note 25 for additional information.

On August 20, 2018, the Company entered into an Amended and Restated Senior Unsecured Credit Agreement (“Restated Credit Agreement”). In accordance with the Restated Credit Agreement, each of the entities that was a guarantor in accordance with the former credit agreement were released from their obligations and the guarantees were terminated. As a result, the Company is no longer required to prepare condensed consolidating statements of income, comprehensive income, balance sheets, and cash flows segregated by parent entity, guarantor entities, and non-guarantor entities. See Note 13 for additional information.

Revenue Recognition

Refer to the *Recently Adopted Accounting Standards* section below and Note 2.

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 $141.8 million, $114.1 million, and $102.7 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Company includes advertising costs primarily in marketing and reservation system expenses on the accompanying consolidated statements of income.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less at the date of purchase to be cash equivalents.

The Company maintains cash balances in domestic banks, which, at times, may exceed the limits of amounts insured by the Federal Deposit Insurance Corporation. In addition, the Company also maintains cash balances in international banks which do not provide deposit insurance.

Capitalization Policies

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or their useful lives. Major renovations and replacements incurred during construction are capitalized. Additionally, the Company capitalizes any interest incurred during construction of property and equipment or the development of software. Upon sale or retirement of property, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is recognized in the accompanying consolidated statements of income. Maintenance, repairs and minor replacements are charged to expense as incurred.

Costs for computer software developed for internal use are capitalized during the application development stage and depreciated using the straight-line method over the estimated useful lives of the software. Software licenses pertaining to cloud computing arrangements that are capitalized are amortized using the straight-line method over the shorter of the cloud computing arrangement term or their useful lives.

Leased property meeting certain capital lease criteria is capitalized and the present value of the related lease payments is recorded as a liability. The present value of the minimum lease payments are calculated utilizing the lower of the Company's incremental borrowing rate or the lessor's interest rate implicit in the lease, if known by the Company. Amortization of capitalized leased assets is computed utilizing the straight-line method over either the shorter of the estimated useful life of the asset or the initial lease term and included in depreciation and amortization in the Company's consolidated statements of income. However, if the lease meets the bargain purchase or transfer of ownership criteria the asset shall be amortized in accordance with the Company's normal depreciation policy for owned assets.

Assets Held for Sale

The Company considers 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. Other than franchise sales

commission assets and franchise agreement acquisition cost intangibles, the Company did not identify any indicators of impairment of long-lived assets during the years ended December 31, 2018, 2017 and 2016.

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. The carrying value of the SaaS for vacation rentals reporting unit exceeded its fair value, resulting in the Company recording an impairment of $4.3 million in the fourth quarter of 2018. The Company did not record any impairment of goodwill or intangible assets with indefinite lives during the years ended December 31, 2017 and 2016. Refer to Note 6.

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, 2018, 2017 and 2016 were $0.3 million, $(3.4) thousand, and $0.8 million, respectively.

Derivatives

The Company periodically uses derivative instruments as part of its overall strategy to manage exposure to market risks associated with fluctuations in interest rates. All outstanding derivative financial instruments are recognized at their fair values as assets or liabilities. The impact on earnings from recognizing the fair values of these instruments depends on their intended use, their hedge designation and their effectiveness in offsetting changes in the fair values of the exposures they are hedging. The Company does not use derivatives for trading purposes.

The effective portion of changes in fair value of derivatives designated as cash flow hedging instruments are recorded as a component of accumulated other comprehensive income (loss) and the ineffective portion is reported currently in earnings. The amounts included in accumulated other comprehensive income are reclassified into earnings in the same period during which the hedged item affects earnings. Amounts reported in earnings are classified consistent with the item being hedged.

The Company formally documents all relationships between its hedging instruments and hedged items at inception, including its risk management objective and strategy for establishing various hedge relationships. Cash flows from hedging instruments are classified in the consolidated statements of cash flows consistent with the items being hedged.

Hedge accounting is discontinued prospectively when (i) the derivative instrument is no longer effective in offsetting changes in fair value or cash flows of the underlying hedged item, (ii) the derivative instrument expires, is sold, terminated or exercised, or (iii) designating the derivative instrument as a hedge is no longer appropriate. The effectiveness of derivative instruments is assessed at inception and on an ongoing basis.

At December 31, 2018 and 2017, 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 May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue From Contracts with Customers (Topic 606)* and issued subsequent amendments to the initial guidance at various points of 2015 and 2016 within ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20 (these ASUs collectively referred to as "Topic 606"). The Company adopted Topic 606 as of January 1, 2018 using the full retrospective method of adoption. The provisions of Topic 606 impacted the Company’s revenue recognition as follows:

- Initial and relicensing fees earned upon execution of a franchise agreement are recognized as revenue ratably as services are provided over the enforceable period of the franchise license arrangement. This represents a change from prior practice, whereby the Company typically recognized revenue for initial and relicensing fees in full in the period of agreement execution.
- Sales commissions, which are paid upon the execution of a franchise agreement, are recognized ratably over the period a hotel is expected to remain in the Company's franchise system rather than expensed as incurred.
- Franchise agreement acquisition costs are capitalized as intangible assets, as opposed to notes receivable. Amortization of franchise agreement acquisition costs are recognized as a reduction of revenue rather than as a component of depreciation and amortization.
- Revenue related to the Choice Privileges program, which is reported as a component of marketing and reservation system fees, is deferred as points are awarded and recognized upon point redemption, net of reward reimbursements paid to a third-party. Previously, revenue was recognized on a gross basis at the time the points were issued with a corresponding deferral of revenue equal to the expected future costs of the award. Deferred revenue was then recognized as actual points were redeemed and costs for those redemptions incurred.
- Topic 606 also impacted the Company’s accounting for surpluses and deficits generated from marketing and reservation system activities. The Company has historically, consistent with its existing agreements, not earned a profit

or generated a loss from marketing and reservation activities, and as a result, the Company recorded excess marketing and reservation system revenues or expenses as assets or liabilities on the Company's balance sheet prior to the adoption of Topic 606. However, as a result of the adoption of Topic 606, the Company will no longer defer revenues and expenses or record assets and liabilities when system revenues exceed expenses in the current period or vice versa. The Company intends to manage these activities to break-even over time but anticipates that net income or loss may be generated quarterly due to the seasonal nature of the hotel industry and annually based on the level of investments needed for new initiatives that benefit our franchisees.

All amounts and disclosures set forth in this Form 10-K reflect the necessary adjustments required for the adoption of Topic 606, including the reclassification of prior year balances to conform to current year presentation. Refer to Note 2 for further details on the adoption of Topic 606 and impact to the Company's significant accounting policies. In accordance with Topic 606 requirements, the disclosure of the impact of adoption on the Company's prior period consolidated statements of income and balance sheet is presented below. The adoption of Topic 606 had no impact to cash from or used in operating, financing, or investing activities, but resulted in certain reclassifications within cash flows from operating activities, on the prior period consolidated statement of cash flows.

	December 31, 2017		
	As Previously Reported	Adoption of Topic 606	As Adjusted
Statement of Income	(in thousands, except per share amounts)		
Total revenues	$ 1,007,356	$ (66,059)	$ 941,297
Total operating expenses	742,891	(90,990)	651,901
Income before income taxes	223,997	25,220	249,217
Income taxes	109,104	17,786	126,890
Net income	114,893	7,434	122,327
Diluted earnings per share	2.02	0.13	2.15

	December 31, 2016		
	As Previously Reported	Adoption of Topic 606	As Adjusted
Statement of Income	(in thousands, except per share amounts)		
Total revenues	$ 924,641	$ (116,732)	$ 807,909
Total operating expenses	686,149	(64,668)	621,481
Income before income taxes	199,980	(51,840)	148,140
Income taxes	60,609	(19,181)	41,428
Net income	139,371	(32,659)	106,712
Diluted earnings per share	2.46	(0.57)	1.89

	December 31, 2017		
	As Previously Reported [1][2]	Adoption of Topic 606	As Adjusted
Balance Sheet		(in thousands)	
Receivables (net of allowance for doubtful accounts)	$ 125,452	$ 418	$ 125,870
Current notes receivable, net of allowances	13,904	(648)	13,256
Other current assets	28,241	(2,274)	25,967
Intangible assets, net	14,672	85,820	100,492
Notes receivable, net of allowances	147,993	(67,857)	80,136
Deferred income tax asset	13,335	13,889	27,224
Other assets	29,479	38,236	67,715
Accounts payable[1]	67,839	—	67,839
Accrued expenses and other current liabilities[1]	84,315	—	84,315
Current deferred revenue[2]	13,190	38,952	52,142
Current liability for guest loyalty program[2]	79,183	(60)	79,123
Deferred revenue[1][2]	18,335	80,124	98,459
Liability for guest loyalty program[2]	48,738	(37)	48,701
Other liabilities[1][2]	46,939	(4,896)	42,043
Retained earnings	673,771	(46,499)	627,272

(1) The Company performed reclassifications of certain payroll taxes from Accrued expenses and other current liabilities to Accounts payable totaling $4.3 million, and the entirety of Income taxes payable to Accrued expenses and other current liabilities totaling $2.8 million. In addition, $4.3 million was reclassified from Other liabilities to Deferred revenue.
(2) As a result of the adoption of Topic 606 and in accordance with reporting requirements, the Company performed revisions to the presentation within Total liabilities in the consolidated balance sheet to add non-current Deferred revenue and current and non-current Liability for guest loyalty program line items. Amounts originally captured in current Deferred revenue and Other liabilities have been reclassified to the new line items in the table above.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15") and in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash* ("ASU 2016-18"), which collectively provide additional guidance on nine specific cash flow issues. The Company adopted ASU 2016-15 and ASU 2016-18 on January 1, 2018, and it did not have an impact on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"). ASU 2016-16 provides guidance on recognition of current income tax consequences for inter-company asset transfers (other than inventory) at the time of transfer. The Company adopted this ASU on January 1, 2018, and it did not have an impact on the Company's consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* ("ASU 2017-05"). ASU 2017-05 clarifies the scope and accounting of a financial asset that meets the definition of an “in-substance nonfinancial asset” and adds guidance for partial sales of nonfinancial assets. The Company adopted this ASU on January 1, 2018, and it did not have an impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation: Scope of Modification Accounting* ("ASU 2017-09"), which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award changes as a result of the change in terms or conditions. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. The Company adopted this ASU on January 1, 2018, and it did not have an impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 eliminates the two-step process that required identification of potential impairment and a separate measure of the actual impairment. For reporting units where the quantitative test is performed, the annual assessment of goodwill impairment will be determined by using the difference between the carrying amount and the fair

value of the reporting unit. The guidance is effective for public business entities for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. The Company adopted this ASU in the fourth quarter of 2018. See Note 6 for a discussion of a goodwill impairment recognized during the year ended December 31, 2018.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606* ("ASU 2018-18"). ASU 2018-18 provides guidance on how to assess whether certain transactions between collaborative arrangement participants should be accounted for within Topic 606. The guidance is effective for public business entities for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, with early adoption permitted. The Company adopted this ASU effective in the fourth quarter of 2018, and it did not have an impact on the Company's consolidated financial statements.

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 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 administers the delivery of chip-enabled credit card readers to its franchisees to aid in compliance with industry standards in exchange for a fee. Revenue is recognized at the point in time shipment is made to the franchisee within Other revenue. The Company determined the standalone selling price is 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, 2018, the current and non-current deferred revenue balances are $33.1 million and $20.7 million, respectively. 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.

Partnerships

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 and vacation rental management companies. 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.

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. Initial and relicensing fees paid on WoodSpring franchise agreements executed after February 1, 2018 are included in the "Increases to the contract liability balance due to cash received" caption in the table below. WoodSpring amounts are not included in the "Revenue recognized in the period" caption, as WoodSpring balances were not included in the contract liability balance as of December 31, 2017. See Note 25 for additional information.

Significant changes in the contract liabilities balances during 2018 are as follows:

		(in thousands)
Balance as of December 31, 2017	$	132,339
Increases to the contract liability balance due to cash received		89,754
Revenue recognized in the period		(68,913)
Balance as of December 31, 2018	**$**	**153,180**

Remaining Performance Obligations

The aggregate amount of transaction price allocated to unsatisfied or partially unsatisfied performance obligations is $153.2 million as of December 31, 2018. 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. Additionally, as part of transition to Topic 606, the Company elected to not disclose the amount of the transaction price allocated to the remaining performance obligations as of December 31, 2017 or provide an explanation of when revenue is expected to be recognized.

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 $51.9 million and $46.0 million within Other assets as of December 31, 2018 and 2017, respectively. Amortization expense and impairment loss for the years ended December 31, 2018, 2017 and 2016 were $9.0 million, $7.8 million and $7.1 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, 2018, 2017 and 2016 were $0.3 million, $0.3 million and $0.5 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, 2018		
	Over time	Point in time	Total
Revenues:		(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

	Year Ended December 31, 2017		
	Over time	Point in time	Total
Revenues:		(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

	Year Ended December 31, 2016		
	Over time	Point in time	Total
Revenues:		(in thousands)	
Royalty fees	$ 317,699	$ —	$ 317,699
Initial franchise and relicensing fees	19,720	—	19,720
Procurement services	34,781	1,063	35,844
Marketing and reservation system	407,982	1,138	409,120
Other	24,484	—	24,484
Total Topic 606 revenues	$ 804,666	$ 2,201	806,867
Non-Topic 606 revenues			1,042
			$ 807,909

Marketing and reservation system point in time revenues represent loyalty points redeemed by members for benefits, net of the cost of redemptions. For the year ended December 31, 2016, these revenues reflect a change in the Company's expiration policy for the Choice Privileges membership program, resulting in an increase to the corresponding liabilities and charge to marketing and reservation system revenues.

Non-Topic 606 revenues represent revenue from operations of office buildings and parking lots and are presented in Other revenues in the consolidated statements of income.

As presented in Note 21, the Corporate & Other segment amounts represent $14.3 million, $10.8 million, and $8.8 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in the Over time column of Other revenues and Non-Topic 606 revenues row. The remaining revenues relate to the Hotel Franchising segment.

3. Other Current Assets

Other current assets consist of the following at:

	December 31,	
	2018	2017
	(in thousands)	
Prepaid expenses	**$ 18,412**	$ 14,205
Other current assets	**6,831**	4,762
Land held for sale	**7,000**	7,000
Total	**$ 32,243**	$ 25,967

Land held for sale represents certain parcels 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, 2018, the Company sold one parcel of land, classified as a long-term asset as of December 31, 2017, with a total book value of $3.0 million recognizing a gain on sale of $82 thousand. As of December 31, 2018, the Company has $7.0 million of Land held for sale, which represents one parcel of land that is expected to sell in the first quarter of 2019.

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,	
	2018	**2017**
Credit Quality Indicator:	**(in thousands)**	
Senior	**$ 94,349**	$ 73,700
Subordinated	**28,100**	18,647
Unsecured	**2,435**	3,182
Total notes receivable	**124,884**	95,529
Allowance for losses on receivables specifically evaluated for impairment	**4,426**	1,647
Allowance for losses on non-impaired loans	**259**	490
Total loan reserves	**4,685**	2,137
Net carrying value	**$ 120,199**	$ 93,392
Current portion, net	**$ 36,759**	$ 13,256
Long-term portion, net	**83,440**	80,136
Total	**$ 120,199**	$ 93,392

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

On February 5, 2019, the Company restructured one of its loans with senior and subordinated tranches and provided a concession to the borrower. This event represents a recognized subsequent event, resulting in the establishment of a $2.8 million loan valuation allowance with a charge to SG&A expense in the fourth quarter of 2018. The total amount of the recorded investment in the restructured loan is $50.4 million, with total unpaid principal balance of $50.1 million. The Company continues accrual of interest for this loan as the borrower is in compliance with the restructured loan terms.

The Company determined that approximately $1.7 million and $1.8 million, respectively, of its unsecured notes receivable were impaired and recorded an allowance for credit losses of $1.6 million for both the years ended December 31, 2018 and 2017, respectively. For both the years ended December 31, 2018 and 2017, the average notes receivable on non-accrual status was approximately $1.8 million. The Company recognized approximately $44 thousand of interest income on impaired loans during both years ended December 31, 2018 and 2017, respectively, on the cash basis.

The Company provided loan reserves on non-impaired loans totaling $0.3 million and $0.5 million at December 31, 2018 and 2017, respectively.

The Company has identified loans totaling approximately $12.9 million and $2.1 million, respectively, with stated interest rates that are less than market rate, representing a total discount of $1.5 million and $0.1 million, respectively, at December 31, 2018 and 2017. 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
As of December 31, 2018			(in thousands)		
Senior	**$ —**	**$ —**	**$ —**	**$ 94,349**	**$ 94,349**
Subordinated	**—**	**—**	**—**	**28,100**	**28,100**
Unsecured	**—**	**—**	**—**	**2,435**	**2,435**
	$ —	**$ —**	**$ —**	**$ 124,884**	**$ 124,884**
As of December 31, 2017					
Senior	$ —	$ —	$ —	$ 73,700	$ 73,700
Subordinated	—	—	—	18,647	18,647
Unsecured	—	—	—	3,182	3,182
	$ —	$ —	$ —	$ 95,529	$ 95,529

Variable Interest through Notes Issued

The Company has issued notes receivables to certain entities that have created variable interests in these borrowers totaling $114.3 million and $35.2 million at December 31, 2018 and 2017, 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, 2018 and 2017:

	December 31,	
	2018	2017
	(in thousands)	
Beginning balance	**$ 2,137**	$ 2,417
Provisions	**2,779**	—
Write-offs	**(231)**	(280)
Ending balance	**$ 4,685**	$ 2,137

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 retains responsibility for collecting and distributing cash received on the note and interest paid to the participant is reflected as interest expense in the Company's consolidated statements of income. At December 31, 2018 and 2017, Other Long-Term Liabilities includes $24.4 million and $24.2 million, pursuant to this transaction, respectively. Refer to Note 24 for additional information regarding the Company's repurchase in February 2019.

5. Property and Equipment

The components of property and equipment are:

	December 31,	
	2018	**2017**
	(in thousands)	
Land and land improvements	**$ 2,197**	$ 3,107
Construction in progress and software under development	**49,920**	13,243
Computer equipment and software	**180,364**	159,786
Buildings and leasehold improvements	**30,019**	37,764
Furniture, fixtures, vehicles and equipment	**28,937**	18,002
Assets under capital lease	**4,827**	4,827
	296,264	236,729
Less: Accumulated depreciation and amortization	**(168,729)**	(153,355)
Property and equipment, at cost, net	**$ 127,535**	$ 83,374

Construction in progress includes the rehabilitation and development of a former office building into a hotel through a consolidated joint venture. 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. Interest capitalized as a cost of property and equipment totaled $0.2 million and $0.4 million for the years ended December 31, 2018 and 2017, respectively.

Unamortized capitalized software development costs at December 31, 2018 and 2017 totaled $38.9 million and $40.7 million, respectively. Amortization of software development costs for the years ended December 31, 2018, 2017 and 2016 totaled $11.2 million, $11.7 million, and $11.8 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
Assets under capital leases	3-8 years

Depreciation expense, excluding amounts attributable to marketing and reservation activities, for the years ended December 31, 2018, 2017 and 2016 was $5.5 million, $5.2 million and $5.6 million, respectively. Accumulated amortization of capital leases, included in accumulated depreciation and amortization above, at December 31, 2018 and 2017 totaled $4.8 million and $4.5 million, respectively.

6. Goodwill

The following table details the carrying amount of our goodwill:

	December 31,	
	2018	2017
	(in thousands)	
Goodwill	**$ 173,477**	$ 80,949
Accumulated impairment losses	**(4,481)**	(192)
Net carrying amount	**$ 168,996**	$ 80,757

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

	December 31, 2017	Acquisitions	Foreign Exchange	Impairment	December 31, 2018
Hotel Franchising	**$ 65,813**	**$ 93,384**	**$ —**	**$ —**	**$ 159,197**
Other	**14,944**	**—**	**(856)**	**(4,289)**	**9,799**
Total	**$ 80,757**	**$ 93,384**	**$ (856)**	**$ (4,289)**	**$ 168,996**

	December 31, 2016	Acquisitions	Foreign Exchange	Impairment	December 31, 2017
Hotel Franchising	$ 65,813	$ —	$ —	$ —	$ 65,813
Other	13,092	—	1,852	—	14,944
Total	$ 78,905	$ —	$ 1,852	$ —	$ 80,757

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. See Note 25 for additional information.

Impairment Analysis

Goodwill has been allocated to two reporting units: (1) Hotel Franchising and (2) SaaS for vacation rentals.

In the fourth quarter of 2018, 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.

The Company conducted step one of the annual goodwill impairment test for the SaaS for vacation rentals reporting unit, which indicated that the fair value of the reporting unit was less than its carrying value. 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 is electing to not make these investments as there is 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.

As disclosed in Note 1, during 2018 the Company early adopted 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.

The goodwill impairment charge does not have an impact on the Company's liquidity or calculation of financial covenants under existing debt arrangements.

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. Refer to Note 7 for discussion of the reporting unit's intangible assets.

As of December 31, 2018, the $9.8 million of carrying value remaining in Other goodwill is fully attributable to the SaaS for vacation rentals reporting unit. The results of the reporting unit are included in Corporate & Other in Note 21.

There can be no assurance there will not be further impairments or charges incurred against the assets of the SaaS for vacation rentals reporting unit in future periods. See Note 28 *Subsequent Events* for additional information.

7. Intangible assets

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

	As of December 31, 2018			As of December 31, 2017		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Unamortized Intangible Assets						
Trademarks (1)	**$ 23,014**	**$ —**	**$ 23,014**	$ 1,014	$ —	$ 1,014
Amortized Intangible Assets						
Franchise Rights (2)	**190,663**	**82,632**	**108,031**	75,728	75,658	70
Franchise Agreement Acquisition Costs (3)	**164,174**	**34,986**	**129,188**	115,031	29,211	85,820
Trademarks (4)	**14,055**	**10,562**	**3,493**	13,328	9,923	3,405
Capitalized SaaS Licenses (5)	**5,468**	**2,903**	**2,565**	5,468	1,529	3,939
Contract Acquisition Costs (6)	**5,389**	**1,763**	**3,626**	5,643	1,306	4,337
Acquired Lease Rights (7)	**2,237**	**966**	**1,271**	2,237	330	1,907
	381,986	**133,812**	**248,174**	217,435	117,957	99,478
Total	**$ 405,000**	**$ 133,812**	**$ 271,188**	$ 218,449	$ 117,957	$100,492

(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. Refer to Note 25.

(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. Refer to Note 25.

(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.

(7) Represents acquired lease rights recognized in conjunction with the acquisition of an office building. The costs are being amortized over the 39 month term of the lease in place.

Amortization expense for the years ended December 31, 2018, 2017 and 2016 amounted to $19.4 million, $9.9 million, and $8.2 million, respectively.

The estimated annual amortization expense related to the Company's amortizable intangible assets for each of the years ending December 31, 2019 through 2023 is as follows:

Year:	(in millions)
2019	$ 20.1
2020	$ 18.5
2021	$ 16.8
2022	$ 16.2
2023	$ 15.6

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 $103.0 million and $130.2 million on the consolidated balance sheets at December 31, 2018 and 2017, 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, 2018, 2017 and 2016, the Company recognized losses totaling $8.0 million, $7.1 million and $1.3 million from the investment in these entities, respectively. The Company's maximum exposure to losses related to its investments in VIEs is limited to its equity investments as well as certain guaranties as described in Note 24 of these financial statements.

Equity method investment ownership interests at December 31, 2018 and 2017 are as follows:

	Ownership Interest	
Equity Method Investment	December 31, 2018	December 31, 2017
Main Street WP Hotel Associates, LLC	50%	50%
FBC-CHI Hotels, LLC	40%	40%
CS Hotel 30W46th, LLC	25%	25%
CS Brickell, LLC	50%	50%
CS Maple Grove, LLC	50%	50%
CS Hotel West Orange, LLC	50%	50%
Hotel JV Services, LLC [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%
CS 433 Mason LLC [2]	100%	90%
Pine Street Long Beach LLC	50%	50%
SY Valley Vineyard Resorts LLC	50%	50%
CS Lakeside Santa Clara LLC	50%	—%
CS Main Pleasant Hill LLC	50%	—%

[1] Non-variable interest entity investments

[2] During the third quarter of 2018, a partner in a VIE previously accounted for under the equity method of accounting exercised a put option to the Company for its membership interest. As a result, the Company paid $3.2 million for the remaining interest and the purchase was accounted for as an asset acquisition. The financial results of the 100% owned entity have been consolidated in the Company's financial statements since August 9, 2018.

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,		
	2018	2017[3]	2016
	(in thousands)		
Revenues	**$ 118,324**	$ 87,033	$ 72,393
Operating income	**11,790**	8,171	9,878
Income from continuing operations	**1,658**	2,140	4,603
Net income	**$ 477**	$ 940	$ 4,598

[3] Updated based on most recent data available

	As of December 31,	
	2018	2017
	(in thousands)	
Current assets	**$ 75,453**	$ 56,599
Non-current assets	**465,361**	491,388
Total assets	**$ 540,814**	$ 547,987
Current liabilities	**$ 32,234**	$ 31,191
Non-current liabilities	**239,581**	222,156
Total liabilities	**$ 271,815**	$ 253,347

9. Other Assets

Other assets consist of the following at:

	December 31,	
	2018	2017
	(in thousands)	
Land and buildings	**$ 29,643**	$ 19,284
Capitalized franchise sales commissions (refer to Note 2)	**51,929**	46,050
Other assets	**2,828**	2,381
Total	**$ 84,400**	$ 67,715

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 Company's Cambria Hotel brand. The Company has acquired this real estate with the intent to develop the properties for the eventual construction of a Cambria Hotel or contribute the land into joint ventures for the same purpose.

During the third quarter of 2018, a partner in a VIE previously accounted for under the equity method of accounting exercised a put option to the Company for its membership interest. As a result, the Company paid $3.2 million for the remaining interest and the purchase was accounted for as an asset acquisition. The financial results of the 100% owned entity have been consolidated in the Company's financial statements since August 9, 2018. On the consolidated balance sheet, the assets are reflected in Other Assets.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31,	
	2018	2017
	(in thousands)	
Accrued compensation and benefits	$ 42,518	$ 34,761
Accrued interest	16,640	16,539
Dividends payable	11,977	12,185
Deferred rent and unamortized lease incentives	2,772	2,620
Termination benefits	744	3,333
Income taxes payable	—	2,776
Other liabilities and contingencies	18,000	12,101
Total	$ 92,651	$ 84,315

11. Deferred Revenue

Deferred revenue consists of the following:

	December 31,	
	2018	2017
	(in thousands)	
Initial franchising and relicensing fees	$ 104,287	$ 94,058
Loyalty programs	53,749	39,102
System implementation fees	8,764	8,563
Procurement services fees	7,872	8,531
Other	3,220	347
Total	$ 177,892	$ 150,601
Current portion	$ 67,614	$ 52,142
Long-term portion	110,278	98,459
Total	$ 177,892	$ 150,601

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,	
	2018	2017
	(in thousands)	
Deferred rent and unamortized lease incentives	$ 7,903	$ 9,897
Uncertain tax positions	1,788	2,903
Participating interest in notes receivable (refer to Note 4)	24,409	24,237
Other liabilities	2,996	5,006
Total	$ 37,096	$ 42,043

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, 2018	December 31, 2017
	(in thousands)	
$400 million senior unsecured notes with an effective interest rate of 6.0% less deferred issuance costs of $3.2 million and $3.9 million at December 31, 2018 and December 31, 2017, respectively	**$ 396,844**	$ 396,057
$250 million senior unsecured notes with an effective interest rate of 6.19% less a discount and deferred issuance costs of $0.5 million and $0.8 million at December 31, 2018 and December 31, 2017, respectively	**249,489**	249,182
$600 million senior unsecured credit facility with an effective interest rate of 3.50%, less deferred issuance costs of $3.0 million at December 31, 2018	**87,582**	—
$450 million senior unsecured credit facility with an effective interest rate of 2.84%, less deferred issuance costs of $2.1 million at December 31, 2017	**—**	67,936
Construction loan with an effective interest rate of 6.70%, less deferred issuance costs of $0.9 million at December 31, 2018	**7,652**	—
Fixed rate collateralized mortgage with an effective interest rate of 4.57%, plus a fair value adjustment of $0.4 million and $0.6 million at December 31, 2018 and December 31, 2017, respectively	**8,197**	8,853
Economic development loans with an effective interest rate of 3.0% at December 31, 2018 and December 31, 2017, respectively	**4,240**	3,712
Other notes payable	**607**	784
Total debt	**$ 754,611**	$ 726,524
Less current portion	**1,097**	1,232
Total long-term debt	**$ 753,514**	$ 725,292

Scheduled principal maturities of debt, net of unamortized discounts, premiums and deferred issuance costs, as of December 31, 2018 were as follows:

Year Ending:	Senior Notes	Revolving Credit Facility	Other Notes Payable	Total
		(in thousands)		
2019	$ —	$ —	$ 1,097	$ 1,097
2020	249,489	—	7,707	257,196
2021	—	—	—	—
2022	396,844	—	7,652	404,496
2023	—	87,582	4,240	91,822
Thereafter	—	—		—
Total payments	$ 646,333	$ 87,582	$ 20,696	$ 754,611

Restated Senior Unsecured Credit Facility

On August 20, 2018, the Company entered into the Restated Credit Agreement, which amended and restated the Company's existing senior unsecured revolving credit agreement, dated July 21, 2015 (the "Former Credit Agreement"). The Former Credit Agreement provided for a $450 million unsecured revolving credit facility (the "Revolver") with a final maturity date of July 21, 2021.

The Restated Credit Agreement increases the commitments under the Revolver to $600 million and extends the final maturity date of the Revolver 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 Revolver 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.

Pursuant to the Restated Credit Agreement, the previous guarantee by certain of the Company's subsidiaries of its obligations under the Revolver (as increased by the Restated Credit Agreement) was released. As a result, as of August 20, 2018, there are no subsidiary guarantors under the Revolver. However, 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 requires such obligated subsidiaries to guarantee the Company's obligations under the Revolver. In the event that these subsidiary guarantees are triggered under the Revolver, the same subsidiary guarantees would be required under the 2010 and 2012 Senior Notes and certain hedging and bank product arrangements, if any, with lenders that are parties to the Restated Credit Agreement.

The Company may at any time prior to the final maturity date increase the amount of the Revolver 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 under the Revolver 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.

A total of $3.2 million in debt issuance costs were capitalized as part of the Restated Credit Facility, including $1.7 million in costs incurred on the Restated Credit Facility and remaining unamortized costs of $1.5 million attributable to the Former Credit Facility. The capitalized debt issuance costs are amortized on a straight-line basis, which is not materially different than the effective interest method, through the maturity. Amortization of these costs is included in interest expense in the consolidated statements of income. Additionally, the Restated Credit Agreement requires the Company to pay a fee on the total commitments under the Revolver, calculated on the basis of the actual daily amount of the commitments under the Revolver (regardless of usage) times a percentage per annum ranging from 0.075% 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, 2018, the Company was in compliance with all financial covenants under the Restated Credit Agreement.

The proceeds of the Revolver are expected to be used for general corporate purposes, including working capital, debt repayment, stock repurchases, dividends, investments and other permitted uses set forth in the Restated Credit Agreement.

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 will mature on August 28, 2020, with interest to be paid semi-annually on February 28th and August 28th. The Company used the net proceeds from the offering, after deducting underwriting discounts and other offering expenses, to repay outstanding borrowings and for other general corporate purposes.

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

The Company may redeem the 2010 Senior Notes at its option at a redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed, or (b) the sum of the present values of the remaining scheduled principal and interest payments from the redemption date to the date of maturity, discounted to the redemption date on a semi-annual basis at the Treasury Rate plus 45 basis points.

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, 2018, the Company recorded $69 thousand 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.

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, 2018, the Company had been advanced approximately $4.2 million pursuant to these agreements and expects to receive the remaining $0.2 million in 2019, subject to annual appropriations by the governmental entities. These advances bear interest at a rate of 3% per annum.

Repayment of the advances is contingent upon the Company achieving certain performance conditions. Performance conditions are measured annually on December 31st and primarily relate to maintaining certain levels of employment within the various jurisdictions. If the Company fails to meet an annual performance condition, the Company may be required to repay a portion

or all of the advances including accrued interest by April 30th following the measurement date. Any outstanding advances at the expiration of the Company's ten year corporate headquarters lease in 2023 will be forgiven in full. The advances will be included in long-term debt in Company's consolidated balance sheets until the Company determines that the future performance conditions will be met over the entire term of the agreement and the Company will not be required to repay the advances. The Company accrues interest on the portion of the advances that it expects to repay. The Company was in compliance with all current performance conditions as of December 31, 2018.

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 $26.1 million and $27.3 million at December 31, 2018 and 2017, 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, 2018, 2017 and 2016 were $(0.7) million, $3.7 million, and $2.1 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 $21.3 million and $22.6 million as of December 31, 2018 and 2017, respectively, and are recorded at their fair value, based on quoted market prices. At December 31, 2018, the Company expects $1.9 million of the assets held in the trust to be distributed during the year ended December 31, 2019 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, 2018, 2017 and 2016 of $(1.3) million, $3.2 million, and $1.5 million, respectively. The Deferred Compensation Plan held no shares of the Company's common stock at December 31, 2018 and 2017.

15. Fair Value Measurements

The Company estimates the fair value of its financial instruments utilizing a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The following summarizes the three levels of inputs, as well as the assets that the Company values using those levels of inputs.

Level 1: Quoted prices in active markets for identical assets and liabilities. The Company's Level 1 assets consist of marketable securities (primarily mutual funds) held in the Deferred Compensation Plan.

Level 2: Observable inputs, other than quoted prices in active markets for identical assets and liabilities, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable. The Company's Level 2 assets consist of money market funds held in the Deferred Compensation Plan and those recorded in cash and cash equivalents.

Level 3: Unobservable inputs, supported by little or no market data available, where the reporting entity is required to develop its own assumptions to determine the fair value of the instrument. The Company does not currently have any assets whose fair value was determined using Level 3 inputs.

The Company's policy is to recognize transfers in and transfers out of the three levels of the fair value hierarchy as of the end of each quarterly reporting period. There were no transfers between Level 1, 2 and 3 assets during the years ended December 31, 2018 and 2017.

As of December 31, 2018 and 2017, the Company had the following assets measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date Using			
	Total	Level 1	Level 2	Level 3
Assets	(in thousands)			
December 31, 2018				
Mutual funds[(1)]	**$ 19,378**	**$ 19,378**	**$ —**	**$ —**
Money market funds[(1)]	**1,923**	**—**	**1,923**	**—**
Total	**$ 21,301**	**$ 19,378**	**$ 1,923**	**$ —**
December 31, 2017				
Money market funds, included in cash and cash equivalents	$ 50,419	$ —	$ 50,419	$ —
Mutual funds[(1)]	20,869	20,869	—	—
Money market funds[(1)]	1,702	—	1,702	—
Total	$ 72,990	$ 20,869	$ 52,121	$ —

[(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 estimates the fair value of notes receivable which approximate their carrying value, utilizing an analysis of future cash flows and credit worthiness for similar types of arrangements. Based upon the availability of market data, the notes receivable have been classified as Level 3 inputs. The primary sensitivity in these calculations is based on the selection of appropriate interest and discount rates. For further information on the notes receivable see Note 4.

The money market funds previously included in cash and cash equivalents were used to fund the WoodSpring acquisition on February 1, 2018. Refer to Note 25 for further information on the acquisition. The fair value of the Company's $250 million and $400 million senior notes are classified as Level 2 as the significant inputs are observable in an active market. At December 31, 2018 and 2017, the $250 million senior notes had an approximate fair value of $257.0 million and $269.2 million, respectively. At December 31, 2018 and 2017, the $400 million senior notes had an approximate fair value of $415.7 million and $440.1 million, respectively.

Fair value estimates are made at a specific point in time, are subjective in nature and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may be possible and may not be a prudent management decision.

16. Income Taxes

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

	Year Ended December 31,		
	2018	2017	2016
		(in thousands)	
U.S.	**$ 251,056**	$ 217,725	$ 116,852
Outside the U.S.	**22,202**	31,492	31,288
Income before income taxes	**$ 273,258**	$ 249,217	$ 148,140

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

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Current tax expense			
Federal	**$ 48,941**	$ 63,279	$ 62,216
State	**8,966**	5,183	8,163
Foreign	**1,471**	2,000	745
Deferred tax (benefit) expense			
Federal	**(1,459)**	55,007	(25,309)
State	**(959)**	1,676	(4,250)
Foreign	**(57)**	(255)	(137)
Income taxes	**$ 56,903**	$ 126,890	$ 41,428

Net deferred tax assets consisted of:

	December 31,	
	2018	2017
	(in thousands)	
Property, equipment and intangible assets	**$ (17,212)**	$ (8,026)
Accrued compensation	**12,790**	12,472
Accrued expenses	**30,720**	20,724
State Tax Credits	**2,438**	1,595
Foreign net operating losses	**2,119**	2,286
Valuation allowance on foreign net operating losses	**(1,653)**	(1,392)
Other	**1,411**	(474)
Net deferred tax assets	**$ 30,613**	$ 27,185

Balance sheet presentation:

	December 31,	
	2018	2017
	(in thousands)	
Non-current net deferred tax assets	**$ 30,613**	$ 27,224
Non-current net deferred tax assets (liabilities)	**—**	(39)
Net deferred tax assets	**$ 30,613**	$ 27,185

As of December 31, 2018, the Company had foreign net operating loss carryforwards of approximately $6.7 million before applying tax rates for the respective jurisdictions, subject to a valuation allowance of $5.0 million. Approximately $1.2 million of our foreign net operating losses may expire between 2020 and 2036. In addition, the Company has recorded a valuation allowance on approximately $0.5 million of foreign deferred tax assets before applying the tax rate of the respective jurisdiction.

The statutory U.S. federal income tax rate reconciles to the effective income tax rates as follows:

	Year Ended December 31,		
	2018	2017	2016
Statutory U.S. federal income tax rate	**21.0 %**	35.0 %	35.0 %
State income taxes, net of federal tax benefit	**2.9 %**	1.8 %	1.5 %
Benefits and taxes related to foreign operations	**(0.5)%**	(3.9)%	(6.9)%
Excess tax benefit on share-based compensation	**(1.8)%**	(1.5)%	(2.3)%
Unrecognized tax positions	**(0.4)%**	(0.2)%	0.3 %
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 %	— %
Other	**(0.7)%**	0.3 %	0.4 %
Effective income tax rates	**20.8 %**	50.9 %	28.0 %

The Company's effective income tax rates were 20.8%, 50.9% and 28.0%, for the years ended December 31, 2018, 2017 and 2016, respectively.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act reduces the U.S. federal corporate income tax rate from 35.0% to 21.0%, requires companies to pay a one-time transition tax on earnings of foreign subsidiaries that were previously tax deferred, and creates new taxes on certain foreign-sourced earnings. The Company applied the guidance in Staff Accounting Bulletin 118 ("SAB 118") when accounting for the enactment-date effects of the Tax Act. As of September 30, 2018, the Company finalized its calculations related to the tax effects of the Tax Act and there were no significant changes to the impacts estimated as part of the year ended 2017 provision for income taxes.

The Tax 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.

Due to the recent changes resulting from the Tax Act, the Company has implemented a new foreign dividend policy effective during the quarter ended September 30, 2018. As a result of the new policy, the Company intends to limit any future foreign distributions to income which has been previously subject to U.S. taxation, for which relevant taxes have been recorded. Nonetheless, the Company will continue to assert that any other outside basis difference of the foreign subsidiaries will be permanently (or indefinitely) reinvested outside of the U.S. Consequently, the Company did not record any additional deferred taxes for this item in 2018.

The effective income tax rate for the year ended December 31, 2018 was lower than the U.S. federal statutory rate of 21.0% primarily due to 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, 2017 was higher than the U.S. federal statutory rate of 35.0% primarily due to the transition tax of $35.3 million and the $13.2 million impairment of our net domestic deferred tax assets resulting from the reduction of the U.S. federal corporate income tax rate to 21.0% effective January 1, 2018. The increase from these items was partially offset by the impact of foreign operations and excess tax benefits from share-based compensation.

As of December 31, 2018, 2017 and 2016, the Company’s gross unrecognized tax benefits totaled $1.6 million, $2.3 million and $2.7 million, respectively. After considering the deferred income tax accounting impact, it is expected that about $1.3 million of the total as of December 31, 2018 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:

	2018	2017	2016
		(in thousands)	
Balance, January 1	**$ 2,284**	$ 2,691	$ 3,137
Changes for tax positions of prior years	**(861)**	(16)	580
Increases for tax positions related to the current year	**165**	138	181
Settlements and lapsing of statutes of limitations	**—**	(529)	(1,207)
Balance, December 31	**$ 1,588**	$ 2,284	$ 2,691

It is reasonably possible that the Company's unrecognized tax benefits could decrease within the next 12 months by as much as $1.6 million due to settlements and the expiration of applicable statutes of limitations. The Company's federal income tax returns for tax years 2017 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 2018 and 2017. The Company had $0.2 million and $0.6 million of accrued interest and penalties at December 31, 2018 and 2017, respectively.

17. Share-Based Compensation and Capital Stock

Dividends

The Company currently pays a quarterly dividend on its common stock of $0.215 per share, however the declaration of future dividends is subject to the discretion of the board of directors. The Company may not declare or make any payment if there is an existing event of default under the Revolver or if the payment would create an event of default.

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 also $0.215 per share. Annual dividends declared during the year ended December 31, 2017 were $0.86 per share or $48.6 million. During the year ended December 31, 2016, the Company's quarterly dividend rate was $0.205 per share for the first three quarters of 2016. In the fourth quarter of 2016, the Company's board of directors announced an increase in the quarterly dividend rate to $0.215 per share. As a result, annual dividends declared during the year ended December 31, 2016 were $0.83 per share or $46.7 million.

In addition, during the years ended December 31, 2018, 2017 and 2016, the Company paid previously declared but unrecorded dividends totaling $0.1 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 3.2 million shares of the Company's common stock remain available for grant as of December 31, 2018. 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, 0.2 million and 0.7 million options to certain employees of the Company at a fair value of approximately $1.8 million, $2.1 million and $6.9 million during the years ended December 31, 2018, 2017 and 2016, 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:

	2018	2017	2016
Risk-free interest rate	**2.58%**	1.76%	1.22%
Expected volatility	**21.17%**	21.64%	23.76%
Expected life of stock option	**4.6 years**	4.6 years	4.6 years
Dividend yield	**1.05%**	1.42%	1.59%
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)	**$ 16.27**	$ 10.81	$ 9.30

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, 2018 was $21.6 million and $16.6 million, respectively. The total intrinsic value of options exercised during the years ended December 31, 2018, 2017 and 2016 was $26.4 million, $9.2 million and $12.6 million, respectively.

The Company received $41.4 million, $14.1 million and $13.0 million in proceeds from the exercise of 0.8 million, 0.4 million and 0.5 million employee stock options during the years ended December 31, 2018, 2017 and 2016, respectively.

The following table summarizes information about stock options outstanding at December 31, 2018:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2018	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2018	Weighted Average Exercise Price
$34.13 to $39.00	52,664	1.1 years	$ 36.76	52,664	$ 36.76
$39.01 to $48.75	417,591	2.2 years	$ 45.59	417,591	$ 45.59
$48.76 to $65.00	610,415	4.0 years	$ 56.73	283,426	$ 57.77
$65.01 to $81.55	105,510	6.2 years	$ 81.55	—	$ —
	1,186,180	3.5 years	$ 54.13	753,681	$ 49.55

Restricted Stock

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

	For the Year Ended December 31,		
	2018	**2017**	**2016**
Restricted shares granted	**101,325**	175,644	204,333
Weighted average grant date fair value per share	**$ 81.21**	$ 61.84	$ 51.53
Aggregate grant date fair value ($000)	**$ 8,229**	$ 10,862	$ 10,529
Restricted shares forfeited	**46,785**	30,375	28,996
Vesting service period of shares granted	**12 - 48 months**	12 - 48 months	12 - 48 months
Fair value of shares vested ($000)	**$ 8,025**	$ 12,616	$ 7,506

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 155% 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,		
	2018	**2017**	**2016**
Performance vested restricted stock units granted at target	**100,919**	162,523	89,944
Weighted average grant date fair value per share	**$ 81.25**	$ 60.63	$ 47.85
Aggregate grant date fair value ($000)	**$ 8,200**	$ 9,853	$ 4,304
Stock units forfeited	**27,255**	74,734	54,556
Requisite service period	**36 - 39 months**	30 - 36 months	9 - 43 months

During the years ended December 31, 2018, 2017 and 2016, PVRSUs totaling 31,048, 39,056 and 28,188, respectively, vested at a fair value of $2.5 million, $1.8 million, and $1.0 million, respectively. During the year ended December 31, 2018, PVRSU awards vested at target, therefore no additional PVRSU units were awarded. During the years ended December 31, 2017 and 2016, an additional 9,491and 2,043 PVRSU units were awarded because the Company's performance exceeded the conditions provided in the awards.

Stock units forfeited include the cancellation of 416, 14,754, and 20,013 shares for the years ended December 31, 2018, 2017 and 2016, respectively, since the Company did not achieve certain performance conditions contained in stock awards.

A summary of stock-based award activity as of December 31, 2018, 2017 and 2016 and the changes during the years are presented below:

	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 PVRSU's granted in prior periods.

	2016						
	Stock Options			Restricted Stock		Performance Vested Restricted Stock Units	
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2016	2,084,201	$ 41.36		384,490	$ 47.40	226,737	$ 45.09
Granted	745,769	$ 51.49		204,333	$ 51.53	89,944	$ 47.85
Performance-Based Leveraging*	—	$ —		—	$ —	2,043	$ 36.76
Exercised/Vested	(529,210)	$ 24.47		(152,015)	$ 43.61	(28,188)	$ 36.76
Expired	(13,620)	$ 57.62		—	$ —	—	$ —
Forfeited	(93,638)	$ 53.63		(28,996)	$ 51.22	(54,556)	$ 42.82
Outstanding at December 31, 2016	2,193,502	$ 48.26	4.6 years	407,812	$ 50.61	235,980	$ 47.59
Options exercisable at December 31, 2016	816,969	$ 40.75	3.3 years				

* PVRSU units outstanding have been increased by 2,043 units during the year ended December 31, 2016, due to the Company exceeding the targeted performance conditions contained in PVRSU's granted in prior periods.

