FRANCHISE DISCLOSURE DOCUMENT
Choice Hotels International, Inc.
a Delaware corporation

Before December 1, 2023	**On or about December 1, 2023**
1 Choice Hotels Circle, Suite 400	915 Meeting Street
Rockville, Maryland 20850	North Bethesda, Maryland 20852

(301) 592-5000
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https://choicehotelsdevelopment.com

The franchise offered is for the right to construct and operate a WOODSPRING SUITES property under our name and primary business trademark of "WOODSPRING SUITES®". A WOODSPRING SUITES hotel offers 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. Some franchisees may be awarded a Master Development Agreement, which will allow them to develop multiple properties over a period of time in an agreed upon territory.

The total investment necessary to construct and begin operation of a WoodSpring Suites franchise ranges from $8,277,296 to $10,945,500, assuming the WOODSPRING SUITES hotel contains approximately 122 guestrooms and excludes the cost of real estate. This includes between $50,000 to $81,799 that must be paid to Choice as follows: (1) an Affiliation Fee of $50,000 minimum for new franchises and $60,000 minimum for transfers or renewals; (2) payment of a Construction Advisory Services Agreement of $20,000 for five site visits by us and payable at the time you start construction of your hotel; and (3) training fees of $0 to $1,799 for one attendee. 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 accompanying 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 an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 the Ron Burgett, Senior Vice President, Extended Stay Development, at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850 until December 1, 2023, and on or after December 1, 2023, at 915 Meeting Street, North Bethesda, Maryland 20852, or by telephone, at (301) 592-5000.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contracts carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 ("FTC"). 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 on franchising.

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

Issuance Date: April 1, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits G or H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of the company-owned and franchised outlets.
Will my WoodSpring business be the only WoodSpring business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What is it like to be a WoodSpring franchisee?	Item 20 or Exhibits G and H list current and former franchisees. You can contact them to ask about their experience.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this Disclosure Document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risk(s) to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Maryland. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Maryland than in your own state.

Certain states may require other risks to be highlighted. Check the "State-Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

NOTICE REQUIRED
BY
STATE OF MICHIGAN

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

I) A prohibition of 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 provisions 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 values 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 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 I.

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 THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Table of Contents

Item		Page
Item 1	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
Item 2	BUSINESS EXPERIENCE	7
Item 3	LITIGATION	13
Item 4	BANKRUPTCY	19
Item 5	INITIAL FEES	20
Item 6	OTHER FEES	21
Item 7	ESTIMATED INITIAL INVESTMENT	30
Item 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	33
Item 9	FRANCHISEE'S OBLIGATIONS	35
Item 10	FINANCING	37
Item 11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	42
Item 12	TERRITORY	52
Item 13	TRADEMARKS	53
Item 14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	55
Item 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE LICENSED BUSINESS	56
Item 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	57
Item 17	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	57
Item 18	PUBLIC FIGURES	62
Item 19	FINANCIAL PERFORMANCE REPRESENTATION	62
Item 20	OUTLETS AND FRANCHISEE INFORMATION	67
Item 21	FINANCIAL STATEMENTS	74
Item 22	CONTRACTS	74
Item 23	RECEIPTS	75

Exhibits

A. Regulatory Authorities; Registered Agents for Service of Process
B. Franchise Agreement, Guaranty and State Specific Addenda
C. Master Development Agreement
D. Rules and Regulations Table of Contents
E. Financial Statements
F. Call Forwarding Terms of Use
G. List of Franchisees
H. Franchisees Who Have Left System
I. State Addenda

J. Promissory Note
K. Incentive Promissory Note
Exhibit K.A. – Capital Support Incentive Promissory Note
Exhibit K.B. – Diversity Incentive Promissory Note
L. Lender Documents
M. Construction Advisory Services Agreement
N. Comfort Letter
O. Franchise Disclosure Acknowledgment Form
P. State Effective Dates and 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 WOODSPRING SUITES® business ("WOODSPRING SUITES").

We do business under the following primary Choice Hotels trademarks among others: ASCEND HOTEL COLLECTION®, CAMBRIA®, CLARION HOTEL®, CLARION INN®, CLARION INN & SUITES®, CLARION SUITES®, CLARION RESORT®, CLARION COLLECTION®, CLARION POINTE®, COMFORT INN®, COMFORT INN & SUITES®, COMFORT SUITES®, COUNTRY INN & SUITES®, ECONO LODGE®, ECONO LODGE INN & SUITES®, EVERHOME SUITES®, MAINSTAY SUITES®, PARK INN®, PARK INN® RESIDENCES, PARK PLAZA®, QUALITY INN®, QUALITY INN & SUITES®, QUALITY SUITES®, QUALITY HOTEL®, RADISSON®, RADISSON BLU®, RADISSON INDIVIDUALS®, RADISSON INN & SUITES™, RADISSON RED®, RODEWAY INN®, RODEWAY INN & SUITES®, SLEEP INN®, SLEEP INN & SUITES®, SUBURBAN®, SUBURBAN STUDIOS® and WOODSPRING SUITES®.

<u>The Franchisor and Our Business</u>.

We are a Delaware corporation formed on January 8, 1963, under the name Quality Inns International, Inc. We changed our corporate name to Choice Hotels International, Inc. on July 25, 1990. From November 1, 1996 to October 15, 1997, our corporate name was Choice Hotels Franchising, Inc. Our corporate name has been Choice Hotels International, Inc. since October 15, 1997. Our principal business address (as well as the principal place of business of the Radisson companies listed in this Item 1) is 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850. This address will change in December 2023, when we move our headquarters to 915 Meeting Street, North Bethesda, Maryland 20852. Our agents for service of process are disclosed in Exhibit A of this Disclosure Document.

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

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

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.

Our indirect subsidiaries have conducted international franchise operations through a combination of direct franchising and master franchising or master development relationships since approximately 1958. More currently, our indirect subsidiary, Choice Hotels Licensing B.V. ("Choice BV"), a private limited liability company formed in the Netherlands on June 8, 2000, has been a franchisor or a master franchisor of our various Choice hotel brands internationally. Our international operations are primarily conducted in the following countries and territories, as organized by region: (1) *Asia-Pacific* - Australia, China, India, Japan, New Zealand, Thailand, and these have been mainly our ASCEND HOTEL COLLECTION, COMFORT, ECONO LODGE, and QUALITY brands; (2) *Europe & Middle East.* – Austria, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Kingdom of Saudi Arabia, Lithuania, Norway, Portugal, Spain, Sweden, Turkey, United Kingdom, and these have been mainly our ASCEND HOTEL COLLECTION, COMFORT, QUALITY, and CLARION brands; and (3) *Latin America & Canada* – Aruba, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Honduras, Mexico, Panama, Peru, Trinidad and Tobago, Uruguay, and these have been our ASCEND, COMFORT, QUALITY, and SLEEP INN brands. Choice BV's wholly owned subsidiary, Choice Hotels France, S.A.S. (a French company incorporated in France on November 23, 2006), conducts franchise operations in France. Choice BV's wholly owned subsidiary, Choice Hotels Asia-Pac Pty. Ltd. (an Australia company incorporated on March 30, 1998), conducts franchise operations in Australia and New Zealand. In Canada, Choice BV conducts franchise operations for its CAMBRIA, EVERHOME, MAINSTAY, SUBURBAN STUDIOS and WOODSPRING brands. We have a master franchise agreement with Choice Hotels Canada, Inc. ("CHC"), a corporation incorporated on May 21, 2008 under the laws of the Province of Ontario. CHC has the exclusive right to franchise hotels in Canada under the ASCEND HOTEL COLLECTION, COMFORT, CLARION, ECONO LODGE, QUALITY, RODEWAY INN, and SLEEP INN brands. CHC is equally owned by Choice Hotels International Licensing ULC, a company formed in May 2008 under the laws of the Province of Alberta, Canada, and a wholly owned subsidiary of Choice BV, and by InnVest Management Holdings Limited. Further, as a part of the Radisson purchase, Choice acquired the rights in Radisson Hotels Canada, Inc. (Radisson Canada"), which is a British Columbia corporation incorporated on May 9, 2011, and Radisson Canada currently offers franchises in Canada for hotels under the Radisson Blu, Radisson®, Country Inn & Suites® by Radisson, and Park Inn by Radisson names, and previously offered franchises under the Radisson RED, Radisson Individuals and Radisson Inn & Suites names. Radisson Canada began offering franchises in 2011. Unless otherwise noted, all of these subsidiaries share our principal business address, and have not operated any hotels or offered franchises in any other line of business. As of December 31, 2022, there were approximately 1,191 Choice franchised hotels (inclusive of 90 Radisson franchised hotels) operating in these various countries.

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.

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.

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

On August 11, 2022, Choice completed its purchase of Radisson Hospitality, Inc. pursuant to a Share Sale and Purchase Agreement dated June 12, 2022 ("Purchase Agreement"). Under the Purchase Agreement, Choice purchased 100% of Radisson Holdings, Inc.'s equity interest in Radisson Hospitality, Inc. (a Minnesota corporation incorporated on March 3, 1998) and its subsidiaries (collectively, "Radisson"). Radisson is now a wholly owned subsidiary of Choice.

Radisson was a hospitality franchisor of the following portfolio of brands that were the subject of the Purchase Agreement: Radisson Collection®; Radisson Blu®; Radisson®; Radisson RED®; Radisson Individuals®; Radisson Inn & Suites®; Park Plaza®; Park Inn® by Radisson; and Country Inn & Suites® by Radisson (the "Radisson Brands"). Radisson owned the rights to these brands in the United States, Canada, Latin America, and the Caribbean (the "Americas"). Pursuant to the Purchase Agreement, Choice did <u>not</u> purchase any interest in Radisson Hotel Group, which owns the rights to Radisson Hotels in Europe, the Middle East, Africa, and Asia Pacific.

As a part of the purchase, we also acquired Radisson Hotels Management Corporation, a company incorporated in 1979 under the laws of New Jersey, which manages several Radisson Brand hotels owned by us or other unrelated parties. (See Item 1 below.) In addition, Radisson Hotels Canada, Inc. (Radisson Canada"), is a British Columbia corporation incorporated on May 9, 2011, and a wholly owned subsidiary of Radisson Hospitality, Inc. Radisson Canada offers franchises in Canada for hotels under the Radisson Blu, Radisson®, Country Inn & Suites® by Radisson, and Park Inn by Radisson names, and previously offered franchises under the Radisson RED, Radisson Individuals and Radisson Inn & Suites names. Radisson Canada began offering franchises in 2011. Further, Radisson through various subsidiaries and affiliates owns companies that supply goods and services to franchisees. Radisson Procurement, Inc. ("RP") d/b/a Strategic Sourcing purchases goods and services for resale to third parties, including the franchisees of its various affiliates. Radisson provides marketing, sales, technology and public relation services to franchisees. Unless otherwise noted, all of these subsidiaries share our principal business address, and have not operated any hotels or offered franchises in any other line of business.

Except as set forth in this Item 1, we do not have any other parents, predecessors or affiliates that must be disclosed.

<u>WOODSPRINGS SUITES Franchises.</u>

As stated above, we began offering franchises under the trademarks WoodSpring Suites ("Properties") in February 2018. WoodSpring Properties operate under a system developed for the efficient management and operation of simple and distinctive Properties. Our system includes distinctive design, decor, color scheme and furnishings; standards, specifications, programs and procedures for operations; procedures for quality assurance and safety; training and assistance; and advertising, national sales, direct sales and promotional programs (the "System"). Many of the specifications and standards of the System are set forth in our operations manual ("Rules and Regulations").

A former affiliate of WHFS previously owned Properties using the "WoodSpring Suites" name, but no longer owns those Properties. Other than as described above, neither we, nor any current affiliate or predecessor, has owned or operated a WoodSpring Suites hotel.

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 B) and if applicable a Master Development Agreement (Exhibit C), and you must pay the affiliation fee. You should not acquire any interest in a site for a hotel until, at the earliest, you are approved by us as a franchisee. If you sign a Master Development Agreement, you must sign our then-current form of Franchise Agreement each time you develop a franchised hotel, which may contain terms that are different from the Franchise Agreement attached as Exhibit B.

General Market and Competition.

We compete in the markets of locally owned, furnished apartment communities; regional and national corporate and furnished apartments; and low-to-medium-priced lodging. The target WoodSpring Suites guests include: small business owners; construction workers; contract workers; medical professionals; individuals and families in transition; college students and professors; military personnel and government contractors; families of hospitalized friends or family members; employees with temporary work assignments; individuals conducting or participating in job training; seasonal guests such as retirees; holiday visitors and family visitors; extended-stay travelers; relocating persons; and people needing temporary accommodations after disasters.

The combined market for temporary lodging and short term apartments is developed and very competitive, and you will have to compete with numerous hotels, motels, inns, resorts, apartments and lodging facilities offering a wide range of services, formats and room rates. You may also face competition from vacation rental properties, such as VRBO and AirBNB. Your ability to compete will depend in large part upon the Property's operations, quality, security, weekly rate, geographic area, site visibility and location, general economic conditions and your management capabilities. In the majority of locations, occupancy is not as seasonal as for the rest of the hotel industry. In some locations, including such as seasonal tourist destinations, occupancy may be more seasonal.

Other Choice Hotels Brands.

We franchise other hotel brands as described below. We have franchised full service, mid-priced hotels under the trademark QUALITY INN since 1968 and under the trademark CLARION since 1987. QUALITY INN provides an accommodating environment, friendly service and a free continental breakfast. All-suites hotels within the QUALITY brand are known as QUALITY SUITES hotels. CLARION branded hotels offer guests a quality of service, amenities and inviting atmosphere associated with finer hotels, but at an affordable price. These hotels offer free high-speed internet access, and most locations offer a full-service restaurant, room service, swimming pool and fitness center. In 2018, we began franchising limited-service hotels under the trademark CLARION POINTE, which offer affordable accommodations with comfortable, contemporary rooms, free high-speed internet access, and a free better-for-you breakfast.

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

We have franchised extended stay, limited service hotels under the trademark MAINSTAY SUITES since 1996 and SUBURBAN since 2005 and SUBURBAN STUDIOS® since 2022. 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 or SUBURBAN STUDIOS 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.

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

We have franchised hotels under the trademarks CAMBRIA SUITES, CAMBRIA HOTELS & SUITES and CAMBRIA HOTELS 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 creates a unique sense of place, within our design framework—optimized for operational excellence, financial performance and guest appeal.

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, 2022, there were three CLARION COLLECTION franchises. ASCEND member hotels typically will be conversions of existing hotels that retain their existing name followed by the words, “ASCEND HOTEL COLLECTION” or “ASCEND RESORT COLLECTION” for local marketing and signage purposes.

We began offering franchises for COUNTRY INN & SUITES through our subsidiary in August 2022 and directly since April 2023. Previously, Country Inn & Suites by Radisson, Inc. (“CIS Radisson”), a Minnesota corporation incorporated on July 22, 1986, conducted business under the corporate name Country Inns & Suites By Carlson, Inc., and granted franchises under the trade names “Country Inns & Suites By Carlson,” “Country Inn By Carlson” and “Country Suites By Carlson” from 1987 until September 29, 2017. On September 29, 2017, the corporate name was changed to Country Inn & Suites by Radisson, Inc. and it began conducting business and granting franchises under the trade names “Country Inns & Suites by Radisson” from that date and until March 2023.

We began offering RADISSON franchises through our subsidiary in August 2022 and directly since April 2023. From 1983 to 2023, Radisson Hotels International, Inc. (“Radisson International”), a Delaware corporation incorporated on August 15, 1983, and a wholly owned subsidiary of Radisson Hospitality, Inc., franchised hotels under the RADISSON brand. RADISSON is a full-service hotel brand that offers bright welcoming spaces and amenities, including breakfast options and free Wi-Fi. RADISSON franchises are offered for three different classes, each aimed at a slightly different segment of travelers: resort class; suite class; and hotel class. Some of the differences between these classes are the location and size of the RADISSON hotel and the size and type of the guestrooms in the hotel.

We began offering RADISSON BLU franchises through our subsidiary in August 2022 and directly since April 2023. From 2015 to 2023, Radisson International franchised hotels under the RADISSON BLU brand. RADISSON BLU is an upper upscale hotel that has a full range of first-class hotel services but maintain its individuality reflecting the uniqueness of the market in which it is located. RADISSON BLU hotels appeal to both leisure and business travelers and customers looking for meeting and/or event space.

We began offering franchises under the name PARK INN, PARK INN BY RADISSON and PARK INN BY RADISSON RESIDENCES through our subsidiary in August 2022 and directly since April 2023. From 2000 to 2023, Park Hospitality LLC ("Park"), a Delaware limited liability company organized on June 13, 2000, and a wholly-owned indirect subsidiary of Radisson Hospitality, Inc., operated and franchised hotels under the name PARK INN or PARK INN BY RADISSON and began offering the extended stay PARK INN BY RADISSON RESIDENCES option in 2020. In addition to guestrooms and a lobby area, these PARK INN hotels may include various amenities and facilities typically provided at upper-economy and midscale hotels, such as a swimming pool, a restaurant, a cocktail lounge (where legally permitted), a business center, room service, a banquet area and meeting rooms. A PARK INN RESIDENCES Hotel may include extended stay amenities, such as common laundry facilities and in-room kitchenettes.

Our predecessor, Radisson International, has offered or sold franchises for the Radisson Collection, Radisson Red, and Radisson Individuals brands. Similarly, our predecessor, Park, has offered or sold franchises for the Park Plaza brand. Our predecessor CIS Radisson previously offered or sold franchises for the Radisson Inn & Suites brand. As of the date of this Disclosure Document, we are not actively offering or selling franchises for these brands, although this may change in the future.