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)	2018	2017	2016
Stock options	**$ 2.4**	$ 9.2	$ 4.6
Restricted stock	**6.8**	9.0	7.5
Performance vested restricted stock units	**5.8**	6.7	2.5
Total	**$ 15.0**	$ 24.9	$ 14.6
Income tax benefits	**$ 3.6**	$ 9.2	$ 5.4

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, 2018 are as follows:

	Unrecognized Compensation Expense on Unvested Awards	Weighted Average Remaining Amortization Period
	(in millions)	
Stock options	$ 3.0	2.2 years
Restricted stock	12.6	2.3 years
Performance vested restricted stock units	8.9	1.8 years
Total	$ 24.5	

Share Repurchases and Redemptions

The Company announced a stock repurchase program on June 25, 1998 to return excess capital to its shareholders. Treasury stock activity is recorded at cost in the accompanying consolidated financial statements. During the year ended December 31, 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. During the year ended December 31, 2016, the Company repurchased 0.6 million of its common stock under the repurchase program at a total cost of $30.1 million. Through December 31, 2018, the Company repurchased 50.5 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 2018, the Company redeemed 92,366 shares of common stock at a total cost of $7.4 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 2017 and 2016, the Company redeemed 154,950 and 127,036

shares of common stock at a total cost of $9.6 million and $5.8 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,		
	2018	2017	2016
	(in thousands)		
Foreign currency translation adjustments	**$ (4,010)**	$ (2,401)	$ (5,362)
Deferred loss on cash flow hedge	**(1,436)**	(2,298)	(3,160)
Total accumulated other comprehensive loss	**$ (5,446)**	$ (4,699)	$ (8,522)

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.

The following represents the changes in accumulated other comprehensive loss, net of tax by component for the years ended December 31, 2018 and 2017:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Loss on Cash Flow Hedge	Foreign Currency Items	Total	Loss on Cash Flow Hedge	Foreign Currency Items	Total
		(in thousands)			(in thousands)	
Beginning Balance	**$ (2,298)**	**$ (2,401)**	**$ (4,699)**	$ (3,160)	$ (5,362)	$ (8,522)
Other comprehensive loss before reclassification	**—**	**(1,609)**	**(1,609)**	—	2,961	2,961
Amounts reclassified from accumulated other comprehensive income	**862**	**—**	**862**	862	—	862
Net current period other comprehensive income (loss)	**862**	**(1,609)**	**(747)**	862	2,961	3,823
Ending Balance	**$ (1,436)**	**$ (4,010)**	**$ (5,446)**	$ (2,298)	$ (2,401)	$ (4,699)

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)		Affected Line Item in the Consolidated Statement of Income
	Year Ended December 31,		
(In thousands)	2018	2017	
Loss on cash flow hedge:			
Interest rate contract	**$ 862**	$ 862	Interest expense

19. Earnings Per Share

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

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except per share amounts)		
Computation of Basic Earnings Per Share:			
Numerator:			
Net income	**$ 216,355**	$ 122,327	$ 106,712
Income allocated to participating securities	**(1,248)**	(845)	(747)
Net income available to common shareholders	**$ 215,107**	$ 121,482	$ 105,965
Denominator			
Weighted average common shares outstanding -- basic	**56,130**	56,114	55,872
Basic earnings per share	**$ 3.83**	$ 2.16	$ 1.90
Computation of Diluted Earnings Per Share:			
Numerator:			
Net income	**$ 216,355**	$ 122,327	$ 106,712
Income allocated to participating securities	**(1,241)**	(842)	(744)
Net income available to common shareholders	**$ 215,114**	$ 121,485	$ 105,968
Denominator:			
Weighted average common shares outstanding -- basic	**56,130**	56,114	55,872
Diluted effect of stock options and PVRSUs	**471**	412	283
Weighted average commons shares outstanding -- diluted	**56,601**	56,526	56,155
Diluted earnings per share	**$ 3.80**	$ 2.15	$ 1.89

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, 2018, 2017 and 2016, the Company had 1.2 million, 2.0 million, and 2.2 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, 2018 and 2016, the Company excluded 0.1 million and 1.2 million, respectively, of anti-dilutive stock options from the diluted earnings per share calculation. For the year ended December 31, 2017, no anti-dilutive stock options were excluded 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, 2018, 2017 and 2016, PVRSUs totaling 242,942, 251,228, and 210,258, respectively, were excluded from the computation since the performance conditions had not been met.

20. Operating Leases

The Company enters into operating leases primarily for office space, office equipment and transportation vehicles. Minimum rents as defined in the Company's lease agreements including rent escalations, rent holidays and rental concessions are recognized on the straight-line basis over the noncancelable lease term. Payments made to or on behalf of the Company for leasehold improvement incentives are considered reductions in rental expense and are amortized on a straight-line basis over the noncancelable lease term. Rental expense under noncancelable operating leases was approximately $10.5 million, $10.9 million, and $10.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Company received sublease rental income related to real estate leased to third-parties totaling $0.3 million during each of the years ended December 31, 2018, 2017 and 2016, respectively.

Future minimum lease payments are as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
				(in thousands)			
Minimum lease payments	$ 12,633	$ 10,638	$ 9,258	$ 8,866	$ 3,514	$ —	$ 44,909
Minimum sublease rentals	(124)	—	—	—	—	—	(124)
	$ 12,509	$ 10,638	$ 9,258	$ 8,866	$ 3,514	$ —	$ 44,785

21. Reportable Segment Information

Hotel Franchising: Hotel Franchising includes the Company's hotel franchising operations consisting of its thirteen brands. The thirteen brands are aggregated within this segment considering their similar economic characteristics, types of customers, distribution channels and regulatory business environments. Revenues from the hotel franchising business include royalty fees, initial franchise and relicensing fees, marketing and reservation system fees, procurement services revenue and other hotel franchising related revenue. The Company is obligated under its franchise agreements to provide marketing and reservation services appropriate for the operation of its systems. These services do not represent separate reportable segments as their operations are directly related to the Company's hotel franchising business. The revenues received from franchisees that are used to pay for part of the Company's ongoing operations are included in hotel Franchising revenues and are offset by the related expenses paid for marketing and reservation activities to calculate hotel Franchising operating income.

The financial results for the year ended December 31, 2017 and 2016 have been updated to reflect the Company's adoption of Topic 606 as discussed in Note 1. In addition, the financial results related to SkyTouch are now reported as a component of Corporate & Other for all periods presented.

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

(In thousands)	For the Year Ended December 31, 2018		
	Hotel Franchising	Corporate & Other	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**
Capital expenditures	**34,737**	**12,936**	**47,673**
Total assets	**990,943**	**147,427**	**1,138,370**

(In thousands)	For the Year Ended December 31, 2017		
	Hotel Franchising	Corporate & Other	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
Capital expenditures	20,839	2,598	23,437
Total assets	651,264	343,927	995,191

(In thousands)	For the Year Ended December 31, 2016		
	Hotel Franchising	Corporate & Other	Consolidated
Revenues	$ 799,093	$ 8,816	$ 807,909
Operating income (loss)	255,514	(68,459)	187,055
Depreciation and amortization	482	6,514	6,996
Income (loss) before income taxes	256,007	(107,867)	148,140
Capital expenditures	20,600	4,591	25,191
Total assets	544,987	363,469	908,456

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, 2018, 2017 and 2016 were $72.1 million, $65.8 million, and $58.2 million, respectively. Long-lived assets related to international operations were $63.6 million, $91.7 million, and $79.1 million as of December 31, 2018, 2017 and 2016, respectively. All other long-lived assets of the Company are associated with domestic activities. The Company's investment in equity method investees at December 31, 2018, 2017 and 2016 was $109.0 million, $134.2 million and $94.8 million, respectively. These investments are included as a component of total assets in the Hotel Franchising segment.

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. Among other things, the strategic alliance agreement, as amended, provided for the determination of liquidated damages related to the termination of Choice branded Sunburst properties. The liquidated damage provisions extend through the life of the existing Sunburst franchise agreements. As of December 31, 2018, Sunburst operates 5 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 $1.9 million, $2.0 million, and $2.0 million for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, 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. The agreements provide for lease payments that contribute towards the fixed costs associated with the aircraft as well as reimbursement of the Company's variable costs associated with operation of the aircraft, in compliance with, and to the extent authorized by, applicable regulatory requirements. The terms of the 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 years ended December 31, 2018, 2017 and 2016, the Company received $26 thousand, $19 thousand, and $38 thousand, respectively, pursuant to this arrangement.

In December 2013, the Company's board of directors approved an arrangement with an entity controlled by the family members of the Company's largest shareholder to sublease approximately 2,200 square feet of office space located in Chevy Chase, Maryland. The lease has a month to month term, with a 90 day notice period, and annual lease payments totaling approximately $90 thousand. In May 2016, the sublease was amended for the expansion of the office space, with annual lease payments totaling approximately $146 thousand. During the years ended December 31, 2018, 2017 and 2016, the Company received approximately $146 thousand, $146 thousand, and $179 thousand, respectively, in rent payments associated with this lease.

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 and 2017, the Company had $0.6 million and $0.6 million, respectively, outstanding under this agreement, which is reflected within the current portion of long term debt on the balance sheet.

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, 2018. 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 total principal of $22.2 million with a development company which is a member of one of the Company's unconsolidated joint ventures formed in 2018. The promissory notes mature in January 2019, May 2019 and December 2019, bear interest at fixed and variable rates, and are payable monthly. At December 31, 2018, the outstanding balance of the promissory notes totaled $21.9 million.

The Company signed a management fee arrangement for marketing services with a joint venture partner. For the years ended December 31, 2018, 2017 and 2016, fees earned and payroll costs reimbursed under this arrangement totaled $1.7 million, $1.4 million and $0.8 million, respectively.

The Company entered into franchise agreements with certain of the unconsolidated joint ventures listed within Note 8. Pursuant to these franchise agreements, the Company recorded royalty and marketing and reservation system fees of approximately $25.4 million, $22.4 million, and $17.3 million, for the years ended December 31, 2018, 2017 and 2016, respectively. The Company recorded $1.1 million and $1.3 million as a receivable due from these joint ventures as of December 31, 2018 and 2017, respectively. In addition, the Company paid commissions of $0.2 million, $0.2 million, and $0.2 million for the years

ended December 31, 2018, 2017 and 2016, 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 $13.0 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, 2018 and December 31, 2017. 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.

The Company has 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 may 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. This represents a nonrecognized subsequent event for the 2018 consolidated financial statements and will be recognized upon exchange of cash in the first quarter of 2019, at which point the Company will retain the full loan balance. The impact will be a reduction of Other Long-Term Liabilities and Cash and cash equivalents in the consolidated balance sheets by $24.4 million.

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, 2018, the Company had commitments to extend an additional $257.3 million for these purposes provided certain conditions are met by its franchisees.
- The Company committed to make additional capital contributions totaling $12.2 million to existing joint ventures related to the construction of various hotels to be operated under the Company's Cambria Hotels brand. These commitments are expected to be funded in the next twelve months.
- 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 $38.1 million, upon certain conditions being met. As of December 31, 2018, $4.5 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, 2018, the Company has drawn on $8.5 million of the construction loan and recorded $69 thousand of capitalized interest costs.
- The Company's franchise agreements require the payment of franchise fees, which include marketing and reservation system fees. These fees are described in Note 2. 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 or possible environmental contamination issues. 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. Acquisition

On February 1, 2018, the Company acquired 100% of the issued and outstanding equity interest of WoodSpring. 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)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2018[1]
	(in thousands, except per share data)				
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**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	2017[1]
	(in thousands, except per share data)				
Revenues	$ 188,868	$ 261,016	$ 269,930	$ 221,483	$ 941,297
Operating income	$ 45,403	$ 86,539	$ 93,063	$ 64,648	$ 289,653
Income before income taxes	$ 34,279	$ 76,414	$ 83,743	$ 54,781	$ 249,217
Net income (loss)	$ 24,269	$ 50,685	$ 57,189	$ (9,816)	$ 122,327
Earnings (loss) per share:					
Basic	$ 0.43	$ 0.90	$ 1.01	$ (0.17)	$ 2.16
Diluted	$ 0.43	$ 0.89	$ 1.01	$ (0.17)	$ 2.15

[(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, 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. During the year ended December 31, 2017, the Company incurred surpluses (deficits) from marketing and reservation system activities totaling ($9.1) million, $11.7 million, $14.2 million and $3.4 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.
- 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 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.
- The Company's third quarter 2017 results reflect $12.0 million in compensation expenses related to the acceleration of the Company's chief executive offer succession plan. In addition, SG&A expenses were reduced by a $1.2 million impairment of below market lease acquisition costs associated with an office building owned by the Company.
- The Company's fourth quarter 2017 results were impacted by comprehensive tax legislation enacted on December 22, 2017. Refer to Note 16. The impact of the tax legislation on net income for the fourth quarter of 2017 was a reduction of approximately $48.5 million.

27. Future Adoption of Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize most leases on their balance sheet by recording a liability for its lease obligation and an asset for its right to use the underlying asset as of the lease commencement date. The standard requires entities to determine whether an arrangement contains a lease or a service agreement as the accounting treatment is different between the two arrangements. The standard also requires the lessee to evaluate whether a lease is a financing lease or an operating lease as the accounting and presentation guidance between the two are different. ASU 2016-02 also modifies the classification criteria and accounting for sales-type and direct financing leases for lessors. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company intends to adopt the standard on January 1, 2019 using the modified retrospective approach and apply the package of practical expedients available upon adoption. The Company is currently assessing the impact that ASU 2016-02 will have on its financial statements and disclosures. The Company expects the ASU to have a material effect on its consolidated balance sheet as a result of recognizing a lease obligation and right-of-use asset for the Company's operating leases. This differs from present day treatment of operating leases, which primarily are not captured on the Company's consolidated balance sheet in accordance with current GAAP. The Company also expects the ASU to have a significant impact on the extent of lease disclosures in the financial statements. The Company does not expect a material effect on its consolidated statements of income.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASU 2016-13"), which will require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 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. ASU 2016-13 requires the use of the modified retrospective approach for adoption. The Company is currently assessing the potential impact that ASU 2016-13 will have on its consolidated financial position, results of operations, and disclosures, including the processes to evaluate allowances for trade and notes receivables.

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 is currently assessing the potential impact that ASU 2018-13 will have on the 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 is currently assessing the timing of adoption and the potential impact that ASU 2018-15 will have on the financial statements and disclosures.

28. Subsequent Events

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 asserts, and the Company currently believes, that the purported termination notice is not valid. The unit's management team is exploring its contractual and other legal rights, remedies and options related to the customer's purported termination of the contract. Because the customer is contemplated in the SaaS for vacation rentals reporting unit's projected revenues, the Company has determined that the unit's receipt of the purported termination notice, even though the validity of the notice is being actively contested by the unit, represents a triggering event which will require the reevaluation of the reporting unit's long-lived asset group and goodwill in the first quarter of 2019. Dependent on further development of the situation involving the status of the customer contract, relationship between the customer and the unit, and other relevant factors, the impairment assessment may result in an impairment of goodwill and of certain long-lived intangible assets; however, the Company cannot estimate the amount or a reasonable range of amounts of such impairments, if any, at this time. As of December 31, 2018, the carrying value of the reporting unit's goodwill was $9.8 million after recognition of a $4.3 million impairment in the fourth quarter of 2018.

On February 23, 2019, the Company's board of directors declared a quarterly cash dividend of $0.215 per share of common stock. The dividend is payable on April 17, 2019 to shareholders of record on April 2, 2019.

EXHIBIT D

CHOICE HOTELS INTERNATIONAL, INC.
FRANCHISE AGREEMENT

THIS AGREEMENT ("Agreement") is made in Maryland, effective as of _____ ("Effective Date"), between **Choice Hotels International, Inc**., a Delaware corporation ("we" or "us"), and «LIC_BLOCK» ("you").

We and you agree as follows:

1. Definitions. In addition to the terms that are defined in other parts of this Agreement, the following terms shall have the indicated meanings:

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, below.

c. "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.

d. "Rentable Rooms" means the Sleeping Rooms and the Meeting Rooms, collectively.

e. "Designated Representative" means the person designated by you to represent you on all matters relating to this Agreement and to receive notices under this Agreement on your behalf. Unless you change the Designated Representative in accordance with Section 15 of this Agreement, 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» .**

f. "Opening Date" means the date that you begin to rent any portion of the Rentable Rooms under this Agreement.

g. "Gross Room Revenues" means all revenues from the rental, sale, use or occupancy of any of the Rentable Rooms, for whatever purpose, including cash and credit transactions, whether or not collected by you, and any proceeds from business interruption insurance, as required by Section 12 of this Agreement. It does not include taxes required by law (including gross receipt taxes, property taxes, and hotel sales taxes), revenues from telephone calls, movie rentals, vending machines, room service or food and beverages sales.

h. "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.

i. "Brand Mark" means the trademark and trade name **«Brand_Name»®** 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 be used in connection with the Hotel.

j. "Choice Marks" means collectively all of our trademarks and trade names, including, but not limited to, the Brand Mark, the trademarks and trade names ASCEND®, CAMBRIA SUITES®, COMFORT INN®, COMFORT SUITES®, CLARION®, QUALITY®, SLEEP INN®, MAINSTAY SUITES®, SUBURBAN EXTENDED STAY HOTEL®, ECONO LODGE®, RODEWAY INN®, and the names of our Property Management System and Reservation System, together with all related logos, trade dress, and any other additional or substituted trademarks, trade names, service marks or logos (whether registered or not) currently owned, licensed or used by us or that we later adopt, purchase or develop.

k. "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 Brand Mark.

l. "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, this Agreement, the Rules and Regulations, and those identifying brand characteristics as we may from time to time reasonably designate.

m. "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).

n. "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.

o. "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.

2. Grant of License. Subject to your compliance with all of your obligations under this Agreement, we grant to you a non-exclusive, limited, revocable license to use (without the right to sublicense) our System and the Brand Mark to operate the Hotel during the Term. You do not have the right to use any of the Choice Marks other than the Brand Mark in connection with the operation of the Hotel. We, for ourselves and our affiliates, retain all rights and discretion with respect to the Brand Mark and the System, including, but not limited to, those specified in Section 19(b).

3. Term. The term of this 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 Agreement or extend the Term. Both you and we have the right to terminate this 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 3 unless you have paid all fees and charges due under this 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 3 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 Agreement in accordance with this Section 3, you must continue to remain current on all fees and charges under this Agreement through the date of such termination in order for your termination to be effective. Any termination

in accordance with this Section 3 will not be subject to liquidated damages as described in Section 10(d)(2).

4. Fees and Reports.

a. Affiliation Fee. By no later than the date you sign this Agreement, you will pay us an affiliation fee of **«AFFIL_FEE».00** ("Affiliation Fee"), which is non-refundable except as provided in this Section 4(a). The Affiliation Fee is fully earned upon our receipt, whether or not you open the Hotel. If we do not sign this Agreement for any reason, any monies that you have paid to us towards the Affiliation Fee, less $5,000, will be refunded to you.

b. Monthly Fees. Beginning on the Opening Date, you will pay us for each month during the Term each of the following monthly fees (collectively, "Monthly Fees"):

1. Royalty Fee. A royalty fee of 5.5% of the preceding month's Gross Room Revenues ("Royalty Fee") in consideration for the license granted to you in Section 2;

2. System Fee. A system fee of 3.5% of the preceding month's Gross Room Revenues for the ongoing development, maintenance and upgrading of the Property Management System and Reservation System, and for advertising, publicity, public relations, marketing, promotional programs, website maintenance, reservations and other similar services that we will provide to you under this Agreement and for our System as further described in Section 19(h) below, as we determine in our sole discretion (collectively, the "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 Brand 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 this 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; and

3. Other Fees and Commissions. Such other fees and commissions described in the Rules and Regulations which are reasonably charged by us in connection with the rights and obligations granted under this Agreement.

c. 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 Monthly 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 Monthly Fees (and interest or other penalty, if any) due under this 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 Monthly Fees and any other amounts and fees due to us is of the essence for the purposes of this 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.

d. 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.

e. 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 this 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 4(f), below. 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.

f. Interest. You will pay us interest on all charges, costs fees and amounts due under this 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.

5. 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 guest reviews to evaluate your compliance with this Agreement and the Rules and Regulations and advise you of any defaults and on changes that you must make to the Hotel or its operations to comply with this Agreement or 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 national, international and regional 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 Brand 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 this Agreement, or during any period in which your rights are suspended under Section 10(c) of this Agreement; 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 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. 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.

6. Your Duties. You will during the Term:

a. Compliance with Rules and Regulations. Comply with the requirements of this Agreement and the Rules and Regulations, which you acknowledge we may modify and/or update in our sole discretion from time to time, and not disclose this 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, or on an as-needed basis;

b. Good Repair; Safe and Secure. Construct, renovate, operate, furnish, maintain and advertise the Hotel according to this 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 Brand 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 this 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 ("Training Programs") and pay the cost of tuition, living expenses, and travel expenses associated with attendance at the 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. Signage. Obtain and display prominently at the Hotel our approved interior and exterior signage in compliance with the Rules and Regulations, which may be modified from time to time in our sole discretion, and maintain the signage in a clean and attractive condition, and in good working order at all times;

g. 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 this 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;

h. Evaluation. Allow us (or any third party authorized by us) to enter the Hotel at any reasonable time to evaluate your compliance with this 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 us (or the authorized third party) in such manner as is required for us (or the authorized third party) to conduct our evaluation and, subject to availability, provide us (or the authorized third party) with one free Sleeping Room for one night**.** In addition, you agree that we (or the authorized third party) may evaluate your compliance with this 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;

i. 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;

j. 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 in order to reasonably undertake such promotional programs on behalf of the Hotel, and/or some or all of the Other Choice Brand Hotels;

k. 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;

l. System Referrals. Use your best efforts to maximize and increase the business of the Hotel, and if you are unable to accommodate a potential guest, refer the guest to Other Choice Brand Hotels that are near to the Hotel, if any;

m. 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 Brand Mark or our System until this certification is properly completed and delivered to us;

n. Franchise Association. Join and maintain membership in a franchise association designated by us for hotels that are authorized to use the Brand Mark ("Franchise Association"), and pay monthly

Franchise Association dues to us (or our designee) in an amount we reasonably require. You acknowledge and agree that the purpose of any Franchise Association created, sponsored, or endorsed by us will be to, among other things: affect a high-level relationship among all franchisees, and between individual franchisees and us, for the purpose of mutual advantage and cooperation; improve and encourage a high performance level and cooperative action among all franchisees; advance new ideas, discuss System-wide issues and focus attention on various matters as they relate to a significant number of franchisees; encourage an exchange of operational and promotional ideas; and make appropriate recommendations to us to assure that our plans and policies enhance our mutual interests. However, you acknowledge and agree that we are not required to obtain the consent of any Franchise Association on these or any other matters;

o. 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 or other writing that we prepare to document your obligation to complete such Renovations. Within 90 days after receipt of our written request that your Hotel undergo Renovations, you will submit to us for our review and approval, complete and professional drawings and plans for such Renovations before beginning any work to complete the Renovations. You will complete the required Renovations within the time reasonably specified by us in our written request. You acknowledge and agree that the obligations described in this Section 6(o) are in addition to your ongoing obligations to comply with Section 6(b) and Section 6(d);

p. 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);

q. 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;

r. 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):

1. Plans. Ensure that your preliminary drawings and designs for the Hotel satisfy the Rules and Regulations and the then-current prototype design specifications for hotels that are authorized to use the Brand 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(r)(1), 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(r)(1)), then you must resubmit final architectural designs for approval at least 60 days prior to Construction Start;

2. 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 this

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;

3. 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(s)(6));

4. Progress Reports. Send us, when we request during construction (or renovation), reports showing the progress made toward completing Hotel construction (or renovation);

s. Opening. Prior to the Opening Date:

1. Use of Brand Mark. Use the Brand Mark only as permitted in Section 7(c) of this Agreement;

2. 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 Brand Mark, and the Plans and/or the property improvement plan set forth in Attachment A (if applicable);

3. Hotel Supplies. Order, purchase and/or lease and install all Hotel Supplies, related equipment, supplies and other required items to operate the Hotel;

4. Advertising. Advertise the Hotel locally, at your expense and in a manner meeting our specifications; and

5. 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 Brand Mark and this Agreement. You will not begin operation of the Hotel using the Brand Mark or our System until you have received our specific written authorization to do so; and

6. 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 A) ("Opening Deadline");

t. Sources of Products and Services. Ensure that all products and services sold or offered for sale at the Hotel, and other products, materials, supplies, paper goods, fixtures, furnishings and equipment used at the Hotel, meet our standards and specifications. You must also purchase all products and services that we designate in the Rules and Regulations solely from suppliers (including manufacturers, distributors and other sources) approved by us (collectively, "Qualified Vendors"), which demonstrate, to our continuing reasonable satisfaction, the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in writing. We reserve the right to require you to purchase any or all approved products or services solely from us or our designated affiliate. We also reserve the right to receive a rebate or other benefit from Qualified Vendors based on purchases by you and other franchisees. We may limit the number of Qualified Vendors to obtain volume discounts and to promote consistent quality and adequate supplies for the brand. If you desire to purchase designated products or services from a party other than a Qualified Vendor, you must submit to us a written request to approve the proposed supplier, together with such information as we may reasonably require. Among the criteria that we consider is the financial stability of the supplier, whether the product or service meets our standards and specifications, and whether the product or service is of use to our franchisees. Our complete written criteria are available for review upon your request. Where applicable, the proposed supplier must submit product samples and specifications to us. We will use our best efforts

to notify the proposed supplier within 90 days after we receive all required information and samples, although a longer period may be required for certain products or services due to their cost or importance to the brand or their financial impact on our franchisees. We may revoke our approval of particular products or Qualified Vendors when we determine, in our sole discretion, that such products or suppliers no longer meet our standards or specifications.

u. Confidential Information. Maintain the absolute confidentiality of the Confidential Information (as defined below) during and after the term of this 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 this 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.

7. Intellectual Property.

a. No Ownership Rights. You acknowledge and agree that except as expressly permitted by this Agreement or any ChoiceAdvantage Software Terms of Use, you do not have any right, title or interest in and to the Brand 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 this 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 this 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 this Agreement will remain ours.

b. Limited Use; Web Sites. You acknowledge and agree that you will not include the Brand Mark (or any other Choice Marks), any words that constitute a portion of the Brand Mark (or any other Choice Marks), words that describe the Brand 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 this 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 Brand Mark. After the Effective Date but before the Opening Date, you may make the following limited use of the Brand Mark:

1. Temporary Signs. No earlier than 90 days prior to the Opening Date, use the Brand Mark on a temporary sign, meeting our standards, at the Location advising the general public that a hotel authorized to use the Brand Mark is under construction;

2. Local Media. No earlier than 90 days prior to the Opening Date, use the Brand Mark to promote the Hotel construction and opening in the local media;

3. Supplies. No earlier than 90 days prior to the Opening Date, purchase operating supplies and equipment bearing the Brand Mark required for Hotel operation; and

4. 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 Brand 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, this 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 Brand 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 this Agreement.

f. Changes to Brand Mark. You agree and acknowledge that we have the right, in our sole discretion, to modify, add to, or discontinue use of the Brand 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 Brand Mark to conform therewith.

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 Brand 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 and

any additional Meeting Rooms to calculate the Gross Room Revenues for determining the Monthly Fees due under this Agreement.

9. Assignment.

a. Our Assignment. We may sell or assign all or part of our rights or obligations under this Agreement to any person or legal entity. Any such sale or assignment will inure to the benefit of any assignee or other successor.

b. Your Assignment. Your rights and duties under this Agreement are personal to you. We entered into this Agreement and granted the rights outlined in this Agreement to you in reliance on the business skill, financial capacity and personal character of you and your principal owners. 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 this 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. Furthermore, if a Controlling Interest (as defined in Section 9(d)) of the originally approved ownership of the Hotel is being transferred or if you are conveying the Hotel or 50% or more of the undivided interest in the Hotel, you and the transferee must comply with all reasonable conditions we require before we will approve of such transfer, including, but not limited to, (i) the transferee signing our then-current form of the franchise agreement for hotels that are authorized to use the Brand Mark, (ii) the transferee signing a property improvement plan or other writing that we prepare to document the transferee's obligations to complete required Renovations (as defined in Section 6(o)), (iii) all of transferee's owners signing our then-current form of personal guaranty agreement; and (iv) payment of a re-licensing fee equal to the then-current affiliation fee we charge for new franchisees authorized to use the Brand Mark. We reserve the right to withhold our consent to any transfer if the Hotel fails to comply with our then-current brand image and standards or the transferee fails to demonstrate to our satisfaction that it meets our educational, managerial and business standards, possesses a good moral character, business reputation and credit rating, has the experience, aptitude and ability to operate the Hotel, and has adequate financial resources and capital to operate the Hotel. Our consent is not required for a mortgage or for the sale 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. If you assign or transfer the Hotel or any rights granted to you or your obligations under this Agreement without our written consent, you breach this Agreement and we may terminate this Agreement pursuant to Section 10(b)(2)(d).

c. Transfer due to Death or Mental Incompetence; Transfer to Close Family Member. If you, or any natural person with an ownership interest in you, dies or becomes mentally incompetent, the executor, administrator, or personal representative of that person must transfer that person's ownership interest in you or the Hotel (within 12 months after death or determination of mental incompetence) to one or more of the remaining persons in your entity (if applicable) or to heirs of the deceased person that we approve. If you wish to transfer your ownership interest in the Hotel to a close adult family member (such as a 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 the Hotel as required by Section 9(b) before we will approve a transfer. No additional fees will be payable for any transfers of an ownership interest in the Hotel due to death or determination of mental incompetence. However, if you wish to transfer your ownership interest in the Hotel to a Close Family Member, an application fee (not to exceed $5,000) will be due to us, which will be fully refundable if we do not approve the transfer. Our approvals under this Section 9(c) will not be unreasonably withheld or delayed.

d. 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.

10. Default and Termination.

a. Termination By You. If we default in our material obligations under this Agreement, you may terminate this Agreement only if you first give us written notice of the defaults and of your intention to terminate this Agreement and we have not cured those defaults within 60 days after receiving your written notice. With regard to any defaults which are not reasonably capable of being cured within 60 days, the cure period shall be extended for a reasonable additional period of time provided that we have promptly commenced to cure or cause to be cured such default, and thereafter we diligently pursue our efforts in that regard.

b. Termination By Us.

1. Termination with Notice and Opportunity to Cure. If you default in your material obligations under this Agreement, we may terminate this Agreement, effective on the date stated in our notice (or the earliest date permitted by applicable law) as follows:

(a) Non-Payment of Fees. If you do not pay us the Monthly Fees or any other fees, charges and amounts due under this 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

(b) Other Breach. If you do not cure fully any other breach of your obligations or warranties under this Agreement, within 30 days of our written notice of default to you (or such longer period we designate in our sole discretion).

(c) 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 this Agreement.

2. Immediate Termination Effective on Notice. Upon written notice to you, we may terminate this Agreement immediately, without giving you an opportunity to cure the default, if:

(a) 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;

(b) Abandonment; Loss of Possession; Failure to Open. Subject to Section 14 of this Agreement, you stop operating the Hotel using the Brand Mark or according to the requirements of our System or this 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 Brand Mark or in accordance with this Agreement, or you lose the right to transact business in the jurisdiction in which the Hotel is located;

(c) 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 Brand Mark, the Choice Marks, our System, the Other Choice Brand Hotels, our business, our goodwill, our Intellectual Property, or our interest in this Agreement or any other instrument or agreement that we may have entered with you;

(d) Transfer. You (or a beneficial owner of you) transfer or purport to transfer any rights or obligations under this 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(b) or 9(c) hereof;

(e) False Records. You maintain false books or records, send us false reports, or make any materially false statement in your franchise application or any other document you are required to submit to us;

(f) 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;

(g) Insurance. You do not buy, maintain or send us evidence of insurance as required by this Agreement, or if we opt to procure, on your behalf, insurance required by this Agreement and you fail to reimburse us as we require under Section 12(f);

(h) Multiple Defaults. We send you 2 or more written notices of default under this Agreement for the same or a similar cause or reason in any consecutive 12 month period during the Term, whether or not cured;

(i) Construction. You do not (i) begin construction or renovation of the Hotel on or before the date required by Section 6(r)(2) of this Agreement, (ii) submit Plans to us for our approval prior to Construction Start, and in accordance with Section 6(r)(1), or (iii) once begun, continue, without unreasonable interruptions, the construction or renovation of the Hotel;

(j) Opening Deadline. You fail to open the Hotel by the Opening Deadline in accordance with Section 6(s)(6);

(k) Property Improvement Deadline. You fail to complete required improvements and/or repairs to upgrade the Hotel by the deadline(s) set forth in a property improvement plan;

(l) Goodwill. You engage in conduct that impairs the image, identity, value or goodwill associated with the Brand Mark (or any other Choice Marks) or the System;

(m) Confidential Information. You make a material unauthorized disclosure of Confidential Information; or

(n) Other Agreements. You or your affiliate (or a beneficial owner of you or your affiliate) materially breaches any other instrument or agreement with us or our affiliates, or any mortgage, deed of trust or lease covering the Hotel, unless cured within any applicable notice or grace periods contained in such document.

c. Suspension of Franchise Rights. If you breach any material obligation required by this 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)(2), 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 Reservations 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 Impact Policy or 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 this 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 this Agreement, after the appropriate time to cure, if any, has lapsed.

d. Our Remedies.

1. No System Services. If this 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 Brand Mark, use our Intellectual Property or receive services in connection with our System, and we may relocate such guests upon their request.

2. Liquidated Damages – Post-Opening Termination. If we terminate this 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 this 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 Royalty Fee payable under Section 4(b)(1), multiplied by (iii) the number of months (including partial months, which will be prorated) between the date of termination and the next date that you could have terminated this Agreement under Section 3, not to exceed 36 months. However, the product of (i) multiplied by (ii) will not be less than the product of $40.00 multiplied by the number of contractually approved Sleeping Rooms.

3. Liquidated Damages – Pre-Opening Termination. If we terminate this 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 this Agreement, an amount equal to the product of (i) the number of contractually approved Sleeping Rooms, multiplied by (ii) $40.00, multiplied by (iii) 36 months.

4. Reasonable Estimate. You acknowledge and agree that the injury to us caused by your breach of this Agreement and its termination is difficult or impossible to accurately estimate, and that the methods of calculating liquidated damages in Sections 10(d)(2), 10(d)(3), and 11(a) are reasonable estimates of our probable loss resulting from your breach of this Agreement and its termination. Payment of liquidated damages by you does not affect your obligation to pay us all Monthly Fees and other fees and amounts due to us that accrued before the termination of this Agreement nor does it affect your continuing indemnification obligations pursuant to Section 13 of this Agreement.

5. 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 this Agreement, you (i) discontinue all use of our Intellectual Property (including the Brand Mark and Choice-Related Words), (ii) pay all outstanding fees and charges due under this 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 this Agreement pursuant to Section 10(b)(2)(b) because you abandon the Hotel or stop operating the Hotel using the Brand Mark or according to the requirements of our System or this 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 this Agreement is disputed, we may introduce evidence of a breach of this 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 this Agreement for any reason, you must, at your expense:

a. Intellectual Property. Immediately discontinue all use of our Intellectual Property, refrain from using the Brand 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 Brand Mark) or use of the Choice-Related Words following the expiration or termination of this 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 this Agreement that you continue to use our Intellectual Property (including the Brand 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 Brand Mark) or any variation or portion of our Intellectual Property (including the Brand 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 this 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 this Agreement, as a result of your default, including all outstanding Monthly Fees, any liquidated damages due under this Agreement, and any costs and expenses we incur to obtain injunctive relief for the enforcement of any portion of this 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 this 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:

1. 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.

2. 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:

1. 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.

2. 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 this 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)(2) 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.

3. 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.

4. 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.

5. 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 this Agreement.

f. Procurement of InsuranceIf 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 this Agreement pursuant to Section 10(b)(2)(g).

g. No Waiver of Obligations. Your purchase and maintenance of insurance and your performance of your obligations under this 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 this 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 this 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 this 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 this Agreement without penalty to either party.

15. Notices. All notices required or permitted under this 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 1 of this 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 of this Agreement. The prevailing party (as determined by the court or arbitrator) in any arbitration or claim filed to enforce the terms of this 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 4, Section 10(d) or Section 21 of this Agreement will bear interest at the rate referred to in Section 4(f) 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 this Agreement. If there is a bona fide dispute as to liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness under the procedures of the taxing authority or applicable law. You may not permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the Hotel or the Location.

b. Permits. You must timely obtain and maintain all permits, certificates, and licenses necessary for the construction, renovation, operation and maintenance of the Hotel, including licenses to do business, fictitious name registration and sales tax permits, health and sanitation permits, and ratings and fire clearances. You must send us, within 10 days of your receipt, copies of all inspection reports, warnings, certificates, and ratings, received from any governmental entity.

c. Notice of Suit. You must notify us in writing and provide us with copies, within 5 days of your receipt, of any actual or threatened criminal or civil action, suit, proceeding, or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality affecting you or the Hotel.

18. Approvals and Waivers.

a. Approvals. Our approvals and consents will not be effective unless signed by one of our duly-authorized representatives. We may withhold our consent in our reasonable discretion or at any time when you are in breach of any obligation under this Agreement.

b. Reliance; No Liability. Except as otherwise expressly stated in this 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 this Agreement is not a waiver of any future right to demand exact compliance with any of the terms in this Agreement. Waiver of any particular default or extension of any cure period will not affect or impair a party's right 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 this 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 this Agreement, and you understand that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent on your ability as an independent business person. We have not made, and you acknowledge that you have not received from us or our agents, any representations, projection, warranty or guarantee, express or implied, as to the profitability or other potential success of the business venture contemplated by this Agreement, except as expressly set forth in the Franchise Disclosure Document.

b. Limited Rights. You acknowledge and agree that this Agreement and the limited rights to use the Intellectual Property granted to you under this Agreement relate only to the Hotel and the Location. Except as may be specifically set forth in Section 2, this Agreement does not grant you any protected area, market or territorial rights. Subject to the terms of our then-current incremental impact policy ("Impact Policy") and 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 Brand 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.

c. Control; No Duty; Independent Contractor. You acknowledge and agree that you are solely responsible for exercising ordinary, day-to-day business control over the Hotel, including all personnel and employment related matters and decisions and pricing of rooms and other services at the Hotel, regardless of any advice or consultation received from us. Neither this 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 this 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 this 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 this Agreement or paid to us any consideration for the hotel franchise.

f. Ownership. You warrant that you are the true owner of, and record holder of title to, the Hotel, or that you are currently leasing the Hotel under a lease that allows you the right to enter into this 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 of this Agreement. 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 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 franchisees 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 Brand 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 this 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 this Agreement, and are eligible under applicable United States laws to carry out the obligations under this Agreement and any subsequent assumption of your rights and obligations under this 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. Severability. If any section of this Agreement is held to be illegal, invalid or unenforceable, both parties agree that (i) the section will be removed; (ii) this Agreement will be understood and enforced as if the illegal, invalid, or unenforceable section had never been in this 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 this Agreement to the maximum extent enforceable.

b. No Third Party Beneficiaries. Except as otherwise expressly provided in this Agreement, nothing in this Agreement is intended, nor will anything in this 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 this Agreement.

c. Headings. All captions and headings in this Agreement are intended solely for the convenience of the parties and do not affect the meaning or construction of any section.

d. 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 this Agreement are jointly and severally undertaken by each of you.

e. Counterparts. If this Agreement is executed in multiple counterparts, each executed copy is an original.

f. Governing Law. This Agreement becomes valid and effective only when we have signed it, and it will be interpreted under the substantive laws of Maryland, not including its conflict of laws provision or such provisions of any other jurisdiction; except that nothing herein shall be construed to establish independently your right to pursue claims under Maryland's Franchisee Registration and Disclosure Law.

g. Cumulative Rights and Remedies. Rights and remedies stated in this Agreement are cumulative and not exclusive of any other right or remedy.

h. Attachments/Addenda. All attachments, addenda and amendments to this Agreement are incorporated into and a part of this Agreement. Any addenda or amendments to this 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 this Agreement.

i. Survival. Those of your obligations and our obligations under this Agreement which expressly or by their nature survive the expiration or earlier termination of this 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, 23 and 24.

j. Seal. This Agreement is a contract under seal and is intended by the parties to be a specialty under Maryland law.

k. Electronic Signatures. The parties hereby acknowledge and agree that electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called "pdf" format shall be legal and binding and shall have the same full force and effect as if an original of this Agreement had been signed and delivered by hand. Franchisor and Franchisee both (i) intend to be bound by the signatures (whether original, faxed or electronic) on any document sent by electronic means, (ii) are aware that the other party will rely on such signatures, and (iii) hereby waive any defenses to the enforcement of the terms of this Agreement based on the foregoing forms of signature.

21. Arbitration. Except for our claims against you for indemnification or actions seeking to enjoin you from using any of our Intellectual Property (including the Brand Mark) or the Choice-Related Words in violation of this Agreement or any other related agreements (including the ChoiceAdvantage Software Terms of Use), any controversy or claim arising out of or relating to this Agreement or any other related agreements, or the breach of this Agreement or any other related agreements, including any claim that this Agreement or any part of this 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 this 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 this 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 this Agreement or any related agreements.

22. NO CLASS ACTIONS. NEITHER YOU NOR WE SHALL SEEK TO LITIGATE OR ARBITRATE AGAINST THE OTHER PARTY TO THIS 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, THIS 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 THIS AGREEMENT. NO ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THIS 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 THIS 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.

24. INTEGRATION. THIS AGREEMENT, ALL OF ITS ATTACHMENTS, AND ANY AGREEMENT SPECIFICALLY MADE A PART OF THIS 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 THIS 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.

ATTACHMENT A

RIDER TO THE FRANCHISE AGREEMENT

[Other Modifications to the Franchise Agreement]

We and you agree to be bound by the terms and conditions of this Agreement, including all Attachments, by setting the hands and seals of our duly authorized and empowered representatives on this Agreement, effective as of the Effective Date.

Choice Hotels International, Inc.,
a Delaware corporation

By: _____ (Seal)
Name: Christopher J. Wallace
Title: Vice President and Assistant General Counsel

«LIC_BLOCK»

«FRANCHISEE»

By: _____ (Seal)
Name:
Title:

Date: _____

PLEASE INITIAL THE ATTACHED SCHEDULE A

Schedule A – for Individuals

By initialing this Schedule A that is attached to the Franchise Agreement, you certify that the information provided below is true and accurate. The following represents the names and percentages owned of the individual owners of the Hotel.

.

Name of Individual Hotel Owner	*Percentage owned*
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%

INITIAL HERE _____

Schedule A – Entity Ownership Breakdown

By initialing this Schedule A that is attached to the Franchise Agreement, you certify that the information provided below is true and accurate. The following represents the names and percentages owned of **«FRANCHISEE».**

Name of member/shareholder/partner	*Percentage owned*
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%

INITIAL HERE _____

Schedule A – Entity Ownership Breakdown

By initialing this Schedule A that is attached to the Franchise Agreement, you certify that the information provided below is true and accurate. The following represents the names and percentages owned of _____.

Name of member/shareholder/partner	*Percentage owned*
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%
_____ (type or print)	_____%

INITIAL HERE _____

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:

_____
Name:
Title:
Date:

Choice Hotels International, Inc.,
a Delaware corporation

By:_____L.S.
Name:
Title:
Date:

ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of Illinois. If and to the extent that the Illinois Franchise Disclosure Act ("Illinois Franchise Disclosure Act" or "Act") applies to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. Section 10 (Default Termination) of the Agreement is supplemented by the following:

   If any of the provisions of this Section 10 governing termination are inconsistent with the provisions of Section 705/19 of the Illinois Franchise Disclosure Act, then such provisions of the Act will apply.

2. The provisions of Sections 20(f) and 21 of the Agreement and Sections 9 and 10.2 of the Cambria Master Development Agreement, if applicable, and Sections 17 and 18 of the MainStay Suites and Suburban Extended Stay Hotels Master Development Agreement, if applicable, that designate choice of law and jurisdiction for venue of any lawsuit in a forum outside of the State of Illinois, will be governed by the Illinois Franchise Disclosure Act, provided that the Agreement may provide for arbitration in a forum outside of Illinois.

3. Section 23 (WAIVER OF JURY TRIAL) of the Agreement is supplemented by the following:

   If any provisions of this Section of the Agreement are inconsistent with the provisions of Section 705/41 of the Illinois Franchise Disclosure Act, then such provisions of the Act will apply to the extent such law is constitutional and the jurisdictional requirements of the Act (as amended) are met.

4. Franchisor reserves the right to challenge the applicability of any law that declares provisions in the Agreement void or unenforceable.

The parties to this Addendum agree to be bound by the terms of this Addendum as of the effective date of the Agreement as evidenced by their signatures below.

Witness:	**Choice Hotels International, Inc**., a Delaware corporation
_____	By:_____L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO
THE MINNESOTA FRANCHISE INVESTMENT LAW

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of Minnesota. If and to the extent that the Minnesota Franchise Disclosure laws apply to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

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

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

3. Any provision in the Agreement that requires you to consent to liquidated damages and/or termination penalties is deleted from the Agreement if issued in Minnesota.

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

5. The following language will appear at the end of Section 20(f) of the Agreement if issued in Minnesota:

"Pursuant to Minnesota Statutes, Section 80C.21, this Section does not abrogate or reduce any rights of the franchisee as provided for in the Minnesota Statutes 1987, Chapter 80C."

6. All other rights, obligations and provisions of the Agreement remain in full force and effect. Only the Sections added to or amended by the Addendum are affected. This Addendum is incorporated in and made part of the Agreement if and to the extent the Minnesota Franchise Investment Law applies.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:	**Choice Hotels International, Inc**., a Delaware corporation
_____	By:_____L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT FOR NEW YORK

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of New York. If and to the extent that the New York General Business Law regarding franchises applies to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision will not be considered to waive any rights conferred upon the franchisor or upon the franchisee under New York General Business Law, Article 33, Sections 680 through 695.