As of December 31, 2022, the following Choice Brands were open and operating in the United States: 177 ASCEND hotel franchises; 59 CAMBRIA hotel franchises; 121 CLARION hotel franchises; 3 CLARION COLLECTION hotel franchises; 55 CLARION POINTE hotel franchises; 1,655 COMFORT INN, COMFORT INN & SUITES, and COMFORT SUITES hotel franchises; 429 COUNTRY hotel franchises; 702 ECONO LODGE hotel franchises; 1 EVERHOME SUITES hotel franchises; 115 MAINSTAY SUITES hotel franchises; 4 PARK INN hotel franchises; 0 PARK PLAZA hotel franchises; 1,633 QUALITY hotel franchises; 57 RADISSON hotel franchises; 1 RADISSON BLU hotel franchises; 2 RADISSON INDIVIDUALS hotel franchises; 0 RADISSON INN & SUITES hotel franchises; 1 RADISSON RED hotel franchises; 503 RODEWAY INN hotel franchises; 423 SLEEP INN and SLEEP INN & SUITES hotel franchises; 75 SUBURBAN franchises; and 212 WOODSPRING SUITES. The above includes the following hotels that Choice operates, but does not own: 6 Radisson hotels located in Phoenix, Arizona; Sunnyvale, California; Nashville, Tennessee; Salt Lake City, Utah; Seattle, Washington; and La Crosse, Wisconsin; 1 Radisson Blu hotel located in Chicago, Illinois; and 3 Country Inn & Suites located in San Diego, California; Brooklyn Center, Minnesota; and Bothell, Washington. Not included in this list are six CAMBRIA hotels owned by Choice, which are operated by third party management companies. Choice intends to franchise all company-owned CAMBRIA hotels in the near future. Also not included are the following hotels that Choice owns and operates: a Radisson Blu hotel located in Bloomington, Minnesota; a Radisson RED hotel located in Minneapolis, Minnesota; and a dual brand Country Inn & Suites and Park Plaza hotel located in Bloomington, Minnesota.

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 franchise business not described in this Item 1.

Item 2

BUSINESS EXPERIENCE

OFFICERS

Director, President and Chief Executive Officer: Patrick S. Pacious

Mr. Pacious has been a Director, President and Chief Executive Officer since September 2017. He is based in our Rockville, Maryland corporate office.

Chief Human Resources Officer: Patrick J. Cimerola

Mr. Cimerola has been Chief Human Resources Officer since 2015. He is based in our Rockville, Maryland corporate office.

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

Mr. Pepper has been Senior Vice President, Chief Development Officer since May 2015. He is based in our Rockville, Maryland corporate office.

Chief Financial Officer: Dominic E. Dragisich

Mr. Dragisich has been Chief Financial Officer since March 2017. He is based in our Rockville, Maryland corporate office.

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

Ms. Wu has been Senior Vice President, General Counsel, Corporate Secretary and External Affairs since 2015. She is based in our Rockville, Maryland corporate office.

Senior Vice President, Upscale Brands: Janis Cannon

Ms. Cannon has been Senior Vice President, Upscale Brands since April 2015. She is based in our Rockville, Maryland corporate office.

Senior Vice President, Real Estate and Finance: Scott E. Oaksmith

Mr. Oaksmith has been Senior Vice President, Real Estate and Finance since March 2020. Previously, he was Senior Vice President, Finance & Chief Accounting Officer from May 2016 to March 2020. He is based in our Rockville, Maryland corporate office.

Chief Commercial Officer: Robert McDowell

Mr. McDowell has been Chief Commercial Officer since February 2016. He is based in our Rockville, Maryland corporate office.

Senior Vice President, Enterprise Operations and Technology: John E. Bonds

Mr. Bonds has been Senior Vice President, Enterprise Operations and Technology since September 2017. He is based in our Rockville, Maryland corporate office.

Chief Strategy and International Operations Officer: Raul Ramirez Sanchez

Mr. Ramirez Sanchez has been Chief Strategy and International Operations Officer since October 2021. He was Senior Vice President, Head of International, Corporate Strategic and Financial Planning from June 2020 to October 2021. He was Senior Vice President, International Strategic Planning and Global Head of Financial Planning and Analysis from August 2019 to June 2020 and was Vice President, Strategic Finance and Financial Planning and Analysis from August 2017 to August 2019. He is based in our Rockville, Maryland corporate office. Previously, he was Head of Finance, XO Business Unit for Verizon Communications in Herndon, Virginia from February 2019 to August 2019 and was employed at XO Communications as Vice President, Financial Planning and Analysis and Corporate Development from September 2015 until January 2019.

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. He is based in our Rockville, Maryland corporate office.

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

Chief Information Officer: Brian Kirkland

Mr. Kirkland has been Chief Information Officer since July 2021. Previously, he was Chief Technology Officer from January 2018 to July 2021. He is based in our Scottsdale, Arizona corporate office.

Vice President and General Manager Signature and Foundation Brands: Timothy R. Shuy

Mr. Shuy has been Vice President and General Manager Signature and Foundation Brands since September 2022. Previously, he was a Vice President, Owner and Portfolio Strategy for Choice from September 2015 to August 2022. He is based in our Rockville, Maryland corporate office.

Senior Vice President, Upscale Brands Development: Mark Shalala

Mr. Shalala has been Senior Vice President, Upscale Brands Development since January 2020. He was Vice President, Upscale Brands Development from January 2017 to December 2019. He is based in his home office in Rockville, Maryland.

Senior Vice President, Foundation Brands Development: Tom Nee

Mr. Nee has been Senior Vice President, Foundation Brands Development since January 2017. He is based in his home office in Rockville, Maryland.

Vice President, Environmental, Social and Governance: Megan Brumagim

Ms. Brumagim has been Vice President, Environmental, Social and Governance since April 2022. Previously, she was Vice President, Brand Management, Design and Compliance from June 2019 to March 2022. She was Senior Director, Signature Brands for Choice Hotels from September 2017 to June 2019. She is based in our Rockville, Maryland corporate office.

Senior Vice President, Extended Stay Development: Ron Burgett

Mr. Burgett has been Senior Vice President, Extended Stay Development since January 2020. Previously, Mr. Burgett was Vice President, Franchise Development, WoodSpring from February 2018 to January 2020. He is based in our Rockville, Maryland corporate office.

Senior Vice President, Franchise Development: Jason Cowan

Mr. Cowan has been Senior Vice President, Franchise Development since January 2020. Previously, he was Regional Vice President, Franchise Development from May 2018 to January 2020. He was Regional Vice President, Franchise Sales from January 2012 to April 2018. He is based in his home office located in Atlanta, Georgia.

Vice President, Franchisee Onboarding and Learning: Timothy Tobin

Mr. Tobin has been Vice President, Franchisee Onboarding and Learning since February 2018. He is based in our Rockville, Maryland corporate office.

Vice President and GM, Extended Stay Brand: Anna Scozzafava

Ms. Scozzafava has been Vice President and GM of Extended Stay since June 2019. Previously, she was Vice President of Strategy and Planning from November 2017 to June 2019. She is based in our Rockville, Maryland corporate office.

Vice President, Franchise Services: Curtis Osekowsky

Mr. Osekowsky has been Vice President, Franchise Performance since July 2022. Previously, he was a Vice President, Franchise Services for Choice from September 2018 to June 2022. He is based in our Rockville, Maryland corporate office. He was a Regional Vice President of Radisson Hotel Group in Minnetonka, Minnesota from April 2016 to February 2018.

Vice President, Franchise Development: Brian Parker

Mr. Parker has been Vice President, Franchise Development since January 2020. He was Regional Vice President, Franchise Sales from January 2012 to December 2019. He is based in his home office located in Plainfield, New Jersey.

Vice President, Franchise Development: Nick DePaolo

Mr. DePaolo has been Vice President, Franchise Development since January 2017. He was Regional Vice President, Franchise Development from April 2008 to January 2017. He is based in his home office located in Chicago, Illinois.

Vice President, Franchise Development: Sonia Egyhazy

Ms. Egyhazy has been Vice President, Franchise Development since January 2019. Previously, she was Director of Development from December 2014 to December 2018. She is based in her home office located in Jacksonville, Florida.

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

Mr. Metzger has been Vice President of Hotel Development-Ascend Hotel Collection since January 2020. Previously, he was Regional Vice President Ascend Collection Development – Ascend Hotel Collection from May 2018 to January 2020. He was Director of Development from January 2013 to August 2018. He is based in his home office located in Columbia, South Carolina.

Vice President, Franchise Development: Anthony Goldstein

Mr. Goldstein has been Vice President, Franchise Development since January 2020. Previously, he was Regional Vice President, Franchise Development from May 2018 to January 2020. He was Regional Vice President, Franchise Sales from July 2017 to April 2018. He is based in his home office located in San Diego, California.

Vice President, Franchise Development: Keith Jones

Mr. Jones has been Vice President, Franchise Development since January 2022. Previously, he was Regional Vice President, Franchise Development from March 2018 to December 2021. He is based in his home office located in Austin, Texas.

Vice President, Franchise Development: Robert O'Leary

Mr. O'Leary has been Vice President, Franchise Development since January 2022. Previously, Mr. O'Leary was Regional Vice President, Franchise Development from March 2018 to December 2021. He is based in his home office located in Tampa, Florida.

Vice President, Franchise Sales Development U.S. – Country Inn & Suites: Hemant Patel

Mr. Patel has been a Vice President, Franchise Sales Development U.S. – Country Inn & Suites since January 2023. Previously, he was a Vice President, Franchise Development for Choice from February 2021 to December 2022. He was a Regional Vice President, Franchise Development for Choice from January 2020 to February 2021. He was also Director of Franchise Development from January 2014 to January 2020. He is based in his home office located in Tallahassee, Florida.

Vice President, Franchise Development: Scott Andrews

Mr. Andrews has been Vice President, Franchise Development since July 2019. He is based in our Scottsdale, Arizona corporate office. Previously, he was a Regional Vice President for Wyndham Hotel Group in Parsippany, New Jersey from July 2015 to June 2019.

Vice President, Foundation Brands Development: Christopher Martinez

Mr. Martinez has been a Vice President, Foundations Brands Development since January 2023. Previously, he was a Regional Vice President Development for Choice from January 2020 to January 2023. He was a Director of Franchise Sales and Development from January 2007 to January 2020. Chris is based in his home office in Tampa, Florida.

Regional Vice President, Franchise Services: Byron Bean

Mr. Bean has been Regional Vice President, Franchise Services since February 2005. He is based in his home office located in Sacramento, California.

Regional Vice President, Franchise Services: Jill Burke

Ms. Burke has been Regional Vice President, Franchise Services since January 2019. She was a Regional Area Director from May 2016 to January 2019. She is based in her home office located in Columbus, Ohio.

Regional Vice President, Franchise Performance: Michelle Masters

Ms. Masters has been Regional Vice President, Franchise Performance since April 2019. She is based in her home office located in St. Paul, Minnesota. She was Regional Vice President, Operations of Radisson Hotel Group in Minnetonka, Minnesota from November 2002 to April 2019.

Regional Vice President, Franchise Services: Odette Brown

Ms. Brown has been Regional Vice President since January 2021. Previously, she was a Regional Area Director from January 2018 to December 2020. She is based in her home office located in Little Rock, Arkansas.

Regional Vice President, Franchise Services, Extended Stay Brands: D. Glenn McFarland

Mr. McFarland has been Regional Vice President. Franchise Services, Extended Stay Brands since February 2018. He is based in his home office located in Turlock, California.

Regional Vice President, Franchise Performance: Barry O'Neill

Mr. O'Neill has served as a Regional Vice President, Franchise Performance, for Choice since August 2022. Previously, he was a Vice President of Franchise Operations for Radisson, Country and Park from April 2020 to August 2022. He served as the Regional Vice President for these companies from May 2019 to April 2020. He joined Radisson Hospitality and its affiliates in 2007 and served from September 2018 to May 2019 as Senior Director, Operations & Guest Experience and from October 2017 to September 2018 as Regional Director. He is based in Minneapolis, Minnesota.

Senior Director, Relicensing: James Rudeau

Mr. Rudeau has been Senior Director, Relicensing since April 2005. He is based in our Rockville, Maryland corporate office.

Project Director, Relicensing: Phil Carandang

Mr. Carandang has been Project Director, Relicensing since March 2015. He is based in his home office located in Columbia, South Carolina.

Senior Director, Onboarding Services: Colleen Kruse

Ms. Kruse has been Senior Director, Onboarding Services since January 2020. Previously, she was a Director, Franchise Development Operations from January 2015 to January 2020. She is based in our Rockville, Maryland corporate office.

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: Brian B. Bainum

Mr. Bainum has been a Director since April 2019. He has been a Management Consultant and Director of SunBridge Capital Management, LLC, in Chevy Chase, Maryland since January 2017. Previously, Mr. Bainum was a Management Consultant at Deloitte in Rockville, Maryland from September 2017 through October 2018.

Director: Ervin R. 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 L. 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: John P. 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: 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. 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.

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.

Director: Donna F. Vieira

Ms. Vieira has been a Director since July 2021. She has been an Executive Vice President and Chief Commercial Officer at Sallie Mae in Newark, Delaware since September 2020. She was previously the Chief Marketing Officer of Consumer Bank & Chase Wealth Management with JP Morgan Chase in

New York, New York, from May 2014 to January 2019.

Director: Gordan A. Smith

Mr. Smith has been a Director since May 2022 and was a Director of Choice from 2004 to 2017. He is the former Co-President and Chief Operating Officer of JPMorgan Chase & Co. based in New York, New York, from June 2007 until retiring in January 2022. He was previously CEO of Consumer & Community Banking at JP Morgan Chase from 2012 to 2021.

Item 3

LITIGATION

I. PENDING LITIGATION AND ARBITRATION DEMANDS

(1) Norma Knuth v. Radisson Hotels International, Inc., et al.
Court of Queen's Bench for Saskatchewan, Court File No. QBG No. 2560 of 2014

On December 5, 2014, Norma Knuth filed a complaint under the Class Actions Act against over 25 named defendants, including Country, alleging that the defendants wrongfully collected undisclosed destination marketing fees ("DMF") charged to the plaintiff and other class members by hotels located in Canada that were owned, operated or managed by the defendants. On December 29, 2015, the plaintiff amended and expanded its complaint alleging, among other things, that the class included those who paid the fee to a hotel in Canada branded by one of the defendants and that the defendants that did not directly charge or collect the fee approved of it and encouraged the imposition of the DMF. The plaintiff has alleged that the collection of the DMF violated The Consumer Protection Act, was negligent, unjustly enriched the defendants and constituted a Waiver of Tort. The plaintiff has demanded, on behalf of the class, disgorgement of any fees and revenue received by the defendants generated by imposition of the fee, and an order that the defendants are jointly and severally liable for restitution of $403,000,000, general and punitive damages, costs of notice, interest and any other relief the court deems appropriate. The class has yet to be certified. We filed a motion for summary judgment on October 3, 2016. On June 2, 2017, Radisson and Country filed a Statement of Claim against 2 current and 3 former franchisees/licensees, that had not entered into tolling agreements, seeking contribution and indemnification. On August 29, 2019, the court denied Radisson's motion for summary judgment, holding that it was premature. Radisson intends to reassert its summary judgment motion arguments at the appropriate time.

(2) Radisson Hotels International, Inc. v. 205 Wolf Holdings, LLC; 205 Wolf Land, LLC; Appleton Holdings, LLC; Appleton Land,; 204 Fox Holdings, LLC; 204 Fox Land, LLC; 5500 Midland Holdings, LLC; 5500 Midland Land, LLC; 100 Berlin Holdings, LLC; 100 Berlin Land, LLC; 50 Morgan Hospitality Group, LLC; M&G Capital, LLC; Inner Circle High Point, LLC; Highpoint Land, LLC; Timonium Recovery Trust, LLC; and HISJ Holdings, LLC, Fourth Judicial District, Hennepin County, Minnesota, Case No. 27-CV-18-4230

On March 12, 2018, Radisson filed a complaint against former licensees or guarantors 205 Wolf Holdings, LLC; 205 Wolf Land, LLC; Appleton Holdings, LLC; Appleton Land,; 204 Fox Holdings, LLC; 204 Fox Land, LLC; 5500 Midland Holdings, LLC; 5500 Midland Land, LLC; 100 Berlin Holdings, LLC; 100 Berlin Land, LLC; 50 Morgan Hospitality Group, LLC; M&G Capital, LLC; Inner Circle High Point, LLC; Highpoint Land, LLC; Timonium Recovery Trust, LLC; and HISJ Holdings, LLC (collectively "Inner Circle Licensees") asserting breach of their individual license (franchise) agreements with Radisson and/or their corporate guaranties of those license agreements, and the licensees' collective breach of the Global

Settlement Agreement they each had entered into with Radisson to resolve certain issues under their license agreements. Radisson seeks to recover the fees and damages it believes it is entitled to under the terms of the license agreements, corporate guaranties, and the Global Settlement Agreement. On March 30, 2018, Radisson amended its complaint to assert claims against certain Inner Circle Licensees for fraudulent inducement of the Global Settlement Agreement and to seek additional damages and attorneys' fees. On May 23, 2018, Radisson again amended its complaint to assert fraudulent inducement claims against additional Inner Circle Licensees and to seek additional damages and attorney's fees. On June 12, 2018, the Inner Circle Licensees filed a motion to dismiss, which was denied in its entirety by the court on December 12, 2018. On January 17, 2019, Inner Circle Licensees filed their answer to Radisson's amended complaint and asserted counterclaims against Radisson for breach of contract, unjust enrichment, promissory estoppel, criminal conversion and civil theft, fraud and tortious interference. Inner Circle Licensees are seeking actual and, in some cases, statutory damages, plus punitive damages and attorneys' fees. On February 19, 2019, Radisson filed a motion to dismiss Inner Circle Licensees' unjust enrichment, promissory estoppel, criminal conversion and civil theft, fraud, and tortious interference counterclaims. On April 9, 2019, Inner Circle Licensees filed a motion for default judgment on their breach of contract counterclaim. On July 11, 2019, the Court issued an order denying Inner Circle Licensee's motion for default and issued a separate order granting in part and denying in part Radisson's partial motion to dismiss Inner Circle Licensee's counterclaims. In July 2019, all of the guarantors and one of the operating entities filed for Chapter 11 bankruptcy. The case has been placed on the inactive docket while the parties decide whether to continue the case in light of the bankruptcy filing. By Order dated January 3, 2023, the Court lifted the stay and moved the case back to the active docket. The Defendants' bankruptcy action has since been resolved as it relates to RHI's interests and RHI has determined that there is no benefit to continuing to prosecute the state court action against the Defendants. Therefore, RHI is seeking to have the case dismissed with prejudice. A case status conference with Court is scheduled for April 21, 2023.