2. We will not assign our rights under the Agreement except to an assignee who in our good faith and judgment is willing and able to assume our obligations under the Agreement.

3. If your franchise is located in the state of New York, you may terminate the Agreement on any ground available by law.

4. All other rights, obligations and provisions of the Agreement remain in full force and effect. Only the Sections added to or amended by this Addendum are affected. This Addendum is incorporated in and made part of the Agreement if and to the extent the New York General Business Law applies.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:

_____
Name:
Title:
Date:

Choice Hotels International, Inc.,
a Delaware corporation

By:_____L.S.
Name:
Title:
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:

_____
Name:
Title:
Date:

Choice Hotels International, Inc.,
a Delaware corporation

By:_____L.S.
Name:
Title:
Date:

ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

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

1. If Section 20(f) of the Agreement is inconsistent with §19-28.1.-14 of the Rhode Island Franchise Investment Act, which states that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside the state of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act, then said Rhode Island law will apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:	**Choice Hotels International, Inc**., a Delaware corporation
_____	By:_____L.S.
Name:	Name:
Title:	Title:
Date:	Date:

ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT

This Addendum to the Franchise Agreement (the "Agreement") pertains to franchises sold in the State of Washington. If and to the extent that the Washington Franchise Investment Protection Act, RCW 19.100.010 to 19.100.940 ("Washington Franchise Investment Protection Act" or "Act") applies to the Agreement, the following provisions supersede anything to the contrary in the Agreement:

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the Agreement in your relationship with us including the areas of termination and renewal of your franchise. There may also be court decisions that may supersede the Agreement in your relationship with us including the areas of termination and renewal of your franchise.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed on at the time of the arbitration, or as determined by the arbitrator.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act; except when signed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit rights or remedies under the Act, those provisions may not be enforceable.

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

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

Witness:

_____
Name:
Title:
Date:

Choice Hotels International, Inc.,
a Delaware corporation

By:_____L.S.
Name:
Title:
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:

_____
Name:
Title:
Date:

Choice Hotels International, Inc.,
a Delaware corporation

By:_____L.S.
Name:
Title:
Date:

«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.

Choice Hotels International, Inc.

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.

Choice Hotels International, Inc.

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: _____

_____

Choice Hotels International, Inc.

EXHIBIT E

choiceADVANTAGE® Software Terms of Use

By entering this site ("Site") and using the choiceADVANTAGE® software ("Software"), you are confirming that you are an authorized franchisee of Choice Hotels International, Inc. or its subsidiaries or affiliated companies (collectively, "Choice")[*], the franchisee's general manager, or an authorized employee of the franchisee (in each case, an "Authorized User") and accept and agree on behalf of yourself and the franchisee to the following terms and conditions ("Terms of Use"). You must be an Authorized User and agree to be bound by and comply with all of these Terms of Use to access or use the Software or this Site. Choice has the right, at its sole discretion and from time to time, to modify, add or remove any terms or conditions of these Terms of Use without notice or liability to you. Changes will be posted on this Site and will be immediately effective. You agree to review these Terms of Use from time to time. By subsequent use of the Software and this Site after Choice posts any such changes, you accept and agree to the Terms of Use, as modified. Choice may change, restrict access to, suspend, or discontinue the Software, or any portion of this Site, at any time without notice or liability to you or any affiliate of yours. Any terms not defined in these Terms of Use shall have the meaning ascribed to them in your Franchise Agreement.

You acknowledge and agree that any product support and services provided with respect to the Software or this Site are provided by Choice or a third party (other than Microsoft) on Choice's behalf. Any capitalized terms not otherwise defined in these Terms of Use shall have the meaning set forth in your Franchise Agreement.

Ownership Rights

You acknowledge and agree that except as permitted by the Terms of Use, you do not have any right, title or interest in and to the Software and you will not contest our rights in and to the Software or to current or future derivations of or improvements made to the Software, nor our right to register our rights in the Software or to grant to others the right to use the Software or any other intellectual property that we own. You understand that the Software will remain our property.

Copyrights

The (a) Site content, including but not limited to the Software, text, graphics, logos, button icons, images, audio/video clips, digital downloads, data compilations, software used to operate this Site, and all compilations of any of the above, and (b) any software available for download on this Site, are Choice's property, or the property of Choice's content suppliers, licensors, and vendors, and are protected by United States and international copyright laws. You may use the Software and this Site's content and downloadable software (if any) as provided in these Terms of Use and the online documentation, and not for any other use (direct or indirect). Prohibited uses include but are not limited to displaying, distributing, modifying, reproducing, republishing, decompiling, creating derivative works from, or transmitting the Software, any content on this Site or any software available for download from this Site in any manner without written permission from Choice. Should you become aware of any infringement of Choice's rights in this Site or the Software, you shall provide Choice with immediate written notice of all facts and circumstances of which you are aware with respect to the infringement.

Feedback

To the extent that you provide Feedback to Choice, whether before, during or after the term of these Terms of Use, and Choice incorporates such Feedback in the Software or the Site, you hereby grant to Choice and Choice accepts, a worldwide, non-exclusive, perpetual, irrevocable, royalty-free license, with the right to sublicense, under its intellectual property rights to the Feedback, to incorporate or otherwise utilize Feedback as provided by you to Choice in the design and implementation of Choice products including the Software and the Site, and to design, debug, display, perform, copy, make, have made, use, sell, and otherwise dispose of and support Choice's and its sublicensees' products and documentation embodying such Feedback in any manner and via any media Choice chooses, without reference to the source. Notwithstanding the foregoing, Choice shall have no right or license under your intellectual property, by implication, estoppels or otherwise under these Terms of Use, except as to the Feedback provided to Choice and intended for incorporation into any of Choice's products. For the purpose of these Term of Use, "Feedback" means (i) your requirements, input, comments, responses, opinions, and feedback concerning the definition, design, use or

[*] For Canadian franchisees, you are entering into Terms of Use with Choice Hotels International Licensing ULC, an Alberta unlimited liability company.

operation of the Software or the Site and related product documentation or (ii) your technical system requirements for Choice to include in the Software or Site definition, design, implementation, use or operation, as provided by you from time to time.

Confidentiality

Access to this Site and the Software is limited. You acknowledge and agree that both contain confidential material, including trade secrets, belonging to Choice or its licensors. Therefore, you may not disclose the Software or data contained in or results based on the operation of the Software or this Site, including Site content, to third parties without the prior express written consent of Choice. Excluded from this requirement is (a) information already available to or in your possession prior to disclosure through use of the Software or access to this Site; (b) information that is or becomes lawfully available to the public; or (c) information acquired from a person who is not known to you to be in breach of an obligation of confidentiality. Should you be compelled to disclose any confidential information relating to the Software or this Site by lawful order, subpoena, or other means of compulsion of a court or other tribunal of competent jurisdiction, you agree to provide Choice with immediate written notice of such impending disclosure and cooperate in and to take all steps reasonably necessary to protect the confidentiality of the information, including cooperating in obtaining a protective order and disclosing only that which is required by such order, subpoena, or means of compulsion.

Trademarks

You acknowledge that choiceADVANTAGE®, Choice Hotels International®, and Choice Hotels® are the sole property of Choice and are registered in the U. S. Patent and Trademark Office and other trademark offices around the world. Any use of these trademarks by you requires the prior express written consent of Choice. Any other trademarks that may be referenced on this Site are the property of their respective owner and any use by you of such trademarks requires the prior express written consent of the respective owner.

Software Use and Site Access

Subject to the terms and conditions in this agreement, Choice grants you a non-exclusive, non-transferable limited license during the term of your Franchise Agreement to use the Software and this Site only for your normal business purposes related to your franchise, as defined in your Franchise Agreement, so long as such use is in accordance with all laws and regulations. You may not reproduce, duplicate, copy, sell, resell, rent, lease, loan, mirror, frame, sublicense, assign, transfer, disclose or otherwise exploit the content on this Site or the Software for commercial use unless Choice provides you with prior written permission to do so. You agree that you will not use this Site to: (a) transmit spam, bulk or unsolicited communications; (b) pretend to be Choice or someone else, or spoof Choice's or someone else's identity; (c) forge headers or otherwise manipulate identifiers (including URLs) in order to disguise the origin of any content transmitted through this Site; (d) misrepresent your affiliation with a person or entity; (e) disrupt the normal flow of dialogue or otherwise act in a manner that negatively affects other users' ability to use the Software or this Site; (f) engage in activities that would violate any fiduciary relationship, any applicable local, state, provincial, federal or international law, or any regulations having the force of law, including but not limited to attempting to compromise the security of any networked account or site, operating an illegal lottery or gambling operation, stalking, or making threats of harm; or (g) collect or store personal data or personal information about other users unless specifically authorized by such users. Choice may refuse service, terminate access, and/or cancel transactions at Choice’s discretion without liability to you. You agree that all software, drawings, diagrams, specifications, documentation and other material relating to the Software and the use and service of this Site is confidential and the proprietary property of Choice or its licensors, and you shall acquire no rights in them, except as set forth in these Terms of Use.

You agree that you will not use any device, software, or other instrumentality to interfere or attempt to interfere with the proper working of the Software or this Site, and that you will not take any action that imposes an unreasonable or disproportionately large load on Choice’s infrastructure. In addition, you agree that you will not use any robot, spider, other automatic device, or manual process to monitor or copy the Software, this Site, or Choice’s web pages or the content contained therein, without prior written consent from Choice.

You are solely responsible for the content of your submissions, and you grant to Choice, its successors and assigns, a non-exclusive, world-wide, royalty free, perpetual, non-revocable license to use or distribute such content in any manner consistent with the rights and obligations of Choice under these Terms of Use and your Franchise Agreement with Choice. You may not post or transmit to this Site any material that (a) is unlawful, abusive, threatening, violent, harmful, obscene, pornographic, lewd, offensive, racist, defamatory, harassing, or otherwise objectionable to Choice; (b) might infringe the intellectual property rights, privacy rights, rights of publicity, or other proprietary rights of others;

or contains any viruses, trojan horses, time bombs, or any other harmful programs or elements; and you may not modify or abridge any functionality of the Software or this Site.

You will not undertake any action that may interfere with or diminish intellectual property rights of Choice or those ofany third parties, if applicable; prohibited actions include, but are not limited to, (i) reverse engineering, decompiling and disassembling any software available on the Site (including the Software) or any component thereof, except and only to the extent such activity is expressly permitted by applicable law notwithstanding this limitation and (ii) removing, modifying or obscuring any copyright, trademark, or other proprietary rights notices that appear on the Software or the Site or that appear during use of the Software or the Site.

Choice will provide you with programming services, without additional charge, to correct errors to the Software and on the Site. However, Choice does not guarantee service timing or results or that all errors will be corrected.

In connection with your use of the Software and the Site, you agree to: (a) follow all operation instructions and the Rules and Regulations that accompany your Franchise Agreement; (b) provide access to your hardware and data transport system to enable Choice or third-party providers to perform whatever services or activities are required to assist you in your use of the Software and the Site; (c) have a representative trained in the use of the Software and the Site available to work with Choice in any support matters; and (d) (e) update or replace the recommended hardware as required by Choice in order to accommodate changes to the Software or the Site.

Accessing Personal Information

You may only access a person's personal information contained in the Software or Site if such person (a) has a reservation at your hotel, (b) previously stayed at your hotel or (c) is interested in making or confirming a reservation at your hotel. In all such cases, you may only use such person's personal information contained in the Software or Site for purposes reasonably related to a prior, present or future transaction with a guest (e.g., for check-in, check-out,billing, customer complaint resolution, and resolving guest relations issues). Except where otherwise permitted by th Rules and Regulations (e.g., marketing communications made in accordance with Choice's Privacy & Security Policy), all other access to personal information or use of personal information is strictly prohibited. Personal information includes: name, address, telephone number, credit card number, Choice Privileges number, AAA or other membership number, passport, driver's license or other government ID number.

Your Security Obligations

The Software and this Site are accessible from anywhere on the Internet. It is your responsibility to create, monitor, and manage (a) the individual user accounts that you are assigned and (b) their access rights to this Software and this Site. It is also your responsibility to disable assigned user accounts for those users who no longer need access to the Software or this Site. You acknowledge that it is possible to contract a computer virus or other malicious code by using the Internet or materials downloaded from it. You acknowledge that these viruses can cause degradation of the Software or this Site's performance. Therefore, you agree that you will install, update, and manage updated reasonable virus protection software on each computer that is used to access the Software and this Site.

You will use a 128-bit secure socket layer (SSL), JavaScript and Cookie-enabled browsers to log into your account and perform transactions. The browser(s) currently supported for accessing the Software is: Microsoft Internet Explorer 8 or higher.

To access your account information, you will be required to enter a valid username and password. You will notice that Choice does not display your password in plain text as you enter it upon log-in; this is to provide an extra level of security. After a specific period of inactivity, the Software will automatically close your session. In order to reenter the Software and this Site, you will be required to enter your username and password. You agree that you will not share your password with anyone, make it available to others, or write it down or post it where someone might have access to it. You will also change your password periodically and not use common words that can be found in the dictionary, your first or last name, or numbers in a series. In addition, you agree that you will not save your passwords when prompted by your browser.

You will use Choice's logout feature if you will be leaving your computer for any amount of time. Logging out will ensure your session is ended, and a username and password will be required to reenter the Software and this Site. You will close your browser after you log out. This will provide one more level of security to prevent someone from entering your previous session. You will promptly notify Choice of any unauthorized disclosures of your password or other breaches of your password or the security of the Software or this Site. You must keep the Software and all data

generated by the Software and this Site strictly confidential. You may not disclose it to any third parties or use it, except for your normal business purposes, as permitted under your Franchise Agreement.

Limitation of Liability

YOU EXPRESSLY UNDERSTAND AND AGREE THAT TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW CHOICE AND ITS LICENSORS (INCLUDING MICROSOFT), SHALL NOT BE LIABLE FOR ANY INDIRECT, PUNITIVE, CONSEQUENTIAL, INCIDENTAL, SPECIAL, OR EXEMPLARY LOSS OR DAMAGE WHATSOEVER, INCLUDING CLAIMS FOR LOSS OF PROFITS, LOSS OF DATA, AND COSTS OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES RESULTING FROM THESE TERMS OF USE, ACCESS TO OR ANY USE OF, OR INABILITY TO USE OR ACCESS, OR RELIANCE ON, OR FUNCTIONING OF, THE SOFTWARE OR THIS SITE, OR RESULTING FROM ANY ERRORS OR OMISSIONS IN THE CONTENT OR PERFORMANCE OF THE SOFTWARE OR THIS SITE, OR ANY LIABILITY IN NEGLIGENCE, CONTRACT OR TORT WITH RESPECT TO THE SOFTWARE OR THE SITE REGARDLESS OF THE BASIS UPON WHICH LIABILITY IS CLAIMED, INCLUDING NEGLIGENCE ON THE PART OF CHOICE, EVEN IF CHOICE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE. YOU ACKNOWLEDGE AND AGREE THAT, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, MICROSOFT SHALL NOT BE LIABLE FOR ANY DAMAGES, WHETHER DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL, ARISING FROM THE SERVICES TO BE RECEIVED PURSUANT TO THESE TERMS OF USE, EVEN IF MICROSOFT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL CHOICE'S LIABILITY FOR DAMAGES, REGARDLESS OF THE FORM OF ACTION OR WHETHER SUCH LIABILITY ARISES FROM THE NEGLIGENCE OF CHOICE, EXCEED THE CHARGES ACTUALLY PAID BY YOU FOR ACCESS TO THE SOFTWARE AND THIS SITE DURING THE CALENDAR YEAR IN WHICH SUCH LIABILITY AROSE.

Warranties

CHOICE WARRANTS THAT THE SOFTWARE AND THIS SITE WILL PERFORM THE FUNCTIONS AND OPERATIONS IN MATERIAL CONFORMANCE WITH THE ONLINE DOCUMENTATION WHEN USED ON THE RECOMMENDED HARDWARE (BUT NO OTHER HARDWARE), PROVIDED YOU FOLLOW ALL WRITTEN INSTRUCTIONS AND MAKE CORRECTIONS AS DIRECTED, ARE NOT IN DEFAULT UNDER THESE TERMS OF USE OR YOUR FRANCHISE AGREEMENT, AND, IN THE CASE OF NONPERFORMANCE OF DOWNLOADED SOFTWARE, MAKE A REPORT OF SUCH NONPERFORMANCE WITHIN TWO YEARS OF YOUR DOWNLOAD OF THE SOFTWARE. CHOICE'S SOLE OBLIGATION UNDER THIS WARRANTY SHALL BE TO REMEDY ANY NONPERFORMANCE OF THE SOFTWARE OR THIS SITE WITHIN A REASONABLE TIME AFTER YOU REPORT IT TO CHOICE. CHOICE DOES NOT PROVIDE ANY WARRANTY OR CONDITION REGARDING THE PERFORMANCE OR FUNCTIONING OF THE SOFTWARE OR THIS SITE UNLESS IT IS UTILIZED IN ACCORDANCE WITH THE SPECIFICATIONS FOR THE SOFTWARE OR THIS SITE ON THE RECOMMENDED HARDWARE. ALL WARRANTIES UNDER THIS PARAGRAPH ARE CONTINGENT UPON PROPER USE OF THE SOFTWARE AND THIS SITE AND SHALL NOT APPLY IF YOU FAIL TO COMPLY WITH OPERATING INSTRUCTIONS OR MAKE OR PERMIT UNAUTHORIZED ACCESS TO THE SOFTWARE OR THIS SITE. YOU ACKNOWLEDGE AND AGREE THAT THE LIMITED WARRANTY SET FORTH ABOVE IS PROVIDED SOLELY BY CHOICE, AND DOES NOT ORIGINATE FROM AND IS NOT BINDING ON MICROSOFT.

CHOICE MAKES NO WARRANTY OR CONDITION THAT THE SOFTWARE OR THIS SITE WILL MEET YOUR REQUIREMENTS OR THAT IT WILL BE UNINTERRUPTED, TIMELY, SECURE, OR ERROR FREE; NOR DOES CHOICE MAKE ANY WARRANTY OR CONDITION AS TO THE RESULTS THAT MAY BE OBTAINED FROM THE USE OF THE SOFTWARE OR THIS SITE OR AS TO THE ACCURACY OR RELIABILITY OF ANY INFORMATION OBTAINED THROUGH THE SOFTWARE OR THIS SITE. YOU UNDERSTAND AND AGREE THAT DOWNLOADING OR OBTAINING ANY CONTENT, DATA, RESULTS, OR SOFTWARE THROUGH THE USE OF THE SOFTWARE OR THIS SITE IS DONE AT YOUR OWN RISK AND THAT YOU WILL BE SOLELY RESPONSIBLE FOR ANY DAMAGE DONE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA THAT RESULTS FROM THE DOWNLOAD OF SUCH MATERIAL.

EXCEPT ONLY AS EXPRESSLY STATED ABOVE, CHOICE AND MICROSOFT PROVIDE THE SOFTWARE AND THIS SITE AND THE SITE CONTENT "AS IS" AND WITHOUT WARRANTIES OR CONDITIONS OF ANY KIND, EITHER EXPRESS, IMPLIED OR COLLATERAL, EXCEPT TO THE EXTENT THAT ANY WARRANTIES OR CONDITIONS IMPLIED BY LAW CANNOT BE VALIDLY WAIVED OR DISCLAIMED. THE DISCLAIMED WARRANTIES OR CONDITIONS, TO THE EXTENT ALLOWED BY LAW, INCLUDE BUT ARE NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT OF INTELLECTUAL PROPERTY, AND FITNESS FOR A PARTICULAR PURPOSE.

EXCEPT AS EXPRESSLY PROVIDED ABOVE, CHOICE SHALL NOT BE RESPONSIBLE FOR ANY PROBLEMS OR TECHNICAL MALFUNCTION OF ANY TELEPHONE NETWORK OR LINES, COMPUTER ON-LINE SYSTEMS, SERVERS, INTERNET SERVICE PROVIDERS, COMPUTER EQUIPMENT, SOFTWARE, OR ANY COMBINATION THEREOF INCLUDING ANY INJURY OR DAMAGE TO YOUR OR ANY OTHER PERSON'S COMPUTER AS A RESULT OF USING THIS SITE. CHOICE MAKES NO REPRESENTATIONS, WARRANTIES OR CONDITIONS EXPRESS, IMPLIED OR COLLATERAL, WITH RESPECT TO THE INFORMATION PROVIDED ON THIS SITE OR ON ANY THIRD-PARTY WEBSITES THAT MAY BE ACCESSED FROM THIS SITE, INCLUDING ANY REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, COMPLETENESS OR TIMELINESS OF THE INFORMATION POSTED ON THIS SITE. YOU ARE SOLELY RESPONSIBLE FOR CHOOSING AN INTERNET SERVICE PROVIDER AND CHOICE MAKES NO REPRESENTATION OR WARRANTY AS TO THE SUITABILITY OR COMPATIBILITY OF ANY SUCH PROVIDER.

Indemnification

You agree, at your expense, to indemnify, defend and hold Choice and its subsidiaries and affiliates, as well as their respective officers, directors, employees, agents, distributors, franchisees, licensors (including Microsoft) and licensees, and their respective officers, directors, employees and agents, harmless from and against any judgments, losses, deficiencies, damages, liabilities, costs, and expenses (including reasonable attorneys' and witness' fees and expenses) incurred in connection with or arising from any claim, demand, suit, action, or proceeding arising out of your breach of these Terms of Use or in connection with your use of the Software or this Site or any product or service related to the Software or this Site. You agree that you will immediately notify Choice in writing of the assertion of any claim by a third party or the discovery of any fact upon which the third party intends to base a claim hereunder. Choice reserves the right to assume the exclusive defense and control of any matter subject to indemnification by you, including the settlement thereof, which shall not excuse your indemnity obligations.

Termination

Your right to access and use the Software and this Site shall terminate upon termination or expiration of your Franchise Agreement. In addition, Choice may terminate these Terms of Use and your right to use the Software or this Site in the event that you: (a) breach any of these Terms of Use where such breach results in an actual or threatened adverse impact on the performance or security of the Software or Site, or otherwise breach any material term or condition of these Terms of Use; or (b) fail to make applicable payments associated with your use of the Software or this Site as specified in the Rules and Regulations that accompany your Franchise Agreement. In addition to any damages to which it may be entitled, Choice shall be entitled to reimbursement of all costs relating to the breach of the Terms of Use, including reasonable attorneys' and witness' fees. Your breach of these Terms of Use shall also cause irreparable harm to Choice and its licensors. You agree that damages may be an inadequate remedy for such breach and, therefore, in addition to its rights and remedies otherwise available at law, Choice will be entitled to equitable relief, including both a preliminary/interlocutory and permanent injunction, if such a breach occurs. You waive any requirement for the posting of a bond or other security if Choice seeks such an injunction.

Governing Law

For U.S. franchisees: Choice creates and controls the Software and this Site in the State of Maryland, U.S.A. Accordingly, these Terms of Use are governed exclusively by the laws of the United States and Maryland law, except the Maryland Uniform Computer Information Transactions Act, which is expressly disclaimed, and without regard to Maryland conflicts of law principles. You agree that, regardless of any statute or law to the contrary, any claim or cause of action you may have against Choice arising out of or related to these Terms of Use or relating to the use of the Software or this Site and the material contained in the Software or this Site must be filed within one (1) year after such claim or cause of action arises or this claim or cause of action will be forever barred.

For Canadian franchisees: These Terms of Use are governed exclusively by the laws of the Province of Ontario, without regard to its conflicts of law principles. Any controversy or claim arising out of or relating to these Terms of Use or relating to the use of the Software or this Site and the material contained in the Software or this Site shall be resolved in an Ontario court, and you expressly waive the right to file a lawsuit or proceeding in any other jurisdiction. You agree that, regardless of any statute or law to the contrary, any claim or cause of action you may have against Choice arising out of or related to these Terms of Use must be filed within one (1) year after such claim or cause of action arises or this claim or cause of action will be forever barred.

Governing Language

The parties hereto confirm that it is their wish that this Agreement, as well as all other documents relating hereto, including all notices, have been and shall be drawn up in the English language only. *Les parties aux présentes confirment leur volonté que cette convention, de même que tous les documents, y compris tout avis, qui s'y rattachent, soient rédigés en langue anglaise.*

General

The waiver by Choice of a breach or right under these Terms of Use will not constitute a waiver of any subsequent breach or right. If any provision of these Terms of Use is found to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed from the remainder of these Terms of Use, which will otherwise remain in full force and effect. Choice will not be responsible for any delay or failure to provide the Software or this Site or any associated services, in whole or in part, due to the following factors as they affect Choice, its licensors, agents or representatives or the Software or this Site: federal, state or municipal action or regulation; strikes or other labor troubles; fire; damage; delay in transportation; shortages of raw materials, labor, fuel or supplies; sabotage; terrorism; insurrection, riot or other acts of civil disobedience or public enemy; and failures or interruptions in Internet service or other communication failures. You may not assign your rights or obligations under these Terms of Use, in whole or in part, without the prior written consent of Choice. For the purposes of these Terms of Use, an assignment shall include any assignments resulting from a merger, a transfer of all or substantially all of your assets, a change of control, or by operation of lawIn the event that Choice finds it necessary to employ legal counsel or to bring an action at law or other proceeding against you to enforce any of the provisions of these Terms of Use, you agree to pay Choice, in addition to any damages for which you may be responsible, all reasonable attorneys' and witness' fees and expenses incurred by Choice. The obligations with respect to Copyrights, Confidentiality, Software Use and Site Access, Limitation of Liability, Indemnification, Termination, Governing Law, and these General provisions survive termination of your right of access to and use of the Software and this Site.

Reservation of Rights

Any rights not expressly granted to you herein are reserved to Choice and its licensors.

Entire Agreement

You acknowledge and agree that these Terms of Use, your Franchise Agreement and the applicable Rules and Regulations that accompany your Franchise Agreement (and, for Canadian franchisees, your choiceADVANTAGE Technology Services Agreement) are the complete and exclusive agreement between Choice and you relating to the Software and this Site, superseding all other agreements, proposals and communications (oral or written) related to the Software or this Site, including, without limitation, any prior Technology Services Agreement and Software License in effect between Choice and you In the event of any conflict or ambiguity between these Terms of Use, your Franchise Agreement or and the applicable Rules and Regulations that accompany your Franchise Agreement, these Terms of Use shall control.

Address of Choice

choiceADVANTAGE.com
Choice Hotels International, Inc.
1 Choice Hotels Circle
Suite 400
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.

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.

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.

---

2. Obligations and Representations

Once You accept these Terms of Use and select Your Service Option(s), You will be enrolled in the Program and You will receive an e-mail confirmation including the Call Forwarding Technical & Enrollment Checklist (the "**Enrollment Checklist**"). You represent and warrant that the Enrollment Checklist You submit is and will be complete and accurate. You agree to notify Choice promptly of any changes to the information You provide in the Enrollment Checklist. If You wish to enroll additional Hotels in the Program, You must accept these Terms of Use and complete a separate Enrollment Checklist for each Hotel.

To enable the full functionality of the Program, You may be required to take additional actions, such as providing us with certain information, directions and preferences. We will provide You with a supplemental Enrollment Checklist detailing the requirements and requests if necessary. If You fail to satisfy the enrollment requirements and our requests, You may impair Your Hotel's ability to implement/participate in the Program.

You agree to follow all operation instructions and the requirements of the Program as may be set forth in the Rules and Regulations that accompany Your franchise agreement with Choice (the "**Franchise Agreement**") and which may apply to any of the Program Service Options.

It is possible for the CF Number we assign to Your Hotel when You select Service Options #1 or #2 to become compromised by an unaffiliated third party. If we determine that has occurred, we will issue You a credit for calls not sent by Your Hotel, and we will provide You with a new CF number for Your Hotel. However, You are solely responsible for arranging any new CF Number to be programmed into Your Hotel’s PBX switch at Your own expense (and also removing the compromised CF Number from the PBX switch).

3. Fees

You will pay Choice a fee of $2.95 USD per call that is forwarded to the Reservation Center under any of the Service Options (the "**Fee**"). We have the right to increase the Fee at any time upon sixty (60) days' prior notice to You. The Fee is due and payable by You to us for each call that is forwarded to the Reservation Center, regardless of whether the forwarded call results in a booking. If You do not have room inventory available for the dates requested, the Reservation Center sales agent may cross-sell the caller to another hotel property within the Choice franchise system. We will invoice You monthly for the Fees and other amounts due under these Terms of Use and You must pay each invoice in full by the first day of the month following the month in which the invoice is issued. Choice reserves the right to suspend Your participation in and use of the Program if You fail to pay any invoice in a timely manner. Fees do not include any taxes. You are solely responsible for paying taxes applicable to Your participation in and use

of the Program, which may include sales tax, gross receipts tax, use tax, transaction privilege tax or other taxes.

4. Term and Termination

The initial term for Your participation in the Program under any Service Option is six (6) months (the "Initial Term"). Your Hotel must remain enrolled in the Program for at least six (6) months and You may not cancel before the end of the Initial Term except as detailed below. After the Initial Term, You will continue to be enrolled until either party provides the other with thirty (30) days advance written notice of an intent to terminate. If You wish to take Your Hotel out of the Program early, You may do so by notifying us and paying an early exit fee of $500 for each month remaining in the Initial Term (plus a pro rata share for the remaining portion of the current month).

Default and Termination

Non-payment. We may terminate Your participation in the Program upon five (5) days written notice if You fail to timely pay any amounts due to Choice as a result of Your participation in the Program.

Franchise Agreement Default, Termination or Expiration. We may terminate Your participation in the Program immediately upon any default under the Program or Your Franchise Agreement and Your participation in and use of the Program will automatically terminate upon the expiration (or earlier termination) of the Franchise Agreement.

Removal of CF Number Published Listings (Service Option #2 only). For Service Option #2, Your removal of the CF Number from any or one of the following channels (or any other channel in which we list Your CF Number) constitutes a breach of these Terms of Use for which we may terminate immediately Your participation in the Program: organic internet search, Choice Mobile App, ChoiceHotels.com and Choice Reservations systems.

Change of Main Number (Service Option #3 only). For Service Option #3, it is a breach of these Terms of Use if Your Hotel takes on/publishes a new Main Number, in which case we may terminate immediately Your participation in the Program.

Additional Remedies. In addition to any damages to which it may be entitled, Choice will be entitled to reimbursement of all costs relating to the breach of the Terms of Use, including reasonable attorneys' and witness' fees. If, because of Your breach of the Terms of Use, we terminate Your participation in the Program during the first six months after Your enrollment, we will charge You the early exit fee. Your breach of these Terms of Use may also cause irreparable harm to Choice. You agree that damages may be an inadequate remedy and, therefore, in addition to its rights and remedies otherwise available at law, Choice will be entitled to equitable relief, including both a preliminary and permanent injunction, if such a breach occurs. You waive any requirement for the posting of a bond or other security if Choice seeks such an injunction.

Post Termination Reassignment of Ported Number (Service Option #3 only). Upon termination of Your participation in the Program under Service Option #3 – Call Forwarding Plus, we will use commercially reasonable efforts for ninety (90) days thereafter ("**Transfer Window**") to reassign the Ported Number back to Your Hotel. If we are unable to reassign the Ported Number back to Your Hotel during the

Transfer Window, we may retain the Ported Number and/or forward it to a non-working line. You acknowledge that the actual termination of the Hotel's commitment and responsibility under Service Option #3 (including Your payment of Fees) will only become effective upon the earlier of: (a) the date the Ported Number is actually reassigned back to the Hotel (which will be determined by several factors outside of Choice's control), or (b) the last day of the Transfer Window.

5. Limitation of Liability

You expressly understand and agree that neither Choice, its licensors, nor related parties shall be liable for any indirect, punitive, consequential, incidental or special damages of any kind resulting from these terms, access to or any use of, or inability to use or access, or reliance on, or functioning of, the Program, regardless of the basis upon which liability is claimed, even if Choice has been advised of the possibility of such loss of damage. In no event shall Choice's liability for damages, regardless of the form of action, exceed the fees You actually paid in the six (6) months immediately preceding Your claim.

6. No Warranty

Choice provides the Program "as is" and without warranties of any kind, either express or implied, except to the extent that any warranties implied by law cannot be validly waived or disclaimed. The disclaimed warranties, to the extent allowed by law, include but are not limited to the implied warranties of merchantability, non-infringement of intellectual property, and fitness for a particular purpose.

Choice makes no warranty that the Program will meet Your requirements or that it will be uninterrupted, timely, secure, or error free; nor does Choice make any warranty as to the results that may be obtained from Your participation in or use of the Program or as to the accuracy or reliability of any information obtained through Your participation in or use of the Program.

Choice shall be not responsible for any problems or technical malfunction of any telephone network or lines, computer on-line systems, servers, internet access providers, computer equipment, software, or any combination thereof including any injury or damage to Your or any other person's computer or networks as a result of using the Program. Choice makes no representations or warranties express or implied, with respect to the information received by or through Your participation in or use of the Program, including any representations or warranties as to the accuracy, completeness or timeliness of the information obtained by or through Your participation in or use of the Program.

7. Indemnity

You agree, at Your expense, to indemnify, defend and hold Choice, as well as its officers, directors, employees, agents, subsidiaries, affiliates, distributors, franchisees, licensors and licensees harmless from and against any judgments, losses, deficiencies, damages, liabilities, costs, and expenses (including reasonable attorneys' and witness' fees and expenses) incurred in connection with or arising from any claim, demand, suit, action, or proceeding arising out of Your breach of these Terms of Use or in connection with Your participation in or use of the Program or any product or service related to the

Program. Choice reserves the right to assume the exclusive defense and control of any matter subject to indemnification by You, which shall not excuse Your indemnity obligations.

8. Trademarks

You acknowledge that Choice Hotels International®, Choice Hotels® and the trademarks associated with our brands are the sole property of Choice and are registered in the U.S. Patent and Trademark Office and other trademark offices around the world. Any use of these trademarks by You requires the prior express written consent of Choice.

9. Governing Law

Choice creates and controls the Program in the State of Maryland, U.S.A. Accordingly, these Terms of Use are governed by the laws of the United States and Maryland law, except the Maryland Uniform Computer Information Transactions Act, which is expressly disclaimed, and without regard to Maryland conflicts of law principles. Any controversy or claim arising out of or relating to these Terms of Use or relating to Your participation in or use of the Program and the materials related to the Program shall be resolved in a Maryland court. You agree that, regardless of any statute or law to the contrary, any claim or cause of action You may have against Choice arising out of or related to these Terms of Use must be filed within one (1) year after such claim or cause of action arises or this claim or cause of action will be forever barred.

10. General

The waiver by Choice of a breach or right under these Terms of Use will not constitute a waiver of any subsequent breach or right. If any provision of these Terms of Use is found to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed from the remainder of these Terms of Use, which will otherwise remain in full force and effect. Choice will not be responsible for any delay or failure of the Program or any associated services, in whole or in part, due to the following factors as they affect Choice, its licensors, agents or representatives or the Program: federal, state or municipal action or regulation; strikes or other labor troubles; fire; damage; delay in transportation; shortages of raw materials, labor, fuel or supplies; sabotage; insurrection, riot or other acts of civil disobedience or public enemy; and failures or interruptions in Internet service, networks or other communication failures. You may not assign Your rights under these Terms of Use, in whole or in part, without the prior written consent of Choice. If Choice finds it necessary to employ legal counsel or to bring an action at law or other proceeding against You to enforce any of the provisions of these Terms of Use, You agree to pay Choice, in addition to any damages for which You may be responsible, all reasonable attorneys' and witness' fees and expenses incurred by Choice, if Choice prevails in such action or proceeding. Your obligations under these Terms of Use will survive termination of Your participation in, right to access, and use of the Program. Any rights not expressly granted to You herein are reserved to Choice and its licensors. You acknowledge and agree that these Terms of Use are the complete and exclusive agreement between Choice and You relating to the Program, superseding all other agreements, proposals and communications (oral or written) related to the Program.

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**

Property Code: _____

cost. I have completed the ACH form, I am supplying a copy of a voided check, and I am attaching both items to this Agreement.

☐ **OPTION 2 : <u>ONLY REDEEM GIFT CARDS (NON-ELECTRONIC)</u>. I wish only to "<u>redeem</u>" Gift Cards under the Program and I do NOT wish to participate in the electronic payments option. I elect to receive a check once each month for redemptions at my property. I understand this is available for a fee of $3.00 per monthly check, which is in addition to the interchange fee of 2.5% set forth above. I am returning this signed Agreement without the ACH form and without a copy of a voided check.**

☐ **OPTION 3 : <u>SELL & REDEEM GIFT CARDS</u>. I wish to "<u>sell and redeem"</u> Gift Cards under the Program. Therefore I am supplying my bank account information in order to electronically exchange funds via ACH at no additional cost. I have completed the ACH form, I am supplying a copy of a voided check, and I am attaching both items to this Agreement.**

You agree to mail a signed copy of this Agreement (and ACH Form and voided check, if applicable) to the Program Administrator at the following address, OR alternatively, You agree to fax these materials to the Program Administrator's secure fax at:

FAX NUMBER: 1-847-553-9223

SVM, LP
3727 Ventura Drive
Arlington Heights, IL 60004
Attention: CHOICE HOTELS PROGRAM

You understand that a signed copy of this Agreement (and the ACH Form and voided check, if applicable) must be received by the Program Administrator so that all payments due under this Agreement can be properly administered. You also understand that it is Your responsibility to notify the Program Administrator of any changes to Your relevant bank account information and that a fee may be levied by the Program Administrator for all returned ACH transactions due to incorrect bank account information or non-sufficient funds.

You understand that this Agreement will remain in force until either You or the Program Administrator terminates this Agreement. Choice will make reports available to You in a format designed to assist You to track Gift Card activity at Your hotel.

<u>ACCEPTED AND AGREED:</u>

Franchisee: _____ Address: _____

By: _____ _____

Printed Name: _____ _____

Title: _____ Property Code: _____

SVM, LP

Bank Account Information for ACH Credits/Debits

*If you plan to **SELL and REDEEM** cards at your property, this form must be completed for ACH credits and debits. If you plan to ONLY REDEEM cards at your property, this form must be completed ONLY if you select the ACH option for redemption reimbursement.*

You must include a voided check or a copy of a voided check with this form

Franchisee Name: _____ Property Code: _____

Property Name: _____ Phone Number: _____

Property Address: _____ Email Address: _____

_____

_____

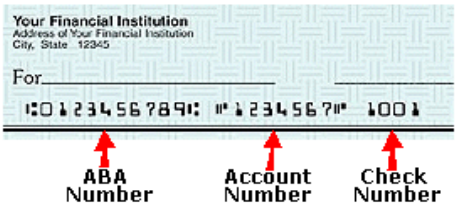
Federal Tax ID #: _____

Bank Name: _____ ***Include a voided check with this completed form**

Bank Address: _____

_____

_____



Routing (ABA) #: _____

Bank Account #: _____

Account Type: □ Checking □ Savings

Authorized Signature: _____ Date: _____

Initial Program Pricing (Subject to Change or Termination with 60 Days Written Notice):
Card Redemptions: 97.5% of transaction amount remitted to Franchisee (2.5% service fee)

Note: If you selected electronic funds transfer, this form must be completed and returned to SVM. Franchisees are responsible for communicating bank account changes. Check with your bank to confirm that your account is set up to receive ACH deposits. Returned ACH's are subject to a $15 fee.

(ACH is the Automated Clearing House for electronic banking transactions. See www.nacha.org for more information

Please return this form with a voided check and your Choice Hotels Gift Card Enrollment Form to SVM LP, 3727 Ventura Drive, Arlington Heights, IL 60004

OR

Fax both forms and your voided check to SVM's secure **fax** at **1-847-553-9223**

EXHIBIT H

«PROP_CODE» - «CONTRACT_ID»
«Brand_Name»

Promissory Note

Issuance Date: _____

Maturity Date: _____

$_____ **«PROP_CITY», «PROP_ST»**

FOR VALUE RECEIVED, each of the undersigned (collectively, "Maker"), jointly and severally, hereby promises to pay to the order of Choice Hotels International, Inc. ("Holder") the principal sum of _____ and 00/100 Dollars ($_____) ("Principal Amount") as provided for herein.:

1. Franchise Agreement. Maker and Holder are parties to a franchise agreement dated _____ (as may be amended or supplemented from time to time, the "Franchise Agreement"). The parties have agreed upon certain conditions pursuant to which Holder will make a loan to Maker pursuant to a promissory note in substantially similar form to this promissory note ("Note"). Capitalized terms used but not defined herein will have the meaning set forth in the Franchise Agreement.

2. Payment. Unless otherwise accelerated pursuant to Section 3, this Note matures on the Maturity Date, at which time the entire Principal Amount will be due and payable in full.

3. Default. The occurrence of any one or more of the following events shall constitute a "Default": (1) Maker's failure to observe or perform any covenant, condition or agreement under the terms of this Note; (2) if any representation or warranty made in connection with this Note is in Holder's opinion, false, misleading or incorrect in any material respect; (3) if for any reason, the Franchise Agreement terminates or is otherwise rendered ineffective prior to the Maturity Date; (4) the occurrence of any event(s) or existence of any situation that, after providing for any applicable notice/cure rights set forth in the Franchise Agreement, would provide Holder with a right to terminate the Franchise Agreement; (5) if all or any portion of the premises to which the Franchise Agreement applies ("Premises"), any interest in the Premises (including an ownership interest in any entity that owns the Premises), or any interest in this Note is transferred, leased, or conveyed, other than as security for a debt or other obligation, whether done by a direct or indirect method, or should Maker enter into any contractual arrangement to transfer or convey the Premises, any interest in the Premises (including an ownership interest in any entity that owns the Premises), any part of this Note, or any interest in this Note other than as security for a debt; and (6) the death of any Maker or the filing of any insolvency or bankruptcy proceeding by or against any Maker or the appointment of a receiver for any Maker or any Maker's assets. If a Default occurs, the entire Principal Amount will be due and payable in full within fifteen (15) days after Maker's receipt of a written Notice of Default from Holder.

4. Interest. If the Principal Amount, or any portion thereof, is not paid on or before the Maturity Date (or such earlier date required by Section 3), this Note will bear interest from the date on which funds are due until paid in full at the annual rate of eighteen percent (18%). 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

«PROP_CODE» - «CONTRACT_ID»
«Brand_Name»

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) $1/10^{th}$ of the Principal Amount (the "Forgiven Amount"), and (b) all accrued interest on the Forgiven Amount.

4.4 Payments on this Note shall be made in lawful currency of the United States of America to Holder, at the address set forth in Section 6.3 of this Note or such other address as Holder may designate by written notice to Maker.

5. Default.

5.1 The occurrence of any one or more of the following events shall constitute a "Default": (1) Maker's failure to observe or perform any covenant, condition or agreement under the terms of this Note or under the terms of any documents signed in connection with this Note, if any, (including, but not limited to, any commitment, loan agreement, stock pledge agreement or guaranty) or any other note or other obligation payable by Maker to Holder; (2) if any representation or warranty made in connection with this Note or in any report, opinion, schedule or certification with this Note or later submitted to Holder is in Holder's opinion, false, misleading or incorrect in any material respect; (3) if for any reason, the Franchise Agreement terminates or is otherwise rendered ineffective; (4) the occurrence of any event(s) or existence of any situation that, after providing for any applicable notice/cure rights set forth in the Franchise Agreement, would provide Holder with a right to terminate the Franchise Agreement; (5) if all of any portion of the premises to which the Franchise Agreement applies (the "Premises"), any interest in the Premises (including an ownership interest in any entity that owns the Premises), or any interest in this Note is transferred, leased, or conveyed, other than as security for a debt or other obligation, whether done by a direct or indirect method, or should Maker enter into any contractual arrangement to transfer or convey the Premises, any interest in the Premises (including an ownership interest in any entity that owns the Premises), any part of this Note, or any interest in this Note other than as security for a debt, unless, within 30 days of such transfer, Holder enters into a new **«Brand_Name»** franchise agreement with the transferee for the Premises, and the transferee assumes all of Maker's obligations under this Note and executes Holder's then-current form of Assumption of Promissory Note; (6) the filing of any insolvency or bankruptcy proceeding by or against any Maker or the appointment of a receiver for any Maker or any Maker's assets; and (7) the death of any Maker unless (i) within 30 days upon death of a Maker, Holder is notified of such death, and (ii) within 60 days of said notification, this Note is transferred to and assumed by a new individual within Maker's family, that Holder approves in its sole discretion, by executing Holder's then-current form of Assumption of Promissory Note.

5.2 If a Default occurs, at Holder's option, the Default Payment Amount (as defined below) will immediately become due and payable by Maker to Holder without notice to Maker or any other person or entity. The "Default Payment Amount" means the sum of: (a) the original Principal Amount less an amount equal to the product resulting from multiplying the original Principal Amount by a fraction, the numerator of which is the number of full calendar months that have elapsed since the Opening Date, and the denominator of which is one hundred twenty (120) (the amount resulting from this calculation is referred to as the "Amount Due"); plus (b) interest on the Amount Due calculated from the Distribution Date at the Rate of Interest.

5.3 Interest will accrue on the Default Payment Amount at the Rate of Interest until the Default Payment Amount has been paid in full; provided, that if such Default Payment Amount has not been paid in full by the date that is fifteen (15) days after the date such amount became due and payable, interest will begin to accrue at a default annual rate equal to Prime plus seven percent (prime plus 7%). The maximum interest rate in California is 10% annually.

5.4 The following provisions are applicable upon the occurrence of a Default: (A) Maker will pay Holder all expenses, costs and attorneys' fees that Holder incurs in connection with Holder's collection of any monies due under this Note or for the enforcement of any right under this Note or under any other agreement related to the loan evidenced by this Note, and (B) Holder may exercise any or all other rights, powers and remedies provided for in any instrument, document or agreement now or later evidencing security or otherwise relating to the loan evidenced by this Note or now or later existing at law or in equity or by statute or otherwise.