(3) <u>Jai Sai Baba, LLC, et al. v. Choice Hotels International, Inc., et al.</u>
United States District Court for the Eastern District of Pennsylvania, Case No. 2:20-cv-02823

On June 12, 2020 (amended on July 15, 2020), approximately ninety current and former franchise owners that own and operate one or more Choice branded hotels ("Plaintiffs") filed suit against Choice Hotels ("Choice") and Choice Hotels Owner Council ("CHOC") (Choice and CHOC collectively referred to as "Defendants"). In the complaint, the Plaintiffs allege that the Defendants engaged in discriminatory and anti-competitive practices and violated the Racketeer Influenced and Corrupt Organizations Act, the Sherman Act, the Civil Rights Act, and various state franchise laws. Additionally, the Defendants have claimed that Choice is in breach of contract, has breached the implied duty of good faith and fair dealing and committed common law fraud. The Plaintiffs are seeking unspecified actual damages, punitive damages, consequential and/or compensatory damages, attorneys' fees, costs and interest, a declaratory judgment that certain allegedly unconscionable provisions are unenforceable, an accounting of all fees paid by Plaintiffs, an order for restitution and the rescission of Maryland franchise agreements, a declaratory judgment that some or all franchise agreements are terminated, and certain permanent injunctive relief. On July 29, 2020, Choice filed a motion to stay the litigation and compel individual arbitration proceedings. On March 19, 2021, the Court granted motion. This case remains stayed, and the parties provide the Court with monthly status updates.

The following arbitrations have been filed in conjunction with this case:

A. Choice Hotels International, Inc. v. DIP Hospitality, LLC, et al.
American Arbitration Association, Case #01-21-0003-7036

On April 9, 2021, Choice Hotels International, Inc. initiated this arbitration to pursue contractually due franchise fees, a promissory note balance and lost profit damages from the franchisees in the amount of $498,495.93. On May 19, 2021, Franchisees filed a counterclaim against Choice in the amount of $3,000,000. The arbitration hearing is scheduled to begin on May 15, 2023. The hearing will be a hybrid of virtual and in-person to be held in Rockville, MD.

B. Jai Sai Baba, LLC, et al v. Choice Hotels International, Inc., et al.
American Arbitration Association, Case #01-21-0004-5568

On June 29, 2021, Jai Sai Baba, LLC and Dipesh Patel filed an arbitration against Choice Hotels International, Inc. and Choice Hotels Owners Council in conjunction with the underlying action. The arbitration hearing concluded in 2022. The hearing was hybrid of virtual and in-person in Rockville, MD. On January 12, 2023, a final arbitration award was entered in favor of Choice in the amount of $675,065.43. On February 12, 2023, Respondents filed a motion to vacate the arbitration award and transfer the venue from Maryland to Pennsylvania.

C. Highmark Lodging, LLC, et al. v. Choice Hotels International, Inc., et al.
American Arbitration Association, Case #01-21-0004-5554

On June 29, 2021, Highmark Lodging, LLC and Darshan Patel filed an arbitration against Choice Hotels International, Inc. and Choice Hotels Owners Council in conjunction with the underlying action. The arbitration hearing concluded in February 2023, and the parties are waiting for an arbitration award to be issued in the matter.

D. Dahya Investments Incorporated, et al. v. Choice Hotels International, Inc., et al.
American Arbitration Association, Case #01-21-0004-5563

On June 29, 2021, Dahya Investments Incorporated and Dinu Patel filed an arbitration against Choice Hotels International, Inc. and Choice Hotels Owners Council in conjunction with the underlying action. The arbitration hearing concluded in 2022 and the parties are waiting on an arbitration award to be issued in the matter.

II. ACTIONS INVOLVING THE FRANCHISE RELATIONSHIP IN PRIOR FISCAL YEAR

A. ACTIONS INITIATED BY CHOICE HOTELS TO RECOVER ROYALTIES, LIQUIDATED DAMAGES AND OTHER DEBTS OWED TO CHOICE HOTEL

Defendant or Respondent	Venue	Case Number	Filing Date
Avsar Hotel Enterprise, Inc., Hiren Shah and Nilesh Sheth	United States District Court for the District of Maryland, Southern Division	8:2022cv00228	January 31, 2022
Manistee Hotel, Inc., Vishwajit Jariwala, and Jinal Jariwala	Circuit Court for Montgomery County, Maryland	C15CV22000509	January 31, 2022

Defendant or Respondent	Venue	Case Number	Filing Date
Imperial Group, Inc., and Adnan Z. Chaudhry	United States District Court for the District of Maryland, Southern Division	8:2022cv00745	March 28, 2022
Seven Star Hotels Group, Inc., Khurram Chaudhry, and Mohamad Ayache	United States District Court for the District of Maryland, Southern Division	8:2022cv00748	March 28, 2022
Riverstone Hospitality Inc., Lakeview Hotel, LLC, Dhaval S. Patel, Radheshyam I. Thakkar, and Pratixaben J. Patel	United States District Court for the District of Maryland, Southern Division	8:2022cv01063	May 2, 2022
ABS Hotels, Inc., Amit Bansal and Sucha Singh	Circuit Court for Montgomery County, Maryland	C15CV22001787	May 3, 2022
Misri, Inc., and Anil Patel	Circuit Court for Montgomery County, Maryland	C15CV22001303	May 5, 2022
Ramji Hospitality, LLC, Pratik K. Ahir, and Karankumar Ahir	United States District Court for the District of Maryland, Southern Division	8:2022cv01607	June 29, 2022
Shree Properties, LLC and Roopa Patel	American Arbitration Association	01-22-0002-9144	July 11, 2022
Vipul Patel	American Arbitration Association	01-22-0003-2793	July 29, 2022
Reddy Co. 3, LLC and Kami Reddy	American Arbitration Association	01-22-0003-2753	July 29, 2022
Hanuomsai Investments, LLC, Rakesh Patel and Rita Patel	American Arbitration Association	01-22-0003-4979	August 16, 2022
Spargo, LLC and Kevin McDowell	American Arbitration Association	01-22-0003-4994	August 16, 2022
Kaylee & Haley Hospitality, LLC, Kalpesh Ahir, Bhavesh Ahir, Erick Leon and Shantaben Ahir	Circuit Court for Montgomery County, Maryland	C15CV220003003	August 16,2022
John H. Roberts and W. Patrick Murphy	United States District Court for the District of Maryland, Southern Division	8:2022cv02091	August 19, 2022
VC Hospitality, LLC, Thomas Varish and Terry Paul Helwig	American Arbitration Association	01-22-0003-5872	August 22, 2022

Defendant or Respondent	Venue	Case Number	Filing Date
Valpo 786, LLC, Hamza Rashid, Yaqoob Rana and Arc Valpo, LLC	American Arbitration Association	01-22-0003-8083	September 8, 2022
Kertra, LTD, Clemens V. Schwab, Jr. and Kerry Schwab	United States District Court for the District of Maryland, Southern Division	8:2022cv02304	September 12, 2022
Nick Patel	United States District Court for the District of Maryland, Southern Division	8:2022cv02310	September 12, 2022
Ewing Solar Corporation, Tony Ewing and Franklin Lassiter	American Arbitration Association	01-22-0004-0878	September 28, 2022
Durlabhji B. Ukani	American Arbitration Association	01-22-0004-0924	September 28, 2022
Stark Group, Inc., Marilyn Stark and George Stark	American Arbitration Association	01-22-0004-1099	September 29, 2022
Arvindkumar Patel	United States District Court for the District of Maryland, Southern Division	8:2022cv02658	October 17, 2022
Amber Motel, LLC, Yatish M. Shah and Chandrika Y. Shah	American Arbitration Association	01-22-0004-5636	October 27, 2022
TM Hospitality, LLC and Hitendra Chokshi	American Arbitration Association	01-22-0004-5642	October 27, 2022
Amax, LLC, Sung In Seo and Il Kyung Bae	American Arbitration Association	01-22-0004-5662	October 27, 2022
Rootstown Hotel & Hospitality, LLC, Lodging Decisions, Inc., Shrinay Corporation, Saif U. Rehman, Jeff Todd Brown-Malogrides and Amrish Patel	United States District Court for the District of Maryland, Southern Division	8:2022cv02762	October 27, 2022
Orin Solomon	American Arbitration Association	01-22-0004-9880	November 28, 2022
Banyan TX, LLC, Jim Peterson and Banyan Strategies, LLC	American Arbitration Association	01-22-0005-0341	November 30, 2022
Lotus Motel, Inc., Joginder Chumber and Kaushalaya Devi Chumber	American Arbitration Association	01-22-0005-0316	December 1, 2022

Defendant or Respondent	Venue	Case Number	Filing Date
Thakorji, Inc., Dhansukh Patel, Urmila Patel, Naresh Patel and Amit K. Patel	United States District Court for the District of Maryland, Southern Division	8:2022cv03092	December 1, 2022
S and D Hospitality, LLC, Dharmesh M. Patel and Sonal Patel	American Arbitration Association	01-22-0005-2307	December 13, 2022
Pioneer Hotel Group, Inc., Mita Vagashia and Pinal Doshi	American Arbitration Association	01-22-0005-2296	December 13, 2022
CK Hospitality, Inc., Suraj Patel and Kiran Jariwala	American Arbitration Association	01-22-0005-3583	December 20, 2022
Shree Ramkabir, LLC, Nitinkumar Bhakta and Shivam Bhakta	American Arbitration Association	01-22-0005-4179	December 28, 2022

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

Defendants	Venue	Case Number
Amba Corporation, Kamlesh Patel	United States District Court of the District of New Jersey (Camden)	1:22-cv-04779
Skyways Petroleum LLC, Muhammad Arif, Muhammad Younis	United States District Court of the Northern District of Ohio (Akron)	5:22-cv-01835
Findley Lake Hospitality LLC, Premanand, LLC, Udaiusha Investments, LLC, Arun K. Singh, Jeetendra K. Gupta	United States District Court of the Western District of New York (Buffalo)	1:22-cv-00825

III. RESOLVED LITIGATION/PRIOR ACTIONS

(1) 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.

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

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

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

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

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

On July 7, 2014, the parties settled this dispute. As part of the settlement, Choice made certain concessions to franchisees in connection with two existing franchise agreements for other properties owned by franchisees reducing the royalty rate to 4.65% for 24 months and 4.25% for 24 months respectively.

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

On October 29, 2018, Sender Kohl filed an action against us seeking damages in an unspecified amount. The complaint alleged 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. On August 25, 2021, the parties settled this dispute.

As part of the settlement, Choice agreed to pay its former franchisee $85,000.00 in exchange for dismissal of the arbitration.

* * *

Other than these actions, no litigation must be disclosed in this Disclosure Document.

Item 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5

INITIAL FEES

APPLICATION AND AFFILIATION FEE

We offer a Franchise Agreement for the right to develop and operate one Property in an agreed upon location. The Affiliation Fee for the current typical WoodSpring Suites prototype is $50,000 for the development of a new hotel and $60,000 for transfers or renewals. If the property will have more than 122 rooms, then you will pay an additional fee of $300/room for the additional rooms. We will also collect a non-refundable application fee of $5,000 that will be credited towards the affiliation fee. The Affiliation Fee helps to cover the many costs of maintaining and developing the WoodSpring Suites brand which includes day-to-day business operations and general brand support. Once paid, the Affiliation Fee is non-refundable.

There is no additional fee for entering into a Master Development Agreement. You are, however, required to pay a Rights Deposit, which is the product of the Affiliation Fee of $50,000 multiplied by the number of System Properties to be developed pursuant to the Development Schedule.

During the 12 months ending December 31, 2022, the affiliation fees for new WOODSPRING SUITES franchise agreements ranged from $5,000 to $74,400.

EXTENSION FEE AND OTHER CONSTRUCTION-RELATED FEES

You must begin construction of your Property within 365 days after the effective date of the Franchise Agreement or within 60 days after the building permit is ready, whichever is earlier. At our discretion, we may grant you up to four 30-day extensions of the construction commencement date for $5,000 each. In addition, you must complete construction of the Property within 12 months after construction commenced. At our discretion, we may grant you up to four 30-day extensions of the construction completion date for $5,000 each. These fees are due at the time the extension is requested and are not refundable, unless we deny the extension.

Pursuant to a Construction Advisory Services Agreement (a sample form that is included as Exhibit M to this FDD), you are required to pay a fee of $20,000 for five site visits by us payable in one lump sum at the time you start construction of your hotel. There is a separate fee of approximately $4,000 for each additional visit by us beyond these initial five visits. These construction advisory services are required for franchisees building their first WoodSpring Suites hotel. In all other cases, this service is optional. These service fees are nonrefundable. Site visits are typically for one day. If the occasion warrants additional days on site, you are responsible for our travel costs. We may terminate the Construction Advisory Services Agreement for any reason upon 10 days' prior written notice to you. In the event of termination, we will deliver to you a copy of the file of the construction project and the work we have performed for you and refund any pro rata amount paid by you for services not yet performed (at the rate of $4,000 per visit).

ORIENTATION / HOSPITALITY TRAINING

We provide required training programs that you, your General Manager, or other key employees must complete before opening your hotel in the Choice franchise system. The training fees you must pay for orientation and hospitality operations training include our General Manager Certification training fee, which is $1,500. The cost to attend the New Franchisee Orientation will range between $599 and $1,000 for each owner. It is common that 1 or 2 owners attend the New Franchisee Orientation. The costs for both training programs 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 completed the training in a prior position. This additional immersive training, which may take place either in person or online, will provide 2-4 days of additional training at a cost of approximately $2,500 to $7,500 and will be tailored for the novice extended stay hotel operator. 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 Choice-branded 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 of this Disclosure Document.

Item 6

OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalties	6% of calendar month Gross Room Revenue. (Note 2)	Payable no later than the 15th day of the next calendar month.	"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, guaranteed no show revenue, early departure fees, late checkout fees, day use revenue, attrition or cancellation fees, 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.
System Fee	Currently 2.5% of calendar month Gross Room Revenue but can be increased by us under certain circumstances. (Note 2)	Payable on or before the 15th day of the next calendar month	The fee is currently 2.5% but can be increased by us under certain circumstances. This fee covers the ongoing development, maintenance and upgrading of the property management and reservations systems, as well as well as pay for expenditures associated with media, advertising, publicity, public relations, marketing, reservations, e-commerce activities and certain franchise services. These expenditures enhance awareness and consumer preference for our brands and deliver guests to our franchisees. Greater awareness and preference help promote long-term growth in business delivery to our

Type of Fee (Note 1)	Amount	Due Date	Remarks
			franchisees. See also Items 8 and 11. This program may be changed to provide for smaller commissions on all e-commerce reservations. (Note 2)
REWARDS, MARKETING AND DISTRIBUTION PROGRAMS			
Third Party Distribution Fee	$3.00 for each consumed reservation made through directly connected online travel agents, DerbySoft, and DHISCO.	Payable monthly.	Directly connected online travel agents include Expedia and Booking.com. Connectivity solutions such as DerbySoft and DHISCO are used to connect with other online travel agents, such as Agoda/Priceline, and wholesalers, such as Hotelbeds and WebBeds.
Travel Agent and Other Reservation Based Commissions (Note 3)	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.
Egencia Preferred Program	Payment of a $5.00 Choice Privileges fee covering 1,000 loyalty points	As incurred	The Egencia Preferred Program offers your hotel the opportunity to gain priority access to the more than four million business travelers who book through Egencia (a subsidiary of Expedia) each year. You may opt out of this program. The Rewards Program Fees of the Choices Privileges Loyalty Program described above do not apply to these Egencia bookings.
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.
Global Distribution System ("GDS")	Currently $7.70 for each reservation received through a GDS with which we have an agreement.	Payable monthly.	This fee is a reimbursement of costs we incur by using a GDS and is subject to change.
Group Sales Lead Referral Program	5% of consumed room revenue ($2,000 maximum per lead).	As incurred.	It is mandatory that all hotels participate in this program and the commission is in addition to any

Type of Fee (Note 1)	Amount	Due Date	Remarks
			third-party commissions, including travel agents and other designated accounts. The maximum amount will not apply to additional third-party commissions. Commissions are based only on a continuous reservation and will not include any revenues from incidental charges (for example, movie rentals, sundries, taxes, etc.).
Platform Marketing Distribution	Up to 15% commission for consumed reservations generated through Choice's third-party marketing platform	Payable monthly and as incurred	This fee is mandatory and based on consumed reservations (which may include revenue from the rental, sale, use, or occupancy of your hotel) facilitated through a third-party platform marketing, such as Penn Entertainment and others. These opportunities help introduce new guests to Choice's Brands. We reserve the right to modify the engagement, including adding or removing third party participants.
FedRooms/DoD Program	1.5% of room revenue per consumed stays resulting from program activities	As incurred	The fee is billed to properties who participate in the FedRooms or DoD program
OTHER			
Training	New Franchisee Orientation $599 - $1,000 per attendee. General Manager Certification: $1,500.	Per terms of invoice and before attendance at applicable training session or conference.	You must pay us for any other required or optional training we may provide for you or any of your other employees. If a Franchise Agreement is transferred to new owners, at least one of the principals must attend the New Franchisee Orientation and we will charge them a fee for their attendance. In addition to training costs, you must pay for all related travel, lodging and food expenses. See also Item 11.
Construction Advisory Services (CAS)	$20,000 for five site visits. $4,000 for each additional visit.	Payable in one lump sum payment on the date you commence construction. Payable upon the completion of any additional site visit, as solely determined by us.	This service is required for franchisees building their first WoodSpring Suites hotel. In all other cases, this service is optional and performed over five site visits. There is a separate fee for any additional visits. These fees are nonrefundable. See Exhibit M.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Property Improvement Review	$5,000, or then current fee	Payable upon request for review	A Property Improvement Review ("PIR") may be elected by you or required by us for properties that have sustained evident and substantial wear and tear. During the PIR process, areas and items no longer meeting Rules and Regulations are identified, as well as items that need repair or cleaning to "like new condition," or replacement.
Franchisee Association Dues and Assessments (Note 4)	Amounts authorized by the membership of the Franchisee Association. Currently $100 per property per year.	As specified by the Franchisee Association	All franchisees shall be members of the Franchisee Association. See also Item 11.
Annual Convention	$1,475 plus travel, lodging and living expenses. The Late Registration Fee is $1,725	Annually, before Convention at the time of registration.	The annual convention is designed to give our franchisees resources and information to better leverage our strong value proposition. Attendees participate in a full schedule of education and brand sessions and networking events. In addition, there is a trade show with the industry's top suppliers. All franchisees must attend our Annual Convention and pay the non-refundable conference registration fee, which is set by us. The Conference Fee is due whether or not Franchisee attends.
Transfer	Full Affiliation Fee	Before consummation of Transfer	Payable when you transfer an interest in the Franchise Agreement or when a controlling interest in you is transferred. Some exceptions apply, for example if you are an individual and transfer the Franchise Agreement to a wholly-owned entity. All transfers are subject to the additional conditions specified in the Franchise Agreement. (Note 5)
Assumption Fee	$7,500	Upon submission of application (may be waived on an individual basis if approved by Us).	This fee is applicable if we consent to a transfer of less than 50% of the equity interest in you or the hotel.
Property Inspection	$3,000	Before consummation of Transfer or within 30 days of notice,	Payable if we inspect the Property to determine the need for upgrades and modifications to the Property with regard to the transfer of a

Type of Fee (Note 1)	Amount	Due Date	Remarks
		whichever is earlier	controlling interest in you. The review process is the same as for a Property Improvement Review.
Tax Gross-Up	As incurred	As incurred	If we must pay any state or local sales, use, gross receipts, or similar tax on payments which you make to us under the Franchise Agreement you will have to reimburse us for that cost. It does not matter whether we have to pay the taxes directly, if you have to withhold them, or if you have to collect them from us.
CrowdStrike	$30-$95	Payable monthly	The fee is required for all brands and covers security software and services to help monitor, detect and prevent software-based cyber security threats.
Insurance Reimbursement Fee	$500-$100,000	As incurred	This fee applies only if you fail to procure or provide us with evidence that you maintain at least the minimum insurance required by the Franchise Agreement. The range for this fee is dependent on market conditions and a policy may fall outside of this range depending on the current market rate.
Transfer Fee	The then current affiliation fee or $60,000, 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.
Close Family Member Transfer Fee (Note 5)	$0-$7,500	Upon transferee's submission of application.	Upon death or disability, if you wish to transfer to a Close Family Member (defined as an adult spouse, parent, child, sibling, grandchild or grandparent) we will charge an application fee not to exceed $7,500.
Change of Ownership	$3,000.	Upon submission of application	This fee is applicable for any transfer *of less than a 50%* equity interest in you or your hotel franchise.
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.
Call Forwarding Reservation Service Fees	$3.85 per call transferred from your hotel to our central reservations system ("CRS") during office hours plus any additional costs necessary to update telephones to support	Payable monthly.	This is an optional program and we may change the fee at any time upon 60 days written notice to you.

Type of Fee (Note 1)	Amount	Due Date	Remarks
	the Call Forwarding system.		
SmartMarketing	$0 - $45	As incurred.	This program is an online toolkit of marketing materials that can be customized for your hotel.
Construction Commencement Extension	$5,000	Payable upon request for extension	Upon your request and at our discretion, we may grant you up to 4 30-day extensions of the construction commencement date for $5,000 each.
Construction Completion Extension	$5,000	Payable upon request for extension	Upon your request and at our discretion, we may grant you up to 4 30-day extensions of the construction completion date for $5,000 each.
Comfort Letter	$2,500 (if a Comfort Letter is needed within 1-3 days there will be a $500 expedite fee.)	Payable upon request for comfort letter. Legal expenses payable per terms of invoice	The comfort letter is a document issued by us in our sole discretion that grants your lender certain rights under the franchise agreement upon your default of your loan obligations to the lender. You are required to sign this agreement. Attached as Exhibit N is our current form comfort letter.
Public Offering	Reimbursement of our costs	As incurred	You must cover our costs and expenses associated with reviewing your proposed public offering of securities, including attorneys' fees.
Private Offering	Reimbursement of our costs	As incurred	You must cover our costs and expenses associated with reviewing your proposed private offering of securities, including attorneys' fees.
Additional Consultation and Services Fee	Dependent on the service requested	As incurred	We may make available to you additional consultation and services to assist you to construct, renovate, maintain, operate, and/or market the Hotel.
AHLA Dues	$4.50/ per room	Annually	This fee covers dues for membership in the American Hotel & Lodging Association. You have the opportunity to opt out of membership this fee by January 15 of each year.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Energy Collection & Measurement (ECM) Software Platform	$215 (annually) and up to $250 associated with implementation and service.	Monthly payment of approximately $18.00	This platform is intended to improve energy efficiency at the hotel. The fee is mandatory and will appear on the franchisee's invoice. The fee includes onboarding and implementation of the hotel into the hosted service (Resource Advisor), recurring collection and aggregation of the hotel's energy consumption data, and platform access and use of the sustainability measurement dashboard and reporting.
Site Transfer Fee	$5,000	As incurred	You will pay us a nonrefundable site transfer fee to approve of your substitute site. We will entertain a substitute site only within 6 months after the Franchise Agreement's Effective Date.
NON-COMPLIANCE			
Non-Compliance Penalty (Note 6)	$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, and non-compliance with the franchise agreement or the Rules and Regulations. This range of penalties may change from time to time.
Computer Software and Hardware Upgrade and Update Non-Compliance Penalty	$1,000 per month until required upgrades and updates are installed.	Monthly, per terms of invoice	We may adopt upgraded and updated computer software and hardware systems standards and you will be obligated to comply with our then current standards. You will have 30 days to comply from date of notification.
Audit Expenses	Costs of audit, including travel, lodging, and fees or wages or personnel of Choice or third parties required to conduct the audit which we estimate to be between $7,000-$10,000.	Upon demand	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.
Late Charge	The greater of 1.5% per	Upon demand	Payable on overdue amounts owed

Type of Fee (Note 1)	Amount	Due Date	Remarks
	month and the maximum rate allowed by law		to us. The late charge begins from the date of the underpayment.
Insurance Procurement Penalty	Will vary under the circumstances	As incurred	If you do not maintain the required insurance coverage for the Property, we may obtain the insurance at your cost and expense. You will also be required to pay us a reasonable fee for our expenses in obtaining the insurance.
Legal actions against you	Will vary under the circumstances	As incurred	You will reimburse us for costs and fees (including attorneys' fees) that we incur with regard to legal actions against you, your affiliates, your owners and management, and your affiliates' owners and management, if we are required to participate in that action, for example by responding to discovery request or by making an appearance as a witness or otherwise. See "Indemnification" below for a description of your obligation to reimburse us for fees and expenses incurred if any action is brought against us with regard to the Franchise Agreement, the Property and related matters.
Indemnification	Will vary under the circumstances	As incurred	You must reimburse us for claims from the construction and operation of the Property, any occurrence at your Property, any environmental matters at the Property site, your breach of any terms of the Franchise Agreement, or any offering of your securities and expenses that we incur to protect ourselves from and to remedy any breach of the Franchise Agreement by you.
Liquidated Damages (Note 7)	If terminated before opening, the number of sleeping rooms multiplied by 36 months, multiplied by $70. If terminated after opening, the greater of (a) $70, 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 60 months); or (b) the average monthly GRR	Upon termination of the Franchise Agreement if we terminate your Franchise Agreement after your default	

Type of Fee (Note 1)	Amount	Due Date	Remarks
	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 60 months).		
Condemnation	At least 1 year's Royalty Fees and System Fees	As incurred	If your Property is condemned, you must notify us within 10 days of receipt. We are entitled to Royalty Fees and System Fees while your Property is open, or for 1 year from the date you notify us of the condemnation, whichever is longer. If your Property is closed within a year from the date you notify us of the condemnation and the condemnation is due to your fault, you must pay us Royalty and System Fees for the balance of the 1-year period based on the average monthly fees from the trailing 12 months.

Notes:

Note 1. We may require that any fee described in this Item or required to be paid under the Franchise Agreement be paid by wire transfer, electronic fund transfer, or by an ACH (Automated Clearing House) deduction or direct withdrawal from your bank account. Except for payments (i) to the Franchisee Association and to the System Fee, (ii) of taxes that you may be required to pay directly to a government entity or withhold, and (iii) property manager training provided by a third-party property management company, all fees and charges are imposed by and are payable to us. All fees are nonrefundable. At our option, you may be required to make payment of certain fees to us by wire transfer. The fees are uniformly imposed, except that different property management companies may charge different fees for property manager training. If you fail multiple Quality Assurance Reviews we have the right to remove the failed property from the marketing and registration channels that are generally available to all WoodSpring Suites Properties ("Brand Channels"). This includes reservation websites, reservation telephone numbers, national accounts marketing and other similar channels. Because the System Fees we charge are partially used to cover our cost of the channels, you will continue to be required to pay the System Fee even though you would not have access to the Brand Channels.

Note 2. We may increase the System Fee for increases in inflation or costs of advertising, publicity, public relations, marketing or for increases in our cost of providing the property management system or reservation system or any other aspect of our franchise system so long as the increases apply to all or most of the U.S. hotels in our franchise system unless you approve a greater amount. We may also assess additional fees and charges for various components of the System and other services (including promotional programs and use of proprietary software) as described in the Rules and Regulations.

Note 3. A "Travel Agent" includes traditional travel agents, such as American Express Travel, CWT, BCD and others, as well as online travel agents such as Expedia if those online travel agents book through our global distribution system ("GDS"). For all reservations originating in a foreign country in which there is a Choice-approved General Sales Agent or which is serviced by a Choice sales team, a hotel will be required to pay a 5% commission in addition to the standard Travel Agent Commission. The additional commission will apply to reservations via travel agents, GDS, and Choice's central reservation system, but will not apply to reservations through online travel agents (for example, Expedia) that are designated by an International Air Transport Association number.

Note 4. The Franchisee Association will be governed by the bylaws of the Franchisee Association.

Note 5. No transfer fee is payable if:

- The transfer is to and from estates of a decedent if the transfer satisfies the conditions specified in the Franchise Agreement.

- Any other transfer may require the payment of a Transfer Fee. See Item 17.

Note 6. The non-compliance penalties currently range from $1,000 to $10,000 per violation, with the high end encompassing the failure to repeatedly pass our extensive quality inspection (approximately $10,000) and the failure to comply with our property improvement plan (approximately $5,000). In the case of a failed quality inspection, the failed inspection may trigger an additional $1,500 fee to attend mandatory training or to cover our costs for any follow-up inspection. In the future, these non-compliance penalties may change and are likely to range from $35 to $10,000 per instance of non-compliance.

Note 7 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

WOODSPRING SUITES

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Affiliation Fee (Note 1)	$50,000 for properties with 122 rooms or less; $300/per room for each additional room ($60,000 minimum for transfers and renewals)		(Note 1)	(Note 1)	Choice
Real Estate (Note 2)	(Note 2)		(Note 2)	(Note 2)	(Note 2)

Type of expenditure	Amount		Method of payment	When due	To whom payment is to be made
	Low	High			
Construction Costs and Construction Consultation/ Advisory Services (Note 3)	$7,371,240	$9,009,212	As Arranged	Before Opening	Contractors
Furniture, Fixtures, and Equipment (FF&E). Includes inventory & systems required to begin operation (Note 4)	$689,056	$842,288	As Arranged	Before Opening	Vendors
Exterior Signage (Note 5)	$40,000	$100,000	As per vendor terms	Before Opening	Vendor
Insurance (Note 6)	$45,000	$165,000	As per vendor terms	Before Opening	Vendor
Training (which includes training required by us, including the General Management Certification), Travel and Living Expenses While Training	$7,000	$9,000	As Incurred	Before Opening	Us, Airlines, Hotels, Restaurants, and Trainer's Company
Sales and Marketing Materials and other Pre-Opening Costs – 3 months	$35,000	$60,000	As Arranged	Before Opening	Vendors and Employees
Permits, Licenses and Government Fees (Note 7)	$10,000	$500,000	Lump Sum	Before Opening	Appropriate Government Agencies
Additional Funds – 6 month period (Note 8)	$30,000	$200,000	As Arranged	As incurred	Employees, Suppliers and Utilities
TOTAL ESTIMATED INITIAL INVESTMENT (Note 9)	$8,277,296	$10,945,500	**(These totals do not include real estate costs**)		
TOTAL COST PER ROOM (Based on 122 Rooms)	$67,846	$89,717			

<u>Notes:</u>

1. <u>Affiliation Fee</u>. Your Affiliation Fee will be $50,000 and it is non-refundable. If the property will have more than 122 rooms, then you will pay an additional fee of $300/room for the additional rooms. If the initial site is not approved or you do not acquire the site, you may submit a second site application for a different site. There is no separate fee if you sign a Master Development

Agreement, but you must pay the Affiliation Fee for all Properties that you commit to develop under the Master Development Agreement at the time you sign the agreement.

2. Real Estate. We do not estimate the cost of real estate because of the wide variation among geographical areas and different sites. Your land acquisition costs will vary depending upon a multitude of factors including whether the property is purchased or leased, the size and location of the property, and the availability of financing on commercially reasonable terms. Our 122-room prototype plan generally requires a minimum of 2 acres.

3. Construction. Building construction costs vary greatly from state-to-state and region-to-region depending upon material, labor costs, and other variables. Construction costs may also vary depending upon soil and environmental conditions, availability of utilities to the site, and the topography of the site. The estimate does not consider any site work required. The estimate also does not consider inflation due to natural disasters or other factors, or special local requirements such as earthquake requirements or impact fees. If required, you must pay us $20,000 for Construction Advisory Services. See Item 6 and Exhibit M.

4. Furniture, Fixtures and Equipment. Includes room furnishings, inventory and accessories, interior/directional signage, security equipment, office equipment and computers, property management system software, telephone system, network infrastructure equipment, and a video surveillance system. Whether the fees you pay for furniture, fixtures and equipment are non-refundable will depend on your agreements with your vendors. As of the issuance date of this Disclosure Document, there is only one approved vendor for FF&E items, procurement services, electronic messaging boards for new-construction properties, and high-speed internet access equipment and services.

5. Exterior Signage. Cost for actual property signage will vary depending upon building location and local codes as well as other factors, including the number of signs utilized, size of the sign(s), location of the sign(s), and regional differences in installation costs. Whether the fees you pay for exterior signage are non-refundable will depend on your agreements with your vendors.

6. Insurance. This number represents 25% of the annual cost of insurance. Insurance requirements are subject to change periodically and the current requirements are available on our intranet site. Your actual insurance cost will vary widely based on many factors, including the location of your Property (for example, depending on if it is in an area prone to national disaster), market conditions, and the number of Properties operated by you. The insurance you must carry is listed on the intranet and may be amended periodically. Currently, we require you to carry comprehensive or commercial general liability insurance with combined single limits of $1,000,000 per each occurrence for bodily injury and property damage. If the general liability coverage contains a general aggregate limit, the limit must be at least $2,000,000, and it must apply in the aggregate to your Property only. The insurance should be on an occurrence policy form and must include premises and operations, independent contractors, blanket contractual, products and completed operations, advertising injury, employees as additional insureds, broad form property damage, personal injury, severability of interests, and explosion, collapse and underground coverage during any construction. You (or your management company, if applicable) must also carry business auto liability for combined single limits of bodily injury and property damage of at least $1,000,000 each occurrence. Umbrella excess liability is required in amounts at least $3,000,000 in excess of the liability insurance, as is insurance on the Property (including furniture, fixtures, equipment, boiler, and machinery) against the risks that Choice may specify, including fire, lightning, vandalism, malicious mischief, flood (if located in a flood hazard zone), earthquake (if located in an earthquake prone zone), and all other risks covered by the special extended coverage

endorsements, in an amount equal to full replacement value thereof, business interruption covering loss of profits and necessary continuing expenses, including coverage for payments of royalty fees and contributions to the System Fee, for a minimum of 3 months in the event of an interruption in your business operations as well as the cost of conducting a pre-opening review before reopening of the business in the event of closure for repairs or rebuild, and employee dishonesty coverage on all Property employees in an amount at least $50,000. You (or your management company, if applicable) must also have worker's compensation insurance with minimum $500,000 coverage. During the construction of the Property (and other significant construction at the Property) you must maintain yourself, or through the general contractor, comprehensive or commercial general liability insurance with combined single limits of $1,000,000 per each occurrence for bodily injury and property damage. If the general liability coverage contains a general aggregate limit, this limit must be at least $2,000,000, and it shall apply in the aggregate to the Property only. You must also maintain the same level of worker's compensation insurance as during operations, umbrella excess liability in amounts at least $3,000,000 excess of the liability insurance, builder's risk property insurance of at least the contract price, and business auto liability insurance for combined single limits of bodily injury and property damages of at least $1,000,000. Whether the fees you pay for insurance are non-refundable will depend on your agreement with your insurance company, but usually fees are non-refundable.