5.5 CONFESSION OF JUDGEMENT. Upon the occurrence of a Default, Maker hereby irrevocably authorizes and empowers any attorney or clerk of any court of record in the United States or elsewhere to appear for and, with or without declaration filed, confess judgment against Maker in favor of Holder or an assignee or successor of Holder, of the Note, at any time, for the full or total Default Payment Amount under this Note, together with all indebtedness provided for therein, with interest, costs of suit, and reasonable attorneys' fees; and the undersigned expressly releases all errors, waives all stay of execution, rights of inquisition and extension upon any levy upon real estate and all exemption of property from levy and sale upon any execution hereon; and Maker expressly agrees to condemnation and expressly relinquishes all rights to benefits or exemptions under any and all exemption laws now in force or which may hereafter be enacted. Maker acknowledges and agrees that Maker is voluntarily, knowingly, and intelligently giving up its right to notice and hearing prior to the entry of judgment, is granting Holder, or Holder's assignee or successor, the right to confess judgment against Maker and is freely waiving its due process rights. Maker further consents to immediate execution on the judgment and waives all right of appeal, ratifying and confirming all that the attorney or clerk may do by virtue of this Note.

5.6 Maker waives demand, presentment for payment, protest and notice of dishonor and agrees that at any time and from time to time and with or without consideration, Holder may, without notice to or further consent of Maker and without in any manner releasing, lessening, or affecting the obligations of any of them: (1) release, surrender, waive, add, substitute, settle, exchange, compromise, modify, extend, or grant indulgences with respect to (a) this Note, (b) all or any part of any collateral or security for this Note, and (c) Maker or any of them; and (2) grant any extension or other postponements of the time of payment of this Note.

6. General.

6.1 Cumulative Rights. Each right, power and remedy of Holder as provided for in this Note or now or hereafter existing at law or in equity or by statute or otherwise is cumulative and concurrent and is in addition to every other right, power or remedy, and Holder's exercise or beginning of exercise of any one or more of these rights, powers or remedies will not preclude Holder's simultaneous or later exercise of any or all these other rights, powers or remedies.

6.2 No Waiver; Application of Payment. No failure or delay by Holder to insist on the strict performance of any term of this Note or to exercise any right, power or remedy upon the occurrence of a Default or any other breach of this Note, is a waiver of any term or agreement or of any breach, or preclude Holder from exercising any right, power or remedy at any later time unless in writing. If Holder accepts any payment after its due date, this act will not be a waiver of Holder's right to receive timely payment of all other amounts or to declare a default for the failure to make any other payment when due. Any partial payments under this Note may be applied to pay interest, the Principal Amount, the Amount Due or costs as Holder, in its sole discretion determines.

6.3 Notices. All notices required under this Note must be in writing, must be personally delivered or mailed by registered or certified mail, return receipt requested, or by a nationally recognized courier service, to Holder at **Choice Hotels International, Inc., 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850**, and to Maker at the Designated Representative's address identified in the Franchise Agreement. Either Holder or Maker may change the applicable address to which such notices are to be sent by written notice to the other party; provided, that Maker may only change the Designated Representative by written notice to Holder delivered in compliance with the Franchise Agreement. Maker authorizes the Designated Representative to receive Holder's written notices to Maker as its agent. Any notice by registered or certified mail or by reputable national courier service is deemed given and received at the date and time of sending.

6.4 Severability. If any provision (or any part of any provision) in this Note is for any reason held to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability will not affect any other provision (or remaining part of the affected provision) of this Note, and this Note will be construed as if the invalid, illegal or unenforceable provision (or part of this Note) had never been contained in this Note but only to the extent it is invalid, illegal or unenforceable.

6.5 Assignment. If Holder or any future holder of this Note assigns its rights under this Note, the term "Holder" as used in this Note will refer to such then-current assignee.

6.6 Choice of Law. This Note is a contract made under, and for all purposes will be construed in accordance with, the internal laws and judicial decisions of the State of Maryland. Maker and Holder agree that any dispute arising out of this Note is subject to the jurisdiction of both the state and federal courts in the State of Maryland. For that purpose, Maker submits to the jurisdiction of the state and federal courts of the State of Maryland. Maker further agrees to accept service of process out of any of the before-mentioned courts in any dispute by registered, certified mail or international courier service addressed to Maker.

6.7. Confidentiality**.** You agree to keep the provisions of this Note in strict confidence and will not disclose them to any persons other than your directors, officers, partners, employees, agents and advisors that have a need to know. Any unauthorized disclosure is a Default under this Note as defined in Section 5.1 hereto.

6.8 Waiver of Trial by Jury. **THE MAKER AND THE HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE MAKER AND THE HOLDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO THIS NOTE. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS NOTE.**

In Witness Whereof, Maker acknowledges and agrees to the terms of this Note as evidenced by its signature under seal as of the day and year first above written.

EXHIBIT J

ACCESS POINT FINANCIAL

EQUIPMENT LOAN AND SECURITY AGREEMENT

THIS EQUIPMENT LOAN AND SECURITY AGREEMENT ("Agreement") is made and entered into as of this _____ day of _____, 2015, by and between **ACCESS POINT FINANCIAL, INC.**, a Delaware corporation ("Lender"), and _____, a _____ ("Borrower"), whose principal place of business is located at _____.

RECITALS

Borrower has applied to Lender for a loan to acquire certain personal property. Lender has agreed to make such loan on certain terms and conditions, all of which have been accepted by Borrower. Lender and Borrower are entering into this Agreement to set forth more fully the terms and conditions of the loan transaction.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants herein set forth and other good and valuable consideration, and the receipt and adequacy of which are hereby acknowledged, Borrower and Lender do hereby agree as follows:

1. LOAN AMOUNT AND PURPOSE.

(a) Subject to the terms and conditions of this Agreement, and provided no Event of Default (hereafter defined) has occurred, Lender agrees to lend to Borrower the principal amount not to exceed $_____ (the "Loan"). The Loan may be disbursed in one or more advances, but each such disbursement shall reduce Lender's loan commitment hereunder, and any sums advanced hereunder may not be repaid and then re-borrowed. Notwithstanding the foregoing, all advances of the Loan now or at any time hereafter made by Lender to Borrower under this Agreement shall constitute one loan secured by Lender's security interest in the Collateral (hereafter defined).

(b) The Loan shall be used by Borrower only to acquire the furniture, fixtures and equipment identified in each approved Draw Request (hereafter defined) to be used in connection with the refurbishing or operations of the Location Premises (hereafter defined) and to pay for such closing costs incidental to the Loan as Lender may approve. Borrower and Lender agree that no more than twentypercent (20%) of the Collateral shall consist of Soft Cost Items. For purposes of this Agreement, “Soft Cost Items” are personal property which Lender, in its sole discretion, believes will be of little or no residual value upon termination of the Loan.

2. RESERVE ACCOUNT/LOAN ADVANCES. Lender shall approve advances for FF&E to be used in the operation of the Premises, as described in the Budget. Lender shall fund the entire loan amount at the time of closing into a reserve account held by the Servicer and shall permit advances to be made for a period of _____ days from the date Applicant executes the Loan Documents. Such Advances shall be paid directly to vendors for FF&E delivered to Applicant upon receipt of an executed Rental Schedule and Delivery and Acceptance Certificate for each set of invoices received.

3. TERMS AND CONDITIONS. The Loan is subject to the following terms and conditions:

(a) [TERMS AND CONDITIONS 1 - Subject to subordination of the Management Fees.] ___ Initial

(b) [TERMS AND CONDITIONS 2 - Lender, in its sole discretion may require that the outstanding principal balance of this Note, together with all accrued and unpaid interest thereon and all other sums payable in connection with the indebtedness evidenced hereby is due and payable by _____ unless the first mortgage is refinanced. The first Mortgage matures on or by _____.] ___ Initial

(c) [TERMS AND CONDITIONS 3 - As a condition of Lender making the loan to Borrower, during the term of this loan Borrower agrees not to further encumber the real estate or any personal property (furniture, fixtures, equipment, etc.) to be placed on or affixed to the real estate with any security interest for the benefit of any other party.] ___ Initial

(d) [TERMS AND CONDITIONS 4 - Borrower has committed to complete the renovations and improvements of the HVAC systems, Key Card Access System, mattresses, micro-fridges, desk chairs and other hotel furniture and materials, subject to approval by APF, of the hotel on the Location Premises (defined below) within the allotted draw-down period.] ___ Initial

(e) [TERMS AND CONDITIONS 5 - Subject to verification of cash balances stated on the Guarantor's personal financial statements.]

4. PAYMENT TERMS. The Loan shall be evidenced by Borrower's Promissory Note ("Note") executed by Borrower to the order of Lender in the stated principal amount equal to the maximum amount of the Loan, providing for the payment of principal, together with interest thereon and a late charge for delinquent payments at the rate(s) set forth therein, in such installments, at such times and according to such further terms as set forth in the Note. (For purposes hereof, the "Note" shall include any extensions, renewals, modifications or replacements thereof.)

5. COLLATERAL AND SECURITY INTEREST.

(a) Grant of Security Interest. As security for payment of all indebtedness, interest, late charges and other fees, and all other obligations or other liabilities which may be now or hereafter owing by Borrower to Lender in connection with the Loan or arising under the Note, this Agreement or any other Loan Document (hereafter defined), and for any extensions, renewals, refinancings, restructurings, modifications or replacements, in whole or in part, of the Note (collectively, the "Obligations"), Borrower hereby grants to Lender a present and continuing first priority purchase money security interest in and lien on all right, title and interest of Borrower in the Collateral. (USE THIS LANGUAGE IF THERE IS NO INTERCREDITOR AGREEMENT) OR Borrower hereby grants to Lender a present and continuing specific lien in and on all right, title and interest of Borrower in the Collateral (see Exhibit C for collateral list). (USE THIS LANGUAGE AND ATTACH EXHIBIT IF THERE IS AN INTERCREDITOR AGREEMENT)

(b) Collateral Designation. The Collateral consists of any and all furnishings, fixtures and equipment acquired with the proceeds of the Loan, together with all attachments, accessories, accessions, parts, replacements, substitutions, additions, and improvements thereto, and all service contracts, warranty claims and other general intangibles relating thereto, and all insurance proceeds and condemnation awards received or receivable with respect thereto, and all cash and non-cash proceeds of the foregoing (collectively, "Collateral"). Unless otherwise defined herein, all terms used in defining the Collateral shall have the meanings under the Uniform Commercial Code ("UCC") as in effect in the State of Georgia to the extent a definition is provided therein. In addition, the term "proceeds" as used herein includes whatever is receivable or received, cash or non-cash, when any Collateral or any proceeds thereof is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and also includes without limitation all rights to payment (including returned premiums) with respect to any insurance relating to the Collateral. In addition, all references herein to a particular type or item of Collateral shall be deemed to include all now existing or hereafter acquired books and records of Borrower relating to such Collateral (including, without limitation, all computer materials and records). Borrower agrees that the Collateral shall be and remain personal property and shall not, by reason of its attachment or other connection to any real property, either become or be deemed to be a fixture or appurtenance to such real property and shall at all times be deemed severable therefrom.

(c) Perfection of Security Interest. Borrower shall keep, procure, execute, and deliver from time to time any and all endorsements, notifications, registrations, assignments, financing statements, fixture filings, certificate of title applications, blank transfer powers, and other writings deemed necessary or appropriate by Lender to perfect, maintain, and protect its security interest in and lien on the Collateral hereunder and the priority thereof, and Borrower shall take such other actions as Lender may request to protect the value of the Collateral and of Lender's security interest in the Collateral, including, without limitation, obtaining such landlord waivers, mortgagee waivers and other assurances from third parties

regarding Lender's access to and right to foreclose on or sell the Collateral and right to realize the practical benefits of such foreclosure or sale as Lender may request. Unless prohibited by applicable law, Borrower hereby authorizes Lender to execute and file any financing statement or fixture filing on Borrower's behalf, and the parties further agree that any carbon, photographic, or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

(d) Power Of Attorney. Borrower hereby makes, constitutes and appoints (which appointment is coupled with an interest and shall be irrevocable so long as this Agreement is in effect) Lender as its attorney-in-fact with full power and authority to take any action contemplated by subsection (c) above and also to take any of the following actions at any time during the existence of any Event of Default hereunder (but Lender shall have no obligation to and shall incur no liability to Borrower or any third party for failing to exercise any such power or authority): (i) to collect by legal proceedings or otherwise and endorse and receive all interest, payments, proceeds, and other sums and property now or hereafter payable on or on account of any of the Collateral; (ii) to insure, process, and preserve any of the Collateral or to take any other action which Borrower is obligated by this Agreement to take; (iii) to transfer any of the Collateral to its own or its nominee's name; (iv) to make any compromise or settlement, and take any action it deems advisable, with respect to any of the Collateral; (v) to endorse Borrower's name upon any checks or other proceeds of any Collateral and apply same to amounts due under the Loan in such priority and proportions as Lender deems appropriate; (vi) to endorse Borrower's name on any other document, instrument or other agreement relating to any of the Collateral; (vii) to use the information recorded on or contained in any data processing equipment, other computer hardware or any software relating to any Collateral; and (viii) to make, adjust or enforce claims under any insurance policy relating to any Collateral. Lender may exercise the foregoing power of attorney in its discretion, in its name or Borrower's name, and without prior notice to or demand upon Borrower.

6. LOAN DOCUMENTS AND COLLATERAL LOAN DOCUMENTS. In addition to this Agreement and the Note, Borrower shall grant, execute and deliver to Lender, or cause to be granted, executed and delivered to Lender, as the case may be, all of the documents requested by Lender, all of which shall be in form and substance acceptable to Lender and its counsel. Such Loan documents along with the Note and this Agreement are referred to herein together as the "Loan Documents."

7. CONDITIONS TO LOAN ADVANCES. At the time of the making of each advance of the Loan by Lender to Borrower under this Agreement, the following conditions shall have been fulfilled to Lender's satisfaction:

(a) All conditions and requirements of this Agreement shall have been provided and satisfied in form and substance satisfactory to Lender;

(b) The Loan Documents shall have been duly executed and delivered by all required parties thereto and in form and substance satisfactory to Lender;

(c) Lender shall have received and approved the Draw Request and the Delivery and Acceptance Certificate for the Collateral which shall be substantially in the form attached hereto as Exhibit A ("Delivery and Acceptance Certificate");

(d) Borrower shall have executed and delivered to Lender any and all instruments, agreements and documents required by Lender in connection with such Draw Request or as Lender deems necessary or appropriate to perfect or continue the perfection of Lender's security interest in the Collateral to be acquired with the proceeds thereof;

(e) Borrower shall have delivered to Lender the insurance certificates required by Section 10 of this Agreement;

(f) No Event of Default shall exist hereunder or under any of the other Loan Documents nor shall any event or condition exist which, with the giving of notice where applicable or the expiration of applicable grace or cure periods, or both, would constitute such an Event of Default;

(g) All representations and warranties by Borrower and/or any guarantor of the Loan ("Guarantor" and sometimes referred to with Borrower as "Credit Parties") in the Loan Documents, as well as in any other notice, material or document provided by a Credit Party to Lender in connection with the Draw Request for the advance being funded, shall be true and correct in all material respects with the same effect as if such representations and warranties had been made on and as of the date of such advance;

(h) Since the date of the most recent annual financial statements for any Credit Party delivered to Lender, no material adverse change shall have occurred in the financial condition of any Credit Party;

(i) Each and all of the covenants set forth in this Agreement shall have been performed and complied with in all material respects to the extent required by Lender in connection with such advance; and

(j) The advance to be made and the use of the proceeds thereof shall not violate any applicable law, regulation, injunction or order of any government or court.

8. PROCEDURE FOR LOAN ADVANCES.

(a) Borrower shall submit written application for advances of the Loan ("Draw Request(s)") to Lender which shall identify in reasonable detail the Collateral to be purchased with such advance and shall be accompanied by original invoices or paid receipts of the party claiming payment due and a Delivery and Acceptance Certificate unless waived by Lender. Draw Requests may be submitted not more than twice a month, unless otherwise agreed by Lender, each request for an advance (unless it is the final request for an advance) shall be in the minimum amount of 10% of the maximum amount of the Loan; Soft Cost Items may only be included in the final Draw Request. Upon Lender's approval of the form and content of a Draw Request and confirmation that all conditions precedent to an advance have been satisfied, Lender will disburse or advance the amount requested. If Lender determines that the advance requested or any part thereof is not to be made, Lender will inform Borrower of the reasons for not making any such advance. All advances shall be made by wire transfer to the party entitled to receive such payment as designated on the Certificate of Acceptance and Delivery, as Lender deems appropriate in each case. All payments to parties other than Borrower shall be deemed made for the use and benefit of Borrower with the same force and effect as if disbursed or advanced directly to Borrower.

(b) Each Draw Request submitted shall constitute a representation and certification by Borrower to Lender that (i) the Collateral for which payment is requested has been ordered and received by Borrower; (ii) the Collateral has the value as stated in the Draw Request; (iii) each and all of the representations and warranties set forth in Section 9 hereof continue to be true, complete and correct in all material respects; and (iv) no event has occurred nor does any condition exist which, with the giving of notice where applicable or the expiration of applicable grace or cure periods, or both, would constitute an Event of Default.

9. REPRESENTATIONS AND WARRANTIES. Borrower makes the following representations and warranties to Lender, which shall be true, complete and correct as of the date hereof and upon each advance of the Loan:

(a) Authority. Borrower has full power, authority and legal right to execute this Agreement, to own the Collateral, to borrow the Loan and grant to Lender the security interest hereby contemplated, and to perform all of Borrower's obligations under this Agreement and the other Loan Documents.

(b) Legal Status and Authority. Borrower (i) is duly organized, validly existing and in good standing under the laws of its state of organization or incorporation; (ii) is duly qualified to transact business and is in good standing in the state where the Collateral is to be located; and (iii) has all necessary approvals (governmental and otherwise) to carry out its business as now conducted and proposed to be conducted.

(c) Validity of Documents. Borrower's execution, delivery and performance of this Agreement and the other Loan Documents (i) are within Borrower's power and authority; (ii) have been duly authorized by all requisite organizational action; (iii) have received all necessary approvals and consents (organizations, governmental or otherwise); (iv) will not violate, conflict with, result in a breach of, nor constitute a default under any provision of law (including, without limitation, any usury law), any order or judgment of any court or governmental authority, Borrower's organizational documents or any indenture, contract or other agreement to which Borrower is a party or by which Borrower or any of Borrower's assets (including the Collateral) may be bound or affected; and (v) will not require any authorization or license from, or any filing with, any governmental or other body (except for UCC filings relating to the security interest created hereby).

(d) Authorized Signer. The person signing this Agreement and the other Loan Documents on Borrower's behalf has been validly authorized and directed to sign such documents. This Agreement and the other Loan Documents, when executed by or on behalf of Borrower, shall be the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with their respective terms, except to the extent enforcement of the remedies hereunder may be limited under applicable bankruptcy and insolvency laws.

(e) Litigation. No action, suit or proceeding, judicial, administrative or otherwise (including any condemnation of the property where the Collateral is to be located or similar proceeding) currently is pending or, to Borrower's knowledge, threatened or contemplated against Borrower, the property where the Collateral is to be located, or any Guarantor, that (i) has not been disclosed in writing to Lender, and (ii) will have (singularly or in the aggregate) a material, adverse effect on the ability of Borrower or of any Guarantor to perform its obligations to Lender under this Agreement, any of the other Loan Documents or the guaranty, as applicable.

(f) Financial Condition. All financial statements and information relating to Borrower and to each Guarantor which have been delivered to Lender in connection with the Loan are true and correct, fairly represent the financial condition or results of operations of Borrower or such Guarantor as of the date(s) or period(s) set forth therein and have been prepared in accordance with generally accepted accounting principals consistently applied. No material adverse change in the condition (financial or otherwise) of Borrower or any Guarantor has occurred since the date(s) of such financial statements. No bankruptcy, reorganization, insolvency or similar proceedings under any state or federal law have been initiated by or against Borrower or any such Guarantor. The granting of the security interest contemplated hereby does not constitute a fraudulent conveyance.

(g) Place of Business. Borrower's principal place of business is located at the address stated in the first paragraph of this Agreement. Borrower does not use any trade, assumed or fictitious name. The Collateral will at all times be used for commercial or business purposes and will be located at _____ ("Location Premises").

(h) Condition of the Location Premises. The Location Premises currently is in compliance with all applicable laws, regulations, ordinances, directives and orders of each governmental agency having jurisdiction thereof.

(i) Title to Collateral; No Encumbrances. Borrower is or will be on delivery the sole owner of the Collateral and has or will have upon delivery good and marketable title thereto. Except for the security interest and lien granted hereunder in favor of Lender, no person has (or, in the case of any after-acquired Collateral, at the time Borrower acquires rights therein, will have) any right, title, claim, or other interest (whether in the nature of a security interest, other lien or charge, or otherwise) in, against or to any Collateral or any interest therein.

(j) Disclosure. To the best of Borrower’s knowledge, Borrower has not failed to disclose any material fact that could cause any representation or warranty made herein to be false or materially misleading.

10. BORROWER COVENANTS. In addition to the covenants set forth in other sections of this Agreement or in the other Loan Documents, Borrower agrees to comply with the following covenants so long as this Agreement is in effect:

(a) Ownership and Restrictions on Transfers. Legal and equitable ownership of the Collateral shall at all times be and remain solely held by Borrower, subject only to the security interest and lien in favor of Lender. Borrower will not change Borrower's name (including its trade name or names) or, if not an individual, Borrower's corporate, partnership or other entity structure without, in each case, notifying Lender of such change in writing at least 30 days prior to the effective date of such change, and, in the case of a change in Borrower's structure, without first obtaining Lender's prior written consent. Without limiting the foregoing, Borrower will not, directly or indirectly, (i) sell, contract to sell, convey, mortgage, pledge, hypothecate, grant a security interest in or otherwise transfer, encumber or suffer a lien upon or against any of the Collateral, or (ii) assign, lease, sublet or grant licenses to use the Collateral or any part thereof (collectively, "Transfer"). For purposes of this Agreement, a "Transfer" shall be deemed to include, without limitation, any change in the ownership or control of Borrower, whether by operation of law, merger, consolidation or otherwise, unless Borrower is publicly traded in which case transfers of stock shall not be deemed to be a Transfer.

(b) Change in Organization Documents. Borrower shall promptly notify Lender of any changes in the organizational documents of Borrower or any other Credit Party; provided, however, that no changes shall be made which would affect such Credit Party's ability to perform any of its obligations under the Loan Documents, without in each case obtaining Lender's prior written consent.

(c) Change of Borrower's Principal Place of Business. Borrower shall give Lender not less than 30 days prior written notice of any change in Borrower's principal place of business or primary residence if Borrower is an individual.

(d) Restriction on Location of Collateral. Borrower will cause the Collateral to be installed and located only at the Location Premises. Other than as may be necessary for repairs or maintenance, Borrower will not remove, nor permit removal of, the Collateral from the Location Premises nor part with possession or control of the Collateral without Lender's prior written consent.

(e) Use of Collateral. Borrower will use the Collateral only for the normal and customary use for which such Collateral is intended and only so as to subject it to ordinary wear and tear. Borrower will cause the Collateral to be operated in accordance with the applicable manufacturer's manuals or instructions by competent and duly qualified personnel and only in accordance with applicable law or other governmental regulations, if any.

(f) Repair and Maintenance. Borrower shall do all acts that may be necessary to maintain, preserve, and protect the Collateral and shall keep the Collateral in good condition and repair and shall not cause or permit any waste of any of the Collateral. Without limiting the foregoing, Borrower, at its sole expense, will repair and maintain each item of the Collateral so as to keep it in as good condition as of the date of the Loan or advance with respect thereto, ordinary wear and tear excepted, including, without limitation, the provision of Replacement Parts (defined below) as and when necessary. Borrower, at its sole expense, also will perform all maintenance of the Collateral necessary to satisfy the requirements of and keep in full force and effect any manufacturer's or other warranty. Any replacement of a part or component added to the Collateral ("Replacement Part(s)") made by Borrower shall be a new part or component of the same or better quality than the part or component being replaced and shall be considered an accession to such item of the Collateral upon installation or affixation thereof. Except as set forth above as to Replacement Parts, Borrower, without the prior written consent of Lender, shall not affix or install any accessory, equipment or device on any item of Collateral or otherwise alter the Collateral.

(g) Mechanic's Liens and Other Encumbrances. Borrower shall keep the Collateral free and clear of all liens and claims of others and promptly pay and discharge any mechanic's liens or other encumbrances or claims of any party which may be filed or recorded against any of the Collateral, within 30 days after Borrower receives notice thereof, whether such notice is received from Lender or otherwise.

(h) Taxes. Borrower shall pay promptly when due, and agrees to indemnify and hold Lender harmless on an after-tax basis from and against, all titling, filing, recordation and other fees and taxes (including without limitation sales, use, excise, personal property, franchise or other taxes, levies, imposts, duties, assessments and all other charges or withholding of any nature together with any penalties, fines or interest thereon), arising at any time prior to or during the term of the Loan or any renewal or extension hereof, upon or relating to the Collateral, or this Agreement or any other Loan Documents, whether the same be assessed to Lender or Borrower by any federal, state or local government or taxing authority or any subdivision thereof', excluding, however, taxes on, or measured by, the net income of Lender. All amounts payable by Borrower pursuant to this section shall be payable to the extent not theretofore paid, on demand by Lender, and the obligation of Borrower under this section shall survive the expiration or earlier termination of this Agreement.

(i) No Additional Indebtedness. Borrower shall not, without Lender's prior written consent, incur additional indebtedness (secured or unsecured), except for trade payables in Borrower's ordinary course of business.

(j) Books and Records. Borrower shall keep adequate books and records of account with respect to the Borrower's financial conditions and operation of the Location Premises and the Collateral, in accordance with methods acceptable to Lender and consistently applied. Lender and its agents shall have the right upon prior written notice to Borrower (notice to be given unless an Event of Default has occurred and is then continuing) to inspect such books and records and to make copies and abstracts from such materials for Lender's records. Borrower shall furnish to Lender and its agents convenient facilities at the Location Premises for the examination and audit of any such books and records at all reasonable times. Borrower shall furnish to Lender the following within 120 days after the end of each of Borrower's fiscal year: (a) an annual operating statement for the Location Premises and (b) an annual balance sheet, profit and loss statement, and source and application of funds of Borrower, all of which shall be in reasonable detail and certified by Borrower to be true, complete and accurate. Lender reserves the right to request the foregoing statement(s) to be delivered at more frequent intervals, but, unless an Event of Default has occurred, not more frequently than quarterly. Lender also shall cause any guarantor of Borrower's obligations to Lender to furnish to Lender within the time period set for the above (1) if the guarantor is an individual, a copy of his/her prior year federal income tax return and a certified net worth statement, or (b) if the guarantor is not an individual, the information set forth above.

(k) Inspections and Right of Entry. Lender and its agents shall have the right to enter upon the Location Premises for the purpose of inspecting the Collateral. In making such entry and inspection, Lender agrees to use reasonable efforts to minimize disturbance to Lender's operations. Unless an emergency exists or an Event of Default has occurred and is then continuing, Lender will provide reasonable notice to Borrower prior to its planned entry or inspection.

(l) Performance at Borrower's Expense. Borrower acknowledges and confirms that Lender shall impose certain administrative processing and/or commitment fees in connection with (i) the extension, renewal, modification, amendment and termination of its loans, (ii) the release or substitution of collateral therefor, (iii) obtaining certain consents, waivers and approvals with respect to the Collateral, or (iv) the review of any subordination, non-disturbance or intercreditor agreement (occurrence of any of the above shall be called an "Event"). Borrower hereby acknowledges and agrees to pay, immediately, with or without demand, all such fees (as the same may be increased or decreased from time to time), and any additional fees of a similar type or nature which may be imposed by Lender from time to time, with respect to any Event or otherwise. Such costs and expenses shall include, but not be limited to, all reasonable fees and disbursements for legal counsel (whether of retained firms or of in-house staff). All such amounts shall accrue interest at the Default Rate provided in the Note if not paid in full within 5 days of Lender's written demand therefor, which interest shall accrue from the date demanded by Lender until paid in full by Borrower.

(m) Costs of Enforcement. Borrower shall pay, on demand by Lender all reasonable fees and disbursements for legal counsel (whether of retained firms or of in-house staff) incurred by Lender in connection with (i) protecting its interest in the Collateral or (ii) in collecting any amount payable hereunder (including recovery of amount under subsection (l) above) or (iii) in enforcing its rights hereunder with respect to the Collateral, whether or not any legal proceeding is commenced hereunder and whether or not any

default or Event of Default shall have occurred and is continuing. All such amounts shall accrue interest at the Default Rate provided in the Note if not paid in full within 5 days of Lender's written demand therefor, which interest shall accrue from the date demanded by Lender until paid in full by Borrower.

(n) Risk of Loss. Borrower agrees that all risk of loss of the Collateral shall at all times be and remain upon Borrower irrespective of whether such Collateral is then in Borrower's or Lender's possession.

(o) Insurance. Borrower, at its sole expense, shall obtain and maintain on each item of Collateral, all-risk casualty and liability insurance in such amounts, against such risks (including theft and vandalism), in such form and with such insurers as shall be satisfactory to Lender; provided, however, that the amount of property damage insurance at any particular time shall not be less than the full replacement value of the Collateral and shall not require co-insurance. Each casualty insurance policy will name Lender as loss payee and each liability insurance policy shall name Lender as an additional insured, and each policy shall contain clauses (a) requiring the insurer to give Lender at least 30 days prior written notice of any alteration in the terms of such policy or of the cancellation or nonrenewal thereof and (b) providing that, as to the interest of Lender thereunder, such policy shall not be suspended, invalidated or in any manner prejudiced by any action or inaction of Borrower or any other party (other than Lender) and shall insure Lender regardless of any default, misrepresentation or breach of warranty or conditions by Borrower or any other party (other than Lender). At Lender's option, Borrower shall furnish to Lender a certificate of insurance or other evidence satisfactory to Lender that such insurance coverage is in effect; provided, however, that Lender shall be under no duty either to ascertain the existence of or to examine such insurance or to advise Borrower in the event such insurance shall not comply with the requirements of this section. Borrower hereby appoints Lender as Borrower's attorney-in-fact to claim receipt for, receive payment of and execute and endorse all documents, checks or drafts for loss or damage under any of said insurance policies, and Borrower hereby assigns to Lender all proceeds of any such policy paid on account of any damage to or loss of the Collateral or any part thereof.

(p) Borrower Certificate. At the end of each calendar quarter from and after the date hereof, Borrower shall deliver to Lender a Borrower Certificate in the form attached hereto as Exhibit B certifying to Lender the following:

i. The quarterly management prepared financial statements are true and correct;

ii. The STR Report is based on the current competitive set and is an accurate picture of the performance of the hotel on which the Collateral is located (the “Hotel”); and

iii. The Hotel is current on the franchise fees with Borrower’s franchisor and, otherwise, not in default of any of its obligations under the franchise agreement. ___ Initial

11. GENERAL INDEMNITY. Borrower agrees to indemnify, defend (at Lender's option and with counsel approved by Lender) and hold harmless Lender, on an after-tax basis, against and from all losses, damages (including punitive damages), injuries to persons or property (including death), claims (including claims for strict liability, negligence or other tort), demands and expenses (including reasonable fees and expenses for legal counsel), of any kind or nature (collectively, "Claims"), imposed on, incurred by or asserted against Lender in any way relating to or arising out of the execution, delivery or performance of this Agreement or the other Loan Documents or arising out of or relating to any injury to persons or property resulting from or based upon the Collateral; provided, however, that this indemnity shall not extend to any of the foregoing caused solely by the willful misconduct or gross negligence of Lender. All amounts payable by Borrower pursuant to this section shall be payable on demand by Lender, shall accrue interest at the rate then prevailing under the Note and shall be secured by the lien and security interest granted hereby. The obligations of Borrower under this section shall survive the expiration or other termination of this Agreement.

12. EVENTS OF DEFAULT. The term "Event of Default", whenever used herein, shall mean the occurrence of any of the following events:

a. If an Event of Default as defined in the Note or any of the Other Loan Documents shall have occurred; or

b. Except for the specific defaults set forth in this Section 12 or declared to be an immediate default under any other Loan Documents, any other default hereunder or under any of the other Loan Documents occurs which is not cured (i) in the case of any default which can be cured by the payment of a sum of money, within 5 days after written notice from Lender to Borrower, or (ii) in the case of any other default, within 30 days after written notice from Lender to Borrower; provided that if such default cannot reasonably be cured within such 30-day period and Borrower shall have commenced to cure such default within such 30-day period and thereafter diligently and expeditiously pursues the cure, such 30-day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default, it being agreed that no such extension shall be for a period in excess of 120 days; or

c. If any representation or warranty of Borrower or any Guarantor, or any member, general partner, principal or beneficial owner in or of any of the foregoing, made herein or in any guaranty, or in any certificate, report, financial statement or other instrument or document furnished to Lender in connection herewith or in connection with any request for Lender's consent or approval, shall have been false or misleading in any material respect when made; or

d. If Borrower or any Guarantor shall make an assignment for the benefit of creditors or shall generally not be paying its debts as they become due; or

e. If Borrower or any Guarantor is adjudged insolvent or becomes a debtor in any voluntary or involuntary bankruptcy or other proceeding under any existing or future law of any jurisdiction, domestic or foreign, seeking relief with respect to it or its debts; provided that in the case of any such proceeding commenced against Borrower or any Guarantor an Event of Default shall not be deemed to have occurred if such proceeding is dismissed or discharged as to Borrower or such Guarantor within 60 days from the filing thereof; or

f. If any default occurs under any guaranty executed in connection with the Loan and such default continues after applicable notice and the expiration of applicable grace or cure periods, if any, or if any Guarantor repudiates or terminates such guaranty; or

g. If any Guarantor become deceased unless Lender is provided with a substitute guarantor or alternative collateral satisfactory to Lender in its sole discretion within 90 days; or

h. Any judgment for monetary damages is entered against Borrower or any Guarantor which, in Lender's sole judgment, has a material, adverse effect on the ability of Borrower or of such Guarantor to perform its obligations to Lender under any of the Loan Documents or is not covered to Lender's satisfaction by collectible insurance proceeds; or

i. If the insurance Borrower is required to maintain hereunder is not kept in full force and effect, or Borrower has not delivered evidence of the renewal thereof at least 10 days prior to the expiration as required in Section 10 hereof; or

j. Any Transfer (as defined in Section 10 hereof) shall occur without Lender's prior written consent, or if the Collateral shall be removed or relocated from the Location Premises except to the extent permitted for repairs in Section 10 hereof; or

k. Borrower shall default in the performance of any other obligation or agreement with Lender for money borrowed or equipment leased, which continues following applicable notice and the expiration of applicable grace or cure periods, if any.

l. Failure of Borrower to provide Lender on or before _____ , with proof reasonably acceptable to Lender that the renovations and improvements have been substantially completed.

m. Failure of Borrower to maintain its brand and franchise with _____.

13. REMEDIES.

a. Upon the occurrence of an Event of Default, Lender may, at its option, without notice or demand of any kind, and in addition to any and all other rights available to Lender under applicable law, exercise any one or more of the following remedies, as Lender, in its sole discretion, shall elect:

i. Declare the entire unpaid balance of the Loan immediately due payable;

ii. Cease making any further disbursements or advances hereunder and terminate any further obligation to do so;

iii. Proceed by appropriate court action, either at law or in equity, to enforce performance by Borrower of its obligations under this Agreement or to recover damages for the breach thereof;

iv. Exercise any and all rights and remedies available to a Lender under the UCC;

v. Require Borrower, at Borrower's expense, to promptly assemble and return the Collateral or any selection thereof to the possession of Lender at such place or places as Lender shall designate, or Lender, at its option, may enter upon the Location Premises where the Collateral is located and take immediate possession of and remove the same by summary proceedings or otherwise, all without liability accruing to Lender for or by reason of such entry or taking of possession or removal, whether for the restoration of damaged property caused by such action or otherwise;

vi. Sell, for cash or upon credit, all or any part of each item of Collateral at public or private sale(s) and at such time and locations, as Lender, in its sole discretion, may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of each item of Collateral as Lender, in its sole discretion, may determine, in each case free and clear of any rights, title or interest of Borrower therein; or

vii. Set-off, hold and apply against all amounts due to Lender hereunder or under any of the other Loan Documents, any security deposits, cash, credits or accounts of any nature whatsoever, now or hereafter held or maintained by or on behalf of Borrower with Lender, regardless of whether such account is general or special, individual or joint.

b. All sums collected by Lender may be applied by Lender to the payment of Borrower's obligations hereunder in such priority and proportions as Lender, in its sole discretion, shall deem proper.

c. If Lender shall have sold or otherwise disposed of each item of Collateral, Borrower shall remain liable for the amount of any deficiency between the net proceeds of such sale(s) or other disposition(s) (after deducting all costs, charges and expenses, including without limitation reasonable fees and disbursements of legal counsel, incurred by Lender in connection therewith and otherwise as a result of the default or Lender's exercise of its remedies with respect thereto) and the outstanding indebtedness payable hereunder. If any item of Collateral, in Lender's sole judgment shall require repair or maintenance, Lender, at Borrower's cost, shall have the right, but shall not be obligated, to perform such repair or maintenance for the purpose of putting such item of Collateral in condition suitable for sale or other disposition as Lender deems appropriate, but Lender shall have the right to sell or otherwise dispose of such item of Collateral without such repair or maintenance.

d. Upon the occurrence of any Event of Default, Lender also may, but without any obligation to do so and without notice to or demand on Borrower, cure the same in such manner and to such extent as Lender may deem necessary to protect the Collateral and Lender's interest therein. Lender is authorized for such purposes to enter upon the property at which the Collateral is located and to appear in, defend or bring any action or proceeding to protect its interest in the Collateral. Costs and expenses

incurred by Lender in remedying such Event of Default or in appearing in, defending or bringing any action or proceeding shall bear interest at the rate then prevailing under the Note, commencing with notice from Lender that such cost or expense was incurred to the date of full payment thereof to Lender.

e. Lender shall have the right to conduct sales on Borrower's premises, without any charge therefor, and all sales of the Collateral (or any part thereof) may be adjourned from time to time in accordance with applicable law. Lender may purchase all or any part of the Collateral at any public sale or, if permitted by law, any private sale and, in lieu of actual payment of such purchase price, Lender may set-off the amount of such price against Borrower's unpaid obligations hereunder. If any sale is of less than all of the Collateral, the security interest created by the Loan Documents shall continue as a lien and security interest on the remaining portion of the Collateral, unimpaired and without loss of priority.

f. Upon the occurrence of any Event of Default, Lender also may, but without any obligation to do so and without notice to or demand on Borrower, notify Borrower's franchisor of the Event of Default and Lender's proposed remedies.

g. No remedy referred to herein is intended to be exclusive, but each, except to the extent otherwise expressly provided herein, shall be cumulative and in addition to any other remedy referred to above or in the other Loan Documents or otherwise available to Lender at law or in equity.

14. CASUALTY LOSS.

a. Borrower shall promptly and fully inform Lender of any Casualty Loss (as defined below) with respect to all or any item of Collateral. Sums recovered or paid in connection with any Casualty Loss (after deducting Lender's reasonable legal fees and costs in collection thereof) shall be retained and applied by Lender toward the outstanding amount of the Loan (including unpaid and accrued interest thereon), whether or not then due, in such priority and proportions as Lender in its discretion shall deem proper, or Lender, in its sole discretion, may make such proceeds available to Borrower upon such terms and condition as Lender deems appropriate (including without limitation requiring Borrower to deposit in escrow with Lender the difference, if any, between the amount of such proceeds and the estimated cost to fully restore and repair the Collateral). Except for funds applied toward indebtedness as provided above in this section, Borrower shall not be released from its obligations hereunder in the event of any Casualty Loss to the Collateral.

b. The term "Casualty Loss" as used herein shall mean any of the following: Any item of Collateral shall be or become worn out, lost, stolen, destroyed, vandalized, or, in the opinion of Lender, irreparably damaged from any cause whatsoever, or taken, seized, or impounded by any governmental authority, or requisitioned by condemnation or otherwise permanently appropriated to the public use by any governmental authority.

15. NO LIABILITY FOR COLLATERAL. Borrower has selected or will have selected all of the Collateral and Lender has not had and shall not have any responsibility whatsoever for the selection of the Collateral or the quality of materials or workmanship thereof, it being understood and agreed that Lender's sole function is that of a Lender making the Loan to Borrower in accordance with and subject to the terms of this Agreement. Neither Borrower nor any other party shall have any right to rely on any procedures required by Lender herein for inspection of the Collateral, such procedures being solely for the protection of Lender as a lender.

16. ASSIGNMENT OF LENDER'S INTEREST.

a. Lender, and each successor to Lender's interest, has the right, in its sole discretion, to transfer, sell, pledge, assign or otherwise encumber or dispose of its interest in the Loan and/or servicing rights with respect thereto, to grant participations herein, or to issue pass-through certificates or other securities ("Securities") evidencing a beneficial interest in a rated or unrated public offering or private placement of which the Loan will be made a part; provided, however, that for so long as Borrower is not in default hereunder, each such transfer shall be subject to Borrower's rights hereunder. Upon notification of any such transfer, Borrower agrees to make all payments required under the Note and this Agreement to the

designated transferee without asserting any defense, setoff, recoupment, claim or counterclaim which Borrower may have against Lender.

b. If Lender, or any successor to Lender's interest, determines to undertake any action contemplated by subsection (a) above, Borrower acknowledges that Lender may forward to each prospective purchaser, transferee, assignee, servicer, participant, investor or their respective successors (collectively, "Investor") or any agency rating the Securities, all documents and information which Lender now has or may hereafter acquire relating to the Loan (including personal financial statement of Borrower or any guarantor), as Lender determines necessary or desirable. Borrower's execution of this Agreement shall be deemed Borrower's written consent to Lender's furnishing of such information, but, if requested by Lender, Borrower agrees to confirm such consent to writing to Lender. Borrower further agrees to cooperate, and to cause each guarantor to cooperate with Lender in connection with any action contemplated under subsection (a) including, without limitation, executing any financing statements, continuation statements or other documents deemed necessary by such Lender or such transferee to create, perfect, protect or preserve the rights and interests to be acquired by it, meeting with any rating agency for due diligence purposes, and providing all information concerning the Location Premises, the financial condition of Borrower, or the financial condition of any guarantor as Lender may request.

17. BORROWER ESTOPPEL CERTIFICATES. Upon Lender's request from time to time, Borrower agrees to execute and deliver to Lender (or to such party as Lender may designate from time to time) an estoppel certificate in form and substance satisfactory to Lender (or such other party designated by Lender). Borrower's failure to execute and deliver such estoppel certificate within 10 business days of Lender's written request therefor shall be deemed, at Lender's option, to be Borrower's conclusive statement of the facts set forth in such certificate.

18. USURY. The Loan is being made to the Borrower subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Loan or amounts due hereunder at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Agreement or the Note, Borrower is at any time required or obligated to pay interest on the Loan at a rate in excess of such maximum rate, the rate of interest under Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Loan does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Loan for so long as the Loan is outstanding.

19. NOTICES. All notices and other communications under this Agreement are to be in writing, addressed to the respective party to the address as set forth below such party's signature hereto, and shall be deemed to have been duly given (a) upon delivery, if delivered in person with receipt acknowledged by the recipient thereof, (b) one business day after having been timely deposited for overnight delivery, fee prepaid, with any reputable overnight courier service, or (c) three business days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested. Each party may establish a new address from time to time by written notice to the other given in accordance with this section; provided, however, that no such change of address will be effective until written notice thereof is actually received by the party to whom such change of address is sent. Notice to additional parties designated by a party entitled to notice are for convenience only and are not required for notice to a party to be effective in accordance with this section.

20. MISCELLANEOUS.

a. Entire Agreement Modification. This Agreement, together with the other Loan Documents, represents the entire agreement between Borrower and Lender with respect to the transaction contemplated thereby and supersede all prior discussions, representations, communications and agreements (oral and written) by and between Lender and Borrower with respect thereto. In the event of any conflict between the terms of the Loan Documents, the following order of priority shall be used to resolve

such conflict: the Note shall control over this Agreement, and this Agreement shall control over all other Loan Documents. Neither the terms of this Agreement nor any of the other Loan Documents shall be waived, modified, supplemented or terminated in any manner whatsoever, except by a written instrument signed by the party against whom enforcement thereof is sought and then only to the extent expressly set forth in such writing. Time is of the essence of this Agreement.

b. Binding Effect; Joint and Several Obligations. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, executors, legal representatives, successors, and assigns, whether by voluntary action of the parties or by operation of law. The foregoing shall not be construed, however, to permit assignments or transfers otherwise prohibited. If Borrower consists of more than one person or entity, each shall be jointly and severally liable to perform the obligations of Borrower under this Agreement.

c. Duplicate Originals; Counterparts. This Agreement may be executed in any number of duplicate originals, and each duplicate original shall be deemed to be an original. This Agreement (and each duplicate original) also may be executed in any number of counterparts, each of which shall be deemed an original and all of which together constitute a fully executed agreement even though all signatures do not appear on the same document.

d. Waiver. Lender will not be deemed as a consequence of any act, delay, failure, omission or forbearance or for any other reason to have waived or be estopped from exercising any of its rights or remedies under this Agreement. No single or partial exercise by Lender of any right or remedy will preclude other or further exercise thereof or preclude the exercise of any other right or remedy, and a waiver expressly made in writing on one occasion will be effective only in that specific instance and only for the precise purpose for which given, and will not be construed as a consent to or a waiver of any right or remedy on any future occasion. No notice to or demand on Borrower in any instance will entitle Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of Lender's rights to take any other or future action in any circumstances without notice or demand.

e. Survival. All indemnities, representations and warranties contained in this Agreement shall survive the termination of this Agreement.

f. Unenforceable Provisions. If any provision of this Agreement is found by competent judicial authority to be invalid or unenforceable, the other provisions of this Agreement that can be carried out without the invalid or unenforceable provision will not be affected, and such invalid or unenforceable provision will be ineffective only to the extent of such invalidity or unenforceability and shall be construed to the greatest extent possible to accomplish fairly the purposes and intentions of the parties hereto.

g. Ambiguity; Headings and Construction of Certain Terms. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Lender by virtue of the fact that such document has originated with Lender as drafter. Borrower agrees that this Agreement shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of the parties hereto. Words used in this Agreement may be used interchangeably in singular or plural form, and any pronoun shall be deemed to cover all genders. Section headings are for convenience only and shall not be used in interpretation of this Agreement. "Herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or other subdivision; and "section" refers to the entire section and not to any particular subsection, paragraph of other subdivision. Reference to days for performance shall mean calendar days unless business days are expressly indicated.

h. Governing Law. Except to the extent that the laws of another jurisdiction may govern the perfection of any security interest or lien in the Collateral granted hereunder, this Agreement shall be construed in accordance with, and shall be governed by, the laws of the State of Georgia (without giving effect to its conflicts of law rules).

i. Consent to Jurisdiction. Borrower and Lender agree and consent to the jurisdiction and venue of any state or federal court sitting in Dekalb County, Georgia, with respect to any legal action, proceeding, or dispute between them and hereby expressly waive any and all rights under applicable law or

in equity to object to the jurisdiction and venue of said courts. Nothing herein shall, however, preclude or prevent Lender from bringing any one or more actions against Borrower in any other jurisdiction as may be necessary to enforce or realize upon the security provided for the obligations herein. Borrower further irrevocably consents to service of process by certified mail, return receipt requested, to Borrower at the address for Borrower last provided to Lender in accordance with the notice provision of this Agreement and agrees that, should Borrower fail to appear or answer to any summons, complaint or other process within 30 days after the mailing thereof in accordance with the preceding sentence, Borrower shall be deemed in default and judgment may be entered in Lender's favor against Borrower for the amount demanded in said summons, complaint or other process.

j. WAIVER OF JURY TRIAL. BORROWER, AS AN INDUCEMENT TO LENDER TO MAKE THE LOAN AND ENTER INTO THIS AGREEMENT, HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE INTERPRETATION, CONSTRUCTION, VALIDITY, ENFORCEMENT OR PERFORMANCE OF THIS AGREEMENT.

k. BORROWER WAIVER OF NOTICE. BORROWER HEREBY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO NOTICE OR HEARING PRIOR TO SEIZURE OR RECLAMATION OF ANY ITEM OF COLLATERAL WHETHER BY JUDICIAL PROCESS OR OTHERWISE.

l. BORROWER'S WAIVER OF REDEMPTION. BORROWER HEREBY WAIVES (TO THE MAXIMUM EXTENT PERMITTED BY LAW) ALL RIGHTS OF REDEMPTION, STAY OR APPRAISAL WITH RESPECT TO THE COLLATERAL (AND EACH PART THEREOF) WHICH BORROWER HAS OR MAY HAVE UNDER ANY APPLICABLE LAW NOW EXISTING OR HEREAFTER IN EFFECT.

m. ADVERTISING. LENDER IS AUTHORIZED TO STATE IN ADVERTISING OR OTHER PRESS RELEASES THE FACT THAT THE TYPE AND AMOUNT OF FINANCING CONTEMPLATED UNDER THIS LOAN AGREEMENT HAS BEEN PROVIDED FOR BORROWER BY LENDER.

[Continued on Next Page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly signed and sealed, all as of the day and year first above written, intending to be legally bound hereby.

LENDER

ACCESS POINT FINANCIAL, INC.

By:_____
Name: Dilip R. Petigara
Title: Chief Operating Officer

Address for Lender:

Access Point Financial, Inc.
1 Ravinia Drive, Suite 900
Atlanta, GA 30346
Attn: Dilip R. Petigara

BORROWER

_____

By:_____
Name:_____
Title:_____

Borrower's Tax ID: _____

Address for Borrower:

_____
_____
_____
Attn: _____

EXHIBIT A

DELIVERY AND ACCEPTANCE CERTIFICATE

Draw # 000 / Loan No. _____

Sample

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;

Sample

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: .

AUTHORIZATION TO PERFORM VERBAL VERIFICATION

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

Agreement No. _____

The undersigned hereby authorizes Ascentium Capital LLC to perform a verbal verification accepting the terms and conditions of the above-referenced Agreement and confirming the identification and condition of the Collateral or Equipment subject thereto.

The undersigned agrees that a facsimile or other image of this Authorization to Perform Verbal Verification, as executed, shall be deemed the equivalent of the originally executed copy for all purposes.

Person(s) Authorized to Provide Verbal Verification:

Name: _____ Title: _____ Phone: _____

Name: _____ Title: _____ Phone: _____

Name: _____ Title: _____ Phone _____

CUSTOMER: _____

Signature: _____

Printed Name: _____

Title: _____ **Date:** _____

EQUIPMENT FINANCE AGREEMENT
No. _____

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

DEBTOR:	ADDRESS	TERM:

PAYMENT SCHEDULE: ___ @ $_____

COLLATERAL: Items of personal property as generally described herein which Ascentium Capital LLC ("Secured Party") and Debtor agree that a more detailed description of the property being financed shall be maintained by us among our books and records in whatever more detailed description of the property financed is received from the supplier of such property and, absent manifest error, such detailed description shall be considered incorporated into this Equipment Finance Agreement and shall be provided to Debtor promptly upon request.

Personal Property Description: _____

1. Definitions: The words "you" and "your" refer to the DEBTOR, its successors and permitted assigns, as shown above. The words "we", "us" and "our" refer to the SECURED PARTY, its successors and assigns.

2. Acceptance; Representations & Warranties: We agree to lend to you, and you agree to borrow from us, an amount for the financing of the Collateral. This Equipment Finance Agreement (this "Agreement") has an interim term ("Interim Term") and an initial term ("Initial Term"). The foregoing, collectively, the "Term". The Interim Term starts on the date of the funding of the loan evidenced by this Agreement. The Initial Term starts on the billing date specified by us in our sole discretion (the "Commencement Date"). We shall have no obligations under this Agreement whatsoever until we accept and sign this Agreement at our office and the satisfaction in our sole discretion of all conditions we may specify including our receipt of all documents we specify. You represent and warrant to us that all information conveyed to us in connection with this Agreement and all related documents whether by you, a guarantor, the supplier or any other person, is true, accurate, complete and not misleading. If you are an entity, the person executing this Agreement on your behalf represents to us that they are authorized to do so, making this Agreement the valid and binding act of the entity.

3. Security Interest: You hereby grant to us a security interest under the Uniform Commercial Code ("UCC") in the Collateral and all accessories and additions thereto and replacements thereof and all proceeds and products of the foregoing. Such security interest is granted to secure payment and performance by you of your obligations hereunder. All amounts received from you under this Agreement shall be applied towards your obligations to us as we determine.

4. Payments: You promise to pay us the number of payments shown above, each in the amount shown above, commencing on the Commencement Date and continuing on the same day of each month thereafter during the Initial Term (each a "Payment", and each day a Payment is due hereunder a "Payment Date"), without need of an invoice, together with all other amounts due from time to time by you hereunder. The total initial payment shall be paid upon your execution of this Agreement. If the contemplated transaction is not consummated, the total initial payment may be retained by us as partial compensation for costs and expenses incurred by us in preparation for the transaction. The amount of each Payment is based upon the total estimated cost of the Collateral, or the portion thereof being purchased with the proceeds of the loan evidenced hereby, you have provided to us and which is set forth above. If the final cost of the Collateral (or the portion being purchased) we pay the supplier is higher or lower than that estimate, we will adjust the amount of each Payment proportionately higher or lower than the Payment amount specified above. You also agree to pay, when invoiced, an amount equal to 1/30th of the Payment amount for each day from and including the date we fund the loan evidenced by this Agreement, to but excluding the first Payment Date. Following the first Payment Date, the Term shall continue without interruption for the number of months indicated above. YOUR OBLIGATION TO MAKE PAYMENTS AND PAY OTHER AMOUNTS DUE HEREUNDER IS ABSOLUTE AND UNCONDITIONAL AND NOT SUBJECT TO ABATEMENT, REDUCTION OR SET-OFF FOR ANY REASON WHATSOEVER. THIS IS A NON-CANCELABLE AGREEMENT: THIS AGREEMENT, THE TERMS OF WHICH HAVE BEEN FREELY NEGOTIATED BY EACH PARTY, IS ALSO SUBJECT TO THE TERMS AND CONDITIONS ON THE FOLLOWING PAGE WHICH IS MADE PART HEREOF AND WHICH DEBTOR AND SECURED PARTY ACKNOWLEDGE THEY HAVE READ AND ACCEPTED.

5. DISCLAIMER OF WARRANTIES AND CLAIMS; LIMITATION OF REMEDIES: THERE ARE NO WARRANTIES BY OR ON BEHALF OF SECURED PARTY AND NEITHER THE SUPPLIER NOR ANY OTHER PARTY IS SECURED PARTY'S AGENT. DEBTOR ACKNOWLEDGES AND AGREES: (A) SECURED PARTY MAKES NO WARRANTIES WHETHER EXPRESS OR IMPLIED AS TO THE CONDITION OF THE COLLATERAL, ITS MERCHANTABILITY, ITS FITNESS FOR ANY PARTICULAR PURPOSE; (B) DEBTOR ACCEPTS THE COLLATERAL "AS IS" AND WITH ALL FAULTS; (C) DEBTOR AGREES THAT THE COLLATERAL WILL BE USED SOLELY FOR COMMERCIAL OR BUSINESS PURPOSES; (D) IF THE COLLATERAL IS UNSATISFACTORY FOR ANY REASON DEBTOR'S ONLY REMEDY, IF ANY, SHALL BE AGAINST THE SUPPLIER OR MANUFACTURER OF THE COLLATERAL AND NOT AGAINST SECURED PARTY; (E) DEBTOR SHALL HAVE NO REMEDY FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST SECURED PARTY, ALL OF THE SAME BEING DISCLAIMED AND WAIVED; AND (F) NO DEFECT, DAMAGE OR UNFITNESS OF THE COLLATERAL SHALL RELIEVE DEBTOR OF THE OBLIGATION TO MAKE PAYMENTS OR RELIEVE DEBTOR OF ANY OTHER OBLIGATION UNDER THIS AGREEMENT.

6. Location; Maintenance; Installation; Insurance: You agree to maintain records showing the location of each item of Collateral. You shall report each location to us upon our request and shall not change the location of the Collateral without our advance written consent. You are responsible for installing and keeping the Collateral in good working order. You shall not make any alterations, additions or improvements to the Collateral which detracts from its economic value or functional utility. If the Collateral is damaged or lost, you agree to continue making scheduled Payments unless we have received the Casualty Value pursuant to Section 11. You agree to keep the Collateral insured against loss during the Term and to have us named as loss payee n such coverage amounts as we may specify from time to time, from anyone who is acceptable to us. You agree to provide us with a certificate of insurance acceptable to us upon our request and if at any time you fail to deliver to us a valid certificate of insurance reflecting such insurance as being in effect, then we will have the right, but no obligation, to have such insurance protecting us placed for the Term at your expense; and if so placed, we will add to the Payments and you will pay us our costs of obtaining such insurance and any customary charges or fees of ours.

7. Taxes and Fees; Indemnification: You agree to pay when due and to indemnify and hold us harmless from all taxes, fees, fines, interest and penalties, including, without limitation, personal property or documentary stamp taxes, ("Taxes") relating to the use or ownership of the Collateral or to this Agreement now or hereafter imposed, levied or assessed by any taxing authority. We may in our sole discretion, elect to pay any such Taxes directly to a taxing authority and if so you agree to reimburse us on our demand for any such Taxes paid on your behalf together with any filing or processing fee charged by us. If any taxing authority requires any Taxes to be paid in advance, and we pay such Taxes, we may increase the cost of the Collateral we are financing by such amount as described in Section 4 above thereby increasing the amount of each Payment to reflect the payment of such Taxes. You also agree to pay us and reimburse us for all costs and expenses in documenting and servicing this Agreement. You agree to indemnify and hold us harmless from any suits, claims, losses or damages we suffer in any way relating to the use or ownership of the Collateral. Your obligations under this Section 7 shall survive the expiration or earlier termination of this Agreement. You agree to pay us fees in an amount in effect from time to time in connection with the documentation of the Agreement and any site inspection or lien search we deem necessary. You agree that all such fees and any insurance we obtain pursuant to the last sentence of Section 6 may not only cover our costs they may also include a profit.

8. Personal Property: The Collateral will be and shall remain personal property and, if requested by us, you will obtain real property waivers satisfactory to us. You shall keep the Collateral free from any and all liens and encumbrances other than those in our favor. You shall give us immediate notice of any attachment or other judicial process, liens or encumbrances affecting the Collateral. You hereby irrevocably authorize us and appoint us as your attorney-in-fact with the power to execute and to file this Agreement and any financing statement(s) or security agreement(s) with respect to the Collateral. If your signature on any financing statement or similar document is required by law, you shall execute such supplemental instruments and financing statements we deem to be necessary and advisable and shall otherwise cooperate to defend and perfect our interest in the Collateral by filing or otherwise. You also agree to pay us on demand filing and registration fees prescribed by the UCC or other law. Any Collateral that is subject to title or registration laws shall be titled and registered as directed by us.

9. Default; Remedies; Late Charges: If any one of the following events occur with respect to you or any Guarantor, you will be in default: (i) you fail to pay any Payment or other amount due under this Agreement, when due, (ii) you breach or fail to perform any of your other covenants and promises under this Agreement, (iii) you become insolvent, any action under the United States Bankruptcy Code is filed by or against you, make an assignment for the benefit of creditors, admit your inability to pay your debts as they become due, or if you terminate your entity existence or take any actions regarding the cessation or winding up of your business affairs. If you are in default, at our election, we can accelerate and require that you pay, as reasonable liquidated damages for loss of bargain, the "Accelerated Balance". The Accelerated Balance will be equal to the total of: (i) accrued and unpaid amounts then due under this Agreement, and (ii) the remaining Payments discounted to their then present value at 3% per annum. We can also pursue any of the remedies available to us under the UCC or any other law. In the event we seek to take possession of any part of the Collateral, you irrevocably waive to the fullest extent permitted by law any bonds, surety or security required by statute, court rule or otherwise as an incident of such possession. You agree to pay our reasonable attorneys' fees and actual costs incurred by us in enforcing our rights hereunder including repossession, storage, refurbishment and sale of the Collateral and collection costs, and all non-sufficient funds charges and similar charges. If any part of a payment is late, you agree to pay us upon our demand the following, or if less, the maximum amount allowed under applicable law: (x) a late charge equal to the greater of 10% of the payment or $25.00, (y) a charge of $30.00 for each check returned for any reason or if any ACH debit charge is not honored and (z) if we have had to perform collection activities in connection with such late payment, our specified collection charges then in effect. The foregoing will not be construed as interest but as reimbursement to us to cover administrative and overhead expenses related to the processing and collection of the late payment.

10. Assignment; Inspection: YOU HAVE NO RIGHT TO SELL, TRANSFER, ASSIGN, LEASE OR ENCUMBER THE COLLATERAL OR THIS AGREEMENT. We may sell, transfer, assign or encumber this Agreement, in whole or in part, without notice to you or your consent. You agree that if we sell, transfer, assign or encumber this Agreement, the assignee will have the rights and benefits that we assign to the assignee and will not have to perform any of our obligations. You agree that the rights of the assignee will not be subject to any claims, defenses or set-offs that you may have against us. We and our agents and representatives shall have the right at any time during regular business hours to inspect the Collateral and for that purpose to have access to the location of the Collateral.

11. Risk of Loss: You assume and shall bear the entire risk of loss, theft, damage and destruction of the Collateral from any cause whatsoever, and no loss, theft, damage or destruction of the Collateral shall relieve you of the obligation to make Payments or any other obligation under this Agreement. You shall promptly notify us in writing of such loss, theft, damage or destruction. If damage of any kind occurs to any item of Collateral, you, at our option, shall at your expense (a) place the Collateral in good repair, condition or working order, or (b) if the Collateral cannot be repaired or is lost, stolen or suffers a constructive loss under an insurance policy covering the Collateral, pay to us the "Casualty Value." The Casualty Value will be equal to the total of (i) accrued and unpaid amounts then due and owing, and (ii) the remaining Payments discounted to present value at 3%, in both cases as of the date the Casualty Value is received by us.

12. Choice of Law; Waiver of Jury Trial: Subject to the following sentence, this Agreement shall be governed by, construed, interpreted and enforced in accordance with the laws of the state of California. If any amount contracted for, charged or received in connection with this Agreement constitutes interest or regulated time-price differential governed by, not exempt from, and in excess of amounts lawfully permitted, under California law (the "Subject Amount"), then (i) if the law of state in which Debtor resides (as indicated in Debtor's address above; the "Debtor's State") would permit the lawful contracting for, charging or receipt of any part of the Subject Amount, then the parties agree that the law of Debtor's State shall govern as to the contracting for, charging and receipt of such interest or regulated time-price differential and (ii) if clause (i) preceding is not applicable, Secured Party shall make any necessary adjustments so as to eliminate such excess. Debtor agrees to provide Secured Party advance written notice and an opportunity to cure pursuant to the preceding sentence any contract, charge or receipt claimed by Debtor to be unlawful; and Secured Party may calculate maximum lawful amounts by amortizing, prorating, allocating reallocating, discounting, treating months as equal intervals, and spreading in each case to the fullest extent permitted by applicable law. You consent to the non-exclusive jurisdiction of the federal and state courts located in the state of California in any action or proceeding relating to this Agreement, YOU WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH ACTION OR PROCEEDING, AND YOU WAIVE ANY RIGHT TO ASSERT THIS IS AN INCONVENIENT FORUM.

13. Miscellaneous: During the Term, you agree to provide us with all financial statements and copies of tax returns we may request. If we supply you with labels, you shall label any and all Collateral and shall keep the same affixed in a prominent place. If any provision hereof or any remedy herein provided is found to be invalid under any applicable law, the remaining provisions hereof, shall be given effect in accordance with the manifest intent hereof. The parties agree that each Payment includes interest. You agree that a waiver of breach will not be a waiver of any other subsequent breach, and that any delay or failure to enforce our rights under this Agreement does not prevent us from enforcing any rights at a later time. YOU AGREE THAT WE WILL NOT BE LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES FOR ANY DEFAULT BY US UNDER THIS AGREEMENT. Section headings are for convenience and are not a part of this Agreement. You agree that by providing us with an email address or telephone number for a cellular or other wireless device, you expressly consent to receiving communications including email, voice and text messages from us or our affiliates or assigns at that email address or telephone number, and this express consent applies to each such email address or telephone number that you provide to us now or in the future and permits such communications regardless of their purpose. These calls and messages may incur access fees from your internet or wireless provider. You agree that the original of this Agreement may be electronically duplicated and a copy hereof may be introduced in lieu of the original thereof and without further foundation. The parties hereto expressly waive the secondary evidence rule. You agree that this Agreement will be binding upon your successors, permitted assigns, heirs and legal representatives. You authorize us to complete any blank in this instrument or in any document executed or delivered in connection herewith that contemplates a date by inserting a date deemed appropriate by us. Time is of the essence with respect to your obligations hereunder. No term or provision of this Agreement may be amended, altered, waived or discharged except by a written instrument signed by both parties to this Agreement. Any formal notice given pursuant to this Agreement shall be deemed given 2 business days after being placed with the U.S. Postal Service, postage prepaid, addressed to the Debtor at its address set forth above, or to Secured Party at 23970 Hwy 59 N, Kingwood, TX 77339-1535, or such other address as a party may designate by written notice to the other. If Debtor constitutes more than one person, you agree that the liability of each such person hereunder is joint and several. Any restrictive endorsement on any check you give us in payment of any amount due hereunder shall be void. You may not prepay this Agreement without our prior written consent. A facsimile or other copy of this Agreement, as executed, shall be deemed the equivalent of the originally executed copy for all purposes. All amounts payable hereunder by you if not paid when due shall accrue interest at a rate of interest of 1.5% per month or the highest rate allowed by applicable law if less, from the due date thereof until received by us in cash and shall be payable on demand. This Agreement may be executed in separate counterparts which together shall constitute one and the same instrument. You agree this Agreement may be signed electronically pursuant to the Electronic Signatures in Global and National Commerce Act and other applicable law.

By signing below Debtor hereby irrevocably accepts the Collateral under this Agreement and irrevocably authorizes Secured Party to pay the supplier on behalf of the Debtor. The person executing this Agreement is authorized to do so, making this Agreement the valid and binding act of the Debtor.

Debtor Name:		**Accepted By:**	Ascentium Capital LLC
By:	⊠	**By:**	
Printed Name and Title:		**Printed Name and Title:**	Bryan Wheeler, Senior Vice President

GUARANTY: The undersigned ("you", "your", jointly and severally if more than one) unconditionally guarantees to Secured Party and its assigns the prompt payment and performance when due of all of the obligations of the Debtor under the Agreement and all related documents executed by the Debtor in connection with it (collectively with the Agreement, the "Agreements"). We shall not be obligated to proceed against the Debtor, the property being financed under the Agreements or enforce any other remedy before proceeding against you to enforce this Guaranty. Notwithstanding any changes made to the Agreements in the course of our dealings with the Debtor, this Guaranty will remain in effect with respect to the Agreements as so changed even if you are not notified of the changes and will remain in effect even if the Agreements or any of them are no longer enforceable against the Debtor. You waive all presentments, demand for performance, notices of protest, notices of dishonor, notices of acceptance of this Guaranty and all other notices to which you may have a right. You agree to pay us all the expenses incurred by us in enforcing this Guaranty. You may not assign this Guaranty without our written consent. This Guaranty shall be governed by, construed, interpreted and enforced in accordance with the laws of the state of California without reference to its principles of conflicts of laws. You consent to the non-exclusive jurisdiction of the federal and state courts located in the state of California in any action to enforce this Guaranty and you waive any right to assert this is an inconvenient forum. You consent to us conducting a credit evaluation of you from all sources, periodically updating it and sharing the results with others. This Guaranty may be executed in separate counterparts which together shall constitute one and the same instrument.

Guarantor Signature:	⊠	**Printed Name:**	
Guarantor Signature:		**Printed Name:**	

AUTHORIZATION FOR ACH PAYMENTS: Debtor authorizes Secured Party or Secured Party's successors and assigns to automatically initiate and make debit entry charges to Debtor's bank account indicated below for the payment of all amounts owed by you from time to time under the Agreement. This Authorization is to remain in effect during the Term of the Agreement Agreement. Any incorrect charge will be corrected upon notification to us, by either a credit or debit to Debtor's account.

Bank Name:		**Account Holder Name:**	
Account No:		**ABA No.:**	
Authorized Signature:	⊠	**Printed Name and Title:**	,

COMMENCEMENT AGREEMENT

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

Agreement No. _____

Date: March 6, 2017

You, the Customer, and Ascentium Capital LLC ("we", "us", "our") have entered into the above referenced equipment lease, equipment finance agreement, secured loan or similar agreement (which may be one or more schedules to a master agreement) ("Agreement") pursuant to which we will be financing the Equipment or Collateral as defined in and described in the Agreement (in either case "Equipment") as set forth in this Commencement Agreement ("CA"). The Equipment is being delivered at various times and the vendor or vendors of the Equipment have to be paid for each item of Equipment at or before its delivery to you. You agree to commence the initial non-cancelable term of the Agreement immediately even though items of Equipment remain to be delivered to and accepted by you from one or more vendors.

NOW THEREFOR, you and we hereby agree as follows:

1. The term of the Agreement will commence on the date of this CA, with the interim term commencing on the date set forth above and the initial term commencing as provided in the Agreement. You acknowledge and agree that notwithstanding the fact that not all items of Equipment have been delivered to and accepted by you as of the date set forth above, the terms and conditions of the Agreement, including your obligation to pay all amounts of rent or debt service set forth in the Agreement, shall commence immediately and, except as otherwise specifically set forth in this CA, irrevocably.

2. You agree to inspect and accept for purposes of the Agreement all undelivered items of Equipment immediately upon their delivery to you. If, when delivered, an item of Equipment is damaged or non-conforming, you agree to cause the vendor in question to repair and/or replace any such item of Equipment and you agree to immediately accept any conforming replacement and/or repaired Equipment for all purposes under the Agreement while continuing to meet all of your payment and other obligations under the Agreement.

3. All amounts anticipated to be disbursed by us on your behalf that have not been disbursed as of the date of this CA will be deemed disbursed by us into a separate holding account for your benefit ("Account"), the contents of which shall be debited by the amount of each subsequent disbursement to vendor(s) as contemplated by this CA. To secure your obligations to us under the Agreement and this CA, you hereby grant to us a security interest in the contents of the Account and any proceeds.

4. The Agreement contemplates a pro-rata adjustment to the payments owed by you under the Agreement in the event the purchase price of the Equipment and other amounts, if any, paid by us on your behalf are higher or lower than those on which the payments set forth in the Agreement are based. Following the delivery and acceptance of all items of Equipment set forth in the Agreement, we shall make any necessary adjustments to the payments as contemplated by the Agreement. You agree that we will have no liability to you in the event we determine to terminate the funding of any vendor because we have determined, in our sole discretion, that there has been a material adverse change in your creditworthiness from that on which we based our approval of the Agreement. In any circumstance contemplated by the preceding sentence, we will continue the Agreement with the Equipment accepted by you and funded by us as of the date we determine to terminate funding the Agreement and we will reduce the amount of each payment of rent or debt service you owe under the Agreement proportionally, taking into account the higher payments made by you up to the date of that determination and any balance in the Account shall revert to us.

5. This CA sets forth the entire agreement of the parties with respect to its subject matter and it may only be amended by a written instrument executed by you and us. In the event of a conflict between this CA and the terms of the Agreement, the terms of this CA shall govern and control, provided however, except as explicitly set forth in Section 4 above, nothing set forth in this CA shall be deemed to affect your obligation to pay and perform all of your obligations as set forth in the Agreement without setoff, abatement or counterclaim. This CA shall terminate and be of no further force and effect following your acceptance and our funding of the last item of Equipment being financed under the Agreement. This CA will be governed by and construed in accordance with the laws of the jurisdiction governing the Agreement.

You agree that a facsimile or other copy of this CA, as executed, shall be deemed the equivalent of the originally executed copy for all purposes.

CUSTOMER:		**SECURED PARTY:**	**Ascentium Capital LLC**
Signature:	⊠	**By:**	
Printed Name:		**Printed Name:**	Bryan Wheeler
Title:		**Title:**	Senior Vice President

DELIVERY AND ACCEPTANCE CERTIFICATE

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

Agreement No. _____

To: Ascentium Capital LLC

The undersigned hereby certifies: (i) that all of the property which is to be leased, financed or sold, as applicable, pursuant to the rental agreement, lease agreement, equipment finance agreement, note, security agreement, loan and security agreement, conditional sale agreement or similar document referenced above (which may be one or more schedules to a master agreement) (the "Agreement") between Ascentium Capital LLC as payee, lessor, lender, secured party or seller and the undersigned as renter, lessee, debtor, buyer or other obligor (the "Equipment"), has been delivered to, and received by, the undersigned, (ii) the Equipment conforms in all respects to that ordered by the undersigned, (iii) its condition is satisfactory in all respects to the undersigned and (iv) that the Equipment is accepted by the undersigned under the Agreement in all respects, and the undersigned hereby irrevocably directs Ascentium Capital LLC to pay the equipment suppliers the purchase price of the Equipment.

The undersigned agrees that a facsimile or other copy of this Delivery and Acceptance Certificate, as executed, shall be deemed the equivalent of the originally executed copy for all purposes. By executing this Delivery and Acceptance Certificate the undersigned irrevocably acknowledges and agrees that the undersigned's non-terminable installment payment and other obligations under the Agreement have commenced.

CUSTOMER: _____

Signature: _____

Printed Name: _____

Title: _____

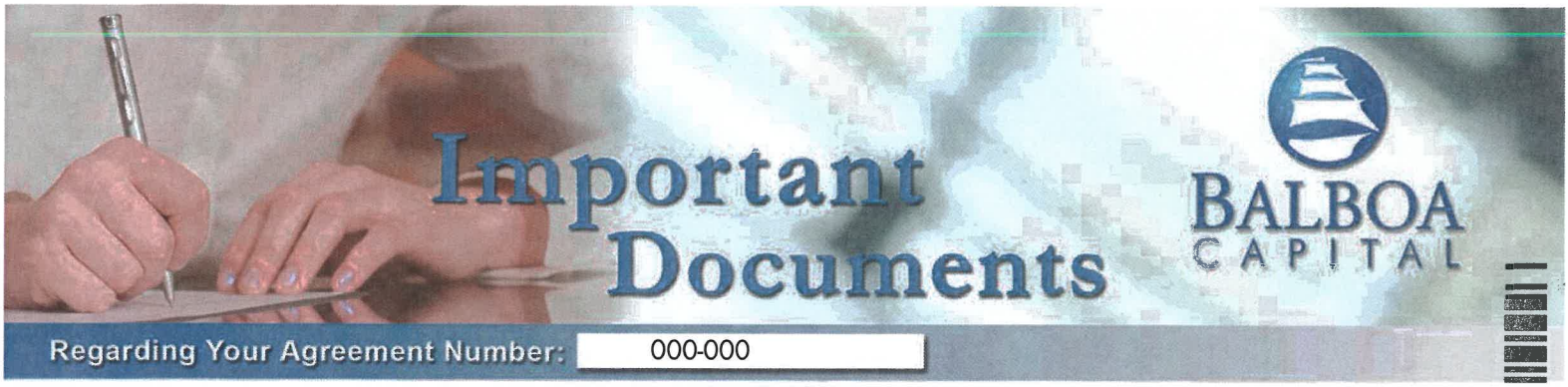
Date Signed: _____

AVANA CAPITAL

	SBA 504					CONVENTIONAL		BRIDGE	
	ACQUISITION & REFINANCE[1]		CONSTRUCTION & SBA INTERIM			ACQ. & REFI.	CONSTRUCTION	ACQUISITION & REFINANCE	
PURPOSE	*1st Mortgage*	*Interim 504 Loan*	*Construction Loan*	*Permanent 1st Mortgage*	*Interim 504 Loan*	*1st Mortgage*	*Construction Loan*	*1st Mortgage*	*Mezzanine*
AMOUNT [2]	Up to $15MM	$5MM Gross, or $5.5 Gross (SBA Green)	Up to $15MM	Up to $15MM	$5MM Gross, or $5.5 Gross (SBA Green)	Up to $15MM	Up to $15MM	Up to $15MM	Up to $10MM
RATE	5-year Swap + 4.25% Floor Rate of 6.50%	WSJ Prime + 3.00% Floor Rate of 7.50%	WSJ Prime + 3.00% Floor Rate of 7.50%	5-year Swap + 4.25% Floor Rate of 6.50%	WSJ Prime + 3.00% Floor Rate of 7.50%	2 year Swap + 5.00% Floor Rate of 7.75%	WSJ Prime + 3.00% Floor Rate of 7.50%	30 day LIBOR + 7.00% Floor Rate of 8.50%	30 day LIBOR + 8.00% Floor Rate of 9.50%
TERM & AMORTIZATION	10-year Term 25-year Amortization	3 to 12 months	3 to 24 months	10-year Term 25-year Amortization	3 months	3 years	3 to 24 months	6 to 24 months	
BUSINESS VERTICALS	- Hospitality - Self-Storage - Senior Healthcare - Multi-Use Assets: a. Industrial b. Medical Office c. Retail		- Hospitality - Self-Storage - Senior Healthcare - Multi-Use Assets: a. Industrial b. Medical Office c. Retail			- Hospitality - Self-Storage - Senior Healthcare - Multi-Use Assets: a. Industrial b. Medical Office c. Retail		- Hospitality - Self-Storage - Senior Healthcare - Multi-Use Assets: a. Industrial b. Medical Office c. Retail *Other property types on exception basis*	
LOAN TO VALUE/ COST	50% to 55%	Combined LTV 80% to 90%	Combined LTC 80% to 90%	50% to 55%	Combined LTV 80% to 90%	LTV 65%	LTC 65%	Combined 70%	
LOAN FEE	2.50% (0.50% to the SBA)	2.50%	2.50% (0.50% to the SBA)	Included in Construction Loan	Included in Construction Loan	2.00%		2.00%	
REPAYMENT	Monthly P&I via ACH	Monthly I/O via ACH	Capitalized Interest Reserve included in construction budget	Monthly P&I via ACH	Monthly I/O via ACH	Monthly I/O years one and two via ACH; beginning in year three, Monthly P&I based on 25-year amortization via ACH	Capitalized Interest Reserve included in construction budget	Monthly I/O via ACH	
ASSET MANAGEMENT FEE	N/A	N/A	0.50% of Loan Amount	Included in Construction Loan	Included in Construction Loan	N/A	0.50% of Loan Amount	0.50% of Loan Amount	
PREPAYMENT PENALTY	5%, 3%, 2% for years one through three, 1% thereafter. Annual 10% Prepayment allowance without penalty.	N/A	5.00% Exit Fee if loan is paid off before conversion to Permanent Loan with AVANA.	5%, 3%, 2% for years one through three, 1% thereafter. Annual 10% Prepayment allowance without penalty.	N/A	2% in year one, 1% thereafter.	5.00% Exit Fee if loan is paid off before conversion to Permanent Loan with AVANA.	1.00% Exit Fee at the time of payoff.	

(1) Cash out may be allowed on SBA 504 Refinance on a deal by deal basis.
(2) Ability to fund higher Loan Amounts on an exception basis.

BALBOA CAPITAL CORPORATION



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.

BALBOA CAPITAL

EQUIPMENT FINANCING AGREEMENT (Page 1 of 2)

Agreement # 000-000

Debtor Information

Business Name:	Business Address:	Collateral Location:
Example Docs LLC	**43RD ST** **Owatonna, MN 55060**	**(if different than billing address of Debtor)**
Business Phone: **9495533480** Business Tax ID#:		

Full Description Of Collateral Including Model, Serial Numbers:	Equipment Cost:	**Initial Payment** (Check For This Amount Must Accompany Agreement)
As delineated on Exhibit "A", attached hereto and made a part hereof.	**$100,000.00**	SECURITY DEPOSIT: $0.00 FIRST PAYMENT: $1,909.98 LAST PAYMENT: $1,919.98
Monthly Payment: **$1,909.98**	Initial Payment Date:	Loan Fee: $0.00
Loan Term In Months: **60**		**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: _____ sign Vice President	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".

BALBOA CAPITAL

DISBURSEMENT AUTHORIZATION

TO: Balboa Capital Corporation

The undersigned hereby certifies that all the property described below (the "Equipment"), which is to be financed for the undersigned pursuant to the Equipment Financing Agreement No. 000-000 dated as of _____, (the "Agreement") between **Balboa Capital Corporation** and the undersigned, as Debtor, has been furnished to the undersigned, that delivery and installation has been fully completed and that the Equipment is acceptable in all respects to the undersigned.

In view of the above, the undersigned hereby authorizes and requests you to pay for the Equipment in accordance with the terms of any purchase orders the undersigned may have issued for the same and/or to pay the undersigned the advance amount to the extent the undersigned has previously paid for the Equipment, as appropriate. The undersigned acknowledges that you are relying upon this executed Delivery and Acceptance Certificate in so doing. Debtor hereby authorizes Creditor to disburse the Total Advance as follows:

Payee Name	Amount
Example Vendor	$100,000.00
Total Amount to be Disbursed	$100,000.00

EQUIPMENT - SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

The undersigned recognizes that by executing this Delivery and Acceptance Certificate the undersigned's non-terminable installment payment obligation under the Agreement will commence. The undersigned reaffirms its understanding that the Agreement is solely a financing agreement and that, accordingly, you have made no express warranties as to the Equipment of any other matter and that there are no related implied warranties created by law and further that, accordingly, the undersigned's obligation to pay amounts due under the Agreement will not be affected by any problems the undersigned experiences with the Equipment or any similar or dissimilar occurrence as also set forth in the Agreement.

Date Equipment accepted by Debtor *("Acceptance Date")*

_____ (Date)

I hereby authorize _____ to orally verify my/our acceptance of the equipment subject to Equipment Finance Agreement # 000-000 in my absence

"Delivery of this document bearing a facsimile signature or signatures shall have the same force and effect as if the document bore an original signature."

Debtor Name: Example Docs LLC

sign

By: _____

Name: John Johnson

Title: Managing Member

Date: 03/05/14

EFA302

BALBOA CAPITAL

EXHIBIT 'A'
EQUIPMENT DESCRIPTION

The following invoice(s) are referenced, and hereby incorporated, for the purpose of describing the equipment subject to Equipment Financing Agreement ("Agreement") Number **000-000**. By signing below, I, the debtor, acknowledge that I choose to finance the equipment listed on the invoice(s) per the payment schedule and the terms and conditions set out in the agreement, which is the governing document to this equipment financing regardless of the price and terms (if any) indicated on the invoice(s).

EQUIPMENT DESCRIPTION	INVOICE #	INVOICE DATE	VENDOR NAME

Equipment Financing Agreement Number 000-000

Debtor Name Example Docs LLC

sign **By:** _____

Name: John Johnson

Title: Managing Member

Date: 03/05/14

"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."

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 — **Name**

03/05/14 — **Date**

S. Oak Ave

Owatonna, MN 55060

Home Street Address, City, State, Zip Code

111111111 — **Social Security Number**

_____ — **Phone Number**

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 o
___ _____ 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.

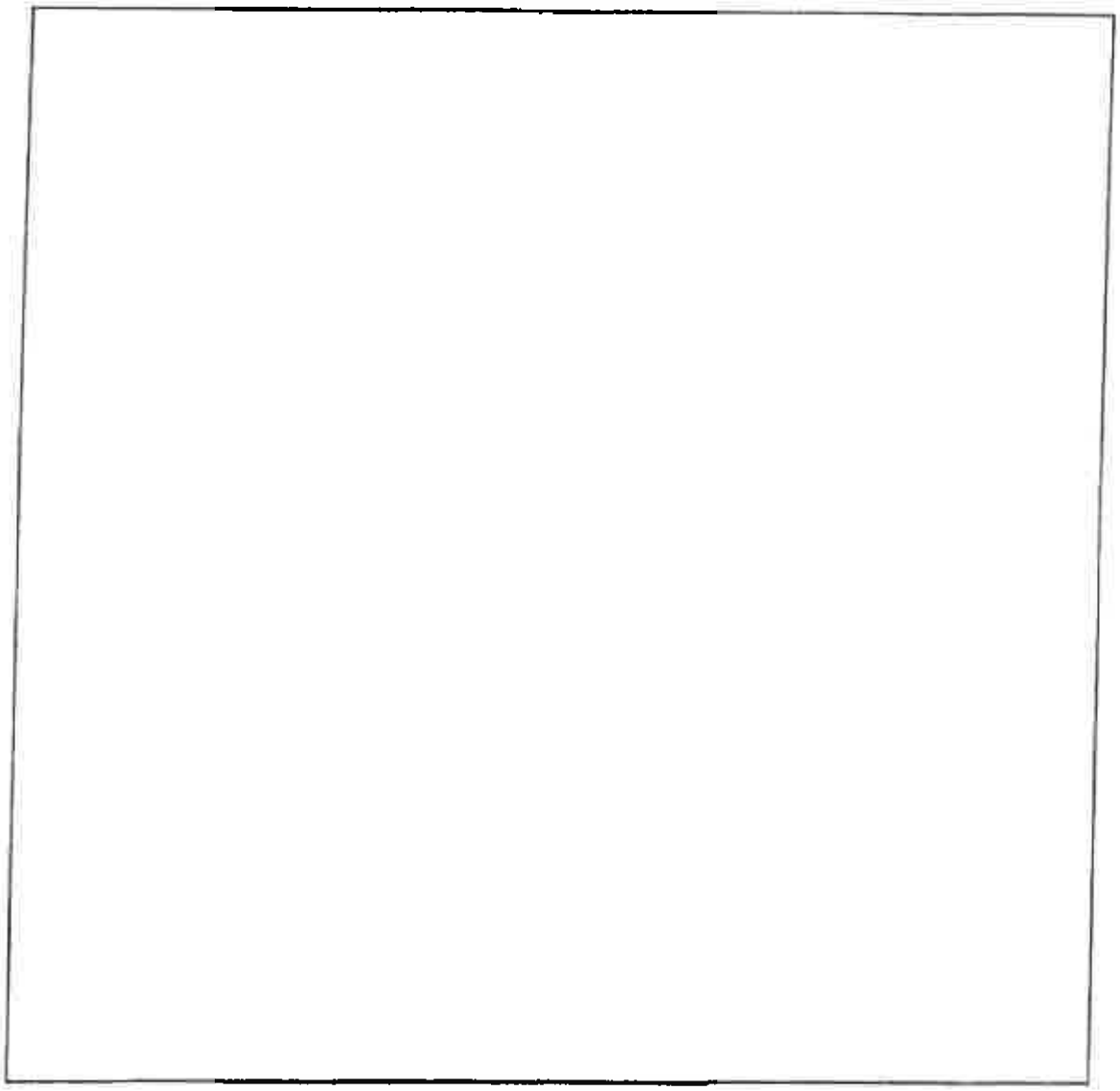
G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that Lender did not obtain any guarantee; did not obtain, perfect, or maintain 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.



FUNDATION GROUP, LLC

THIS BUSINESS LINE OF CREDIT AGREEMENT (the "Agreement") dated (DATE), is made between (BUSINESS NAME) (the "Borrower") and Fundation Group LLC (the "Lender") for and in consideration of the Line of Credit and the mutual promises and agreements contained herein.

Primary Terms:

Line of Credit: Lender will make available to Borrower a term Line of Credit with a commitment amount of $00,000.00 (FACILITY SIZE) (the "Credit Limit"). The amount of principal outstanding at any one time will not exceed the Credit Limit. Lender may reduce the Credit Limit at any time in its sole discretion.

Draws: Lender may allow Borrower to take a draw (each a "Draw") from time to time during the term hereof in such amounts as may be requested by Borrower in accordance with the provisions hereof. A request for a Draw may be made by Borrower in such amounts as Borrower chooses, provided that no request will be approved by Lender if the requested amount (i) is less than $5,000, or (ii) would cause the Outstanding Principal Balance (defined below) to exceed the Credit Limit. Requests may be made to Lender orally or through an online customer portal that Lender will make available to Borrower. Draws will be made within two (2) business days of Lender's receipt of the Draw request directly into Borrower's bank account as designated by Borrower to Lender in writing from time to time (the "Borrower Account"). Draws shall be used for working capital or other business purposes and shall not be used for any personal, family or household purpose. "Outstanding Principal Balance" shall mean the aggregate amount of all Draws made by Lender to Borrower hereunder, less all repayments thereof.

Draw Fee: A fee of two percent (2.00%) of the amount of the Draw requested will be charged to Borrower for each Draw. Lender will deduct such fee from the Draw made to Borrower.

Closing Fee: A closing fee of five hundred dollars ($500.00) [is waived by Lender] [will be due from Borrower on the date of Borrower's first Draw. Lender will deduct such fee from the first Draw].

Termination: Lender may terminate the Borrower's right to obtain Draws at any time and for any reason. If the Borrower's right to obtain Draws is terminated, Borrower will remain obligated to pay all amounts outstanding under this Agreement. Borrower may request that Lender terminate this Agreement at any time there are no amounts outstanding under the Agreement.

Interest Rate: 0.00%; the interest rate is subject to reduction or increase by Lender. Lender may increase the interest rate (i) upon ninety (90) days' notice to Borrower, in Lender's sole discretion, based on its periodic review of (a) Borrower's payment history, (b) Borrower's creditworthiness, and/or (c) the prevailing market interest rates; (ii) upon the occurrence of an Event of Default; or (iii) if Lender no longer receives payments by ACH debits from Borrower Account. Interest rate increases pursuant to subsection (i) of this section will apply to all principal amounts outstanding only if and when Borrower takes a Draw on or following the effective date of a rate increase. Interest rate increases pursuant to subsections (ii) and (iii) of this section will apply to all principal amounts outstanding and will take effect as otherwise set forth in this Agreement.

Payments and Interest Calculation: Borrower must make a minimum monthly payment of principal and interest each month that there is an Outstanding Principal Balance. The first payment shall be due on the date that is one month from the date a Draw is funded by Lender ("First Payment Date"). Subsequent payments shall be due every month thereafter (the "Payment Due Dates") until all amounts owed to Lender are paid in full in accordance with this Agreement. For any Draw funded on the last day of a month, the First Payment Date and the Payment Due Dates shall be the last day of subsequent months. If the First Payment Date or a Payment Due Date is not a business day, payment will be due on the next succeeding business day. Outstanding principal and interest will be amortized over eighteen (18) months from the First Payment Date. If Borrower takes subsequent Draws during any period in which there is an Outstanding Principal Balance, interest on the subsequent Draw will be calculated from the funding date of such Draw to the next Payment Due Date based on the average daily balance of the amount of the Draw for each day in the period and such interest will be included in the minimum payment due on the next Payment Due Date. At the next Payment Due Date all outstanding principal and interest will then be amortized over eighteen (18) months. Borrower authorizes Lender to withdraw the minimum monthly payment amount from the Borrower Account as long as there are any amounts remaining unpaid under this Agreement. Payments will be applied in the following order of priority unless otherwise agreed by the Borrower and Lender: (1) collection costs incurred by the Lender, (2) fees, (3) past due interest, (4) current interest, (5) past due principal, and (6) current principal. Any request by the Borrower to change the Payment Due Dates may be approved or denied by Lender in Lender's sole discretion.

ACH Authorization: Borrower irrevocably authorizes Lender to debit or otherwise withdraw (via the ACH system, electronic checks, wires or otherwise) the minimum monthly payment and any other payments, fees, costs, charges or other amounts Lender is entitled to receive hereunder, directly from the Borrower Account and Borrower shall not revoke or cancel such authorization until such time as all of the Indebtedness of Borrower to Lender has been paid in full.

In consideration of the foregoing ACH debit authorization, the base interest rate set forth above reflects a discount of two percent (2.00%) per annum, which discount shall continue to be applied for so long as Lender is authorized by Borrower to automatically debit the Borrower Account for amounts due under this Agreement.

In the event that Borrower's financial institution rejects one or more ACH debits, Lender may in its sole discretion terminate automatic ACH debiting of Borrower's Account and the interest rate set forth above shall automatically be increased by two percent (2.00%). In such event, Borrower shall be responsible for timely delivery to Lender of all payments due under this Agreement.