7. Permits, Licenses and Governmental Fees. The licenses, permits, utility and tap fees you must obtain or pay to operate the Property vary depending upon the state, county, or other political subdivision in which the Property is located. Whether the fees you pay for permits, licenses and other government fees are non-refundable will depend on the rules applied by the issuing agency or government body.

8. Additional Funds. This amount represents an estimate, based on our experience, of the funds needed to cover initial employee wages, fringe benefits, utility deposits, uniforms, recruitment, on-site training expense, and other variable costs (e.g., electricity, telephone, heat, etc.), paper, cleaning, and other supplies. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on various factors, including: how carefully you follow our methods and procedures for operation of the Property; your management skill, experience, and business acumen; local economic conditions; your location; the local market for Property accommodations; competition; the prevailing wage rate; and the sales level reached during the initial period. Whether additional fees and expenses are non-refundable will depend on your agreements with your vendors and suppliers.

9. Total Estimated Initial Investment. This total estimated initial investment does not include any real estate costs. You should review these figures carefully with a business advisor before entering into a Franchise Agreement with us. The range is neither a floor on the minimum, nor a cap on the maximum you could spend and your expenditures could vary. Neither we, nor our affiliates offer direct or indirect financing to licensees for any items. The estimate does not include any finance charge, interest or debt service obligation. The estimate is for a Property with 122 rooms.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as listed below, neither we, nor any of our affiliates, currently obligate you to purchase or lease from us any goods, services, supplies, FF&E, inventory, computer hardware or software. We may require you to purchase proprietary software for accounting and reservations systems and may designate third-party approved vendors to supply products or services as we believe appropriate to assure communications compatibility or other benefits for the System.

You must comply with our standards and requirements concerning the quality of all goods, services, fixtures, furniture, furnishings, equipment, supplies and other items ("FF&E items"). We may require that particular FF&E items be purchased from an approved vendor. Otherwise, you may make purchases of FF&E items from any source meeting our standards and specifications after obtaining written approval from Choice. As of the issuance date of this Disclosure Document, there is only one approved vendor for guestroom case goods (Dubois) and procurement services (Profillment) for new construction properties, as well as high-speed internet access equipment and services. Standards and requirements are published in the Rules and Regulations, in policy and procedure statements, in WOODSPRING SUITES Property prototype designs and specifications, or otherwise communicated to franchisees in printed, machine readable, via intranet, electronic or any form we choose. The standards and specifications, including the Rules and Regulations, may be modified at our discretion. We will also distribute modifications to standards and specifications to you in printed, machine-readable, via intranet, electronic or any form we choose. Neither Choice nor our affiliates are approved suppliers or the only approved supplier for any products.

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.

Our Procurement Services Department maintains a list of "Qualified Vendors" of products and services for our franchisees. Certain Qualified Vendors are designated as exclusive suppliers. Unless required by us, 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 FF&E items, 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 will be provided 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 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 marketing personnel, space on the ChoiceBuys.com website, a booth at our annual convention, advertisements in our print and electronic publications (Marketplace and Single Vendor

Emails) 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.

In the year ended December 31, 2022, our total revenues were about $1,297.7 million. Of this figure, revenues attributable to required purchases by franchisees of products and services were $55.8 million, or about 4.30% of our total revenues in 2022, which includes revenues from Qualified Vendors and excludes choiceADVANTAGE® installation and support fees.

We estimate that your required purchases of goods and services from us, our designees, approved suppliers and under our approved specifications will account for between 90% and 100% of all purchases you will make in establishing and operating the Franchised Business.

Currently, we do not have any purchasing or distribution cooperatives, but we do negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees, when possible. Your purchase of any particular services or products from a particular supplier will not give you material benefits from us.

You must purchase the property management software we designate. Currently, you must purchase the Jonas Chorum property management software from Jonas Chorum (Chorum). Part of the services provided by Chorum include our central reservation system that you must participate in. In the future, we anticipate that you will be required to use our choiceADVANTAGE® property management system.

Item 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find information about your obligations in these agreements and in other items of this Franchise Disclosure Document.

Obligation[1]		Section in Franchise Agreement	Section in Master Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/ Lease	Sections 2.2, 2.4, 5.1 and 5.2 of Franchise Agreement	Sections 5 & 6	Items 5, 6, 7 and 11
b.	Pre-opening purchases/leases	Sections 5.1, 5.2, 5.3 and 8.1 of Franchise Agreement	None	Items 7 and 8
c.	Site development and other pre-opening requirements	Sections 5.1, 5.2, 5.3, 5.8, 7.1 and 7.2 of Franchise Agreement	Section 5	Items 6, 7 and 11
d.	Initial and ongoing training	Sections 5.7 and 7.2, 7.3, 7.4, 7.5 of Franchise Agreement	None	Items 6, 7, 11 and 15
e.	Opening	Section 5.7 of Franchise Agreement	None	Items 7 and 11
f.	Fees	Sections 2.4, 4.1, 4.2, 5.2, 5.3, 7.21, 7.22, 8.1, 8.3, 8.5, 10.4, 12.3, 13.8, 13.10 and 19.7 of Franchise Agreement	None	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/ Operating manual	Sections 5.3, 5.7, 7.2, 7.3, 7.4, 7.5. 7.6, 7.7, 7.8, 7.9, 8.1 and 8.2 of Franchise Agreement	None	Items 8, 11 and 16

	Obligation[1]	Section in Franchise Agreement	Section in Master Development Agreement	Disclosure Document Item
h.	Trademarks and proprietary information[2]	Article 11 and Sections 15.2, 15.4, 15.5, 15.6, and 15.7 of Franchise Agreement	Section 11	Items 13 and 14
i.	Restrictions on products/ services offered	Sections 7.4, 7.5, 8.1, and 8.2 of Franchise Agreement	None	Item 16
j.	Warranty and customer service requirements	None	None	
k.	Territorial development and sales quota	None	Section 3	Item 12
l.	Ongoing product/service purchases	Sections 7.5 and 8.1 of Franchise Agreement	None	Item 8
m.	Maintenance, appearance, and remodeling requirements	Section 7.8 of Franchise Agreement	None	Items 8 and 11
n.	Insurance[4]	Sections 12.1, 12.2, and 12.3 of Franchise Agreement	None	Items 6, 8 and 11
o.	Advertising	Sections 5.6, 8.7, 9.1, 9.2, 9.3, 9.4, and 15.5 of Franchise Agreement	None	Items 6, 7, 8 and 11
p.	Indemnification	Section 12.4 of Franchise Agreement	None	Item 6
q.	Owner's participation/ management/ staffing	Sections 7.2, and 16.1 of Franchise Agreement	None	Items 11 and 15
r.	Records and reports	Sections 7.12, 10.1, 10.2, 10.3 10.4, 10.5, 10.6, and 12.2 of Franchise Agreement	None	Items 6 and 11
s.	Inspections and audits	Sections 8.3, 10.2 and 10.4 of Franchise Agreement	None	Items 6 and 11
t.	Transfer	Article 13 of Franchise Agreement	None	Items 6, 15 and 17
u.	Renewal	None	None	
v.	Post-termination obligations[2]	Sections 11.2, 11.4, 15.1, 15.2, 15.3, 15.4, 15.5, 15.6, 15.7, and 15.8 of Franchise Agreement	Section 9	Items 6, 11, 14 and 17
w.	Non-competition covenants	Section 7.6 of Franchise Agreement	None	Item 17
x.	Dispute resolution	Sections 12.5, 19.1, 19.2, 19.3, 19.4, 19.5, 19.6, and 19.7 of Franchise Agreement	Sections 16 & 17	Item 17

Notes:

1. Your principals must guarantee all of your obligations in the Franchise Agreement and Master Development Agreement. We require that individuals guarantee your obligations, so if your principals are entities, your indirect owners who are individuals will have to guarantee your obligations. A copy of the Guaranty is attached to the Franchise Agreement, which is Exhibit B of the Franchise Disclosure Document and to the Master Development Agreement, which is Exhibit C to the Franchise Disclosure Document.

2. All of your partners, principals, officers, directors, managers and members are also required to

honor all of your obligations in Article 11 of the Franchise Agreement.

3. Upon our request, you must have your officers, directors, partners, members, managers, principals and property managers sign a Guaranty in the forms attached as exhibits to the Franchise Agreement (Exhibit B of this franchise Disclosure Document) and Master Development Agreement (Exhibit C of this franchise Disclosure Document).

4. The insurance requirements are listed on the Intranet and may be amended periodically.

Item 10

FINANCING

AFFILIATION FEE PROMISSORY NOTE

In our sole discretion and on approval of your credit, we may offer to finance the affiliation fee without interest. In that event, you must sign a promissory note (see Exhibit J). Note payment is due in one full lump sum generally within 3 months after the note is signed. The note may be accelerated upon default and provides for a waiver of presentment, demand for payment, notice of dishonor, protest, and includes a confession of judgment clause. If the principal amount of the note, or any portion of the amount, is not paid on or before the maturity date, the note will bear interest from the date on which the funds are due until paid at a default annual rate equal to eighteen percent (18%). In the event of default, you must pay all of our costs of suit and reasonable attorney's fees. The note contains no pre-payment penalty. The owners of the franchise entity may be required to sign the note personally.

SELECTED CAPITAL SUPPORT

Except as otherwise described in this Item 10, in certain instances, we may provide select capital support to help offset the costs associated with developing a hotel within the Choice franchise system. In our sole and absolute discretion, we may provide capital support for franchisees that develop a property with strategic importance to Choice. We do not offer capital support in every instance, and we may freely choose not to offer capital support to you. The terms of such capital support will vary and will always be determined in our sole and absolute discretion after your application has been submitted to us and we have approved your eligibility to own a hotel franchise. In the event you have been offered and agreed to accept capital support, you will be bound, in all ways, to the contracts, documents, and agreements related to and controlling the administration of that capital support.

Specifically, the principal amount of the financing will depend upon the franchisee's creditworthiness and various other factors. The franchisee will sign a promissory note evidencing the loan. The form of promissory note is attached at Exhibit K.A. (the "Capital Support Note"). Generally, forgiveness of the Capital Support Note will be amortized over a period of 10 to 15 years (beginning on the Opening Date of your hotel) using a straight-line method, so that the Capital Support Note will be completely forgiven if you do not commit certain defaults under the Capital Support Note beginning upon signing of the franchise agreement and ending 10 or 15 years after the Opening Date. Your individual owners will be required to sign the Capital Support Note, in addition to the franchisee. We will fund the loan shortly after the Hotel opens and we receive the signed Capital Support Note from franchisee. In limited circumstances, you may be eligible for additional loan amounts based on your Hotel's performance. We will not charge you interest unless you default under the Capital Support Note (Section 5). If you default, all amounts outstanding will bear interest at prime plus two percent. The maximum interest rate in California is 10% annually. The loan amount will be payable in equal yearly installments over the term of the Franchise Agreement. However, each yearly payment will be deemed paid so long as no default has occurred under the Capital Support Note (Section 4). Defaults under the Capital Support Note include the termination of the Franchise Agreement, an uncured default by franchisee under the Franchise Agreement, a transfer as defined in the Franchise Agreement and a breach of any provision of the Note or any document executed in connection with the Capital Support Note (Section 5). Following a default under the Note, we may declare the entire outstanding amount under the Capital Support Note plus all accrued interest immediately due and payable (Section 5.2). Franchisee must also pay all of our costs and attorneys' fees incurred in collecting the Capital Support Note (Section 5.4). Default under the Capital Support Note will constitute a default under the Franchise Agreement (Section 5.1). Based upon your creditworthiness, we may not require that you provide us security for repayment of the loan.

The terms of the guaranty signed in connection with the Franchise Agreement will also extend to the repayment obligations under the Capital Support Note. The loan can be prepaid at any time and there are no prepayment penalties. The franchisee waives various rights under the Capital Support Note including presentment, demand, and all other notices and demands (Capital Support Note – Section 5.6).

In addition, if you sign our Capital Support Note, you and we must agree to waive our right to terminate the franchise agreement, without cause, for the applicable 10th and 15th anniversaries of the Opening Date as provided in Section 3 of the Franchise Agreement.

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).

<u>Qualifications</u>

To qualify for the Diversity and Veteran Incentive Program, you must meet all of the following conditions: you must make a good faith request for 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 be a majority owner that is actively engaged in the deal process; 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. We will have sole discretion in determining whether you qualify for the Diversity and Veteran Incentive Program. The Diversity and Veteran Incentive Program may not be combined with any other incentive program that we may be offering at the time of your application and we may discontinue the Diversity and Veteran Incentive Program at any time.

<u>Incentive</u>

Each Diversity and Veteran Incentive we make for a hotel using a WOODSPRING Mark will be for $2,500 per room in the hotel (maximum of $175,000). Each incentive will be evidenced by a 10-year forgivable promissory note (see Exhibit K.B.) (the "Diversity Note"). We will pay the proceeds of the Diversity Note to you only after the Opening Date of your hotel. You may use the proceeds of the Diversity Note for any purpose related to the hotel. We do not require collateral for this Diversity Note, but may require you or the owners of a franchise entity to sign personally. Forgiveness of the Diversity Note will be amortized over 10 years (beginning on the Opening Date of your hotel) using a straight-line method, so that the Diversity Note will be completely forgiven if you do not commit certain defaults under the Diversity Note beginning upon signing of the franchise agreement and ending 10 years after the Opening Date. The Diversity Note is structured to provide for one payment at the end of 10 years; however, you do not have to make payments on the Diversity 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 Diversity Note at an interest rate of prime plus 2%. The maximum interest rate in California is 10% annually. Under the Diversity 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 Diversity Note. The Diversity 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 Diversity 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 Diversity Note, the incentive will be 50% of the amount of the 10 year Diversity Note, and will be limited to a maximum of $87,500. Each incentive will be evidenced by a 5 year Diversity Note in the same form attached as Exhibit K. The Diversity Note is structured to provide for one payment at the end of 5 years; however, you do not have to make payments on the Diversity 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 Diversity Note at an interest rate of prime plus 2%. If the Default Payment Amount (as defined in Exhibit K.B.) has not been paid in full fifteen (15) days after the date such amount became due and payable, interest will begin to accrue at a default annual rate equal to Prime plus seven percent (prime plus 7%).The maximum interest rate in California is 10% annually. Under the 5 year Diversity 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 Diversity Note. The Diversity Note contains no pre-payment penalty.

Termination Rights

In addition, unless you have signed a 5 year promissory note and if applicable, 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 Choice 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 Choice 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 L 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 L for PMC's additional rights and remedies.

In consideration of Choice's agreement to grant PMC access to our marketing channels, Choice will receive from PMC a flat payment of $10,000 annually.

BALBOA CAPITAL CORPORATION

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

Interest rates are fixed and are determined at Balboa's discretion in accordance with its standard underwriting practices. You are not required to use Balboa as your lender. If you choose to use Balboa as your lender, you must enter into one or more agreements with Balboa, substantially in the form attached as Exhibit L 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 L for Balboa's additional rights and remedies.

In consideration of Choice's agreement to grant Balboa access to our marketing channels, Choice will receive from Balboa a flat payment of $15,000 annually.

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 L 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 L for ASCENTIUM CAPITAL LLC's additional rights and remedies.

In consideration of Choice's agreement to grant ASCENTIUM CAPITAL LLC access to our marketing channels, Choice will receive from ASCENTIUM CAPITAL LLC a flat payment of $15,000 annually.

*   *   *

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

Neither Choice, nor its affiliates, guarantee your notes, lease or obligations.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Site Selection

The Franchise Agreement is for an approved location. Usually, the site will already have been selected when you and we sign the Franchise Agreement, and we have no obligation to assist you to locate a site under the Franchise Agreement. If no site has been selected when you sign the Franchise Agreement you will have to find the site and negotiate its purchase or lease. We will not assist you with the location or negotiation for the site. We must unconditionally approve the site before you can begin construction of your Property. The factors we consider in approving or disapproving a proposed site include, without limitation, the general location, available parking, physical characteristics of existing buildings, competing businesses, traffic count, population growth, apartment rental prices, surrounding lodging performance, traffic visibility, lease terms, and proximity to major employers, services, and other commercial activities in the area. Our approval of the site does not in any way guarantee that the site will become a profitable Property. There is no time limit for how soon after you submit a site application that we must approve or reject it. If an initial site application is rejected you may submit site applications for alternative sites.

Pre-Opening Obligations

Before you open your business, we will:

1. Grant you rights to establish a Property at a specific site or rights to build additional hotels in accordance with a development schedule in a preferred region. (Franchise Agreement – Article 2 and Master Development Agreement - Section 1.)

2. Provide you access to a set of then-current prototype plans and specifications (not for construction) for a typical Property. (Franchise Agreement - Article 5.) Available space varies in size and configuration, and you must have more detailed plans or blueprints prepared at your expense to take into account the location and local ordinances.

3. Upon reasonable request, we will consult with and advise you at our home office concerning the construction and operation of the Property. (Franchise Agreement – Article 5.)

4. Approve or disapprove the site and site layout for the Property. (Master Development Agreement Section 5 and Franchise Agreement – Section 5.2.) A discussion of the selection of your site for the Property appears above in this Item 11 under the caption "Site Selection."

5. Approve your plans and specifications. (Franchise Agreement - Article 5.) It is up to you to make sure that the premises conform with local ordinance and building codes. We do not have the obligation to assist you to obtain any required permits.

6. Approve your evidence of insurance naming us as an additional insured. (Franchise Agreement - Article 12.)

7. Make available to you the Rules and Regulations. (Franchise Agreement - Section 6.1.C) The Table of Contents of the Rules and Regulations is attached as **Exhibit D** to this franchise Disclosure Document.