Guarantor Information

Borrower shall deliver to Lender executed guaranties of the Indebtedness in favor of Lender, executed by the guarantor(s) named below. Each such Guaranty shall be in such form as Lender may approve.

Name of Guarantor	Amount
(PG NAME)	**Unlimited**

Additional Terms

Prepayments: Borrower shall have the right to prepay, in whole or in part, the Outstanding Principal Balance at any time without penalty. Each such prepayment will be applied in the following order of priority: (1) to collection costs incurred by the Lender, (2) fees, (3) past due interest, (4) current interest, (5) past due principal, and (6) current principal.

Fees: Borrower agrees to pay the following fees in addition to the Draw fee:

- If a payment is not paid within seven (7) days after the date when due, Borrower shall pay a late fee equal to three percent (3.00%) of the unpaid portion of the minimum monthly payment.
- Borrower shall pay a fee to Lender of twenty dollars ($20.00) if Borrower makes a payment pursuant to this Agreement and such payment is rejected by Borrower's financial institution.

Interest and Fees Intended To Comply With Applicable Law: If pursuant to the terms of this Agreement, Borrower is at any time obligated to pay interest at a rate in excess of the maximum interest rate permitted by applicable law or a fee that is greater than permitted by applicable law, the applicable interest rate or fee shall be immediately reduced to such maximum rate or fee and all previous payments in excess of the maximum rate or fee shall be deemed to have been payments in reduction of principal and not on account of the interest or fee due.

Electronic Communications: Borrower agrees to conduct business with Lender electronically and that the federal Electronic Signatures in Global and National Commerce Act applies to the parties' conduct including this Agreement. Further, Borrower agrees that no certification authority or other third party verification is necessary to validate Borrower's actions including electronic signatures and that the lack of such certification or third party verification will not in any way affect the enforceability of Borrower's actions including signature or any resulting contract between Borrower and Lender. Borrower agrees to allow Lender to deliver disclosures, notices, documents and information electronically to Borrower. Borrower acknowledges that many electronic communications sent and received over the Internet can and are intercepted by unauthorized recipients, beyond the control of Lender. By authorizing the delivery of disclosures, notices, documents and other information electronically, Borrower understands and agrees that, to the extent permitted by applicable law, Lender will not be liable for any damages incident to the unauthorized receipt of electronic communications sent by Lender or received from Borrower.

Indemnification by Borrower: Borrower shall indemnify, defend and hold Lender and its directors, officers, employees, agents and attorneys (each an "Indemnitee") harmless of and from any claim brought or threatened against any Indemnitee by any person, including, without limitation, Borrower or any Guarantor or any endorser of the obligations under this Agreement (as well as from reasonable attorneys' fees and expenses in connection therewith) on account of Lender's relationship with Borrower or any Guarantor or endorser of the obligations under this Agreement (each of which may be defended, compromised, settled or pursued by Lender with counsel of Lender's election, but at the expense of Borrower), except for any claim that is adjudicated in a final decision not subject to further appeal to have been caused by the gross negligence or willful misconduct of Lender. This indemnification shall survive payment of the obligations under this Agreement and/or any termination, release or discharge executed by Lender in favor of Borrower.

Borrower Representations and Obligations

Use of Proceeds. Borrower agrees that Draws provided by Lender under this Agreement are for Borrower's business operations only and Borrower shall not use any part of any Draw for personal, family or household purposes.

Organization. Borrower is duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it was organized. Borrower is duly authorized to transact business in all states in which Borrower is doing business, having made all necessary filings, and obtained all necessary governmental licenses and approvals for each state in which Borrower is doing business. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all applicable laws that apply to Borrower and Borrower's business activities.

Authorization. Execution and performance of this Agreement by Borrower have been duly authorized by all necessary action on the part of Borrower. Execution of this Agreement (x) does not conflict with, (y) would not

result in a violation of, and (z) does not constitute a default under (1) any provision of (a) Borrower's articles of incorporation or bylaws or other organizational documents, or (b) any agreement or other instrument binding upon Borrower or Borrower's properties or (2) any applicable law or court order applicable to Borrower or Borrower's properties.

Legal Effect. This Agreement is a valid and binding obligation of and enforceable against Borrower in accordance with its terms.

Financial Information. The application for the Line of Credit and each of Borrower's financial statements, if any, furnished to Lender truly and completely disclosed Borrower's financial condition as of the date of such application or of such financial statements (as applicable) and there has been no material adverse change in Borrower's financial condition subsequent to such date. Borrower has no material contingent obligations except as disclosed in such application and financial statements, if applicable.

Outstanding Indebtedness. Borrower has no material contingent obligations except as disclosed in such application and financial statements, if applicable.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred, which may materially adversely affect Borrower's financial condition.

Taxes. All of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided. Borrower has disclosed to Lender in writing any taxes, assessments and other government charges presently being or to be contested by Borrower. No tax lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

Borrower Authorization. Borrower authorizes Lender to obtain credit bureau reports on Borrower and each guarantor (i) in order to evaluate Borrower's eligibility for the credit requested, and (ii) from time to time in Lender's sole discretion while this Agreement remains in effect. Borrower authorizes Lender to exchange information about Borrower and each Guarantor and their obligations under this Agreement or any Guaranty with one another and with Borrower references, other businesses (including affiliates of Lender), purchasers or potential purchasers of any interest in the amounts owed under this Agreement, and credit reporting agencies. Borrower shall furnish such information on the business, assets, and financial condition of Borrower as Lender may reasonably request from time to time.

Change in Business. Borrower shall not, without Lender's prior written consent, (i) engage in any business activities substantially different from those in which Borrower is currently engaged, or (ii) cease operations, dissolve, liquidate, consolidate with any entity, change its name (other than its trade name), or transfer or sell substantially all of its assets outside of the ordinary course of business.

Change in Business Location. Borrower represents that its business is located in the state set forth in the loan application. Borrower shall provide written notice to Lender prior to relocating its business or any assets to a different state.

Additional Indebtedness. Until all amounts outstanding under this Agreement are paid and the Agreement has been terminated, Borrower will be permitted to incur additional indebtedness only in the form of (a) trade debt incurred in the normal course of business; (b) debt issued pursuant to a U.S. Small Business Administration sponsored loan program; (c) debt underwritten, originated, serviced and administered by a State- or nationally-chartered commercial bank; or (d) any other indebtedness up to 15% of the Credit Limit. For purposes of subsection (d) of this section, "indebtedness" includes merchant cash advance products, a sale of future receivables or other similar payment contracts.

Dividends or Distributions. Borrower shall not, without Lender's prior written consent, pay any dividends or make any distribution in cash or property on any class of Borrower's equity interests (including its capital stock), or redeem, purchase or otherwise acquire, directly or indirectly, any such equity interest, except that, so long as Borrower is not in default under this Agreement, Borrower may (i) declare and distribute to its shareholders, partners or members, share or security dividends payable in the same class of security as the equity interest on which the dividend is declared, and (ii) pay dividends/distributions to, or make redemptions/purchases from, its shareholders, partners or members in such amounts as will not, either individually or in the aggregate, materially adversely affect Borrower's financial condition or its ability to make any scheduled payments under this Agreement.

Additional Assurances. Borrower shall make, execute and deliver to Lender such promissory notes, security agreements, account control agreements, assignments, financing statements, instruments, documents, approvals, consents and other agreements as Lender or its attorneys may reasonably request to (i) evidence and secure the amounts owed under this Agreement, (ii) perfect all security interests, (iii) verify the identity of Borrower and Guarantor(s) in accordance with applicable law, (iv) facilitate the ACH debit of Borrower's Account, and (v) correct any drafting errors in the Agreement, the

Commercial Guaranty and the Commercial Security Agreement.

Events of Default

Payment Default. Borrower fails to make any payment to Lender when due and such failure continues for seven (7) days.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Guarantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement in favor of any other creditor or person.

False Statements. Any warranty, representation or statement made to Lender by Borrower or on Borrower's behalf under this Agreement is false or misleading in any material respect.

Insolvency. The dissolution, termination or insolvency of Borrower or any Guarantor or the death of any principal of Borrower or any Guarantor, including the appointment of a receiver for any part of such party's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against any such party.

Defective Collateralization. This Agreement ceases to be in full force and effect (including failure of any security agreement to create a valid and perfected security interest or lien on all property and assets granted as collateral security in the form of a security interest for this Line of Credit) at any time and for any reason.

Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, against Borrower or any Guarantor or by any governmental agency against any Collateral securing the Indebtedness. This includes a garnishment of any of Borrower's accounts, including the Borrower Account.

Change in Business Activities or Operations. A material adverse change occurs in the operations, business, property, condition (financial or otherwise), operating results, or prospects of Borrower or any Guarantor.

Change in Ownership. Any change in ownership, in one or more transactions, that results in a change of ownership of forty percent (40%) or more of any class of equity of Borrower without the prior written consent of Lender.

If any Event of Default occurs Lender may increase the interest rate under this Agreement to a Default Rate of interest equal to the lower of (i) the then current interest rate in effect under this Agreement plus 4.00% or (ii) the maximum interest rate permitted under applicable law. If Lender elects to increase the interest rate to the Default Rate, the Default Rate will begin to accrue on the date such Event of Default first occurred and continue to apply until such Event of Default has been cured or waived or all amounts outstanding under this Agreement have been paid in full.

Upon the occurrence of any Event of Default, except where otherwise provided in this Agreement, all commitments and obligations of Lender under this Agreement or any other agreement between Lender and Borrower will terminate immediately and, at Lender's option, all Indebtedness will become immediately due and payable, all without notice of any kind to Borrower or any Guarantor, except in the case of an Insolvency of Borrower or any Guarantor, such acceleration shall be automatic and not optional. In addition, Lender may exercise any and all other rights and remedies available at law, in equity or otherwise. An election to make expenditures or to take action to perform an obligation of Borrower or of any Guarantor shall not affect Lender's right to accelerate the Indebtedness and otherwise to exercise its rights and remedies.

Governing Law

ALL PARTIES TO THIS AGREEMENT HEREBY WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY.

If Borrower's principal place of business is in California: This Agreement shall be governed by and construed in accordance with applicable federal law and (to the extent not preempted by federal law) the laws of the State of California, without regard to the conflicts of law provisions thereof, and the Line of Credit shall be deemed made pursuant to and under the authority of a license issued under the California Finance Lenders Law. Borrower and Lender agree that any action or proceeding (whether in contract, tort or otherwise) arising out of or in connection with this Agreement shall be commenced exclusively in a court of competent jurisdiction in Orange County, California or in U.S. District Court for the Central District of California, Southern Division, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Borrower, or as otherwise provided by the laws of the State of California or the United States of America. Borrower and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which

such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

If Borrower's principal place of business is not in California: This Agreement shall be governed by and construed in accordance with applicable federal law and (to the extent not preempted by federal law) Virginia law, without regard to its conflict of laws principles. Borrower understands and agrees that (i) Lender is located in Virginia, (ii) Lender makes all credit decisions from Lender's office in Virginia, (iii)) this Agreement is formed and fully binding only when Lender receives Borrower's signed Agreement and fully executes it in Virginia, and (iv) Lender does not accept Borrower's payments until Lender receives the payments in Virginia. Borrower and Lender agree that any action or proceeding (whether in contract, tort or otherwise) arising out of or in connection with this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced exclusively in a court of competent jurisdiction in Fairfax County, Virginia or in U.S. District Court for the Eastern District of Virginia, Alexandria Division, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Borrower, or as otherwise provided by the laws of the Commonwealth of Virginia or the United States of America. Borrower and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

Miscellaneous Provisions

Amendments. This Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the parties sought to be charged or bound by the alteration or amendment. THIS IS THE FINAL EXPRESSION OF THE AGREEMENT BETWEEN LENDER AND BORROWER AND SUCH WRITTEN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR ORAL AGREEMENT OR OF A CONTEMPORANEOUS ORAL CREDIT AGREEMENT BETWEEN LENDER AND BORROWER.

Attorneys' Fees; Expenses. Borrower agrees to pay upon demand all of Lender's costs and expenses incurred in enforcing this Agreement. Such costs and expenses include Lender's (i) reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses incurred in connection with bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services and (ii) direct internal costs and costs incurred in connection with hiring third parties to collect amounts owed by Borrower under this Agreement.

Consent to Assignment and Participation. Borrower agrees and consents to Lender's sale or transfer of all or any portion of the amounts outstanding under this Agreement or one or more participation interests in such amounts to one or more purchasers, whether related or unrelated to Lender. Borrower also agrees that the purchasers of any interest in the amounts outstanding under this Agreement will have all the rights granted under the assignment or participation agreement or such other agreements governing the sale of such interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of any such interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under this Agreement irrespective of the failure or insolvency of any holder of any such interest. Borrower further agrees that the purchaser of such interest may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Indebtedness. As used in this Agreement, the word "Indebtedness" means the aggregate of the Outstanding Principal Balance, all accrued unpaid interest thereon, all fees payable by Borrower to Lender, and all collection costs and legal expenses related thereto (including reasonable attorneys' fees) that are incurred by Lender and are permitted by applicable law, arising under this Agreement.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by applicable law, the illegality, invalidity or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Subsidiaries and Affiliates of Borrower. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to

assign any of Borrower's rights or obligations under this Agreement or any interest therein, without the prior written consent of Lender.

Notices. All notices and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party when (a) delivered to the address of the party by hand or by a nationally recognized courier service or (b) sent by e-mail, in each case to the following addresses or e-mail addresses designated below (or to such other address, facsimile number or e-mail address as a party may designate by notice to the other parties):

(BUSINESS NAME
(BUSINESS ADDRESS
(CITY, STATE, ZIP)

Fundation Group LLC
11501 Sunset Hills Rd
Suite 100
Reston, VA 20190
customer@fundation.com

Each party hereto agrees that service of process upon such party at the address referred to above, together with written notice of such service to such party, shall be deemed effective service of process on such party.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LINE OF CREDIT AGREEMENT AND BORROWER AGREES TO ITS TERMS.

(BUSINESS NAME)

By: _____
Name: (PG NAME
Title: (TITLE OF PG)

Date: _____

FUNDATION GROUP LLC

By: _____
Title: Authorized Signatory

Date: _____

COMMERCIAL GUARANTY

As an inducement to Lender to enter into the Business Line of Credit Agreement, dated (DATE) between Lender and (BUSINESS NAME) (the "Agreement"), the business principal or other person that signs this Commercial Guaranty (the "Guarantor") hereby unconditionally guarantees to Lender the performance by the Borrower of its obligations under the Agreement. Without limitation to the foregoing, the Guarantor hereby agrees to pay to Lender promptly when due, or upon demand, without deduction for any claim of setoff or counterclaim of the Borrower or any other defense, the full amount of all Indebtedness due to Lender from the Borrower, together with all expenses of collection and reasonable attorney fees incurred by Lender by reason of any default of the Borrower under the Agreement, whether or not a lawsuit is filed. This is a guaranty of payment and not of collection, and in case the Borrower fails to pay any Indebtedness when due, the Guarantor agrees to make such payment punctually as and when the same shall become due, whether at stated maturity, by acceleration or otherwise, and as if such payment were made by the Borrower.

The Guarantor hereby waives any and all defenses that may be available to guarantors at law or in equity, and any and all defenses, claims and discharges of the Borrower or any other obligor pertaining to the Indebtedness, except, in each case, the defense of discharge by payment in full. The Guarantor also waives, to the extent applicable, any rights afforded to the Guarantor under Virginia Code Sections 49-25 and 49-26 to require Lender to sue the Borrower. The Guarantor also consents to and waives notice of all changes of terms, the withdrawal or extension of credit or time to pay, the release of the whole or any part of the Indebtedness, the settlement or compromise of defaults or disputes, any arrangements or settlements made in or out of court in the event of bankruptcy, reorganization, arrangement or assignment for the benefit of creditors of the Borrower, and any other matter whatsoever which may be done or waived by or between Lender and the Borrower. The Guarantor agrees that he/she shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Indebtedness, whether or not the liability of the Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision.

The obligation of the Guarantor hereunder is a primary and unconditional obligation and covers all existing and future Indebtedness of the Borrower to Lender. This obligation shall be enforceable before or after proceeding against the Borrower or any other person or against any security held by Lender and shall be effective regardless of the solvency or insolvency of the Borrower at any time, the extension or modification of the Indebtedness of the Borrower by operation of law, or the subsequent reorganization, merger, or consolidation of the Borrower, or any other change in the Borrower. Guarantor agrees that the Indebtedness, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower.

This Commercial Guaranty will take effect when Lender approves the Agreement and will remain in force until all Indebtedness is paid in full. If any payment applied by Lender to the Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Borrower or any other obligor), the Indebtedness to which such payment was applied shall for the purposes of this Commercial Guaranty be enforceable as fully as if such application had never been made.

All liabilities of the Borrower and of the Guarantor shall mature immediately upon the insolvency of the Borrower, the inability of the Borrower to meet its obligations as they become due, the appointment of a receiver, custodian or trustee for the Borrower or any of its property, the filing of a voluntary or involuntary petition by or against the Borrower for relief in bankruptcy, reorganization, or arrangement, the making of an assignment by the Borrower for the benefit of creditors, or the calling of a meeting of creditors by the Borrower, or if any of these events occur with respect to the Guarantor.

The Guarantor agrees that Lender in its discretion may obtain credit bureau reports on the Guarantor in order to evaluate the Borrower's eligibility to receive Draws under the Agreement or the Guarantor's ongoing ability to meet obligations under this Guaranty. The Guarantor also agrees that Lender may provide any information about the Guarantor and his/her obligations under this Commercial Guaranty to other businesses (including affiliates of Lender), purchasers or potential purchasers of any interest in amounts due under the Agreement and credit reporting agencies and may confirm any information provided by or about the Guarantor from any source.

Lender's records regarding the Agreement between Lender and the Borrower shall be admissible in evidence in any action or proceeding involving this Commercial Guaranty and such records shall be prima facie proof of the items therein set forth.

Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and legal expenses and fees and expenses of other third party agents, incurred in connection with the enforcement of this Commercial Guaranty.

Waiver of Homestead Exemption. To the extent applicable, Guarantor waives the benefit of the homestead exemption to this obligation as set forth in Va. Code Ann. § 34-4.

This Commercial Guaranty shall be binding upon the Guarantor, his or her legal representatives, and assigns, and shall inure to the benefit of Lender and its successors and assigns. Capitalized terms not defined in this Commercial Guaranty shall have the meanings provided in the Agreement.

ALL PARTIES TO THIS AGREEMENT HEREBY WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY.

If Borrower's principal place of business is in California: This Agreement shall be governed by and construed in accordance with applicable federal law and (to the extent not preempted by federal law) the laws of the State of California, without regard to the conflicts of law provisions thereof, and the Line of Credit shall be deemed made pursuant to and under the authority of a license issued under the California Finance Lenders Law. Borrower and Lender agree that any action or proceeding (whether in contract, tort or otherwise) arising out of or in connection with this Agreement shall be commenced exclusively in a court of competent jurisdiction in Orange County, California or in U.S. District Court for the Central District of California, Southern Division, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Borrower, or as otherwise provided by the laws of the State of California or the United States of America. Borrower and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

If Borrower's principal place of business is not in California: This Agreement shall be governed by and construed in accordance with applicable federal law and (to the extent not preempted by federal law) Virginia law, without regard to its conflict of laws principles. Borrower understands and agrees that (i) Lender is located in Virginia, (ii) Lender makes all credit decisions from Lender's office in Virginia, (iii)) this Agreement is formed and fully binding only when Lender receives Borrower's signed Agreement and fully executes it in Virginia, and (iv) Lender does not accept Borrower's payments until Lender receives the payments in Virginia. Borrower and Lender agree that any action or proceeding (whether in contract, tort or otherwise) arising out of or in connection with this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced exclusively in a court of competent jurisdiction in Fairfax County, Virginia or in U.S. District Court for the Eastern District of Virginia, Alexandria Division, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Borrower, or as otherwise provided by the laws of the Commonwealth of Virginia or the United States of America. Borrower and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

Notices. All notices and other communications required or permitted by this Commercial Guaranty shall be in writing and shall be deemed given to a party when (a) delivered to the address of the party by hand or by a nationally recognized courier service or (b) sent by e-mail, in each case to the following addresses or e-mail addresses designated below (or to such other address, facsimile number or e-mail address as a party may designate by notice to the other parties):

(PG NAME)
(PG ADDRESS)
(CITY, STATE, ZIP)
(PG EMAIL ADDRESS)

Fundation Group LLC
11501 Sunset Hills Rd
Reston, VA 20190
customer@fundation.com

Each party hereto agrees that service of process upon such party at the address referred to above, together with written notice of such service to such party, shall be deemed effective service of process on such party.

GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERICAL GUARANTY AND GUARANTOR AGREES TO ITS TERMS.

GUARANTOR:
(PG NAME)

_____

Date: _____

THIS COMMERCIAL SECURITY AGREEMENT (as amended or modified from time to time together with all exhibits and schedules attached to this Commercial Security Agreement from time to time, the "Security Agreement") dated February 13, 2019, is made and executed by (BUSINESS NAME) ("Grantor") in favor of Fundation Group LLC ("Lender"), pursuant to the terms of that certain Business Line of Credit Agreement between Borrower and Lender, dated the date hereof (the "Agreement").

For valuable consideration, Grantor grants to Lender a first priority security interest in the Collateral to secure the payment of the Indebtedness including the principal, fees and interest and any and all other liabilities of Grantor to Lender under the Agreement, whether now existing or hereafter arising and whether absolute or contingent. As used herein, the term "Collateral" includes all right, title, and interest of Grantor, whether now owned or existing or hereafter created, acquired, or arising, in and to all of the following: (A) accounts, (B) chattel paper, (C) instruments, (D) documents, (E) general intangibles, (F) letter of credit rights, (G) supporting obligations; (H) deposit accounts; (I) investment property; (J) inventory; (K) equipment; and (L) fixtures; together with (1) all supporting obligations, evidence and documents relating to any such property, (2) all accessions and additions to, and substitutions and replacements of, any and all of such property, and (3) any and all proceeds and products of the foregoing. As used herein, "UCC" shall refer to either the Uniform Commercial Code of the Commonwealth of Virginia or the State of California, as applicable. If the Grantor's principal place of business is not in California, then all terms which are used in this Security Agreement which are defined in the UCC of the Commonwealth of Virginia as in effect from time to time shall have the same meanings as such terms are defined in the UCC, unless this Security Agreement shall otherwise specifically provide. If the Grantor's principal place of business is in California, then all terms which are used in this Security Agreement which are defined in the UCC of the State of California as in effect from time to time shall have the same meanings as such terms are defined in the UCC, unless this Security Agreement shall otherwise specifically provide. All capitalized terms not defined in this Security Agreement shall have the meanings provided in the Agreement.

Grantor authorizes Lender to file, or cause to be filed by an agent acting on behalf of Lender, any statement or other instrument in respect of this Security Agreement to evidence or perfect the security interest of Lender in the Collateral, including Uniform Commercial Code financing statements, which may describe the Collateral as "all assets" or "all personal property" or words of like meaning, and may list Lender or Lender's agent, as representative, as the secured party. Grantor will at its expense protect and defend Lender's interest in the Collateral against persons claiming against or through Grantor, at all times keeping the Collateral free from any legal process, lien or encumbrance and shall give Lender immediate written notice of any claim as to the foregoing and will indemnify Lender from any loss caused thereby. Grantor will, upon Lender's request, from time to time execute or obtain from third parties and deliver to Lender such further instruments and assurances as Lender deems necessary or advisable for the confirmation or perfection of the Lender's security interest hereunder. Grantor agrees to provide Lender access to Grantor's office (upon reasonable advance notice by Lender), in order for Lender to conduct, audit or inspect any Collateral. Lender shall have the right to call for additional security satisfactory to Lender should the value of the Collateral decline or be deemed by Lender inadequate or unsatisfactory.

Upon the occurrence of any Event of Default under any Indebtedness or should Grantor fail to comply any of Grantor's obligations under this Agreement or the Agreement, Lender shall have all of the rights of a secured party under the applicable Uniform Commercial Code, as may be amended from time to time. In addition (and without limitation), Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise and Lender may exercise any or more of the following rights or remedies:

(a) Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral; and

(b) Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness.

If Grantor's principal place of business is in California: This Security Agreement shall for all purposes be deemed to be made in and shall be governed by the laws of the State of California, without regard to its conflict of laws principles. Grantor and Lender agree that any action or proceeding (whether in contract, tort or otherwise) to enforce or arising out of this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced exclusively in a court of competent jurisdiction in Orange County, California or in U.S. District Court for the Central District of California, Southern Division, and Grantor waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Grantor, or as otherwise provided by the laws of the State of California or the United States of America. Grantor and Lender expressly submit and

consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

If Grantor's principal place of business is not in California: This Security Agreement shall for all purposes be deemed to be made in and shall be governed by the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles. Grantor and Lender agree that any action or proceeding (whether in contract, tort or otherwise) to enforce or arising out of this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced in shall be commenced exclusively in a court of competent jurisdiction in Fairfax County, Virginia or in U.S. District Court for the Eastern District of Virginia, Alexandria Division, and Grantor waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Grantor, or as otherwise provided by the laws of the Commonwealth of Virginia or the United States of America. Grantor and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

ALL PARTIES TO THIS AGREEMENT HEREBY WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY.

THIS AGREEMENT IS GIVEN UNDER SEAL AND IT IS INTENDED THAT THIS AGREEMENT IS AND SHALL CONSTITUTE AND HAVE THE EFFECT OF A SEALED INSTRUMENT ACCORDING TO LAW.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERICAL SECURITY AGREEMENT AND GRANTOR AGREES TO ITS TERMS.

GRANTOR:
(BUSINESS NAME)

By: _____
Name (PG NAME)
Title: (TITLE OF PG)

Date: _____

This BUSINESS LOAN AGREEMENT (the "Agreement"), dated as of the date it is fully executed (the "Effective Date"), is made between [BUSINESS NAME]. (the "Borrower") and Fundation Group LLC (the "Lender") for and in consideration of the Loan and the mutual promises and agreements contained herein.

Primary Terms:

Original Principal Amount: $000,000.00 (LOAN AMOUNT) (the "Loan"). Lender will disburse the Loan proceeds as follows: $00.00 (FUNDATION ORIGINATION FEES) for Loan Origination Fees, $00.00 (PARTNER ORIGINATION FEES) for Loan Closing Fees and the remaining funds of $00.00 to Borrower's bank account within five business days of the date of this Agreement (such date, the "Funding Date").

Interest Rate: 0.0%; subject to increase if (i) an Event of Default occurs; or (ii) if Lender no longer receives payments through ACH debits from the Borrower Account (defined below).

Payments and Payment Dates: Borrower will make (# OF TOTAL PAYMENTS) payments. The first payment will be an interest only payment. Each payment thereafter will be in the amount of (AMORTIZED PAYMENT). Payments will be due on the (PAYMENT DUE DATES) calendar days of each month (the "Payment Dates") beginning on the Initial Payment Date (defined below), or, if any such day is not a business day, on the next succeeding business day. Borrower will make the first payment on the Initial Payment Date, which will be determined as follows: (i) if the Loan is funded on any day from the 1st through 15th calendar day of the month, the Initial Payment Date will be the 1st day of the succeeding month, or (ii) if the Loan is funded on any calendar day from the 16th to the last calendar day of the month, the Initial Payment Date will be the 16th day of the following month.

Payments will be applied in the following order of priority unless otherwise agreed by Borrower and Lender: (1) collection costs incurred by the Lender, (2) fees, (3) past due interest, (4) current interest, (5) past due principal, and (6) current principal.

Maturity Date: The day that is (# OF AMORTIZED PAYMENTS) consecutive Payment Dates after the Initial Payment Date, determined as of the Funding Date. All outstanding amounts owed by Borrower under this Agreement shall be due and payable by Borrower on the Maturity Date.

ACH Authorization: Borrower irrevocably authorizes Lender to debit or otherwise withdraw (via the ACH system, electronic checks, wires or otherwise) such funds and any payments, fees, costs, charges or other amounts Lender is entitled to receive hereunder, directly from the Borrower Account and Borrower shall not revoke or cancel such authorization until such time as all of the Indebtedness of Borrower to Lender has been paid in full. "Borrower Account" means the Borrower's bank account as designated by Borrower to Lender and as Borrower may change by written notice to Lender.

In consideration of the foregoing ACH debit authorization, the base interest rate set forth above reflects a discount of 2.0% per annum, which discount shall continue to be applied for so long as Lender is authorized by Borrower to automatically debit the Borrower Account for amounts when due under this Agreement.

In the event that Borrower's financial institution rejects one or more ACH debits, Lender may in its sole discretion terminate automatic ACH debiting of Borrower's Account and the interest rate set forth above shall be increased by 2.0%. In such event, Borrower shall be responsible to timely deliver to Lender all payments due under this Agreement.

Guarantor Information

Borrower shall deliver to Lender executed guaranties of the Indebtedness in favor of Lender, executed by the guarantor(s) named below. Each such Guaranty shall be in such form as Lender may approve.

Name of Guarantor	Amount
(PG NAME)	**Unlimited**

Additional Terms

Prepayments: Borrower may pay all or any portion of the principal amount of the Loan earlier than it is due without penalty. Each such prepayment will reduce the outstanding principal amount of the Loan and prepayments may reduce the total number of payments and/or the amount of the final payment due from Borrower to Lender.

Fees: Borrower agrees to pay the following fees in addition to principal and accrued interest on the Loan:

- A non-refundable Loan Origination Fee of $00.00 (0.00% of the Loan) is due upon disbursement of the Loan
- A non-refundable Loan Closing Fee of $00.00 (0.00% of the Loan) is due upon disbursement of the Loan
- If a payment is not paid within 7 days after the date when due, Borrower shall pay a late fee equal to the greater of 5.00% of the unpaid portion of the regularly scheduled payment or $35.00
- Borrower shall pay a fee to Lender of $20.00 if Borrower makes a payment on the Loan and the check or preauthorized charge with which Borrower pays is later dishonored

Usury Savings: If pursuant to the terms of this Agreement, Borrower is at any time obligated to pay interest at a rate in excess of the maximum interest rate permitted by applicable law, the applicable interest rate shall be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest due.

Electronic Signature and Communications: Borrower agrees to conduct business with Lender electronically and that the federal Electronic Signatures in Global and National Commerce Act applies to the parties' conduct including this Agreement. Further, Borrower agrees that no certification authority or other third party verification is necessary to validate Borrower's actions including electronic signatures and that the lack of such certification or third party verification will not in any way affect the enforceability of Borrower's actions including signature or any resulting contract between Borrower and Lender. Borrower agrees to allow Lender to deliver disclosures, notices, documents and information electronically to Borrower. Borrower acknowledges that many electronic communications sent and received over the Internet can and are intercepted by unauthorized recipients, beyond the control of Lender. By authorizing the delivery of disclosures, notices, documents and other information electronically, Borrower understands and agrees that, to the extent permitted by applicable law, Lender will not be liable for any damages incident to the unauthorized receipt of electronic communications sent by Lender or received from Borrower.

Indemnification: Borrower shall indemnify, defend and hold Lender and its directors, officers, employees, agents and attorneys (each an "Indemnitee") harmless of and from any claim brought or threatened against any Indemnitee by any person, including, without limitation, Borrower or any Guarantor or any endorser of the obligations under this Agreement (as well as from reasonable attorneys' fees and expenses in connection therewith) on account of Lender's relationship with Borrower or any Guarantor or endorser of the obligations under this Agreement (each of which may be defended, compromised, settled or pursued by Lender with counsel of Lender's election, but at the expense of Borrower), except for any claim that is adjudicated in a final decision not subject to further appeal to have been caused by the gross negligence or willful misconduct of Lender. This indemnification shall survive payment of the obligations under this Agreement and/or any termination, release or discharge executed by Lender in favor of Borrower.

Borrower Representations and Obligations

Use of Proceeds. Borrower agrees that Loan proceeds provided by Lender under this Agreement are for Borrower's business operations only and Borrower shall not use any part for personal, family or household purposes.

Organization. Borrower is duly organized, validly existing, and in good standing under the laws of the state in which it was organized. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having made all necessary filings, and obtained all necessary governmental licenses and approvals for each state in which Borrower is doing business. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all applicable laws that apply to Borrower and Borrower's business activities.

Authorization. Execution of this Agreement by Borrower and performance by Borrower of this Agreement has been duly authorized by all necessary action on the part of Borrower. Execution of this Agreement (x) does not conflict with, (y) would not result in a violation of, and (z) does not constitute a default under (1) any provision of (a) Borrower's articles of incorporation or bylaws or other organizational documents, or (b) any agreement or other instrument binding upon Borrower or Borrower's properties or (2) any applicable law or court order applicable to Borrower or Borrower's properties.

Legal Effect. This Agreement is a valid and binding obligation of and enforceable against Borrower in accordance with its terms.

Financial Information. The application for the Loan and each of Borrower's financial statements, if any, furnished to Lender truly and completely disclosed Borrower's financial condition as of the date of such application or of such financial statements (as applicable) and there has been no material adverse change in Borrower's financial condition subsequent to such date. Borrower has no material contingent obligations except as disclosed in such application and financial statements, if applicable.

Outstanding Indebtedness. Borrower has no material contingent obligations except as disclosed in its loan application and financial statements, if applicable.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred, which may materially adversely affect Borrower's financial condition.

Taxes. All of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided. Borrower has disclosed to Lender in writing any taxes, assessments and other government charges presently being or to be contested by Borrower. No tax lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

Borrower Authorization. Borrower authorizes Lender to obtain credit bureau reports on Borrower and each guarantor in order to evaluate Borrower's eligibility for the Loan. Borrower authorizes Lender to exchange information about Borrower and each Guarantor and their

obligations under this Agreement or any Guaranty with one another and with Borrower references, other businesses (including affiliates of Lender), purchasers or potential purchasers of the Loan and credit reporting agencies. Borrower shall furnish such information on the business, assets, and financial condition of Borrower as Lender may reasonably request from time to time.

Change in Business. Borrower shall not, without Lender's prior written consent, (i) engage in any business activities substantially different from those in which Borrower is currently engaged, or (ii) cease operations, dissolve, liquidate, consolidate with any entity, change its name (other than its trade name), or transfer or sell substantially all of its assets outside of the ordinary course of business.

Additional Indebtedness. Until the Loan, fees and any other amount payable hereunder have been paid in full, Borrower will only be permitted to incur additional indebtedness in the form of (a) trade debt incurred in the normal course of business; (b) debt issued pursuant to a U.S. Small Business Administration sponsored loan program; (c) debt underwritten, originated, serviced and administered by a State- or nationally-chartered commercial bank; or (d) any other indebtedness up to 15% of the Loan amount. For purposes of subsection (d) of this section, "indebtedness" includes merchant cash advance products or other similar payment contracts.

Dividends or Distributions. Borrower shall not, without Lender's prior written consent, pay any dividends or make any distribution in cash or property on any class of Borrower's equity interests (including its capital stock), or redeem, purchase or otherwise acquire, directly or indirectly, any such equity interest, except that, so long as Borrower is not in default under this Agreement, Borrower may (i) declare and distribute to its shareholders, partners or members, share or security dividends payable in the same class of security as the equity interest on which the dividend is declared, and (ii) pay dividends/distributions to, or make redemptions/purchases from, its shareholders, partners or members in such amounts as will not, either individually or in the aggregate, materially adversely affect Borrower's financial condition or its ability to make any scheduled payments under this Agreement.

Additional Assurances. Borrower shall make, execute and deliver to Lender such promissory notes, security agreements, account control agreements, assignments, amendments, financing statements, instruments, documents, approvals, consents and other agreements as Lender or its attorneys may reasonably request to (i) evidence and secure the Loan, (ii) perfect all security interests, (iii) verify the identity of the Borrower and Guarantor(s) in accordance with applicable law, (iv) facilitate the ACH debit of Borrower's Account, and (v) correct any drafting errors in the Agreement, the Commercial Guaranty and the Commercial Security Agreement.

Events of Default

Payment Default. Borrower fails to make any payment to Lender when due and such failure continues for seven (7) days.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Guarantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement in favor of any other creditor or person.

False Statements. Any warranty, representation or statement made to Lender by Borrower or on Borrower's behalf under this Agreement is false or misleading in any material respect.

Insolvency. The dissolution, termination or insolvency of Borrower or any Guarantor or the death of any principal of Borrower or any Guarantor, including the appointment of a receiver for any part of such party's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against any such party.

Defective Collateralization. This Agreement ceases to be in full force and effect (including failure of any security agreement to create a valid and perfected security interest or lien on all property and assets granted as collateral security in the form of a security interest for a Loan) at any time and for any reason.

Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, against Borrower or any Guarantor or by any governmental agency against any Collateral securing the Indebtedness. This includes a garnishment of any of Borrower's accounts, including the Account.

Change in Business Activities or Operations. A material adverse change occurs in the operations, business, property, condition (financial or otherwise), operating results, or prospects of Borrower or any Guarantor.

Change in Ownership. Any change in ownership, in one or more transactions, that results in a change of ownership of fifty percent (50%) or more of any class of equity of Borrower without the prior written consent of Lender.

If any Event of Default occurs Lender may increase the interest rate on the Loan to a Default Rate of interest equal to the lower of (i) the interest rate on the Loan plus 4.00% or (ii) the maximum interest rate permitted under

applicable law. If Lender elects to increase the interest rate to the Default Rate, the Default Rate will begin to accrue on the date such Event of Default first occurred and continue to apply until such Event of Default has been cured or waived or the Loan is paid in full.

Upon the occurrence of any Event of Default, except where otherwise provided in this Agreement, all commitments and obligations of Lender under this Agreement or any other agreement between Lender and Borrower will terminate immediately and, at Lender's option, all Indebtedness will become immediately due and payable, all without notice of any kind to Borrower or any Guarantor, except in the case of an Insolvency of Borrower or any Guarantor, such acceleration shall be automatic and not optional. In addition, Lender may exercise any and all other rights and remedies available at law, in equity or otherwise. An election to make expenditures or to take action to perform an obligation of Borrower or of any Guarantor shall not affect Lender's right to accelerate the Indebtedness and otherwise to exercise its rights and remedies.

Governing Law, Venue and Waiver of Jury Trial

ALL PARTIES TO THIS AGREEMENT HEREBY WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY.

If Borrower's principal place of business is in California: This Agreement shall be governed by and construed in accordance with applicable federal law and (to the extent not preempted by federal law) the laws of the State of California, without regard to the conflicts of law provisions thereof, and the Loan shall be deemed made pursuant to and under the authority of a license issued under the California Finance Lenders Law. Borrower and Lender agree that any action or proceeding (whether in contract, tort or otherwise) arising out of or in connection with this Agreement shall be commenced exclusively in a court of competent jurisdiction in Orange County, California or in U.S. District Court for the Central District of California, Southern Division, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Borrower, or as otherwise provided by the laws of the State of California or the United States of America. Borrower and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

If Borrower's principal place of business is not in California: This Agreement shall be governed by and construed in accordance with applicable federal law and (to the extent not preempted by federal law) Virginia law, without regard to its conflict of laws principles. Borrower understands and agrees that (i) Lender is located in Virginia, (ii) Lender makes all credit decisions from Lender's office in Virginia, (iii)) this Agreement is formed and fully binding only when Lender receives Borrower's signed Agreement and fully executes it in Virginia, and (iv) Lender does not accept Borrower's payments until Lender receives the payments in Virginia. Borrower and Lender agree that any action or proceeding (whether in contract, tort or otherwise) arising out of or in connection with this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced exclusively in a court of competent jurisdiction in Fairfax County, Virginia or in U.S. District Court for the Eastern District of Virginia, Alexandria Division, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Borrower, or as otherwise provided by the laws of the Commonwealth of Virginia or the United States of America. Borrower and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

Miscellaneous Provisions

Amendments. This Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement by Borrower shall be effective unless given in writing and signed by the parties sought to be charged or bound by the alteration or amendment. THIS IS THE FINAL EXPRESSION OF THE AGREEMENT BETWEEN LENDER AND BORROWER AND SUCH WRITTEN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR ORAL AGREEMENT OR OF A CONTEMPORANEOUS ORAL CREDIT AGREEMENT BETWEEN LENDER AND BORROWER.

Attorneys' Fees; Expenses. Borrower agrees to pay upon demand all of Lender's costs and expenses incurred in enforcing this Agreement. Such costs and expenses include Lender's (i) reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses incurred in connection with bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services and (ii) direct internal costs and costs incurred in connection with hiring third parties to collect amounts owed by the Borrower under this Agreement.

Consent to Loan Assignment and Participation. Borrower agrees and consents to Lender's sale or transfer of all or any portion of the Loan or one or more participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Borrower also agrees that the purchasers of the Loan or any such participation interests will have all the rights granted under the assignment or participation agreement or such other agreements governing the sale of the Loan or any such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of the Loan or such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest in the Loan. Borrower further agrees that the purchaser of the Loan or such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Indebtedness. As used in this Agreement, the word "Indebtedness" means all of the principal amount of the Loan outstanding from time to time, all accrued unpaid interest thereon, all fees payable by Borrower to Lender, and all collection costs and legal expenses related thereto (including reasonable attorneys' fees) that are incurred by Lender and are permitted by applicable law, arising under this Agreement.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by applicable law, the illegality, invalidity or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Subsidiaries and Affiliates of Borrower. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign any of Borrower's rights or obligations under this Agreement or any interest therein, without the prior written consent of Lender.

Notices. All notices and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party when (a) delivered to the address of the party by hand or by a nationally recognized courier service or (b) sent by e-mail, in each case to the following addresses or e-mail addresses designated below (or to such other address, facsimile number or e-mail address as a party may designate by notice to the other parties):

(BUSINESS NAME)
(BUSINESS ADDRESS)
(CITY, STATE, ZIP)

Fundation Group LLC
11501 Sunset Hills Rd – Suite 100
Reston, VA 20190
customer@fundation.com

Each party hereto agrees that service of process upon such party at the address referred to above, together with written notice of such service to such party, shall be deemed effective service of process on such party.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS.

(BUSINESS NAME)

By: _____
Name: (PG NAME)
Title: (TITLE OF PG)

Date: _____

FUNDATION GROUP LLC

By: _____
Title: Authorized Signatory

Date: _____

COMMERCIAL GUARANTY

As an inducement to Lender to enter into the Business Loan Agreement between Lender and (BUSINESS NAME) (the "Agreement"), the business principal or other person that signs this Commercial Guaranty (the "Guarantor") hereby unconditionally guarantees to Lender the performance by the Borrower of its obligations under the Agreement. Without limitation to the foregoing, the Guarantor hereby agrees to pay to Lender promptly when due, or upon demand, without deduction for any claim of setoff or counterclaim of the Borrower or any other defense, the full amount of all Indebtedness due to Lender from the Borrower, together with all expenses of collection and reasonable attorney fees incurred by Lender by reason of any default of the Borrower under the Agreement. This is a guaranty of payment and not of collection, and in case the Borrower fails to pay any Indebtedness when due, the Guarantor agrees to make such payment punctually as and when the same shall become due, whether at stated maturity, by acceleration or otherwise, and as if such payment were made by the Borrower.

The Guarantor hereby waives any and all defenses that may be available to guarantors at law or in equity, and any and all defenses, claims and discharges of the Borrower or any other obligor pertaining to the Indebtedness, except, in each case, the defense of discharge by payment in full. The Guarantor also waives, to the extent applicable, any right arising from Sections 49-25 and 49-26 of the Code of Virginia, to require that Lender bring an action against Borrower or any other party or to require that Lender resort to any security in favor of Borrower or any other party. The Guarantor also consents to and waives notice of all changes of terms, the withdrawal or extension of credit or time to pay, the release of the whole or any part of the Indebtedness, the settlement or compromise of defaults or disputes, any arrangements or settlements made in or out of court in the event of bankruptcy, reorganization, arrangement or assignment for the benefit of creditors of the Borrower, and any other matter whatsoever which may be done or waived by or between Lender and the Borrower. The Guarantor agrees that he/she shall be and remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing the Indebtedness, whether or not the liability of the Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision.

The obligation of the Guarantor hereunder is a primary and unconditional obligation and covers all existing and future Indebtedness of the Borrower to Lender. This obligation shall be enforceable before or after proceeding against the Borrower or any other person or against any security held by Lender and shall be effective regardless of the solvency or insolvency of the Borrower at any time, the extension or modification of the Indebtedness of the Borrower by operation of law, or the subsequent reorganization, merger, or consolidation of the Borrower, or any other change in the Borrower. Guarantor agrees that the Indebtedness, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower.

This Commercial Guaranty will take effect when Lender approves the Agreement and will remain in force until all Indebtedness is paid in full. If any payment applied by Lender to the Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of the Borrower or any other obligor), the Indebtedness to which such payment was applied shall for the purposes of this Commercial Guaranty be enforceable as fully as if such application had never been made.

All liabilities of the Borrower and of the Guarantor shall mature immediately upon the insolvency of the Borrower, the inability of the Borrower to meet its obligations as they become due, the appointment of a receiver, custodian or trustee for the Borrower or any of its property, the filing of a voluntary or involuntary petition by or against the Borrower for relief in bankruptcy, reorganization, or arrangement, the making of an assignment by the Borrower for the benefit of creditors, or the calling of a meeting of creditors by the Borrower, or if any of these events occur with respect to the Guarantor.

The Guarantor agrees that Lender in its discretion may obtain credit bureau reports on the Guarantor in order to evaluate the Borrower's eligibility to receive the Loan or the Guarantor's ongoing ability to meet obligations under this Guaranty. The Guarantor also agrees that Lender may provide any information about the Guarantor and his/her obligations under this Commercial Guaranty to other businesses (including affiliates of Lender), purchasers or potential purchasers of the Loan or participations therein and credit reporting agencies and may confirm any information provided by or about the Guarantor from any source.

Lender's records regarding the Loan between Lender and the Borrower shall be admissible in evidence in any action or proceeding involving this Commercial Guaranty and such records shall be prima facie proof of the items therein set forth.

Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and legal expenses and fees and expenses of other third party agents, incurred in connection with the enforcement of this Commercial Guaranty.