8. Provide you with specifications and/or names of suppliers for all required equipment, inventory, and supplies. We do not deliver or install any of these items. (Franchise Agreement - Article 6.)

9. Provide a training program for your property manager and other personnel designated in the Rules and Regulations. (Franchise Agreement - Article 6.) A description of our training program appears later in this Item 11 under the caption "Training Programs." Apart from the training program, we are not required to help train your employees, and we are not required to help you hire employees. Note that we are not in a position to and do not undertake to exercise control over the employment, supervision, or discharge of your employees. We have no right to do so, other than to the extent of controlling the quality of the System and the quality of the products and services that you offer.

10. Perform an onsite inspection during the construction process and investigate as we deem appropriate to become satisfied that you have complied with all requirements necessary for opening the Property. (Franchise Agreement - Article 5.)

11. Approve or disapprove all advertising, signage, written communications, electronic or web based materials and promotional plans, and other materials displaying our Marks that we have not prepared or previously approved. (Franchise Agreement – Sections 8.7, 9.1, and 9.2). The Rules and Regulations includes specifications for equipment, signs, fixtures and opening inventory and may also include the names of approved suppliers for some of those items, but Choice is not required to provide you with equipment, signs, fixtures and opening inventory and we do not deliver or install any of them.

12. Provide you with Construction Advisory Services if you are building your first WoodSpring Suites hotel. We may also provide you such services for each WoodSpring Suites hotel you build thereafter. This service includes five site visits to your hotel. See Item 6 and Exhibit M of this Disclosure Document.

Time from Signing of Agreement to Construction Completion and Opening

You must request and receive our approval of the proposed site layout and blueprints before commencing construction on the Property. The Franchise Agreement prescribes a time sequence for the construction and opening of the Property. (Franchise Agreement - Sections 5.1, 5.2, 5.3, 5.4, and 5.7.) After execution of the Franchise Agreement for a new location development, you must complete construction, order and install furniture, furnishings, and interior decor, hire and train personnel, and have a property manager complete our training program. The Franchise Agreement requires you to begin construction of the Property within 365 days of signing the Franchise Agreement, or within 60 days of the time when a building permit for the Property is ready for issuance, whichever occurs earlier. A building permit is ready for issuance at the point in time when the issuing authority has taken all steps necessary for issuance, and would issue the building permit upon the payment of the fee therefor. At our discretion, the date for commencing construction may be extended at your request. Factors that may affect the time required to begin construction and open a Property may include, but are not limited to, time required to conclude lease or land purchase contracts, to obtain financing or building permits, zoning changes, other local ordinance requirements. You must diligently pursue completion of the Property in accordance with the plans and specifications and have the Property ready to open for business within 12 months after you begin construction. Typically, construction takes approximately 7 to 10 months from the time footers are poured. The date for completing construction of the Property may also be extended at our discretion at your request. Other factors that may affect the time required to complete construction include local inspections, labor disputes, weather conditions, material shortages, delays in delivery or installation of equipment, fixtures, and signs.

The Property may be open for business when you satisfy our requirements. You will have to comply with the following: (i) install all fixtures, furniture and equipment and obtain a temporary certificate of occupancy or certificate of occupancy; (ii) your property manager must have satisfactorily completed our training program and you must have hired qualified personnel; (iii) you must have paid all sums due us and our affiliates; (iv) you must not be in default under the Franchise Agreement or any other agreement with us or our affiliates; (v) you must be in compliance with the Americans With Disabilities Act; (vi) we must have made a satisfactory on-site inspection and investigation as we deem appropriate; and (vii) you must have purchased required insurance. We may allow an opening with less than all improvements for a portion of the Property under certain circumstances. (Franchise Agreement – Section 5.7.) After opening, you are required to report your construction costs to us.

When appropriate financing is in place and land has been entitled, our franchisees will typically open their Properties within 7 to 10 months from the time they begin construction on their Property. The time from when our franchisees sign the Franchise Agreement to when they open their Properties varies widely, based on many factors, including whether they already have an approved site for their Property, and if not, their ability to find a site, their ability to obtain financing, how long it takes to get building permits, any changes to the zoning for the site that may be required, applicable local ordinances, weather conditions, shortages and any delays in the construction process, and in installation of equipment, fixtures and signs. The same factors (other than if you already have a site) will affect how long it takes you to open your Property from the time you begin construction.

Obligations During Operation of Franchised Business

During the operation of the Franchised Business, we will:

1. Consult with and advise you at our offices, upon reasonable request, concerning the operation of the Property. (Franchise Agreement - Section 6.1.B.)

2. Modify and add to the Rules and Regulations as we deem appropriate to reflect changes in the business, authorized products or services, or specifications for authorized products and services, equipment requirements, quality standards, and operating procedures. (Franchise Agreement - Section 6.1.C.)

3. Provide additional optional or required training programs or seminars as we deem appropriate in consideration of your payment of an additional training fee as described in Item 6. (Franchise Agreement - Sections 6.1.D and 7.2.) A description of our additional training appears later in this Item 11 under the caption "Training Programs." Apart from those training programs, we are not required to help train your employees, and we are not

required to help you hire employees.

4. Conduct inspections of your Property and financial records, conduct evaluations of the services provided by your Property, , as we may deem advisable. (Franchise Agreement – Sections 6.1.E and 10.4.)

5. Approve or disapprove all advertising, signage, written communications, and promotional plans and other materials displaying our Marks which we have not prepared or previously approved. (Franchise Agreement - Sections 8.7, 9.1 and 9.2.)

6. Upon mutual agreement, provide you with miscellaneous administrative assistance, for a fee, with regard to negotiating financing and other agreements for your Property, assist with research projects and other project-based tasks (Franchise Agreement – Section 7.22). (Also see Item 6.)

We are not required to establish any particular administrative, bookkeeping, accounting or inventory control procedures, but we may choose to do so.

Marketing, Branding, Sales, and Advertising Fund

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 are 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 the System Fee to solicit new franchisees. See Item 6 for a description of the System Fee.

You may conduct your own local marketing program provided that all materials comply with the Rules and Regulations, including proper trademark usage, and are approved in writing by us, typically within 30 days after you submit your materials to us for review. SmartMarketing 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 $0 to $45. We are not required to use any portion of the System Fee for advertising in your area.

We administer the allocation of the System Fee, which may be commingled with, but are accounted for separately, from our other funds. We do not prepare audited financial statements for our System Fee. However, upon receiving a reasonable request, we will provide an unaudited statement of the System Fee for the previous calendar year. We have no obligation to separate incomes or expenditures between the various Choice brands. Any unspent System Fees remaining at the end of the fiscal year generally are carried over for use in the following year unless there is a deficit from a preceding year. In that case, the monies will be applied to pay down the deficit and anything remaining 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 2022, approximately 14.8% of all System Fees collected from the Choice Franchise System was spent on media and other advertising, 8.2% on the Choice Privileges Loyalty Program, which includes national advertising (broadcast and digital), 69.9% on marketing and distribution (for example, reservations services, global sales, eCommerce, publicity, research & analytics) and 7.2% on general and administrative expenses, including the salaries of applicable personnel.

Each Franchisee is a member of our advisory franchisee association, referred to as the "Franchisee Association." Each Franchisee has one vote for each of its open Properties (up to a maximum of 25 votes) to elect members to the Franchise Advisory Council, which leads the Franchisee Association. Currently, the WoodSpring Franchisee Advisory Council consists of 7 advisors. The WoodSpring Franchisee Advisory Council of the Franchisee Association is selected by the franchisees. The WoodSpring Franchisee Association was formed on our initiative, and we may change or dissolve the organization. The WoodSpring Franchisee Association has the right to charge franchisees a fee on a per Property pro rata basis to cover reasonable travel, lodging, and meal expenses for WoodSpring Franchisee Association representatives when on WoodSpring Franchisee Association related business. Currently the fee is $100 per year per Property.

We do not require you to participate in local or regional advertising cooperatives but may do so in the future.

Computer Systems

We may establish standards requiring you to purchase or lease computer hardware and software capable of communicating with our computers and of recording and reproducing the types of information and reports we determine are appropriate for the operation of WoodSpring Suites Properties (Franchise Agreement, Sections 8.1 and 8.2). These requirements include a computerized or automated property management system, reservations system and the network infrastructure necessary to permit in-room Internet hook-up, in-room wireless Internet access, as well as video surveillance equipment for the Property (See Item 6 and Franchise Agreement, Sections 7.14 and 9.6.)

There are no contractual limitations on our rights to obtain independent access to your databases (including the property management system described below). The information that we may access includes information about guests, stays, financial information, occupancy rates, room rates, and national accounts. We will not have independent access to the video-surveillance recordings from your Property or personnel files for your employees.

We have no obligation to assist you in obtaining the computer goods and services described in this Item and none of Choice, our affiliates or any third party must provide ongoing maintenance, repairs, upgrades or updates to the computer system. We estimate that the cost for purchasing or leasing the currently required front-office computer system is approximately $2,300 and the cost of installation is approximately $800. You will also have to install network infrastructure equipment to support both guest wireless and front office needs for approximately $16,600 and a video surveillance system, the cost of which is approximately $13,300. Costs vary due to market and region. These expenses are included in the estimated initial investment disclosed in Item 7. The annual cost of maintenance, updating, and upgrading for your computer system is approximately $400 to $500. There are no restrictions on our right to require you to upgrade or update the computer system or video surveillance system, or on the frequency of how often we may require you to do so. The cost of an upgrade or update will depend on what parts of the system are going to be upgraded or updated.

Our current computer hardware requirements, which we may modify in our sole discretion, may be purchased from any supplier of IBM-compatible computers. You will need a computer which is capable of running the Windows 7 Operating System, with a CD/DVD-RW optical drive, at least 6 USB ports, at least 200 gigabytes of hard drive space, at least 2 gigabytes of RAM, sound card, and speakers. We recommend that you also purchase an "All-In-One" multifunction laser printer as well as a battery backup for the computer system. Networking hardware may need to be purchased to allow in-room guest Internet access, network access for the video surveillance system, and any other front office computer systems.

Additional required software will include Symantec PCAnywhere 12.5 or higher, Microsoft Office 2007 or higher, an anti-virus software (e.g., AVG, Norton, as well as an anti-spyware solution such as Microsoft Security Essentials).

Network Infrastructure and Video Surveillance

Choice maintains a list of approved suppliers for the required network infrastructure equipment and the video surveillance system and will provide you that list upon request. Technical support is available from these approved suppliers and is highly recommended. We are not obligated to provide software support to you. The estimated cost of the technical support including remote phone support and offsite data back-up is approximately $125 per month. On-site technical support is generally billed on a case-by-case basis and the cost will vary depending on the market and location. Choice does not currently accept any compensation or remuneration from these approved suppliers.

Property Management System

You must purchase an approved property management software system that will enable the operator to use the computer system to take reservations, assign rooms at check-in, track room charges and activity, record accounts receivable, print management, marketing, housekeeping, and financial reports, scan drivers' licenses and perform various other functions. Currently, Jonas Chorum ("Chorum") is our only approved source of property management software. The software you will purchase from Jonas Chorum is the Jonas Chorum PMS, including the per room increment, Internet credit card processing, call accounting and posting module. Level one (and up) technical support is available from Chorum and highly recommended. We are not obligated to provide software support to you. The Jonas Chorum PMS product is sold as software as a service and costs approximately $6,000 to $8,500 per year, based on property room count, and includes all support and maintenance. It is anticipated that you will also purchase training from them. We currently do not accept any compensation or remuneration from Chorum.

In the future, we anticipate that we will require you to install, maintain, and use full functionality of the choiceADVANTAGE® property management and reservation system. We may adopt upgraded and updated computer software and hardware system standards (including for the video surveillance system and the network infrastructure) and you will be obligated to comply with our then current standards (Sections 7.4 and 7.14 of the Franchise Agreement). There is no contractual limitation on the frequency and cost of computer system upgrades and updates, and we anticipate that we will require our franchisees to upgrade to a new property management software in the future. You will be given 30 days in order to purchase and/or install the upgrades and updates. If you fail to do so, you will incur a $1,000 per month non-compliance fee. See Item 7 for information concerning the estimated cost of the computer systems. We are not obligated to maintain, repair or upgrade your computer system components for you. We require you to keep in effect one or more maintenance agreements with third parties providing for prompt repair of the computer system.

Exterior Signage

You must purchase approved exterior signage for your Property. The signage usually includes at least one Electronic Message Center (EMC) sign. The messages displayed on the EMC sign may only be changed in accordance with the Rules and Regulations. You do not need to purchase any additional computer software or hardware to operate the sign.

Chip-Enabled Credit Card Devices

We have approved a chip enabled credit card acceptance (EMV) hardware for use in your hotel, which we may require you to purchase upon our request. We estimate the cost of each device to be approximately $750. Fees may vary based on the number of devices required for your hotel. We have also approved EMV software for use in your hotel. We have one approved EMV software provider for processing credit card payments. The approved EMV software provider is Shift4 (which acquired the former provider Merchant Link), with a business address at 1491 Center Crossing Road, Las Vegas, NV 89144. Shift4 is a Qualified Vendor. See Item 8. However, unless required by the Rules and Regulations, you do not have to purchase EMV hardware or software that otherwise meet brand standards from Shift4.

Operations Manual - Rules and Regulations

We require you to comply with our operations manual ("Rules and Regulations"). (*See* Franchise Agreement – Section 8.2.) A copy of the Table of Contents of the Rules and Regulations is attached to this Franchise Disclosure Document as **Exhibit D**. Upon request, you may view the Rules and Regulations at our proprietary intranet site, including via the WoodSpring Suites Intranet. Once you become a franchisee, you will have access to these Rules and Regulations without having to request them from us. As of the date of this Disclosure Document, the total number of pages included in the current Rules and Regulations is approximately 50 pages.

Training Solutions Programs

Our training currently involves two comprehensive training programs: the first is the New Franchisee Orientation for franchisee owners and the second is a General Manager Certification Program. We also organize associate certification programs that are mandatory for all line associates as well and train staff on our brand standards. The following table outlines these programs.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
New Franchisee Orientation	16-22 Hours	0	Rockville, Maryland or Scottsdale, Arizona
General Manager Certification (ESsentials Training Program)	21 Hours	80 Hours	Online, Rockville, MD or at a Property designated by us
Online Staff Certification	5 Hours	25 Hours	Online
Total	43 - 48 Hours	105 Hours	

New Franchisee Orientation

We will offer training to the principals of newly signed franchisees as needed. The topics covered in the training (which may be modified) will include as follows:

SUBJECT	HOURS OF CLASSROOM AND ONLINE TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
Choice History, Mission, and Culture	1	None	Rockville, Maryland or Scottsdale, Arizona
Choice Extended Stay Brands Overview	1.5	None	Rockville, Maryland or Scottsdale, Arizona
Choice Resources (including Choice University, ChoiceCentral, choiceAdvantage	1	None	Rockville, Maryland or Scottsdale, Arizona
Franchise Services, Franchise Cares and Opening Service Support for Extended Stay	2.5	None	Rockville, Maryland or Scottsdale, Arizona
Owner Portfolio Strategy (including PIP management)	1	None	Rockville, Maryland or Scottsdale, Arizona
Performance Metrics (including profitability, revenue, and benchmarking for Extended Stay ESOcc)	2.5	None	Rockville, Maryland or Scottsdale, Arizona
Local and Global Sales and Smart Marketing Tools for Extended Stay	2.0	None	Rockville, Maryland or Scottsdale, Arizona
Marketing and Distribution Channels (to include eCommerce, and the related tools)	1	None	Rockville, Maryland or Scottsdale, Arizona
Guest Insight Reporting and Reputation Management	1.5	None	Rockville, Maryland or Scottsdale, Arizona
Brand Identities, Standards and Culture for Extended Stay (including Compliance and Awards)	3.5	None	Rockville, Maryland or Scottsdale, Arizona
Procurement (including vendor sessions)	0.5	None	Rockville, Maryland or Scottsdale, Arizona
Choice Extended Stay Operating and Profitability Model	4	None	Rockville, Maryland or Scottsdale, Arizona
TOTAL	22	0	

Note 1: We reserve the right to modify this training. This training is mandatory for all owners 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 or obtained Choice Hotels training certification for another existing hotel in which case it is expected that the hotel General Manager attend a New Franchisee Orientation class. New Franchisee Orientation classes are held multiple times per year at one of our corporate locations in Rockville, Maryland or Scottsdale, Arizona.

Note 2: Instructional materials for the New Franchisee Orientation Program include handouts or electronic training materials and videos. Experience of New Franchisee Orientation instructors ranges from 10 years to 30 plus years.

Note 3: Each owner must attend the New Franchisee Orientation Program within 90 days of opening in the Choice franchise system. The cost of the training classes will not exceed $1,950 each for the owner plus travel, lodging and meals while attending the 2.5-day New Franchisee Orientation Program at one of our Choice corporate locations in Maryland or Arizona. Instructional materials are included. Attendance at the New Franchisee 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 $975 each plus travel, lodging and meals while attending the program. Your Regional Area Director may require your attendance at this New Franchisee Orientation Program, at any time, based on less than expected results at an open and operating hotel.

Note 4: If you are an inexperienced hotel franchisee that has never operated an extended stay hotel and you are not planning to use a hotel management company to manage the hotel, we may also require that you attend our separate onboarding training program. This additional immersive training, which may take place either in person or online, will provide 2-4 days of additional training at a cost of approximately $2,500 to $7,500 and will be tailored for the novice extended stay hotel operator. As a part of our requirements, your General Manager must attend this training.

Note 5: The failure to attend this training within the prescribed time may result in a formal default of your franchise agreement, and the failure to cure the default could result in the termination of your franchise agreement.