Waiver of Homestead Exemption. To the extent applicable, Guarantor waives the benefit of the homestead exemption to this obligation as set forth in Va. Code Ann. § 34-4.

This Commercial Guaranty shall be binding upon the Guarantor, his or her legal representatives, and assigns, and shall inure to the benefit of Lender and its successors and assigns. Capitalized terms not defined in this Commercial Guaranty shall have the meanings provided in the Agreement.

If Borrower's principal place of business is in California: This Commercial Guaranty shall for all purposes be deemed to be made in and shall be governed by the laws of the State of California, without regard to its conflict of laws principles. Guarantor and Lender agree that any action or proceeding (whether in contract, tort or otherwise) to enforce or arising out of this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced exclusively in a court of competent jurisdiction in Orange County, California or in U.S. District Court for the Central District of California, Southern Division, and Guarantor waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Guarantor, or as otherwise provided by the laws of the State of California or the United States of America. Guarantor and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

If Borrower's principal place of business is not in California: This Commercial Guaranty shall for all purposes be deemed to be made in and shall be governed by the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles. Guarantor and Lender agree that any action or proceeding (whether in contract, tort or otherwise) to enforce or arising out of this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced exclusively in a court of competent jurisdiction in Fairfax County, Virginia or in U.S. District Court for the Eastern District of Virginia, Alexandria Division, and Guarantor waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Guarantor, or as otherwise provided by the laws of the Commonwealth of Virginia or the United States of America. Guarantor and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

THE GUARANTOR AND LENDER EACH HEREBY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER SUCH PERSON IN RELATION TO THIS COMMERCIAL GUARANTY OR THE AGREEMENT**.**

Notices. All notices and other communications required or permitted by this Commercial Guaranty shall be in writing and shall be deemed given to a party when (a) delivered to the address of the party by hand or by a nationally recognized courier service or (b) sent by e-mail, in each case to the following addresses or e-mail addresses designated below (or to such other address, facsimile number or e-mail address as a party may designate by notice to the other parties):

(PG NAME)
(PG ADDRESS)
(CITY, STATE, ZIP)
(PG EMAIL ADDRESS)

Fundation Group LLC
11501 Sunset Hills Rd – Suite 100
Reston, VA 20190
customer@fundation.com

Each party hereto agrees that service of process upon such party at the address referred to above, together with written notice of such service to such party, shall be deemed effective service of process on such party.

GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERCIAL GUARANTY AND GUARANTOR AGREES TO ITS TERMS.

GUARANTOR:
(PG NAME)

_____

Date: _____

THIS COMMERCIAL SECURITY AGREEMENT (as amended or modified from time to time together with all exhibits and schedules attached to this Commercial Security Agreement from time to time, the "Security Agreement") dated as of the date of execution, is made and executed by (BUSINESS NAME) ("Grantor") in favor of Fundation Group LLC ("Lender"), pursuant to the terms of that certain Business Loan Agreement between Borrower and Lender (the "Agreement").

For valuable consideration, Grantor grants to Lender a first priority security interest in the Collateral to secure the payment of the Indebtedness including the Loan, fees and interest and any and all other liabilities of Grantor to Lender under the Agreement, whether now existing or hereafter arising and whether absolute or contingent. As used herein, the term "Collateral" includes all right, title, and interest of Grantor, whether now owned or existing or hereafter created, acquired, or arising, in and to all of the following: (A) accounts, (B) chattel paper, (C) instruments, (D) documents, (E) general intangibles, (F) letter of credit rights, (G) supporting obligations; (H) deposit accounts; (I) investment property; (J) inventory; (K) equipment; and (L) fixtures; together with (1) all supporting obligations, evidence and documents relating to any such property, (2) all accessions and additions to, and substitutions and replacements of, any and all of such property, and (3) any and all proceeds and products of the foregoing. As used herein, "UCC" shall refer to either the Uniform Commercial Code of the Commonwealth of Virginia or the State of California, as applicable. If the Grantor's principal place of business is not in California, then all terms which are used in this Security Agreement which are defined in the UCC of the Commonwealth of Virginia as in effect from time to time shall have the same meanings as such terms are defined in the UCC, unless this Security Agreement shall otherwise specifically provide. If the Grantor's principal place of business is in California, then all terms which are used in this Security Agreement which are defined in the UCC of the State of California as in effect from time to time shall have the same meanings as such terms are defined in the UCC, unless this Security Agreement shall otherwise specifically provide. All capitalized terms not defined in this Security Agreement shall have the meanings provided in the Agreement.

Grantor authorizes Lender to file, or cause to be filed by an agent acting on behalf of Lender, any statement or other instrument in respect of this Security Agreement to evidence or perfect the security interest of Lender in the Collateral, including Uniform Commercial Code financing statements, which may describe the Collateral as "all assets" or "all personal property" or words of like meaning, and may list Lender or Lender's agent, as representative, as the secured party. Grantor will at its expense protect and defend Lender's interest in the Collateral against persons claiming against or through Grantor, at all times keeping the Collateral free from any legal process, lien or encumbrance and shall give Lender immediate written notice of any claim as to the foregoing and will indemnify Lender from any loss caused thereby. Grantor will, upon Lender's request, from time to time execute or obtain from third parties and deliver to Lender such further instruments and assurances as Lender deems necessary or advisable for the confirmation or perfection of the Lender's security interest hereunder. Grantor agrees to provide Lender access to Grantor's office (upon reasonable advance notice by Lender), in order for Lender to conduct, audit or inspect any Collateral. Lender shall have the right to call for additional security satisfactory to Lender should the value of the Collateral decline or be deemed by Lender inadequate or unsatisfactory.

Upon the occurrence of any Event of Default under any Indebtedness or should Grantor fail to comply any of Grantor's obligations under this Agreement or the Loan Agreement, Lender shall have all of the rights of a secured party under the applicable Uniform Commercial Code, as may be amended from time to time. In addition (and without limitation), Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise and Lender may exercise any or more of the following rights or remedies:

(a) Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral; and

(b) Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness.

If Grantor's principal place of business is in California: This Security Agreement shall for all purposes be deemed to be made in and shall be governed by the laws of the State of California, without regard to its conflict of laws principles. Grantor and Lender agree that any action or proceeding (whether in contract, tort or otherwise) to enforce or arising out of this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced exclusively in a court of competent jurisdiction in Orange County, California or in U.S. District Court for the Central District of California, Southern Division, and Grantor waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Grantor, or as otherwise provided by the laws of the State of California or the United States of America. Grantor and Lender expressly submit and consent in advance to such jurisdiction in any action or

suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

If Grantor's principal place of business is not in California: This Security Agreement shall for all purposes be deemed to be made in and shall be governed by the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles. Grantor and Lender agree that any action or proceeding (whether in contract, tort or otherwise) to enforce or arising out of this Agreement or related to the transactions and relationships among the parties to the Agreement, shall be commenced in shall be commenced exclusively in a court of competent jurisdiction in Fairfax County, Virginia or in U.S. District Court for the Eastern District of Virginia, Alexandria Division, and Grantor waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and confer personal jurisdiction if served by registered or certified mail to Grantor, or as otherwise provided by the laws of the Commonwealth of Virginia or the United States of America. Grantor and Lender expressly submit and consent in advance to such jurisdiction in any action or suit commenced in any such courts, and each party hereby waives any objection which such party may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens.

ALL PARTIES TO THIS AGREEMENT HEREBY WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY.

THIS AGREEMENT IS GIVEN UNDER SEAL AND IT IS INTENDED THAT THIS AGREEMENT IS AND SHALL CONSTITUTE AND HAVE THE EFFECT OF A SEALED INSTRUMENT ACCORDING TO LAW.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS COMMERICAL SECURITY AGREEMENT AND GRANTOR AGREES TO ITS TERMS.

GRANTOR:
(BUSINESS NAME)

By: _____
Name: **(PG NAME)**
Title: **(TITLE OF PG)**

Date: _____

EXHIBIT K

Brand Pages

- Comfort Inn
- Comfort Suites
- Quality
- Sleep Inn
- Clarion
- Clarion Pointe
- Cambria Hotels
- MainStay Suites
- WoodSpring Suites
- Suburban
- Econo Lodge
- Rodeway Inn
- Ascend Collection MEMBERSHIP PROGRAM
- Vacation Rentals

Product Reports

- Product Information Reports

Vendor Directory

- Business Categories
- A-Z Vendor Listing
- New Vendors (!)

Educational Resources

- View All

Money Saving Programs

- Breakfast Coupon Program
- Group Purchasing Organization

» Home » Brand Pages » Sleep Inn » R&Rs by Categories

Brand News | Brand Refresh | **Rules & Regulations** | Compliance & QA | SmartMarketing, Logos & Style Guides | Opening Services | Architecture & Interior Design

» View Rules & Regulations by: By Products | By Category

Dream Better Here®

CHOICE HOTELS OWNERS COUNCIL Owners Council Website

Rules & Regulations by Categories

Sleep Inn & Regulations

1. Preface & Introduction

Operating Standards

1. Rules of Operation
   - 100 Introduction
   - 100.0 General Rules of Operation
   - 110.0 Guest Facilities
   - 120.0 Hotel Services
   - 130.0 Guest Service Programs & Standards
   - 140.0 Marketing Programs
   - 150.0 Guest Amenities & Supplies
   - 160.0 Staffing & Training
   - 170.0 Hotel Technology & Reservation Standards
   - 180.0 Quality Assurance
   - 190.0 Safety, Security & Risk Control
2. Food & Beverage Operations
   - 200 Introduction
   - 200.0 General

Product Standards

3. Construction/Project Management
   - 300 Introduction
   - 300.0 Licensee Responsibilities
   - 310.0 Submittal Process
   - 320.0 Construction
4. Architecture & Engineering
   - 400 Introduction
   - 410.0 Approach
   - 410.1 Welcome
   - 410.2 Public Space Food Service
   - 410.3 Meeting Space
   - 410.4 Public Space Circulation
   - 410.5 Guest Facilities

- 410.6 Recreation
- 410.7 Public Space Finishes
- 420.0 Guest Room
- 420.1 Guest Bath
- 420.2 Guest Room/Bath Finishes
- 430.0 Administration
- 430.1 Back of House Food Service
- 430.2 Housekeeping
- 430.3 Back of House Circulation
- 430.4 Engineering
- 430.5 Back of House Finishes
- 440.0 System Information

5. Interior Design

- 500 Introduction
- 510.1 Welcome
- 510.2 Public Space Food Service
- 510.3 Meeting Space
- 510.4 Public Space Circulation
- 510.5 Guest Facilities
- 510.6 Recreation
- 510.7 Public Space Finishes & Furnishings
- 520.0 Guest Room
- 520.1 Guest Bath
- 520.2 Guest Room Finishes & Furnishings
- 520.3 Guest Bath Finishes
- 530.0 Administration
- 530.1 Back of House Food Service
- 530.2 Housekeeping
- 530.3 Back of House Circulation
- 530.4 Back of House Finishes & Furnishings

Identity Standards

6. Service Marks/Signage

- 600 Introduction
- 600.0 Service Marks & Usage

1996 - 2019 Choice Hotels International

EXHIBIT L

FAIR FRANCHISING POLICY

(Updated January 1, 2017)

Choice Hotels International, Inc. ("Choice," "we," or "us") and our franchisees ("Franchisees" or "you") share substantial interests in our brands, as well as the worldwide lodging system they comprise ("System"). Choice and our franchisees each benefit by considering System interests first when making policy. For these reasons, Choice has adopted the following guiding principles, which may be modified from time to time after consultation with our Franchisee Associations.

Mission Statement

Both Choice and our franchisees have a responsibility to build and maintain the System. At the individual property level, it is your responsibility to represent your brand in a manner that continually builds brand equity, while we are responsible for confirming that general System and individual brand standards are met throughout the entire Choice franchise System.

Even under the best of circumstances, however, we realize that situations can arise that may create conflict between Choice and our franchisees. Accordingly, Choice maintains this fair franchising policy ("Fair Franchising Policy") to help us mutually address these situations. The Fair Franchising Policy contains standards relating to the system and is available for review at any time. We also have an Ombudsperson and Vice President of Owner Relations & Franchise Management dedicated to addressing any conflicts in a manner that is fair and non-retaliatory to all parties concerned. We encourage you to contact any member of our Fair Franchising Department to discuss the Fair Franchising Policy or any concerns that you have regarding your relationship with Choice.

Impact

Choice and our franchisees agree that every Choice brand, each property, and the entire System benefit from strategic growth and strong brand awareness.

Impact Policy. * In some cases, a franchisee may believe that a third party's application for a new franchise is too close to the franchisee's existing property. To address this concern, Choice has instituted an incremental impact policy ("Impact Policy"), which has been benchmarked with our competitors and tailored to carefully balance the rights of the existing franchisee with the need for growth that benefits our entire System. The Impact Policy also permits a franchisee (in good standing) to object to the granting of a same-brand franchise, if the applying franchise is within a specified radius of that franchisee's property.

Under our Impact Policy, we will notify both your designated representative and the general manager of your property: (i) by electronic mail, if we have received an application for a hotel of a different brand than your hotel if the proposed hotel is within 5 miles of your existing property and your existing brand is included in the Impact Policy; (ii) in writing (via express mail to the designated representative and via first-class mail to the general manager), if we have accepted an application for a same-brand hotel and the applying franchise is within a specified radius of your property; or (iii) by telephone, if you are an applicant and we have received an additional application for a same-brand hotel to be located within the Area of Enhanced Protection (as defined in the Impact Policy) of your proposed hotel.

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

First opportunity to develop in franchisee's Area of Enhanced Protection (AOEP). In addition to the objection rights described above, each existing franchisee in good standing will have the option of submitting an application for a new same-brand hotel within its AOEP before Choice will approve a same-brand application within that AOEP from another prospective franchisee. Specifically, Choice will permit existing franchisees to submit an application for a same-brand property within 15-calendar days of being notified of a proposed application by another prospective franchisee, and the existing franchisee will receive preference in the application for a same-brand property. In making a final decision, however, we will also consider other factors, such as site location, financing, relative strength of each application and Choice's past experience with the existing franchisee. Finally, our Franchise Sales Management team will inform the existing same brand franchisee of our decision before we grant final approval of an application for a same-brand hotel within that franchisee's AOEP.

Consultation. As has been our practice, we will continue to consult with our franchisees on amendments and modifications to the Impact Policy. For more information, please refer to our **Impact Policy,** at www.choicecentral.com or call the Fair Franchising Department for a detailed explanation of our Impact Policy.

Exercise of Contractual Outs

Company Philosophy. Choice Hotels is committed to meeting the evolving needs of its guests across all of its brands and driving continued brand equity. It is imperative that each hotel delivers a top-notch, consistent experience to every guest, every time. Our brands are as strong as their weakest performer, so if a guest has a bad experience at one hotel, it adversely impacts us all. Not only should each hotel be clean, in good condition and in working order, they should be modern, up-to-date, and competitive within their markets. Choice Hotels' contractual out evaluation process was created to ensure that we all meet these objectives.

Contractual Out Evaluation Process. Our franchise agreements with each hotel generally include a mutual right to end the franchise agreement early on the 5th, 10th, or 15th anniversary of the Opening Date by providing advance written notice. Choice Hotels reviews every active property prior to these anniversaries and evaluates the following aspects of the hotel:

- How well does the hotel meet guest expectations as measured by Guest Insight System ("GIS") scores and customer complaints?
- How do the hotel's GIS scores and guest complaints compare to other hotels within its brand?
- How strongly does the hotel compete in its local market as determined by Smith Travel Research (STR) reports compared to both local competitive set and tract chain scale?
- What is the hotel's historic pass/fail rate for Quality Assurance ("QA") inspections?
- Has the hotel been defaulted in the past for any reason, including but not limited to QA, After Entering System ("AES"), credit or legal reasons?
- How does the physical plant of the hotel compare to its competitive set within its market?
- How does the physical plant of the hotel compare to other hotels within its brand?
- If there are gaps between the property and its competitive set or peers, can the property be updated cost-effectively?

Risk Factors. In keeping with Choice Hotels philosophy, we review in detail the aggregate results of these questions referenced above for each hotel. In particular, we take into account any unique aspects of the hotel's market or its guest base. There is no standardized formula that is applied to every hotel and each situation is evaluated independently. Furthermore, Choice Hotels reserves the right under the Franchise Agreement to exercise its contractual out for any reason or no reason at all. There are certain factors, however, that place a property at risk in determining whether Choice Hotels will exercise its contractual out, including but not limited to:

- The property is ranked in the bottom third of its brand for the most recent 12-month period.
- The property's Likelihood to Recommend ("LTR") score places it in the bottom third of its brand for the most recent 12 month period.
- The property has guest complaints per thousand ("CPT") higher than the brand average for the most recent 12 month period.
- The property has a history of shifting between passing and failing scores on QA inspections.
- The property passes its QA inspections but only minimally.
- The property performs below the tract chain scale as determined by STR.
- The physical plant of the property is outdated, worn, and/or in poor condition.

Note on Comfort Inn: To achieve the brand's goal of becoming one of the top 3 brands in the Midscale without Food & Beverage segment, all Comfort Inn properties must be held to a higher standard in terms of both guest satisfaction and physical representation. For example, the outside appearance of the hotel must meet or be able to achieve a consistent, above-average guest experience when compared to other hotels within the brand and to its national competitive set, which includes Holiday Inn Express and Fairfield Inn.

If the physical plant of a Comfort Inn property resembles economy-level competitors in the market due to its room size, lobby size, public space, corridor type (interior v. exterior), single loaded v. double loaded, or other aspects, then Choice Hotels may elect to exercise its contractual out or, if desirable, discuss the potential for the property to reposition to another Choice Hotels brand.

Management Committee. Due to the importance of these decisions and their impact on both Choice Hotels and the Franchisee, no single person at Choice Hotels has the ability to exercise a contractual out. All decisions to exercise this right are made by a Committee and must be unanimously supported by each member of that Committee. The Management Committee is comprised of representatives from:

- Fair Franchising
- Franchise Management
- Legal
- Sales
- Services
- Credit

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

1. Choice Hotels is considering whether to exercise its contractual out and feels that a Product Improvement Plan ("PIP") is necessary to continue the relationship.
    - The Franchisee's Designated Representative will receive a letter explaining Choice Hotels position and the PIP process. A copy of the letter will be sent to the hotel's General Manager.
    - Once the PIP is prepared, the Franchisee's Designated Representative will receive a phone call from a member of Choice Hotels Franchise Management department to discuss the scope of work to update the property. (see below)

2. Choice Hotels has decided to exercise its contractual out.
    - The Franchisee's Designated Representative will receive a phone call from Choice Hotels to discuss the decision.

- If Choice Hotels is unable to reach the Franchisee's Designated Representative by phone, a letter will be sent notifying the hotel of the attempts to contact the Designated Representative by phone and requesting the hotel contact Choice Hotels immediately. If Choice Hotels is unsuccessful in contacting the Franchisee, then Choice Hotels will release a formal Notice of Termination letter generally twelve (12) months prior to the contractual out date. Individual franchise agreements may contain different notice periods. If that is the case, those notice periods will apply, however Choice Hotels will attempt to provide as much notice as is reasonably possible.

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

Product Improvement Plans. In most cases, Choice Hotels will agree to continue its relationship based on an agreed scope of work to update and refresh the property and/or additional training. These requirements will be detailed in the PIP. If Choice Hotels and the Franchisee's Designated Representative cannot finalize and execute the PIP twelve (12) months prior to the contractual out date, then Choice Hotels will issue a Notice of Termination to the Franchisee's Designated Representative.

This Notice of Termination can be rescinded if subsequent discussions result in a mutually agreeable PIP Addendum that is executed by both parties within 30 days of the Notice of Termination letter.

Options Available to Properties. There are 4 options available to properties where Choice Hotels has exercised its contractual out

1. Reposition to Another Choice Hotels Brand

In many cases, there will be another Choice Hotels brand available in the market for the hotel to consider. There are many financial benefits to remaining with the Choice Hotels system rather than exiting the Choice Hotels system. When Choice Hotels calls the Franchisee's Designated Representative to inform them that Choice Hotels is exercising its contractual out, the availability of this option will be discussed.

2. Replace the Existing Hotel

Many owners prefer to replace their hotel with newer product in their market. Please let a Choice Hotels representative know your interest in this option and the appropriate person will contact you.

3. Appeal the Decision

If a Franchisee's Designated Representative would like to appeal a contractual out decision, then a letter detailing the request and the reasons for appeal should be emailed to portfolio_operations@choicehotels.com. Upon receipt of the appeal request, a confirmation email will be sent within 48 hours. The Management Committee will review the appeal within 7-10 business days following the receipt confirmation. The Franchisee's Designated Representative will receive the results of the Committee review via email.

4. Early Termination following Choice's exercise of a window.

When Choice exercises its option to terminate a franchise agreement at a contractual out, and a franchisee in good standing wishes to leave the Choice system before the agreed-upon termination date, Choice will take special consideration, on a case-by-case basis, in reviewing a franchisee's request to discount or waive any liquidated damages that may be owing due to the early termination.

Non-retaliation. As is current practice, in deciding whether to exercise our contractual out, Choice will not discriminate or retaliate against a property that has requested or is in the process of requesting an impact study or has challenged some other action taken by Choice.

Marketing and Reservation Services Funds:

Consultation. Choice is committed to the practice of consulting with its franchisee associations on the marketing campaigns the company undertakes and generally on the use of those portions of monthly fees that are designated for marketing purposes and reservation services purposes and on changing the amounts of those fees.

Disclosure. As stated in the most current version of our form franchise agreements, Choice will make available to its franchise associations audited financial statements showing the receipts and expenditures of those portions of System fees that are designated for marketing and reservation services purposes, as soon as reasonably practicable following completion of the audit. Moreover, as a public company, Choice will continue to report its System fees (including marketing and reservations fees) in accordance with GAAP (generally accepted accounting principles) on its income statements, which are reviewed and published quarterly.

Corporate Ethics:

Ethical Conduct. Choice expects all Choice associates, franchisees and vendors to practice "good faith and fair dealing" in all business matters. All Choice associates are subject to a corporate ethics policy that mandates certain standards of conduct. In addition, your franchise agreement contains provisions that require you to operate your franchise in a manner that does not negatively impact our business or violate any laws.

Termination for Cause:

Liquidated Damages. If your franchise agreement is terminated before the end of its term, we have capped liquated damages at the greater of 36 months** of historical royalty fees and the minimum formula applicable to each brand. In addition, a 20% discount on liquidated damages will be applied –for all brands excluding Cambria- as an incentive for quickly settling accounts unless the franchise agreement was terminated due to your abandonment of the hotel or your cessation of operating the hotel as our brand. Moreover, our approach to liquidated damages seeks only to recoup lost royalty fees, not lost System fees.

Extraordinary Circumstances. If you encounter extraordinary, unforeseen circumstances (such as the death of franchisee, environmental issues, permanent disabilities, etc.) that affect your ability to operate your franchise in good standing, it is your responsibility to contact us in a timely manner to work towards possible resolutions. In these instances, we will give special consideration to our franchisees and will attempt to find a mutually acceptable resolution to the particular situation.

Transfers:

Family Transfer. If you wish to transfer your franchise to a close family member (*e.g.*, current spouse, parent, child, sibling, or grandparent) ("Close Family Member"), that Close Family Member must demonstrate to us that he or she has both the financial ability and experience necessary to operate your franchise in accordance with Choice standards before we will approve a transfer. If you wish to transfer your franchise to a Close Family Member, you must pay an application fee (not to exceed $5,000), which will be fully refunded if we do not approve the transfer.

** 60 months for Cambria/ 60 months Post- Opening for Suburban and MainStay

Supplier Options:

Vendor Exclusivity. We do not generally mandate that you source products or services from a particular vendor. Instead, certain standards and specifications are mandated for the purpose of maintaining brand consistency and quality. We solicit feedback from the elected members of our franchisee associations before implementing new brand standards or vendor requirements. Additionally, we attempt to identify 3 or more vendors who are capable of meeting most brand standards.

Building Brand Equity:

Quality Assurance Reviews. Our entire System benefits from positive brand equity. Building brand equity begins at the local level with how you operate your hotel and also includes policies and practices that we communicate in order to confirm that each of our brands is meeting or exceeding customer expectations ("Brand Standards").

Brand Standards change from time to time to reflect changing customer trends and in response to our competition. Where applicable, we will consult with the various brand associations regarding significant changes contemplated for the Brand Standards before implementation, and we will provide our franchisees with a reasonable period of time to absorb such changes financially.

In addition, each of us has an obligation to your guests to require that your hotel meets or exceeds our brand-specific performance and quality standards. In that regard, we will continue to apply our Quality Assurance process in a fair and impartial manner. If at any time you wish to dispute your Quality Assurance scores, you may make an appeal to the Brand Standards Department.

Database Information:

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

Dispute Resolution:

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

Arbitration. Through arbitration, franchise disputes can be quickly and economically resolved by submitting the claim to binding arbitration before the American Arbitration Association or alternative arbitration groups. We continue to examine other mediation alternatives to avoid lengthy and expensive lawsuits.

*****

EXHIBIT M

Choice Hotels International
Incremental Impact Policy

(Updated January 1, 2019)

Choice Hotels International, Inc. ("Choice") establishes this domestic Incremental Impact Policy ("Policy") to assist Choice and Choice's franchisees ("you") in pursuing the important mutual goals of i) avoiding an unfair depletion of your room revenues through same-brand competition, and ii) expanding the various Choice hotel brand systems.

Under this Policy, your hotel will be granted an Area of Enhanced Protection in which Choice will not generally grant hotel franchises for the same brand as your hotel. Additionally, you will be granted the right to object to (and, possibly, to exclude) same-brand franchises that are proposed to be located within a specified radius from your hotel determined by the market and location of the applying franchise. Finally, this Policy grants you certain other objection rights if your hotel is newly constructed, is located within a declining market or has recently had an incremental impact study conclude in its favor. If you have a negotiated exclusive territory in your contract and waived rights outside of that negotiated territory, impact policy rights do not apply.

I. Definitions:

- **Incremental Impact** - For the purposes of this Policy, "incremental impact" means that portion of projected room revenue loss for an existing Choice hotel which is **solely** attributable to the subject applicant's proposed hotel being part of the same Choice hotel brand system.

- **Good Standing** - For the purposes of this Policy, a Choice hotel is in "good standing" if:

    - It is not 90 days past due on its franchise and related fees or assessments without Choice approved repayment plan in place; (See Interpretational Note No. 1);

    - It is not in red status of the performance zone program;

    - It is not subject to a notice of non-renewal or termination; and

    - It is not subject to a notice of default for a material obligation under its Franchise Agreement (and other related agreements) after expiration of any applicable cure period.

II. Area of Enhanced Protection:

Each Choice hotel is hereby granted an Area of Enhanced Protection for such time as it remains in good standing. The Area of Enhanced Protection for your hotel is determined by identifying your hotel's appropriate market category in the chart below (e.g., Primary/Airport) and is expressed in terms of radial miles from your hotel. The pre-defined market categories set forth in the chart and your hotel's appropriate placement within these categories will be determined from Smith Travel Research data, if available (See Interpretational Note No. 3).

	Primary	Secondary	Tertiary
Airport	1	5	7
Highway	2	5	7
Urban	.5	1.5	5
Resort	1	5	7
Suburban	2	5	5
Small Town Metro	2	5	7

Except as set forth below, Choice will not grant a franchise for a same-brand hotel within your hotel's Area of Enhanced Protection.

- ***When Choice Can Approve an Application Within Your Hotel's Area of Enhanced Protection:***
  Notwithstanding the Area of Enhanced Protection granted to your hotel above, Choice will initiate an incremental impact study, providing your hotel is in good standing, when it receives a franchise application for a same-brand hotel to be located within your hotel's Area of Enhanced Protection if Choice determines that the market containing your hotel is inadequately served by that Choice brand system. You must formally object to the application in order for Choice to initiate the incremental impact study. If the incremental impact study concludes that the proposed franchise will not result in an incremental impact of more than a 5% reduction in your hotel's annual gross room revenues in any of the first 3 years of projections, Choice may grant the proposed franchise. You will select the consulting firm to perform the incremental impact study from the approved consultant list and Choice will pay for the study, regardless of the outcome.

III. Your Objection Rights for Applications Outside Your Hotel's Area of Enhanced Protection:

In addition to the Area of Enhanced Protection granted in Section II, you have the right to object to (and, possibly, to exclude) any franchise application for a same-brand hotel, if your hotel is located within a specified radius of the location of the applying franchise. The notification areas are determined by identifying the applying franchise's appropriate market category in the chart below and is expressed in terms of radial miles.

Primary	Secondary	Tertiary
7	10	15

You can object by following the procedures set forth below:

- ***Notice to You of an Application Received by Choice:***

Choice will notify, in writing, your Designated Representative and the General Manager of your hotel of any franchise application for a same-brand hotel to be located within the specified notification areas noted above. In addition to same-brand notification, Choice will also notify by email all other Choice branded hotels included in the Impact Policy within a 5-mile radius of the proposed hotel. You will have the right to object to a franchise application, however, only if it is for a same-brand hotel to be located within the specified notification areas. If requested, Choice will deliver the above notice by fax. You should address written requests for faxed notification to:

Ms. Shellome Pinnock
Ombudsperson
One Choice Hotels Circle
Suite 400
Rockville, MD 20850
(301) 592-6165
FAX (301) 592-6360

Please include your property code and the name, address and fax number of the person to whom the notice should be faxed.

- ***Your options upon receiving a notice:***

  You may object to a franchise application for a same-brand hotel to be located within the specified notification areas if your hotel is in good standing at the time Choice issues notification of the application, provided your hotel does not subsequently become subject to a notice of non-renewal or termination. You may object by electing either or both of the objection options set forth below:

  Option A: Letter Objection

  You may write a Letter Objection and deliver it to Shellome Pinnock, Ombudsperson, (via the address or fax previously listed or via email ombudsperson@choicehotels.com) within 15 calendar days after Choice issues notification of a franchise application for a same-brand hotel, providing Choice with information you would like us to consider when reviewing the application. Before acting upon the application, Choice will fairly consider your letter and any information you submit in support.

  Choosing to exercise Option A does not preclude you from also exercising Option B, provided you do so in a timely manner.

  Option B: Formal Objection

  You may file a Formal Objection to a franchise application for a same-brand hotel by completing an "Incremental Impact Form" (attached hereto) and delivering it to Shellome Pinnock, Ombudsperson, (via the address or fax previously listed or via email ombudsperson@choicehotels.com) within 15 calendar days after Choice issues notification of the application. This option must be selected for you to be eligible to request an incremental impact study.

Upon sending your Formal Objection, contact the Ombudsperson or another representative of Choice if you would like to discuss your objection ("impact discussion"). If this impact discussion does not resolve your objection concerns, you may request an independent incremental impact study by an approved hotel consulting firm that you choose from the attached list. Each firm is a member of the International Society of Hospitality Consultants and is experienced in performing incremental impact studies. Your request for an incremental impact study must be made in writing to the Ombudsperson within 5 business days after receipt of the impact study correspondence sent by Choice and must include a check for the full incremental impact study fee made payable to Choice Hotels International. During that 5-day period, you may request an extension of the 5-day period, which Choice may, in its sole discretion, grant under compelling circumstances. The amount of the incremental impact study fee charged by each individual consulting firm is set forth on the approved list (and may be exclusive of expenses). The consulting firm you select will be contacted by Choice. If the selected firm cannot complete the study within 28 days, you will be contacted by the Ombudsperson and asked to select another consulting firm. You must notify the Ombudsperson of your new selection within 48 hours.

Following receipt of the incremental impact study results (approximately 28 days), Choice will deny the subject application if the study concludes that the proposed franchise will result in incremental impact of more than a 5% reduction in your hotel's annual gross room revenues in any of the first 3 years of projections. Moreover, if you signed your franchise agreement for a new construction hotel within 18 months prior to Choice's issuance of notification of the subject application, Choice will deny the application if the incremental impact study concludes that the proposed franchise will result in incremental impact of more than a 3% reduction in your hotel's annual gross room revenues in any of the first 3 years of projections. If Choice denies the application due to the results of the incremental impact study, Choice will refund the incremental impact study fee you paid.

If the incremental impact study concludes that the proposed franchise will not result in an incremental impact of more than a 5% reduction (or 3% reduction, if applicable) in your hotel's annual gross room revenues in each of the first 3 years of projections, Choice may approve the subject application in its sole discretion. In that event, you will forfeit the incremental impact study fee you paid and you will be obligated to remit the balance of any fees or expenses due the consulting firm by submitting a check payable to Choice Hotels International.

If your hotel is a designated winner of a Gold or Platinum Award at the time you file your Formal Objection, Choice will bear the cost of the incremental impact study regardless of the outcome.

Choice will refund any incremental impact study fees you paid if the franchise you objected to is terminated due to failure to commence construction or to complete a BES addendum.

IV. **Your Additional Rights:**

Along with the rights granted to you in Sections II and III, you are granted the following additional rights:

- If an incremental impact study concludes against your hotel's favor, you may request a second incremental impact study ("second study") not less than 365 days and not more than 400 days after the hotel you objected to ("new hotel") opens to the public. In the event the second study concludes that the new hotel resulted in an incremental impact of more than a 5% reduction in your hotel's gross room revenues in the first year of the new hotel's operation, you may terminate your Choice Franchise Agreement, without payment of liquidated damages. You must submit the applicable incremental impact study fee at the time you request the second study, and the fee will be non-refundable, regardless of outcome.

- If an incremental impact study concludes in your hotel's favor, Choice will not, for a period of 12 months following the study, accept any franchise applications for a same-brand hotel to be located within your hotel's submarket (as such submarket is defined by the previous study).

- Choice will not approve any franchise application for a same-brand hotel to be located within your hotel's market tract (as such market tract is defined by Smith Travel Research) if your hotel is in a declining market, is operating below a 52% annual occupancy, is in good standing at the time Choice issues notification of the application and is operating at a RevPAR yield of at least 95% of your hotel's local competitive set. You must notify Choice in writing that you believe you qualify for the protections afforded by this paragraph within 15 days after Choice issues notification of a same-brand franchise application.

V. Choice's Right to Replace Franchises

Notwithstanding the Area of Enhanced Protection granted in Section II or the additional rights of exclusion granted in Sections III and IV, Choice reserves the right to replace any franchise which has departed or which is scheduled to depart from a Choice brand system ("departed/departing franchise") with a same-brand franchise, located anywhere within the Area of Enhanced Protection of the departed/departing franchise. Choice, however, will not grant a replacement franchise if it is to be located within the Area of Enhanced Protection of a same-brand hotel in good standing, unless the departed/departing franchise was/is already located in such same-brand hotel's Area of Enhanced Protection.

For the purpose of this provision, a "departed/departing franchise" means any open hotel, executed franchise agreement or approved franchise application. Moreover, Choice will not grant a replacement franchise if the replacement hotel would entail more than a 50% increase in the number of rooms over that of the departed/departing franchise. If a replacement franchise is to be granted for a hotel to be located within a specified radius from your hotel, determined by the market and location of the applying franchise, we will notify you of this action.

VI. Scope and Term of This Policy

This Policy shall apply to all Choice hotels that are part of the Clarion, Comfort, Quality, Sleep, Econo Lodge, Rodeway, or MainStay brands (including all hotels that are part of any sub-segment of those brands, such as Comfort Suites, for example) and that are located in the United States of America (including all not-yet-operating hotels that are subject to a Choice Franchise Agreement) and its provisions shall be in effect until such time this Policy is withdrawn, amended or modified. Any withdrawal, amendment or modification of this Policy shall be within Choice's sole discretion.

Interpretational Notes

1. In assessing the payment history component of the "good standing" requirement under Section I of the Impact Policy, Choice will consider the payment history for only those fees or charges contained in the Monthly Franchise Services Invoice. These charges include, without limitation, royalty fees, marketing fees, reservation fees, franchise association dues, technology services fees (Choice Link support, Profit Manager support) and hardware sublease payments. Travel Agent commissions are not included in the Monthly Franchise Services Invoice.

   In assessing the payment history component of the "good standing" requirement under Section I of the Impact Policy, a hotel will be considered "past due" only if it has been 90 days late beyond the contractual due date in making payment on the Monthly Franchise Services Invoice over the payment history period being considered without of repayment plan in place.

2. If a property has expressly waived impact rights to a specific brand, such property's rights under this Policy, including the Area of Enhanced Protection, do not apply to applications within that specific brand system.

3. With respect to the Area of Enhanced Protection chart set forth in Section II of the Impact Policy, the following terms shall be defined as follows:

   Primary: All market tracts contained **within any of the top fifty Metropolitan Statistical Areas** identified by Smith Travel based on total room supply.

   Secondary: All market tracts contained **within all BUT the top fifty Metropolitan Statistical Areas** identified by Smith Travel based on total room supply

   Tertiary: All market tracts contained **within any of the Non-Metropolitan Statistical Areas** identified by Smith Travel.

   Resort hotels in cities located in Tertiary (Non-MSA) markets

   Primary: Cities with over 2,000 resort rooms

   Secondary: Cities with 1,000 – 1,999 resort rooms

   Tertiary: Cities with less than 1,000 resort rooms

EXHIBIT N

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 O

SLEEP INN FRANCHISES OPEN AND OPERATING AS OF DECEMBER 31, 2018

AL162	VAAK, LLC	1115 Audubon Lane	Athens	Alabama	35611	256-232-4700
AL232	JAY & ANEYA LLC	135 Spirit Drive	Auburn	Alabama	36832	334-501-7171
AL445	SHIV, INC.	1259 Greenmor Dr.	Bessemer	Alabama	35023	205-424-0000
AL146	KOMAL, LLC	2050 Old Hwy 157	Cullman	Alabama	35057	256-734-6166
AL212	JPGS HOSPITALITY, LLC	4654 Montgomery Highway	Dothan	Alabama	36303	334-671-2086
AL352	SI HOTEL, LLC	78 Liberty Hill Place	Evergreen	Alabama	36401	251-578-9590
AL316	PATEL,VIJAY	4727 University Drive	Huntsville	Alabama	35816	256-382-2583
AL489	LOVE'S HOSPITALITY, LLC	90 Carl Cannon Boulevard	Jasper	Alabama	35501	205-387-2001
AL390	KELVIN JONES	1605 HIghway 5	Marion	Alabama	36756	334-683-8600
AL218	RASHMI, L.L.C	2295 Cobbs Ford Road	Millbrook	Alabama	36054	334-532-0500
AL234	HANSA, LLC	5005 Carmichael Road	Montgomery	Alabama	36106	334-387-1004
AL244	KRISHNA HOTEL GROUP, INC	10150 Chantilly Parkway	Montgomery	Alabama	36117	334-356-5400
AL133	CAPITAL CIRCLE HOTEL COMPANY	25400 Perdido Beach Blvd.	Orange Beach	Alabama	36561	251-981-6722
AL154	RAM LAXMI, LLC	88 Colonial Drive	Oxford	Alabama	36203	520-257-3129
AL002	DHANI,INC,	200 Southgate Dr.	Pelham	Alabama	35124	205-982-9800
AZ822	WOODLANDS HOTEL INVESTMENTS, LLC	2765 S. Woodlands Village Blvd	Flagstaff	Arizona	86001	928-556-3000
AZ022	JAI SAI BABA, LLC	6347 East Southern Avenue	Mesa	Arizona	85206	480-807-7760
AZ377	LAXMI WORLD, LLC	673 Scenic View Road	Page	Arizona	86040	928-645-2020
AZ140	RIZK HOTEL ENTERPRISES, LLC	18235 N. 27th Ave	Phoenix	Arizona	85053	480-725-1922
AZ805	SHANE KUBER & SUNIL PATEL	2621 S. 47th Pl.	Phoenix	Arizona	85034	480-967-7100
AZ812	ZENITH ASSEST COMPANY, LLC	16630 N. Scottsdale Road	Scottsdale	Arizona	85254	866-477-6424
AR609	HSB SHIV, LLC	728 Millsap Rd.	Fayetteville	Arkansas	72703	623-209-7626
AR096	SAPPMGI, INC.	1056 Rieff Street	Springdale	Arkansas	72762	479-756-5800
AR176	VB HOSPITALITY, LLC	1633 N. 12th Court	Van Buren	Arkansas	72956	479-262-6776
CA690	JDH VINAYAKA, LLC	6257 Knudsen Drive	Bakersfield	California	93308	661-399-2100
CO338	TOWER ROAD LODGING, LLC	5980 N Tower Road	Denver	Colorado	80249	720-920-9780
CO736	ANR LODGING, LLC	9257 E. Costilla Avenue	Greenwood Village	Colorado	80112	303-662-9950

CT048	SH YAM-RAM, LLC	5 King Arthur	Niantic	Connecticut	06357-1212	860-739-1994
DE039	KW GARDEN LLC	1784 N. Dupont Hwy	Dover	Delaware	19901	302-735-7770
DE021	TODESO ASSOCIATES, LLC	18451 Coastal Hwy	Lewes	Delaware	19958	302-645-6464
FL040	SUN & FUN RESORT, LLC	3939 Ulmerton Rd	Clearwater	Florida	33762	727-573-5049
FL664	DILIP PATEL	1500 SE 5th Ave	Dania	Florida	33004	954-874-1800
FLC91	LOVE'S HOSPITALITY, LLC	17834 State Highway 285 South	Defuniak Springs	Florida	32435	520-505-2270
FL506	EC HOSPITALITY, LLC	10775 W. Emerald Coast Pkwy.	Destin	Florida	32550	850-654-7022
FL576	SI ELLENTON, LLC	5605 18TH Street E.	Ellenton	Florida	34222	941-721-4933
FL573	MKBN HOSPITALITY, LLC	2715 Crossroads Pkwy.	Fort Pierce	Florida	34945	772-595-6080
FL883	P & R HOSPITALITY, LLC	4110 SW 40th Boulevard	Gainesville	Florida	32608	352-376-4145
FL978	OMKAR HOTELS, INC	6535 Ramona Blvd	Jacksonville	Florida	32205	904-378-9779
FL728	SKAN, LLC	4321 Lakeland Park Drive	Lakeland	Florida	33809	863-577-1170
FL215	B MIRACLE TOUCH CORPORATION	2476 N. Citrus Blvd.	Leesburg	Florida	34748-7201	352-326-9002
FL817	FAIRWAYS, INC.	105 Fairway Dr.	Miami Springs	Florida	33166	305-871-7553
FL730	AZIM & NAVROZ SAJU	13600 SW 17th Court	Ocala	Florida	34473	352-347-8383
FL600	FORSYTH INVESTMENTS, LLC	1700 McCoy Road	Orlando	Florida	32809	407-855-4447
FL023	ROSHAN HOSPITALITY, LLC	170 Williamson Blvd.	Ormond Beach	Florida	32174	386-673-6030
FL906	INNSIGHT PROPERTIES INTERNATIONAL LLC	3805 Reid Street	Palatka	Florida	32177	386-325-8889
FL950	KRISHNA VENTURES OF PANAMA CITY BEACH, L	9201 Front Beach Road	Panama City Beach	Florida	32407	850-249-2501
FL742	STEVEN B GREEFIELD AS TRUSTEE FOR THE GU	806 Kings Highway	Port Charlotte	Florida	33980	941-613-6300
FLC40	GENERATION SRE PORT ST. LUCIE LLC	8501 Champions Way	Port Saint Lucie	Florida	34986	772-460-7896
FL214	JAI MATAJI INC.	601 Anastasia Blvd.	Saint Augustine	Florida	32080	904-825-4535
FL536	D&K HOTEL INVESTMENT, LLC	900 University Pkwy.	Sarasota	Florida	34234	941-359-8558
FLD70	PINECRAFT LAND HOLDINGS, LLC	5965 Brookhill Boulevard	Sarasota	Florida	34232	941-500-4700
FL337	OHM TALLAHASSEE LLC	1695 Capital Circle N.W.	Tallahassee	Florida	32303	850-575-5885
FL078	MSNB HOSPITALITY, LLC	12282 Morris Bridge Rd	Tampa	Florida	33637	813-988-4048
FL857	NARD, INC.	5703 Oakley Blvd	Wesley Chapel	Florida	33544	813-973-1665
FL907	NORTH STAR FLORIDA INN, LLC	1224 S. Main Street	Wildwood	Florida	34785	352-748-0507

GA656	NEW HORIZONS HOSPITALITY, LLC	109 Florence Drive	Athens	Georgia	30606	706-850-1261
GA325	ETHAN HOSPITALITY, INC	1050 Claussen Rd.	Augusta	Georgia	30907-3206	706-738-7473
GA551	MAA JAGDAMBA LIMITED LIABILITY COMPANY	200 Stellar Drive	Brunswick	Georgia	31525	520-257-4577
GA762	RENA GA, LLC	1911 Sullivan Road	College Park	Georgia	30337	770-996-6100
GA330	AMBAJI HOTEL LLC	5100 Armour Road	Columbus	Georgia	31904	706-653-1330
GA748	CHAISON, INC.	7055 Concourse Pkwy	Douglasville	Georgia	30134	770-920-8887
GA945	LOVE'S HOSPITALITY, LLC	146 Old Allatoona Rd. SE	Emerson	Georgia	30121	770-607-3005
GA672	THE HURT GROUP, LLC	181 Metromont Road	Hiram	Georgia	30141	770-222-9161
GA591	SIS KENNESAW, LLC	1454 George Busbee Parkway	Kennesaw	Georgia	30144	678-223-7290
GA310	VIJYA, LLC	140 Plantation Inn Dr.	Macon	Georgia	31210-2075	478-476-8111
GA723	SHANVI PROPERTIES, LLC	3928 River Place Drive	Macon	Georgia	31210-1724	478-757-8300
GA727	SOUTHERN HOSPITALITY ONE, LLC	1175 Powers Ferry Place	Marietta	Georgia	30067	770-952-9005
GA350	BRR PROPERTIES, LLC	945 Hwy 155 South	McDonough	Georgia	30253	770-898-0804
GA286	PRABHUTA HOSPITALITY, LLC	109 City Circle	Peachtree City	Georgia	30269	770-486-0044
GA501	KASANDAS PROPERTIES POOLER, LLC	105 San Drive	Pooler	Georgia	31322	912-748-8545
GA252	SRS HOSPITALITY, LLC	7206 Hwy. 21 North	Port Wentworth	Georgia	31407	623-209-7619
GA730	KNJ HOSPITALITY LLC	17013 Abercorn St.	Savannah	Georgia	31419	623-209-7604
GA488	NEW PARTNERSHIP, LLC	7423 Davidson Circle W.	Stockbridge	Georgia	30281	770-474-3870
GA374	LOYADHAM, LLC	3026 James Road	Valdosta	Georgia	31601	229-671-1111
ID049	PARK STREET HOLDINGS, LLC	3200 Outlet Blvd.	Idaho Falls	Idaho	83402	208-821-3647
ID003	MERIDIAN HOSPITALITY GROUP, LLC	1315 Industrial Rd.	Nampa	Idaho	83687	208-463-6300
ID611	PACIFIC WEST HOLDINGS, LLC	157 S. Pleasant View Road	Post Falls	Idaho	83854	208-777-9394
IL103	RLJ II - SLE MIDWAY LESSEE, LLC	6650 S. Cicero Ave.	Bedford Park	Illinois	60638	708-594-0001
IL195	BURLEY HOTEL GROUP, LLC	361 Lynch Drive	Danville	Illinois	61834	217-442-6600
IL180	SNMP HOSPITALITY, INC.	3920 E. Hospitality Lane	Decatur	Illinois	62521	217-872-7700
IL439	NORTH CHICAGO DEVELOPMENT, LIMITED	3250 Bittersweet Ave	Lake Bluff	Illinois	60044	847-578-9900
IL019	GATEWAY LANSING, INC	2255 173rd St	Lansing	Illinois	60438	708-418-3700
IL443	SHREE HARI HOSPITALITY LLC	1831 W Diehl Rd	Naperville	Illinois	60563	630-778-5900