ESsentials Training Program

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

Required GM Syllabus - Prerequisites in ChoiceU	Hours of Online Training	Hours of on-the-job training	Location
Subjects			
Welcome, Wanted and Respected - It's Good for Everyone CUTV	6 minutes	0	ChoiceU Learning Modules
Welcome to the Choice Hotels Family	5 minutes	0	ChoiceU Learning Modules
Understanding the Lodging Industry and Hotel Operations	60 minutes	0	ChoiceU Learning Modules
Brand Pages via ChoiceCentral	20 minutes	0	ChoiceU Learning Modules
ChoiceNow Franchisee Portal	22 minutes	0	ChoiceU Learning Modules
Medallia and Reputation Management	60 minutes	0	ChoiceU Learning Modules

Coaching and Development	300 minutes	0	ChoiceU Learning Modules
Guest Service	135 minutes	0	ChoiceU Learning Modules
Revenue Management & Sales	120 minutes	0	ChoiceU Learning Modules
Required Instructor Led Virtual Classes – ESsentials	**Hours of Virtual Classroom Training**	**Hours of on-the-job training**	**Location**
Subjects			
What is Extended Stay	20 minutes	0	Instructor Led - Virtual Class
Extended Stay Brand Overview	45 minutes	0	Instructor Led - Virtual Class
Rules & Regulations	45 minutes	0	Instructor Led - Virtual Class
Quality Assurance	45 minutes	0	Instructor Led - Virtual Class
Reputation Management	30 minutes	0	Instructor Led - Virtual Class
Coaching & Leadership	60 minutes	0	Instructor Led - Virtual Class
Extended Stay Revenue Management	60 minutes	0	Instructor Led - Virtual Class
Extended Stay Sales	60 minutes	0	Instructor Led - Virtual Class
Extended Stay Resources	20 minutes	0	Instructor Led - Virtual Class
Extended Stay Marketing	25 minutes	0	Instructor Led - Virtual Class
Extended Stay Reporting	20 minutes	0	Instructor Led - Virtual Class
Online Exam for Certification	90 minutes	0	Instructor Led - Virtual Class
Total	1248 Minutes or 21 hours	0	

Note 1: We reserve the right to modify this training. You must have a certified General Manager at your hotel and is present on the hotel premises operations certified by attending the above ESsentials Training program at least 90 days after opening or relicensing the hotel. In addition, at least one hotel staff member that has completed this training must be on the hotel's premises. The cost of the training class is approximately $1,500.00 per attendee.

Note 2: Instructional materials for the ESsentials training program include interactive online learning, videos, job aids, virtual workshops, activities, and online examinations. Instructors for the program include Choice University Learning Professionals, and their experiences range from 15 to 30 plus years.

Note 3: As described in Item 5, the ESsentials requirement is satisfied if a hotel staff member in a managerial role has previously completed EMBARK training.

Note 4: If the General Manager, in our reasonable determination, does not meet the standards for knowledge and performance or does not pursue or otherwise successfully complete this ESsentials Training program to our satisfaction, we reserve the right to request that he or she be re-trained. Attendance and full participation at training, as well as passing the final exam is mandatory. We will require attendees to sign a confidentiality agreement as a condition to attend our training.

Note 5: We will require an annual recertification of this Essentials training program at a cost not to exceed $1,000.

Online Staff Certification

All hotel staff must be provided online training access through Choice University. Hotel staff must complete their certification track within 90 days of hire date and present a certificate of completion upon request.

Other Training and Our Instructors

We may also make available other required or optional training courses, programs, conferences, seminars, and materials as we deem necessary. If we require additional training, you must require your employees to successfully complete the training. Additional courses, programs, conferences and seminars may be conducted in Rockville or other locations we designate. We may contract with other persons or firms to provide your training. We may charge reasonable fees for instruction and course materials for training programs other than the initial General Manager's Certification. We may require confidentiality agreements from your employees as a condition of attending our training.

Our instructors are subject matter experts in the detailed brand standards and specific WOODSPRING SUITES' operating systems. Instructors for the program include facilitators, brand managers, members of our architectural design team, marketing staff and members of the Choice University Department.

As the WOODSPRING SUITES System continues to develop, we may change the training. As of the issuance date of the FDD we are not planning any changes, but it is possible that the training program will change before you are ready to start your training. If the program changes, you, your General Manager, and others required to participate in training, will be required to complete the training required at that time.

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.

In addition, if you sign a Master Development Agreement with us (Exhibit C), we may grant you limited rights to build additional hotels in accordance with a development schedule and in an area that is protected from other hotels of the same brand. Preferred regions and exclusive territories, if any, are determined by us in our sole discretion. 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 assurance scores or failing to pay fees due on a timely basis. Our grant of a preferred territory under a Master Development Agreement can be terminated by us if you default under your Master Development Agreement, including failure to comply with the Development Schedule.

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 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 the franchise agreement or Master Development Agreement. We may open company-owned hotels under any brand and offer hotel franchises for upscale, mid-priced and budget hotels under any of our brands.

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. We, our affiliates and franchisees can use Alternative Distribution Channels to make sales anywhere of product 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.

As noted in Item 1, we currently grant franchises for hotels operated under the following brands or extensions of these brands: ASCEND HOTEL COLLECTION®, CAMBRIA®, CLARION HOTEL®, CLARION INN®, CLARION INN & SUITES®, CLARION SUITES®, CLARION RESORT®, CLARION COLLECTION®, CLARION POINTE®, COMFORT INN®, COMFORT INN & SUITES®, COMFORT SUITES®, COUNTRY INN & SUITES®, ECONO LODGE®, ECONO LODGE INN & SUITES®, EVERHOME SUITES®, MAINSTAY SUITES®, PARK INN®, PARK INN® RESIDENCES, QUALITY INN®, QUALITY INN & SUITES®, QUALITY SUITES®, QUALITY HOTEL®, RADISSON®, RADISSON BLU®, RODEWAY INN®, RODEWAY INN & SUITES®, SLEEP INN®, SLEEP INN & SUITES®, SUBURBAN®, SUBURBAN STUDIOS® 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. Those hotels could be company-owned, franchised, or both. 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
WOODSPRING	5752893	5/14/2019
WOODSPRING SUITES	5196113	5/2/2017
WOODSPRING SUITES & Design	5196168	5/2/2017
WOODSPRING SUITES & Design (LEAF ON TOP)	5735255	4/23/2019
WOODSPRING SUITES AN EXTENDED STAY HOTEL & Design (LEAF ON TOP)	5241955	7/11/2017
WOODSPRING SUITES AN EXTENDED STAY HOTEL & Design (LEAF TO THE LEFT)	5330117	11/7/2017

We have filed all required affidavits. As the marks were recently registered, we have not yet renewed any of these registrations.

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®, COUNTRY INN & SUITES®, ECONO LODGE®, EVERHOME™, MAINSTAY®, PARK INN®, PARK PLAZA®, QUALITY®, RADISSON®, RADISSON BLU®, RADISSON COLLECTION®, RADISSON INDIVIDUALS®, RADISSON INN & SUITES™, RADISSON RED®, RODEWAY INN®, SLEEP®, SUBURBAN STUDIOS®, WOODSPRING®, and our slogans (such as "Our Business is You®"), the names/trademarks of any Choice products, the names of our property management system, reservation system, guest loyalty program and any other additional or substituted trademarks, trade names, service marks or logos. You cannot use any Choice Marks or anything similar to these words in your name or the name of any of your affiliates, whether a partnership, corporation, limited liability company, joint venture or any other type of business organization, or as (or as incorporated in) the name and/or design of any other building, business or business activity. 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 claimed 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, feedback, automated advance reservation and property management methods, our ecommerce offerings, any other automated systems techniques, our business referral, gift card and credit card agreements, your 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 LICENSED BUSINESS

We will grant the franchise to you in reliance on you and your principals' personal and collective business skills and financial capacity, and your rights and obligations may not be transferred without our written consent. You must remain ultimately responsible for the operation of the Property in compliance with the Franchise Agreement and must exercise oversight and be informed about the operations of the franchise, but you (or your chief operating officer, managing partner, or member or principal manager) are not required to take any specific role in day-to-day operations or to participate personally in direct operations on the premises, if you designate a property manager, who may be your employee, who must devote full time and attention to the management and operation of the Property. The property manager must be a qualified individual who attends and successfully completes our initial General Manager Certification Training program. The individual need not be one of your principals if you are a corporation, partnership, or limited liability company. If, at any time for any reason, the property manager or managing principal no longer qualifies, you must promptly designate another property manager or managing principal subject to the same qualifications listed above and notify us. If you are permitted to use a management company to manage your Property, the management company may appoint the property manager. A management company may be engaged by you only as provided in Section 13.9 of the Franchise Agreement. The property manager is not required to have any amount of equity interest in you. If the Franchisee is an individual, we neither recommend, nor recommend against that Franchisee personally supervising the operation of the Property.

Management responsibilities include maintaining the presence of a property manager during business hours; maintaining the highest standards of product quality and consistency; maintaining the Property in the highest condition of sanitation, cleanliness, safety, appearance, and legal compliance; and supervising employees to ensure that the highest standard of service is provided and to ensure that your employees deal with customers, suppliers, us, and all other persons in a courteous and polite manner.

If you are a corporation, partnership or limited liability company, your principals must personally guarantee your obligations under the Franchise Agreement and Master Development Agreement. If a principal is in a community property state, his or her spouse may also have to sign the guaranty. In addition, your partners, principals, officers, directors, managers and members must also agree to be personally bound by, and personally liable for the confidentiality provisions of the Franchise Agreement and/or Master Development Agreement, all as described in Item 14 and Item 17. Your principals must also agree to certain restrictions on the transfer of their ownership interests. Your property manager will be required to sign a confidentiality agreement before attending the mandatory General Manager Certification Training.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate the Property in strict conformance with our standard specifications and techniques as contained in the Rules and Regulations or as posted on the Intranet, as periodically amended by us in our sole discretion. As described in Items 8, 9 and 12 of this Disclosure Document, in order to promote substantial uniformity of quality and shared identity at all Properties, you must not offer or sell any product or service or purchase, lease, install, or use any FF&E, concept, supply, building design or layout, color schemes or other item or service unless approved in writing by us as being in compliance with our standards and specifications and the System. We may require that you purchase particular FF&E items from an approved source.

You must offer all of the services that we designate as required for franchisees. We can change the types of services that you must offer for sale, including the brand and the trademark under which they are sold. There are no limits on our right to do so. In this context, services include not only offering rooms for extended-stay, but also complying with other aspects of operating and managing a Property, for example: participating in different promotional programs, national account programs, direct billing programs, and using such managing and operating techniques and processes that we may put into place.

You must use the premises of the Property solely for the purpose of operating a WoodSpring Suites Property and refrain from using the premises for any other purpose or activity (including promotion of a competing business) without our prior written permission.

Restrictions on goods and services offered may also arise from Franchise Agreement requirements that you comply with our high standards of quality and service, to refrain from deviating from our standards, or to otherwise operate in any manner adversely affecting the System, the Marks, and the goodwill associated with the System and the Marks, and to comply with the highest health standards and ratings applicable to the franchised Property.

Item 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this franchise Disclosure Document.

Provision[1]		**Section in Franchise Agreement**	**Summary**
a.	Length of the franchise term	Section 3.1	Term is 20 years from date Property opens.
b.	Renewal or extension of the term	Not Applicable	
c.	Requirements for you to renew or extend	Not Applicable	
d.	Termination by franchisee	Not Applicable	You may terminate under any grounds permitted by law.
e.	Termination by franchisor without cause	Not Applicable	

Provision[1]		Section in Franchise Agreement	Summary
f.	Termination by franchisor with cause	Sections 14.1.A, 14.1.C, 14.1.D and 14.1.E	We can terminate only if you default.
g.	"Cause" defined – curable defaults	Sections 8.4 and 14.1.E	You generally have 10 days to cure nonpayment of fees and 30 days to cure failure to submit reports, provide information, maintain our standards or any other default not specified in Section 14. If you fail an inspection for any health or safety reason, we have the right to require that you temporarily close all or part of your Property to all, or only to new guests until the dangers to health and safety have been remedied.
h.	"Cause" defined – non-curable defaults	Sections 14.1.A and 14.1.C	Non-curable defaults: forfeit the right to do business where the Property is located, conviction of felony, unapproved transfers, improper use or disclosure of confidential information, false reporting or submissions to us, under-reporting Gross Room Revenue, repeated defaults even if cured, entry of judgment against you which remains unsatisfied for 30 days, levy against your business or property, action brought to foreclose lien or mortgage against the Property premises or equipment which is not dismissed in 30 days, or you become insolvent, a receiver is appointed to take possession of your business or property, you make a general assignment for the benefit of your creditors, you engage in public conduct that reflects materially and unfavorably upon the System, or the goodwill associated with the Marks, or you are in default under any other Franchise Agreement or other agreement with us or our affiliates which is not curable, or, if the default is curable, you have not cured the default within the cure period. Also, condemnation of your Property or bankruptcy.
i.	Franchisee's obligations on termination/non-renewal	Sections 15.1, 15.2, 15.3, 15.4, 15.5, 15.6, 15.7, and 15.8	Cease operating the Property; discontinue use of the Marks and advertising; complete deidentification as our Franchisee; transfer telephone numbers and listing to us; deliver all materials and documents for the Property to us; modification and alteration of Property; cease using the System and Rules and Regulations; remove any sign that has WoodSpring Suites' distinctive shape, color and/or design; allow us, at our option, to purge at your cost all your usable materials bearing the marks, and/or your office equipment, furniture, fixtures; sell movable signs to us at their fair market value, promptly pay all amounts due us including the liquidated damages set forth in Section 15; and maintain and preserve your financial and other records and make them available for our inspection. If we

Provision[1]		Section in Franchise Agreement	Summary
			give you notice, sell the assets of the Property to us or our assignee. See State Addenda.
j.	Assignment of contract by franchisor	Section 13.1	No restriction on our right to assign.
k.	"Transfer" by franchisee – defined	Sections 13	Includes sale, assignment, lease, or other encumberment of the franchise agreement, the hotel or ownership change.
l.	Franchisor's approval of transfer by franchisee	Section 13.2	We must approve all transfers of more than 5% of the ownership interest in the hotel with certain exceptions
m.	Conditions for franchisor's approval of transfer	Sections 13.2 and 13.3	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 $7,500).
n.	Franchisor's right of first refusal to acquire franchisee's business	Not applicable	
o.	Franchisor's option to purchase franchisee's business	Section 15.8	Upon termination of the Franchise Agreement for any reason, we have the option for 60 days following the termination to purchase at fair market value all your usable materials bearing the Mark and/or to purchase your office equipment, furniture, fixtures, and moveable signs at their fair market value.
p.	Death or disability of franchisee	Section 13.5	If you die or become incapacitated (and you are personally the Franchisee of the owner of more than 51% of the Franchisee), your executor or other legally appointed personal representative must appoint, within 30 days, a management company to operate the Property. Your executor or other legally appointed personal representative must also transfer all your interests to a third party within 1 year. With our consent, your estate or legally appointed personal representative may transfer all your interest to your spouse, parent, sibling, direct descendant or spouse's direct descendant.
q.	Non-competition covenants during the term of the franchise[2]	Section 7.6	You cannot use the Property premises for any purpose or activity except to operate the Franchised Business and you cannot use it to promote any competing business.
r.	Non-competition covenants after the franchise is terminated or expires[2]	Not applicable	
s.	Modification of the	Article 20	No modifications generally unless in writing signed by

Provision[1]		Section in Franchise Agreement	Summary
	agreement		you and 1 of our officers but the Rules and Regulations is subject to change.
t.	Integration/ merger Clause	Article 20 and Section 22.2	Only the terms of the Franchise Agreement are binding (subject to state law). However, nothing in the Franchise Agreement is intended to disclaim representations made in this franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 19.1	Except for certain claims, all disputes must be arbitrated.
v.	Choice of forum	Section 19.1	Arbitration must be in Maryland (subject to state law). See State Addenda.
w.	Choice of law	Section 21.1	Maryland law applies (subject to state law). See State Addenda

Notes:

1. Your principals must guarantee all of your obligations in the Franchise Agreement and Master Development Agreement.

2. All of your partners, principals, officers, directors, managers, and members also must honor all of your obligations in Article 11 of the Franchise Agreement.

This table lists certain important provisions of the Master Development Agreement. You should read these provisions in the Master Development Agreement attached to this franchise Disclosure Document.

Provision[1]		Section in Master Development Agreement	Summary
a.	Length of the franchise term	Section 2	Term is the number of years from the effective date to the earlier of (a) the last date in the Development Schedule, or (b) the completion of the Development Schedule.
b.	Renewal or extension of the term	Not Applicable	
c.	Requirements for you to renew or extend	Not Applicable	
d.	Termination by franchisee	Not Applicable	Subject to state law.
e.	Termination by franchisor without cause	Not Applicable	
f.	Termination by franchisor with	Section 8	We may terminate the Master Development Agreement if you are in default, without providing you an opportunity to

Provision[1]		Section in Master Development Agreement	Summary
	cause		cure.
g.	"Cause" defined – curable defaults	Not Applicable	
h.	"Cause" defined – non-curable defaults	Section 8	Non-curable defaults: you fail to comply with the development schedule; you fail to comply with any material term of the Master Development Agreement; or any franchise agreement that was executed pursuant to the terms of the Master Development Agreement is terminated.
i.	Franchisee's obligations on termination/non-renewal	Section 9	You have no right to establish or operate any Properties, unless there is an effective franchise agreement. We can establish, or franchise others to establish, Properties in any area.
j.	Assignment of contract by franchisor	Not Applicable	
k.	"Transfer" by franchisee – defined	Not Applicable	
l.	Franchisor's approval of transfer by franchisee	Not Applicable	
m.	Conditions for franchisor's approval of transfer	Not Applicable	
n.	Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	
o.	Franchisor's option to purchase franchisee's business	Not Applicable	
p.	Death or disability of franchisee	Not Applicable	
q.	Non-competition covenants during the term of the franchise	Not Applicable	

Provision[1]		Section in Master Development Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	
s.	Modification of the agreement	Not Applicable	
t.	Integration/ merger Clause	Not Applicable	
u.	Dispute resolution by arbitration or mediation	Section 17	Except for certain claims, all disputes must be arbitrated.
v.	Choice of forum	Section 17	If multiple arbitrations filed, the demand filed in Maryland controls (subject to state law).
w.	Choice of law	Section 16	Maryland law applies (subject to state law).