IL431	CHAMPAK PATEL	140 Venita Drive	O'Fallon	Illinois	62269	618-589-3999
IL166	GLOBAL HOSPITALITY LLC	725 Clark Drive	Rockford	Illinois	61107	815-398-8900
IL164	NANDKISHOR, LLC	2401 Holliday Lane	South Jacksonville	Illinois	62650	217-479-3100
IL133	KVB LODGING, INC.	3470 Freedom Dr.	Springfield	Illinois	62704	217-787-6200
IL015	NAP HOSPITALITY CORP.	18420 Spring Creek Dr	Tinley Park	Illinois	60477	708-342-1700
IL310	VEDAMATA, INC.	1101 N. Cummings Lane	Washington	Illinois	61571	309-481-0450
IN141	LAKESIDE HOSPITALITY, LLC	2335 Jonathan Moore Pike	Columbus	Indiana	47201	812-372-7200
IN095	D&S HOSPITALITY OF ELKHART, INC.	220 Caravan Drive	Elkhart	Indiana	46514	574-206-8290
IN312	MKS LODGING, LLC	1244 West 16th Street	Indianapolis	Indiana	46202	317-653-1854
IN264	SHRI SAI NATH, INC	4134 Lincolnway West	South Bend	Indiana	46628	574-232-3200
IA207	CLAY COUNTY FAIR HOTEL	1310 Dickinson Avenue	Ames	Iowa	50014	515-337-1171
IA243	HART FAMILY HOTELS - ANKENY, LLC	2406 SE Tones Drive	Ankeny	Iowa	50021	515-964-5909
IA101	HB CORPORATION	1416 South Grand Avenue	Charles City	Iowa	50616	641-257-6700
IA074	SHRI KRISHNA, INC.	5350 Elmore Avenue	Davenport	Iowa	52807	563-355-3539
IA217	H3 HOSPITALITY. LLC	110 Leah Lane	Fort Dodge	Iowa	50501	515-302-8508
IA111	PINNACLE INVESTMENTS, LLC	310 Virgil Avenue	Mount Vernon	Iowa	52314	319-895-0055
IA131	NORTH LIBERTY HOTELS, LLC	485 Madison Ave. North	North Liberty	Iowa	52317	319-665-2700
IA112	PLEASANT HILL HOTEL GROUP, LLC	5850 Morning Star Court	Pleasant Hill	Iowa	50327	515-299-9922
IA225	INDIANOLA HOTEL, L.L.C.	885 S. 51st Street	West Des Moines	Iowa	50265	515-978-4012
KS144	PHIL GRIFFIN ET.AL.	202 West 11th St	Coffeyville	Kansas	67337	620-688-6400
KS148	NIVEDITA INTERNATIONAL, INC	2075 Sewell Avenue	Colby	Kansas	67701	785-460-0310
KS190	FS HOSPITALITY GROUP, LLC	302 E Wall St.	Fort Scott	Kansas	66701	620-223-2555
KS198	SAMYS ENTERPRISE, LLC	1931 E. Kansas Plaza	Garden City	Kansas	67846	520-257-4581
KS106	B & L MOTELS, INC.	1011 East 41st Street	Hays	Kansas	67601	785-625-2700
KS181	HASMUKHBHAI PATEL	651 E. 71st St. South	Haysville	Kansas	67060	316-425-6077
KS180	NORTON MOTEL, LLC	201 East Holme	Norton	Kansas	67654	785-874-5151
KS162	NIVEDITA INTERNATIONAL, INC	3596 East Hwy 40	Oakley	Kansas	67748	785-671-1111
KS057	SWAMI, INC.	1024 SW Wanamaker Rd.	Topeka	Kansas	66604	785-228-2500
KY088	VIKAS HOTELS, INC	801 Mammoth Cave St.	Cave City	Kentucky	42127	270-773-2030
KY243	COLUMBIA TMT ENTERPRISES LLC	350 Dohoney Trace	Columbia	Kentucky	42728	270-380-1200
KY013	OM PASHWA PROPERTY, LLC	2224 US 41 N.	Henderson	Kentucky	42420	270-830-6500

KY098	RRR PROPERTIES, LLC	1920 Plaudit Place	Lexington	Kentucky	40509-2417	859-543-8400
KY005	IJKH, LLC	1850 Priority Way	Louisville	Kentucky	40299	502-266-6776
KY434	KINGDOM HOTEL, LLC	3330 Preston Hwy, Gate #6	Louisville	Kentucky	40213	502-368-9597
KY217	SHOFFNER & MARS, LLC	1260 N, 12th Street	Middlesboro	Kentucky	40965	606-576-7829
KY235	SHYAM-GHANSHYAM, LLC	220 Auburn Street	Oak Grove	Kentucky	42262	270-640-7170
KY026	LAKEVIEW HOSPITALITY, LLC	51 Bon Harbor Hills	Owensboro	Kentucky	42301	270-691-6200
KY195	MAVS, INC	130 Spring Pointe Drive	Shepherdsville	Kentucky	40165	520-257-3107
LA706	KESHAV HOSPITALITY, INC.	10332 Plaza Americana Dr.	Baton Rouge	Louisiana	70816	225-926-8488
LA223	MORGAN CITY HOTEL, LLC	2033 Highway 90	Berwick	Louisiana	70342	985-300-0202
LA319	AUM INVESTMENTS, INC	37090 Market Center Blvd.	Geismar	Louisiana	70734	225-402-4400
LA279	COMMON TOUCH, LLC	134 Old Winnfield Road	Jonesboro	Louisiana	71251	480-676-5415
LA121	TRIDENT HOSPITALITY GROUP, LLC	4601 Utica Street	Metairie	Louisiana	70006	504-887-5337
LA127	C & I SOL IV APG, LLC	3411 US Highway 165	Pineville	Louisiana	71360	623-207-7519
LA168	KEITH BRASUELL ET AL	106 South Service Road East	Ruston	Louisiana	71270	318-232-1100
LA085	SHUBHAM, LLC	2140 West Willow St.	Scott	Louisiana	70583	337-264-0408
LA227	PANACHE MEDICAL CENTER, LLC	3215 Samford Avenue	Shreveport	Louisiana	71103	318-676-0058
LA229	DHARTI LLC	6720 Klug Pines Rd.	Shreveport	Louisiana	71129	318-841-4404
LA099	CAPITAL CIRCLE HOTEL COMPANY	142 Oak Court	Slidell	Louisiana	70458	985-641-2143
MD222	BALTIMORE HOTEL INVESTMENTS, LLC	301 Fallsway	Baltimore	Maryland	21202	410-779-6166
MD291	LOVE'S HOSPITALITY, LLC	13320 Ali Ghan Road, NE	Cumberland	Maryland	21502	520-433-4614
MD621	JIGSA, LLC	1807 Edgewood Rd.	Edgewood	Maryland	21040	410-679-4700
MD142	PREM HOSPITALITY, LLC	501 Silo Hill Pkwy.	Emmitsburg	Maryland	21727	301-447-0044
MD125	DEVSHIV, LLC	5361 Spectrum Drive	Frederick	Maryland	21703-7339	301-668-2003
MD133	SATI HOTELS, LLC	18216 Col Henry K Douglas Dr.	Hagerstown	Maryland	21740	301-766-9449
MD153	SOHAM, INC.	8145 Washington Blvd	Jessup	Maryland	20794	410-799-7794
MD189	MTA INVESTMENT GROUP, LLC	10127 Washington Boulevard	Laurel	Maryland	20723	240-547-4268
MD619	AIL HOSPITALITY, LLC	2 Research Ct.	Rockville	Maryland	20850-3212	301-948-8000
MD022	JALARAM HOSPITALITY, INC.	406 Punkin Ct	Salisbury	Maryland	21804	410-572-5516

MD214	MELWOOD HOSPITALITY	9310 Marlboro Pike	Upper Marlboro	Maryland	20772	301-599-9400
MI174	SI TRAVERSE LIMITED PARTNERSHIP	5520 US 31 North	Acme	Michigan	49610	231-938-7000
MI214	RADHEY SHYAM CORP.	4869 Becker Drive	Allendale	Michigan	49401	616-892-8000
MI701	RISE AND SHINE HOSPITALITY, LLC	1101 Commerce Park Dr.	DeWitt	Michigan	48820	517-669-8823
MI016	29TH STREET HOSPITALITY INC.	4284 29th Street, SE	Grand Rapids	Michigan	49512	616-975-9000
MI034	WACKERLY STREET HOSPITALITY, INC.	2100 W. Wackerly St.	Midland	Michigan	48640	989-837-1010
MI187	MILAN HOTELS, INC.	1230 Dexter St.	Milan	Michigan	48160	520-257-4534
MN143	ANTHONY NWAKAMA	1300 Nwakama Street	Marshall	Minnesota	56258	507-337-0103
MN180	SD ROCHESTER, LLC	2109 Commerce Drive NW	Rochester	Minnesota	55901	507-282-2364
MS020	MANISH PATEL, ET AL.	4351 Lakeland Drive	Flowood	Mississippi	39232	601-345-8663
MS285	SOUTHEASTERN REALTY HOLDINGS, LLC	10393 Hwy 49	Gulfport	Mississippi	39503	228-831-1616
MS197	HATTIESBURG HOTELS, INC	6603 Highway 49 North	Hattiesburg	Mississippi	39401	601-268-1722
MS427	VALI HOSPITALITY, LLC	708 Desoto Cove	Horn Lake	Mississippi	38637	480-568-6941
MS281	JASON WOOD & BRYCE TURNAGE	901 1st Ave. East	Meridian	Mississippi	39301	601-481-1001
MS178	GANESH LLC	333 Airport Road	Pearl	Mississippi	39208	601-896-9638
MO252	RUKHSANA HOSPITALITY, LLC	11225 Lone Eagle Dr.	Bridgeton	Missouri	63044	314-344-1954
MO158	NORTH PLATTE DEVELOPMENT, INC	1390 East U.S. Highway 54	Camdenton	Missouri	65020	520-433-4707
MO352	SZC HOTELS, LLC	105 Lakeside Drive	Hannibal	Missouri	63401	573-221-1500
MO086	TRUCKSTOP DISTRIBUTORS, INC.	I-44 & SR 43 S.	Joplin	Missouri	64804	520-505-2494
MO631	BVM PLATT CITY, LLC	7611 NW 97th Terrace	Kansas City	Missouri	64153	480-386-9528
MO268	CHUNG HOSPITALITY LIBERTY, LLC	1840 N. Church Road	Liberty	Missouri	64068	816-335-4402
MO370	GRANITE HOTELS, LLC	1147 Technology Drive	O Fallon	Missouri	63368	636-329-1000
MO129	GLOBAL HOSPITALITY L.L.C	150 Fountain Lakes Blvd.	Saint Charles	Missouri	63301	636-947-0330
MO023	TRI-STAR HOTELS, LLC	233 E Camino Alto	Springfield	Missouri	65810	417-886-2464
MT414	KHAN INVESTMENTS, LLC	4904 Southgate Dr.	Billings	Montana	59101	480-568-4612
MT081	TOWN PUMP ROCKER, INC	1006 S. Haynes Avenue	Miles City	Montana	59301	406-232-3000
MT421	GRANITE PEAK HOSPITALITY, INC.	3425 Dore Lane	Missoula	Montana	59801	406-543-5883
NE410	COLUMBUS HOSPITALITY, L.L.C.	303 23rd. St.	Columbus	Nebraska	68601-2761	402-562-5200
NE414	SIDDHIVINAYAK, LLC	1716 N. Diers	Grand Island	Nebraska	68803	308-381-8111
NE144	FOLKWAYS HOSPITALITY, LLC	2803 Folkways Boulevard	Lincoln	Nebraska	68504	402-477-0645

NE019	JIVATBA HOSPITALITY, LLC	2525 Abbott Drive	Omaha	Nebraska	68110	402-342-2525
NH010	SHIVSAI LLC	72 Perkins Rd.	Londonderry	New Hampshire	03053	603-425-2110
NJ716	NSN HOTEL GROUP LLC	208 US 130 N.	Cinnaminson	New Jersey	08077-3304	856-829-0717
NM424	INTERNATIONAL 786 OHM LLC	2300 International Ave SE	Albuquerque	New Mexico	87106	505-244-3325
NM211	MNV HOSPITALITY, INC.	3825 National Parks Hwy	Carlsbad	New Mexico	88220	575-941-2300
NM423	SARAMANA NM, LLC	3820 E Highway 66	Gallup	New Mexico	87301	505-863-3535
NM150	JAY HOSPITALITY GROUP, LLC	4630 N. Lovington Highway	Hobbs	New Mexico	88240	575-393-3355
NM008	KNLRV, LLC	2121 S. Triviz Drive	Las Cruces	New Mexico	88001	575-522-1700
NY030	NFB HOTEL ASSOCIATES, LLC	75 Inn Keepers Lane	Amherst	New York	14228	716-691-6510
NY455	RATAN STILLWELL LLC	2586 Stillwell Ave	Brooklyn	New York	11223	718-975-6702
NY484	22 STREET SAI, LLC	134 22nd Street	Brooklyn	New York	11232	347-415-8388
NY609	STEPHEN DEVELOPMENT CORPORATION	100 Holtz Dr.	Cheektowaga	New York	14225	716-626-4000
NY589	BARBAGALLO'S TAVERN INC.,	6344 E Molloy Road	East Syracuse	New York	13057	315-433-8585
NY394	RISINGSAM ROCKAWAY LLC	153-75 Rockaway Blvd	Jamaica	New York	11434	718-341-4300
NY459	PRIYA HOSPITALITY, LLC	38-71 13th Street	Long Island City	New York	11101	718-880-3855
NY662	NOWAK PROPERTIES, INC.	3491 Route 6	Middletown	New York	10940	845-342-4304
NY661	CLEAR KEY II, LLC	1 Sleep Way	Monroe	New York	10950	845-492-2050
NY055	QUEENSBURY LODGING, LLC	906 State Route 9	Queensbury	New York	12804	518-955-3000
NC332	HOSPITALITY ALEMARLE, LLC.	621 SR 24-27 Bypass	Albemarle	North Carolina	28001	704-983-2770
NC141	HEMANT J. PATEL ET AL	1918 Old Haywood Rd	Asheville	North Carolina	28806	828-670-7600
NC514	JAMUS FAMILY LIMITED PARTNERSHIP NO.3	163 Hwy 105 Extension	Boone	North Carolina	28607	828-262-0020
NC024	RIDDHI, INC.	500 Veterans Blvd.	Bryson City	North Carolina	28713	828-488-0326
NC005	TRYON 8525, LLC	8525 N Tryon St.	Charlotte	North Carolina	28262	704-549-4544
NC033	NARAYANI, LLC	6300 Banner Elk Drive	Charlotte	North Carolina	28216	704-399-7778
NC084	FORTUNE INVESTMENTS LLC	701 Yorkmont	Charlotte	North Carolina	28217	704-525-5005
NC288	NEW CASTLE LODGING, LLC	1120 Copperfield Blvd.	Concord	North Carolina	28025	704-788-2150
NC334	KINGS GRANT HOSPITALITY, LLC	7821 Gateway Lane	Concord	North Carolina	28027	704-979-8800
NC327	SHRI HOTELS, LLC	5208 Page Road	Durham	North Carolina	27703	919-993-3393
NC839	ASSOCIATED HOTELS, INC.	1915 Cedar Creek Road	Fayetteville	North Carolina	28312	910-433-9090

NC321	AJAY HOSPITALITY, INC.	105 Commerce Pkwy	Garner	North Carolina	27529-7924	919-772-7771
NC335	WELCOME HOTELS OF GSO, INC.	7 Sharps Airpark Court	Greensboro	North Carolina	27409	336-931-1272
NC308	DREAM HOSPITALITY, INC.	18 Market St.	Henderson	North Carolina	27537-3788	480-386-9567
NC146	STAR HOTELS OF HICKORY, INC.	1179 13th Ave. Dr. S.E.	Hickory	North Carolina	28602	520-257-3136
NC380	SUNRISE HOTEL ENTERPRISES, INC.	129 Circuit Lane	Jacksonville	North Carolina	28546	910-478-0099
NC820	ALINA HOSPITALITY, LLC	1406 Heartland Drive	Kernersville	North Carolina	27284	336-993-6800
NC032	SNS PROPERTIES LLC	9900 Matthews Park Drive	Matthews	North Carolina	28105	704-841-1660
NC162	SWAMINARAYAN CRN, LLC	2400A South Sterling Street	Morganton	North Carolina	28655	828-433-9000
NC696	THE KORNEGAY COMPANY, LLC	203 Nc Highway 55 W	Mount Olive	North Carolina	28365	919-658-1002
NC825	HEER INVESTMENTS, LLC	101 Hampton Boulevard	Roanoke Rapids	North Carolina	27870	252-537-3141
NC466	95 & 95, INC.	270 North Equity Drive	Smithfield	North Carolina	27577-6031	919-209-2360
NC252	BBC ENTERPRISES	102 Sleepy Drive	Spring Lake	North Carolina	28390	910-436-6700
NC034	FIRST HOTELS, LLC	1212 Tonewood Street	Statesville	North Carolina	28677	704-878-2400
NC309	WAKE FOREST 12401, INC	12401 Wake Union Church Rd	Wake Forest	North Carolina	27587-7436	919-556-4007
NC834	WILMINGTON DEVELOPMENT COMPANY, INC	5225 Market St.	Wilmington	North Carolina	28405	910-313-6665
NC091	D.T.P.L INVESTMENTS, LLC	5011 Hayes Place	Wilson	North Carolina	27896	252-234-2900
NC271	SHREE HARIKRISHNA, INC.	1985 Hampton Inn Court	Winston-Salem	North Carolina	27103	336-774-8020
ND054	CENTURY HOSPITALITY, LLC	1510 E. Century Avenue	Bismarck	North Dakota	58503	701-751-4860
ND088	BIGEYE HOSPITALITY, LLP	1413 Highway 2	Devil's Lake	North Dakota	58301	701-544-1111
ND057	RIDGEVIEW HOSPITALITY, LLC	4625 23rd Ave. S	Fargo	North Dakota	58104	701-492-6245
ND052	WINN HOSPITALITY, LLC	1350 South 42nd Street	Grand Forks	North Dakota	58201	701-757-2900
ND029	MINOT LODGING EXPO, LLC	2400 10th Street SW	Minot	North Dakota	58701	701-837-3100
OH218	JSM GROUPS, LLC	9350 Center Rd.	Austinburg	Ohio	44010	440-275-6800
OH478	BHAGYODAY INVESTMENT, INC.	5555 Interstate Blvd.	Austintown	Ohio	44515	330-544-5555
OH581	BEL-MORR MARKET LTD	41371 Reco Road	Belmont	Ohio	43718	623-209-7609
OH005	CANTON INVESTORS MANAGEMENT, LTD	11155 SR 212 N.E.	Bolivar	Ohio	44612	330-874-3435
OH587	PKH CAMBRIDGE HOTEL II, LIMITED PARTNERS	2307 Southgate Parkway	Cambridge	Ohio	43725	740-435-0035

OH653	LIEBEN GROUP, LP	6698 E. Brandt Road	Galion	Ohio	44833	419-777-7515
OH706	HOCKING HILLS HOSPITALITY, LLC	12830 Grey Street	Logan	Ohio	43138	740-331-4811
OH190	DKY LODGING INC.	1761 Meijer Circle	Oregon	Ohio	43616	419-697-7800
OH198	LODGING INDUSTRY, INC.	947 SR 53 N	Port Clinton	Ohio	43452	419-732-7707
OH463	J & M HOSPITALITY, LLC	5509 Milan Rd.	Sandusky	Ohio	44870	419-625-6989
OK224	BLACKWELL HOTELS, INC.	4530 West White Avenue	Blackwell	Oklahoma	74631	580-363-9909
OK425	SAVITA HOTELS, INC	3608 S. Broadway Extension	Edmond	Oklahoma	73013	405-844-3000
OK203	ANDREA LODGING, LLC	2710 E. Hwy 66	Elk City	Oklahoma	73644	580-303-4574
OK095	SHIVAM HOTEL ENTERPRISES, LLC	414 Heather Road	Guthrie	Oklahoma	73044-0908	405-260-1400
OK223	HENNESSEY HOTELS, LLC	600 North Main Street	Hennessey	Oklahoma	73742	405-853-2126
OK170	HOSPITALITY OPERATING MANAGEMENT, LLC	421 SE Interstate Drive	Lawton	Oklahoma	73501	580-353-5555
OK172	AJD INVESTMENTS, LLC	2601 Bankers Ave	Norman	Oklahoma	73072	405-307-0919
OK119	PRAVIN PATEL & DINESH PATEL	12024 North I-35 Service Rd.	Oklahoma City	Oklahoma	73131	405-478-9898
OK138	GAYATRI, INC.	5200 North Classen Circle	Oklahoma City	Oklahoma	73118	405-286-5400
OK289	STAR LODGING, LLC	12520 NW 10th St.	Oklahoma City	Oklahoma	73099	405-265-4945
OK417	IMMANUEL HAPPY HOMES, LLC	4620 Enterprise Way	Oklahoma City	Oklahoma	73128	405-946-1600
OK093	ATHENEON HOSPITALITY, LLC	8021 E. 33rd Street South	Tulsa	Oklahoma	74145	480-676-5224
OR420	SIE, LLC	600 N.E. Bellevue Drive	Bend	Oregon	97701	623-207-7590
OR272	KLAMATH TRIBES	34333 Hwy, 97 N	Chiloquin	Oregon	97624	541-827-5300
OR060	SIDHU AND JASSAL LLC	1221 S.E. 1st Ave	Ontario	Oregon	97914	541-881-0007
OR188	NRP MOTELS, LLC	1847 N HWY 97	Redmond	Oregon	97756	541-504-1500
OR091	N&P BONN, LLC	2855 N.W. Edenbower Boulevard	Roseburg	Oregon	97471	541-464-8338
PA068	STAR HOSPITALITY GROUP, INC	327 Star Road	Allentown	Pennsylvania	18106	610-395-6603
PA294	PRAMUKH SWAMI HOTEL, LLC	3427 Street Rd.	Bensalem	Pennsylvania	19020	215-244-2300
PA055	INDIJU HOSPITALITY, LLC	5 East Garland Drive	Carlisle	Pennsylvania	17013	717-249-8863
PA365	AVS HOSPITALITY, LLC	102 Monahan Ave	Dunmore	Pennsylvania	18512	570-961-1116
PA373	VC HOSPITALITY, LLC	1650 York Road	Gettysburg	Pennsylvania	17325	717-334-3866
PA558	CLOVER LEAF MOTEL, INC	631A Eisenhower Blvd	Harrisburg	Pennsylvania	17111	717-564-8888
PA603	DAYAKANTA ENTERPRISE LLC	7100 Allentown Blvd	Harrisburg	Pennsylvania	17112	717-545-7715

PA030	SNB HOSPITALITY, LLC	453 Theatre Dr.	Johnstown	Pennsylvania	15904-0453	814-262-9292
PA041	ALL NK SLEEP LLC	310 Primrose Lane	Mountville	Pennsylvania	17554	717-285-0444
PA683	CITY HOTEL GROUP, INC.	1020 Cherry Street	Philadelphia	Pennsylvania	19107	267-417-8990
PA744	SHIV HOSPITALITY, LLC	1000 Park Lane Drive	Pittsburgh	Pennsylvania	15275	623-432-0768
PA381	YOGI & BHUPENDRA PATEL	2869 Lincoln Hwy	Ronks	Pennsylvania	17572	717-687-5226
PA421	HFL CORPORATION	111 Village Dr.	State College	Pennsylvania	16803	814-235-1020
SC204	SHREE GANESH HOSPITALITY, LLC	1002 Monterey Drive	Aiken	South Carolina	29803-2107	803-644-9900
SC018	VISION SEVEN HOSPITALITY, LLC	2523 Boundary St.	Beaufort	South Carolina	29906	843-522-3361
SC212	CHATHAM HOTEL LIMITED PARTNERSHIP	1524 Savannah Hwy	Charleston	South Carolina	29407	843-556-6959
SC021	GANESHA HOSPITALITY INC.	1901 Rockland Rd.	Columbia	South Carolina	29210	803-731-9999
SC034	RICHLAND ENTERPRISES, LLC	200 East Exchange Boulevard	Columbia	South Carolina	29209	803-776-6263
SC197	TANI HOSPITALITY, LLC	3345 W Highway 501	Conway	South Carolina	29526	843-365-2828
SC106	FLORENCE LODGING INC	1833 Florence Park Dr.	Florence	South Carolina	29501	843-662-8558
SC008	SC HOTEL INVESTMENTS, LLC	3540 Lakemont Blvd	Fort Mill	South Carolina	29708	803-547-2300
SC189	TILBROS, INC	834 Windslow Ave	Gaffney	South Carolina	29341-2623	864-487-5337
SC005	JPS HOSPITALITY, LLC	231 N Pleasantburg Drive	Greenville	South Carolina	29607	864-240-2006
SC199	KNM, LLC	16553 Whyte Hardee Boulevard	Hardeeville	South Carolina	29927	843-784-7181
SC037	H V PROPERTIES, LLC	909 US 17	Little River	South Carolina	29566	843-249-4848
SC036	LOW COUNTRY HOTEL ASSOCIATES, LLC	299 Wingo Way	Mount Pleasant	South Carolina	29464	408-414-7690
SC035	OMKR HOSPITALITY, LLC	108 Waccamaw Pines Dr.	Myrtle Beach	South Carolina	29579	843-236-0102
SC041	NEX VENTURES HOSPITALITY, INC.	921 Edgefield Rd.	North Augusta	South Carolina	29841	803-202-0209
SC209	LRP HOTELS OF WARNER ROBINS, LLC	7435 Northside Dr.	North Charleston	South Carolina	29420	520-257-4524
SC017	SIROLINA LLC	3689 St. Matthews Rd	Orangeburg	South Carolina	29118	803-531-7200
SC717	GOVIND MANAGEMENT CO., INC.	501 South Blackstock Road	Spartanburg	South Carolina	29301	864-595-4040
SC070	CAROL WIGGINS, INDIVIDUALLY	115 Holiday Dr.	Summerville	South Carolina	29483	843-851-9595
SC193	SHRI AP, LLC	2510 Broad Street	Sumter	South Carolina	29150	803-469-0500
SC108	MAJESTIC LLC	3043 Hiers Corner Road	Walterboro	South Carolina	29488	843-539-1199
SC044	MADHAV HOSPITALITY, LLC	2208-A Edmund Hwy.	West Columbia	South Carolina	29170	803-926-9260

SD067	SODACO, INC.	4031 Cheyenne Blvd.	Rapid City	South Dakota	57703	605-791-5678
SD021	SUMINN, INC.	1500 N Kiwanis Ave	Sioux Falls	South Dakota	57104	520-979-3793
TN052	U. K. ENTERPRISES	1611 Galleria Blvd.	Brentwood	Tennessee	37027-2926	615-376-2122
TN242	KASHTBHANJANDEV, LLC	2351 Shallowford Village Dr.	Chattanooga	Tennessee	37421	423-805-9236
TN795	TRIUMPH HOSPITALITY, LLC	230 Cracker Barrel Drive	Clarksville	Tennessee	37040	931-919-2440
TN733	SHANKUS GROUP COLUMBIA, LLC	1605 Harley Davidson Blvd	Columbia	Tennessee	38401	931-548-2900
TN708	VAN METER HOTELS, LLC	4450 Rhea County Highway	Dayton	Tennessee	37321	423-693-0963
TN595	DON DILLS & KISHOR DESAI	824 Reelfoot Drive	Dyersburg	Tennessee	38024	731-287-0248
TN347	KUSH ENTERPRISES, LLC	335 East Parkway	Gatlinburg	Tennessee	37738	623-207-7411
TN259	SHIV PUJA, LLC	2020 Franklin Terrace Ct.	Johnson City	Tennessee	37604	423-915-0081
TN288	AIRPORT HOSPITALITY, LLC	200 Hospitality Place	Kingsport	Tennessee	37663	423-279-1811
TN216	SHREE GANESH HOSPITALITY LLC	5460 Central Avenue Pike	Knoxville	Tennessee	37912	865-688-7300
TN341	RAJENDRA BHAKTA, ET AL.	150 S. Eastgate Court	Lebanon	Tennessee	37090	615-449-7005
TN562	AMERICAN HOTELS - MANCHESTER, G.P.	84 Relco Drive	Manchester	Tennessee	37355	931-954-0580
TN451	TENNESSEE HOTEL GROUP, L.L.C.	40 N. Front St.	Memphis	Tennessee	38103	480-568-6713
TN280	PRADEEP AGNIHOTRI AND RANJNA AGNIHOTRI	193 Chaffin Place	Murfreesboro	Tennessee	37129	520-257-3104
TN447	TULSI, INC.	3437 Percy Priest Dr.	Nashville	Tennessee	37214	615-882-9220
TN464	SRI GANESHA, LLC	3200 Dickerson Pike	Nashville	Tennessee	37207	615-227-8686
TN460	JAN SOLARZ	1020 Parkway	Sevierville	Tennessee	37862	865-429-0484
TN355	RADHE SHYAM HOSPITALITY 2, GP	2689 Highwood Blvd.	Smyrna	Tennessee	37167	615-220-2260
TXB43	DASHRATH PATEL ET AL	250 Killough Cove	Abilene	Texas	79601	325-437-9601
TX710	HARLEY HOSPITALITY, LLC	2401 I-40 E.	Amarillo	Texas	79104	806-372-6200
TXC62	AHIP TX AMARILLO 6915 ENTERPRISES LLC	6915 I-40 West	Amarillo	Texas	79106	806-242-7777
TX024	ARLINGTON VENTURES LP	750 Six Flags Dr.	Arlington	Texas	76011	480-386-9541
TXD33	TA HAMPTON FAMILY GROUP, LP	8410 Highway 290 East	Austin	Texas	78724	512-524-5400
TXD85	NASEEM MOMIN ET	14004 Owen Tech Blvd.	Austin	Texas	78728	512-670-9188
TXG61	PRAMUKHARI BIGSPRING LLC	306 NE 12th Street	Big Spring	Texas	79720	432-606-5125
TXH45	KAJANI SANDERS VEERANI PROPERTIES, LLC	2825 North Earl Rudder Freeway	Bryan	Texas	77807	979-485-5577
TXF13	SHREE AMBE MAA, LLC	181 Civic Center	Center	Texas	75935	936-590-9090

TXG77	SHAKTI HOSPITALITY, LLC	1846 Graham Road	College Station	Texas	77845	979-485-5482
TXH02	DALLAS EMPIRE CENTRAL, LLC	1165 Empire Central Place	Dallas	Texas	75247	469-372-0006
TXE80	JAMES SMITH	2720 East US Hwy. 290	Dripping Springs	Texas	78620	512-858-2400
TX052	KIASH, LLC	953 Sunland Park Dr.	El Paso	Texas	79922	915-585-7577
TXA89	FORT STOCKTON ENTERPRISES, LLC	3401 W Dickinson Blvd	Fort Stockton	Texas	79735	432-336-8338
TXH74	EAGLEWOOD GROUP, LLC	6050 Old Denton Rd.	Fort Worth	Texas	76131	817-232-9999
TXH52	DOUBLE TREE HOSPITALITY, LLC	6628 Broadway Street	Galveston	Texas	77554	409-220-3946
TXA93	A R GUERRA HOLDINGS, LLC	2138 Water Street	Gonzales	Texas	78629	830-672-1888
TX976	KBD GROUP, INC	209 Enterprise Boulevard	Hewitt	Texas	76643	254-420-3200
TXC78	SAWAN INVESTMENT CORPORATION	2475 North Freeway	Houston	Texas	77009	713-862-6300
TXC99	JAI MAA UNIVERSAL, LLC	222 West Airtex Boulevard	Houston	Texas	77090	281-872-6200
TXD02	PINEMONT HD LLC	5451 Northwest Central Drive	Houston	Texas	77092	713-996-0707
TXH39	BVMA PROPERTIES, LLC	3850 Wilcrest Drive	Houston	Texas	77042	832-839-8434
TXB91	ALDE RC INVESTMENTS, LLC	18150 McKay Drive	Humble	Texas	77338	281-446-4683
TXH51	INGLESIDE HOSPITALITY, LLC	2810 State Highway 361	Ingleside	Texas	78362	361-238-4625
TXG52	ALPESHKUMAR HOTELS, LLC	1800 Highway 97 E.	Jourdanton	Texas	78026	830-770-0722
TX930	4S & K, INC.	700 E. Central TX Expressway	Killeen	Texas	76541	520-979-3719
TXG30	THE FIRST NATIONAL BANK OF HUGHES SPRING	615 City Center Way	Longview	Texas	75605	903-212-6520
TXC63	MEHUL PATEL ET AL	5816 34th Street	Lubbock	Texas	79407	806-368-6060
TXG19	JASON KELBY MCCALL	2409 North Timberland Drive	Lufkin	Texas	75904	936-630-4600
TXC20	BURTON HOTEL GROUP OF MIDLAND, LLC	5612 Deauville Blvd	Midland	Texas	79706	432-694-4200
TX932	SHAILESH BHAKTA	1477 North IH 35	New Braunfels	Texas	78130	830-625-7700
TXF91	GOKUL HOSPITALITY, INC.	3101 East Business 20	Odessa	Texas	79761	432-653-0333
TXC28	JAI CHAND DEVI MATA, LLC	1908 Country Place Parkway	Pearland	Texas	77584	832-230-3000
TXE40	BURTON HOTEL GROUP OF ROUND ROCK, LLC	1980 South IH-35	Round Rock	Texas	78681	512-246-6000
TXB46	ALAMO IH-10 PROPERTIES, LLC	5042 Beckwith Blvd.	San Antonio	Texas	78249	480-568-6682
TX980	BLARNEY STONE DV, INC.	111 East 15th Street	Shamrock	Texas	79079	806-256-2227
TX884	SF BUSINESS INVESTMENT, LLC	4810 Alpine Drive	Stafford	Texas	77477	281-494-2900
TXC04	BURTON HOTEL GROUP, LLC	5555 Donnybrook Ave.	Tyler	Texas	75703	903-581-8646
UT206	JPK TR MOAB II, LLC	356 South Main Street	Moab	Utah	84532	435-355-0909

UT050	J & S HOSPITALITY LLC	1155 S. 1700 W.	Ogden	Utah	84404	801-731-6500
UT425	KUSUM ENTERPRISES, INC.	1505 South 40 East	Provo	Utah	84606	520-257-4601
UT051	AKAAL HOSPITALITY INC	3440 S. Decker Lake Dr.	Salt Lake City	Utah	84119	801-975-1888
UT032	APATITE SOUTH JORDAN, LLC	10676 S. 300 W.	South Jordan	Utah	84095	801-572-2020
VA364	ASHLAND INVESTMENT, INC.	80 Cottage Green Drive	Ashland	Virginia	23005	804-752-2355
VA344	AWANA OPERATING COMPANY, INC.	1185 5th St. SW	Charlottesville	Virginia	22902	434-244-9969
VA305	VIANN, LLC	3280 Western Branch Blvd	Chesapeake	Virginia	23321	757-638-5000
VA656	NEWPORT CLINTWOOD MGMT, LLC	5625 Dickenson Hwy.	Clintwood	Virginia	24228	276-796-1058
VA372	J&M PROPERTIES, LLC	1483 South Boston Rd	Danville	Virginia	24540	434-793-6090
VA350	PAB, INC.	5094 State Park Rd.	Dublin	Virginia	24084	540-674-4099
VA327	SUNPOWER HOTELS LLC	17470 Jefferson Davis Hwy	Dumfries	Virginia	22026	520-979-3312
VA416	AKSHAR INTERNATIONAL, INC.	899 Wiggins Road	Emporia	Virginia	23847	434-348-3900
VA148	ALOHA, INC. DBA SLEEP INN	595 Warrenton Rd.	Fredericksburg	Virginia	22406	540-372-6868
VA380	SOUTHPOINT HOTEL COMPANY	5400 Southpoint Centre Blvd.	Fredericksburg	Virginia	22407	540-710-5500
VA339	1891 HOSPITALITY, LLC	1891 Evelyn Byrd Ave	Harrisonburg	Virginia	22801	540-433-7100
VA377	SHRI JALARAM, INC.	95 Maury River Road	Lexington	Virginia	24450	540-463-6000
VA311	HILL CITY LODGING, LLC	3620 Candlers Mountain Road	Lynchburg	Virginia	24502	434-846-6900
VA592	SAI MIDLOTHIAN, LLC	6451 Bayside Lane	Midlothian	Virginia	23112	804-639-3500
VA059	LAKE WRIGHT PROPERTIES, LLC	1521 Premium Outlets Blvd	Norfolk	Virginia	23502	757-461-6251
VA527	BHUPENDRA PATEL	2200 Waterside Road	Prince George	Virginia	23875	804-732-3737
VA005	VEER CORPORATION	2321 Willis Rd.	Richmond	Virginia	23237-2947	804-275-8800
VA030	TARA HOSPITALITY, LLC	950 East Parham Road	Richmond	Virginia	23228-6511	804-515-7800
VA123	TENTH GATE, LLC	4045 Electric Rd.	Roanoke	Virginia	24018	540-772-1500
VA289	INN AT AUGUSTA, LLC	222 Jefferson Highway	Staunton	Virginia	24401	540-887-6500
VA338	PARAS HOSPITALITY, LLC	11019 Blue Star Hwy.	Stony Creek	Virginia	23882	520-979-3089
VA070	SHANTINATH LLC	220 Bypass Rd.	Williamsburg	Virginia	23185	757-259-1700
VA345	SHREE SAINATH LLC	140 Costello Dr.	Winchester	Virginia	22602	540-667-7636
VA054	SHIV-KRUPA, INC.	14080 Shoppers Best Way	Woodbridge	Virginia	22192	703-580-9200
VA027	DYLSIYA, LLC	135 Nye Circle	Wytheville	Virginia	24382	480-386-9564

WA102	PASCO LODGING, LLC	9930 Bedford Street	Pasco	Washington	99301	509-545-9554
WA090	SEAVIEW HOTEL INVESTMENT, LLC	20406 International Blvd	SeaTac	Washington	98198	206-878-3600
WV048	AIRPORT LODGING, LLC	1124 Airport Rd.	Beaver	West Virginia	25813	304-255-4222
WV052	HOSPITALITY DEVELOPMENT CORPORATION	115 Tolley Drive	Bridgeport	West Virginia	26330	304-842-1919
WV412	KELSEY FOODS, INC.	2772 Pennsylvania Ave.	Charleston	West Virginia	25302	304-345-5111
WV058	KEL CROSS, INC.	15 Goff Crossing Drive	Cross Lanes	West Virginia	25313	304-776-7711
WV139	INNSBRUCK HOLDINGS, LLC	29 South Main Street	Ellenboro	West Virginia	26346	304-699-2919
WV123	RICHARD TOOTHMAN AND GARY KELLEY	8 Wal Mart Drive	Moundsville	West Virginia	26041	304-810-4000
WV130	WOOD COUNTY INVESTORS, LLC	97 Emerson Commons Blvd	Parkersburg	West Virginia	26104	304-893-9191
WV414	MERCER LODGING, LLC	1015 Oakvale Rd.	Princeton	West Virginia	24740-5625	304-431-2800
WV408	FERCO LIMITED LIABILITY COMPANY	701 Professional Park Dr.	Summersville	West Virginia	26651	304-872-4500
WI088	1600 LAWRENCE DRIVE PROPERTIES, LLC	1600 Lawrence Dr.	De Pere	Wisconsin	54115	520-433-4632
WI139	EAU CLAIRE HOTEL GROUP, LLC	5872 33rd Ave	Eau Claire	Wisconsin	54703	715-874-2900
WI178	BELTLINE HOTEL PARTNERS II, LLC	4802 Tradewinds Parkway	Madison	Wisconsin	53718	608-221-8100
WI186	MILWAUKEE AIRPORT HOTEL ASSOCIATES, LLC	4600 South 6th Street	Milwaukee	Wisconsin	53221	414-831-2000
WI288	S&L HOSPITALITY, LLC	1120 Park Street	Oregon	Wisconsin	53575	608-291-2323
WI100	SHREE INVESTMENTS, LLC	3912 Motel Road	Sheboygan	Wisconsin	53081	920-694-0099
WI113	GROWTH MOTELS OF WISCONSIN RAPIDS, LTD.	4221 8th Street South	Wisconsin Rapids	Wisconsin	54494	715-424-6800
WY079	BRAEHEAD LODGING, LLC	508 Cortez Drive	Douglas	Wyoming	82633	307-358-2777
WY057	BONANZA VENTURES, LLC	6733 Bonanza Rd.	Evansville	Wyoming	82636	307-235-3100

EXHIBIT P

SLEEP INN FRANCHISES WHO LEFT THE SYSTEM BETWEEN JANUARY 1, 2018 AND DECEMBER 31, 2018

Heart of America	1501 River Drive	Moline	Illinois	61265	
KANEB INVESTMENT GROUP. LLC	601 NW US Highway 24	Topeka	Kansas	66608	785/233-7704
M&S Hospitality, Inc	101 VFW Ave	Grasonville	Maryland	21638	410/827-5555
KAPIL LLC	30 Falling Spring Road	Chambersburg	Pennsylvania	17201	717/263-1288
MYGHM CLEAR SPRING, LLC	612 Frome Avenue	Lancaster	Pennsylvania	17543	717/390-9022
AIS HOSPITALITY LLC	2375 Airways Blvd.	Memphis	Tennessee	38114	
Sabils Hospitality, Inc	4770 Plaza Drive	Irving	Texas	75063	817/800-7425
CDTB, LLC	323 SW Loop 410	San Antonio	Texas	78245	

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 your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, the overall economy, and other economic and business factors.

Initial _____

5. You acknowledge and agree that no Choice employee or representative has made any statement or promise concerning the revenues, profits or earnings of a hotel operating in the Choice system that is different from or inconsistent with the information contained in the Franchise Disclosure Document.

Initial _____

6. You acknowledge and agree that no Choice employee or representative has made any promise or guaranty regarding the amount of money you may earn, the amount of revenue a hotel operating under the Choice system may generate, or the likelihood of your success.

Initial _____

7. You acknowledge and agree that no Choice employee or representative has made any statement or promise concerning the advertising, marketing, training, support service or other assistance that Choice will furnish to you that is different from or inconsistent with the information contained in the Franchise Disclosure Document.

Initial _____

8. If the Franchisee is a corporation, partnership, limited liability or other entity, you acknowledge and agree that (a) you have the authority to bind the entity for purposes of this Acknowledgment Form, and (b) you have discussed this Acknowledgment Form with all principal owners and have obtained their oral or written agreement with the statements made in this Acknowledgment Form.

Initial _____

9. You understand that this Acknowledgment Form is important to Choice and that we are relying on the accuracy and truthfulness of your acknowledgments as a condition of signing the Franchise Agreement.

Initial _____

This Acknowledgment Form is not intended to disclaim the representations we made in the Franchise Disclosure Document that we have furnished to you. This Acknowledgment Form is not intended nor will it act as a release, estoppel, or waiver of any liability incurred under the Illinois Franchise Disclosure Act or the Maryland Franchise Registration and Disclosure Law.

* * *

EXHIBIT R

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): and/or Brian Quinn _____,
Choice Hotels International, 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850, 301-592-5000.

Issuance Date: April 1, 2019

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 a Sleep Inn disclosure document dated April 1, 2019 that included the following Exhibits: (A) State Addenda; (B) Regulatory Agencies and Registered Agents for Service of Process; (C) Audited Financial Statements; (D) the Franchise 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) Incremental Impact Policy; (N) Franchisee Association Information; (O) List of Current Franchisees; (P) List of Former Franchisees; (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:_____

Franchisee's Copy

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Choice Hotels International, Inc. ("Choice") offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Choice or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that Choice gives you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Choice gives you this Disclosure Document at the earlier of 10 business days before the execution of any binding franchise agreement or the payment of any consideration.

If Choice does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed in Exhibit B.

Franchise Seller(s): and/or Brian Quinn _____,
Choice Hotels International, 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850, 301-592-5000.

Issuance Date: April 1, 2019

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 a Sleep Inn disclosure document dated April 1, 2019 that included the following Exhibits: (A) State Addenda; (B) Regulatory Agencies and Registered Agents for Service of Process; (C) Audited Financial Statements; (D) the Franchise 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) Incremental Impact Policy; (N) Franchisee Association Information; (O) List of Current Franchisees; (P) List of Former Franchisees; (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:_____

Choice Hotels Copy