Notes

1. Your principals must guarantee all of your obligations in the Franchise Agreement and Master Development Agreement.

There are state specific addenda attached as **Exhibit I** for the states of California, Illinois, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia and Washington.

Item 18

PUBLIC FIGURES

Choice does not use any public figure to promote its franchise.

Item 19

FINANCIAL PERFORMANCE REPRESENTATION

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.

This financial information contained in this Item 19 is based on information that our franchisees provided to us. This Item 19 as represented in Tables 1 through 3 below do not include information for Properties that: (i) did not provide us with complete 2022 full year operating statements ("Full Year Operating Statement"); (ii) were not open for the entire 2022 calendar year; and (iii) were company-owned at any time in 2022. Additionally, there were no WOODSPRING hotels that closed during Year 2022 after being open less than 1 year.

Table 1: For the Year Ended December 31, 2022 – Franchised WOODSPRING Properties

Table 1 below contains certain historic financial information and other data reflecting actual operations of franchised WOODSPRING Properties for the year ended December 31, 2022. As of December 31, 2022, there were 212 open and operating Properties in the system, and we received complete 2022 Full Year Operating Statements from 155 of those Properties. The historic performance data provided below in Table 1 only includes information for these 155 Stabilized Properties. "Stabilized Properties" for the purpose this Table 1 are those that were open and operating the entire 2022 calendar year.

Property Count	155	Avg	Median	Min	Max	Average	% Exceeding Average
Occupancy		81%	83%	52%	97%	88	56.8%
Average Daily Rate		$ 58.71	$ 54.84	$ 34.64	$ 104.24	57	36.8%
Revenue Per Available Room		$ 47.85	$ 46.40	$ 22.52	$ 84.90	69	44.5%
		Avg	Median	Min	Max		
Revenue							
Rooms		$ 2,012,532	$ 1,947,361	$ 574,822	$ 3,759,797	65	41.9%
Other & Miscellaneous Income		$ 58,381	$ 54,643	$ 2,653	$ 169,124	68	43.9%
Total Revenue		$ 2,068,266	$ 2,000,405	$ 577,475	$ 3,835,180	66	42.6%
Rooms Departmental Costs		$ 291,164	$ 281,987	$ 104,675	$ 540,827	65	41.9%
Undistributed Operating Costs							
Administrative & General		$ 156,881	$ 151,899	$ 27,079	$ 276,123	68	43.9%
Information & Telecommunications		$ 37,059	$ 34,293	$ 1,335	$ 112,631	56	36.1%
Sales & Marketing		$ 155,374	$ 151,204	$ 27,550	$ 293,008	71	45.8%
Property Operating & Maintenance		$ 132,938	$ 130,186	$ 38,659	$ 230,827	76	49.0%
Utilities		$ 113,256	$ 110,510	$ 16,535	$ 230,368	70	45.2%
Total Undistributed Operating Costs		$ 595,509	$ 586,477	$ 129,884	$ 887,673	68	43.9%
Gross Operating Profit		$ 1,181,593	$ 1,113,214	$ 277,164	$ 2,546,531	66	42.6%
GOP %		57.1%	56.9%	21.0%	71.6%	73	47.1%

2022 (155 properties)		
Ratios	% of Total Revenue	Per Occupied Room
Rooms	14%	$ 8.55
Administrative & General	8%	$ 4.61
Information & Telecommunications	2%	$ 1.09
Sales & Marketing	8%	$ 4.57
Property Operating & Maintenance	6%	$ 3.91
Utilities	5%	$ 3.33
Overall Payroll	15%	$ 8.94

Table 2: For the Year Ended December 31, 2022 – Purpose-Built Franchised WOODSPRING Properties

Table 2 below contains certain historic financial information and other data reflecting actual operations of hotels developed since late 2015 under our purpose-built WOODSPRING SUITES prototype. As of December 31, 2022, there were 66 hotels in the system open and operating under this prototype and that met the definition of "Stabilized Properties". "Stabilized Properties" for the purpose of this Table 2 are those that were open and operating the entire 2022 calendar year, provided a Full Year Operating Statement, and excludes those Properties developed under the older "Value Place" prototype.

Property Count	66	Avg	Median	Min	Max	# Exceeding Average	% Exceeding Average
Occupancy		83%	84%	53%	97%	39	59.1%
Average Daily Rate		$ 68.74	$ 64.59	$ 46.08	$ 104.24	29	43.9%
Revenue Per Available Room		$ 56.84	$ 54.51	$ 34.37	$ 84.90	30	45.5%
		Avg	Median	Min	Max		
Revenue							
Rooms		$ 2,377,326	$ 2,348,390	$ 574,822	$ 3,759,797	31	47.0%
Other & Miscellaneous Income		$ 60,082	$ 56,474	$ 2,653	$ 128,806	29	43.9%
Total Revenue		$ 2,432,886	$ 2,436,017	$ 577,475	$ 3,835,180	33	50.0%
Rooms Departmental Costs		$ 318,331	$ 310,752	$ 104,675	$ 540,827	31	47.0%
Undistributed Operating Costs							
Administrative & General		$ 170,654	$ 160,700	$ 27,079	$ 276,123	30	45.5%
Information & Telecommunications		$ 40,868	$ 36,976	$ 1,335	$ 112,631	27	40.9%
Sales & Marketing		$ 181,631	$ 179,474	$ 27,550	$ 293,008	32	48.5%
Property Operating & Maintenance		$ 130,018	$ 129,191	$ 38,659	$ 220,260	32	48.5%
Utilities		$ 114,558	$ 109,769	$ 16,535	$ 230,368	28	42.4%
Total Undistributed Operating Costs		$ 637,731	$ 648,790	$ 129,884	$ 887,673	35	53.0%
Gross Operating Profit		$ 1,476,824	$ 1,467,890	$ 342,917	$ 2,546,531	32	48.5%
GOP %		60.7%	60.4%	30.2%	71.6%	32	48.5%

2022 (66 properties)		
Ratios	% of Total Revenue	Per Occupied Room
Rooms	13%	$ 9.24
Administrative & General	7%	$ 4.95
Information & Telecommunications	2%	$ 1.19
Sales & Marketing	7%	$ 5.27
Property Operating & Maintenance	5%	$ 3.77
Utilities	5%	$ 3.32
Overall Payroll	13%	$ 9.51

Table 3: For the Year Ended December 31, 2022 – Franchised "Value Place" Properties

Table 3 below contains certain historic financial information and other data reflecting actual operations of franchised hotels formerly offered under the name "Value Place" during the period of 2004 to April 2015. While these hotels rebranded to "WOODSPRING SUITES" in late 2015, these hotels were developed under the older Value Place prototype. As of December 31, 2022, there were 89 hotels in the system that were developed under this older prototype and that met the definition of "Stabilized Properties". "Stabilized Properties" for the purpose of this Table 3 are those that were open and operating the entire 2022 calendar year, provided a Full Year Operating Statement, and excludes those Properties that were developed under the newer, purpose-built WOODSPRING SUITES prototype.

Property Count	89	Avg	Median	Min	Max	# Exceeding Average	% Exceeding Average
Occupancy		80%	82%	52%	97%	49	55.1%
Average Daily Rate		$ 51.27	$ 49.55	$ 34.64	$ 79.96	40	44.9%
Revenue Per Available Room		$ 41.19	$ 40.13	$ 22.52	$ 67.73	42	47.2%
		Avg	Median	Min	Max		
Revenue							
Rooms		$ 1,742,010	$ 1,720,302	$ 977,490	$ 3,031,341	43	48.3%
Other & Miscellaneous Income		$ 57,119	$ 53,646	$ 13,062	$ 169,124	40	44.9%
Total Revenue		$ 1,797,873	$ 1,760,998	$ 878,736	$ 3,098,285	42	47.2%
Rooms Departmental Costs		$ 271,018	$ 272,276	$ 112,733	$ 512,358	45	50.6%
Undistributed Operating Costs							
Administrative & General		$ 146,667	$ 143,564	$ 85,325	$ 239,178	43	48.3%
Information & Telecommunications		$ 34,235	$ 32,223	$ 2,832	$ 71,505	39	43.8%
Sales & Marketing		$ 135,903	$ 136,071	$ 40,661	$ 238,143	45	50.6%
Property Operating & Maintenance		$ 135,103	$ 133,029	$ 56,931	$ 230,827	42	47.2%
Utilities		$ 112,290	$ 111,219	$ 51,065	$ 180,066	41	46.1%
Total Undistributed Operating Costs		$ 564,198	$ 572,577	$ 346,258	$ 835,843	49	55.1%
Gross Operating Profit		$ 962,657	$ 949,853	$ 277,164	$ 1,873,910	43	48.3%
GOP %		53.5%	54.0%	21.0%	65.0%	47	52.8%

2022 (89 properties)		
Ratios	% of Total Revenue	Per Occupied Room
Rooms	15%	$ 8.04
Administrative & General	8%	$ 4.35
Information & Telecommunications	2%	$ 1.02
Sales & Marketing	8%	$ 4.03
Property Operating & Maintenance	8%	$ 4.01
Utilities	6%	$ 3.33
Overall Payroll	16%	$ 8.51

Notes: We used the following definitions in the above Tables:

1. "Occupancy" was calculated by dividing the total rooms occupied by guests by the total rooms available.

2. "Average Daily Rate" was calculated by dividing room revenue by the number of rooms occupied by guests.

3. "Revenue per Available Room" was calculated by dividing room revenue by the total rooms available.

4. "Rooms Revenue" is all revenues derived from the rental of guestrooms, including revenue from no shows and late checkout fees.

5. "Other Revenue" is composed primarily of pet fees, laundry, vending, telephone, sales of dishpaks, linen charges and internet fees.

6. "Rooms Departmental Expenses" include labor costs such as salaries and wages for front desk, housekeeping, transportation and laundry, plus employee benefits and payroll taxes. Other operating expenses in the rooms department include linen, cleaning supplies, guest supplies, uniforms, central or franchise reservation fees and travel agent commissions.

7. “Other Departmental Expenses” comprise of those expenses which offset the revenue generated from such departments such as the cost of dishpaks or gift shop items sold at the hotel.

8. “Administrative & General” costs include payroll and related expenses for the general manager, human resources & training, security, clerical staff, controller and accounting staff, as well as regional and/or corporate wages allocated back to a hotel. It also includes the cost of office supplies, computer services, accounting & legal fees, cash overages & shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest) and travel and entertainment.

9. “Information & Telecommunications” costs include all system-related technology expenses, including the cost of internet services, local & long distance calls, software licenses, uncapitalized hardware costs, system costs for property management systems and electronic platforms for accounting, energy management, human resources, facilities management and sales & marketing.

10. “Sales & Marketing” costs include direct sales expenses, advertising & promotion, travel expenses for the sales staff and civic and community projects. The royalty fees and advertising assessments fees charged by franchise companies are also included in this department.

11. “Property Operation & Maintenance” costs include payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture & equipment, the grounds and the removal of waste matter.

12. “Utilities” costs include the hotel's cost for electricity, fuel, water and sewage.

13. “Salaries & Wages” are defined as earnings paid to an employee, such as regular pay, overtime, severance, incentive, holiday, sick vacation and bonus pay. Benefits include all other payroll-related expenses, such as employer-paid health insurance expenses, cost of meals furnished to employees and pension contributions. Payroll Taxes include FICA, FUTA & SUTA, SDI and other mandated payroll-related taxes or social insurance items.

14. “Gross Operating Profit” is Total Revenue less Total Departmental Costs and Total Undistributed Operating Costs. “GOP %” is the Gross Operating Profit divided by Total Revenue.

* * * * *

Some WOODSPRING SUITES hotels have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.

Substantiation of the data used in preparing these financial performance representations will be made available to you on reasonable request. Except as expressly listed above, we do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income, or profits of a WOODSPRING SUITES Property.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of our WOODSPRING franchisees. We also do not authorize our employees or representatives to make any such financial performance representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our General Counsel until December 1, 2023 at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850 and at (301) 592-5000, and after December 1, 2023 at 915 Meeting Street, North Bethesda, Maryland 20852 and at (301) 592-5000; the Federal Trade Commission; and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE 1

System-wide Outlet Summary for Years 2020 to 2022*

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2020	270	291	+21
	2021	291	302	+11
	2022	302	212	-90
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	270	291	+21
	2021	291	302	+11
	2022	302	212	-90

*As of December 31, for each year.

TABLE 2

Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor) For Years 2020 to 2022*

State**	Year	Number of Transfers
Alabama	2020	0
	2021	0
	2022	1
California	2020	0
	2021	1
	2022	1
Colorado	2020	2
	2021	1
	2022	2
Florida	2020	0
	2021	2

State**	Year	Number of Transfers
	2022	6
Georgia	2020	4
	2021	1
	2022	0
Indiana	2020	0
	2021	0
	2022	2
Iowa	2020	0
	2021	0
	2022	1
Kentucky	2020	0
	2021	1
	2022	0
Louisiana	2020	0
	2021	1
	2022	2
Missouri	2020	2
	2021	0
	2022	0
Nebraska	2020	0
	2021	1
	2022	0
Ohio	2020	1
	2021	0
	2022	0
Pennsylvania	2020	0
	2021	0
	2022	1
South Carolina	2020	0
	2021	0
	2022	1
Tennessee	2020	0
	2021	2
	2022	0
Texas	2020	6
	2021	1
	2022	26
Washington	2020	0
	2021	5
	2022	0
TOTAL***	2020	15
	2021	16
	2022	44

*As of December 31, for each year.
**States not listed had no transfer activity to report.
***Includes both voluntary and involuntary transfers.

TABLE 3

Status of Franchised Outlets for Years For Years 2020 to 2022*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	6	1
Arizona	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	2	0	0	0	3	3
Arkansas	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	4	0
California	2020	3	2	0	0	0	1	4
	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	2	3
Colorado	2020	8	0	0	0	0	0	8
	2021	8	2	0	0	0	0	10
	2022	10	2	0	0	0	7	5
Florida	2020	33	5	0	0	0	0	38
	2021	38	2	0	0	0	0	40
	2022	40	4	0	0	0	23	21
Georgia	2020	13	1	0	0	0	0	14
	2021	14	2	0	1	0	0	15
	2022	15	0	0	0	0	3	12
Idaho	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Illinois	2020	6	1	0	0	0	0	7
	2021	7	2	0	0	0	0	9
	2022	9	0	0	0	0	0	9
Indiana	2020	9	2	0	0	0	0	11
	2021	11	0	0	0	0	0	11
	2022	11	0	0	0	0	4	7
Iowa	2020	4	1	0	0	0	0	5
	2021	5	0	0	0	0	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2022	5	0	0	0	0	0	5
Kansas	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	3	4
Kentucky	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	3	3
Louisiana	2020	8	1	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	3	6
Maryland	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Massachusetts	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
Michigan	2020	4	2	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	3	3
Minnesota	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	3	0
Mississippi	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	2	0
Missouri	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	3	3
Montana	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nebraska	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
Nevada	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2022	1	0	0	0	0	0	1
New Hampshire	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
New Jersey	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
New Mexico	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
North Carolina	2020	12	0	0	0	0	0	12
	2021	12	1	0	0	0	0	13
	2022	13	3	0	0	0	6	10
North Dakota	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	1	3
Ohio	2020	12	1	0	0	0	0	13
	2021	13	0	0	0	0	0	13
	2022	13	1	0	0	0	6	8
Oklahoma	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	5	2
Oregon	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
Pennsylvania	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	1	0	0	0	2	5
Rhode Island	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
South Carolina	2020	9	2	0	0	0	1	10
	2021	10	0	0	0	0	1	9
	2022	9	0	0	0	0	2	7
South Dakota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Tennessee	2020	10	0	0	0	0	0	10
	2021	10	0	0	0	0	0	10
	2022	10	2	0	0	0	0	12
Texas	2020	50	2	0	0	0	0	52
	2021	52	0	0	0	0	0	52
	2022	52	3	0	0	0	7	48
Utah	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	3	0
Virginia	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	1	0	0	0	1	9
Washington	2020	3	2	0	0	0	0	5
	2021	5	1	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Total	2020	270	23	0	0	0	2	291
	2021	291	13	0	1	0	1	302
	2022	302	21	0	0	0	111	212

* As of December 31, for each year. If multiple events occurred affecting an outlet, this table shows the event that occurred last in time. States not listed had no activity to report.

TABLE 4

Status of Company-Owned Outlets For Years 2020 to 2022*

State**	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

*As of December 31, for each year.
**States not listed had no corporate-owned outlets to report.

TABLE 5

Projected New Franchised Outlets as of December 31, 2022 (Note 1)*

State	Franchise Agreements Signed But Not Opened	Projected New Franchised Outlets in the next Fiscal Year	Projected New Company-Owned Outlets in the next Fiscal Year
Alabama	9	0	0
Arizona	6	2	0
California	16	4	0
Colorado	4	2	0
Connecticut	5	2	0
Delaware	1	0	0
Florida	35	7	0
Georgia	17	0	0
Idaho	3	2	0
Illinois	2	0	0
Iowa	1	0	0
Kentucky	9	0	0
Louisiana	3	0	0
Massachusetts	1	0	0
Maryland	2	0	0
Michigan	7	4	0
Minnesota	0	0	0
Mississippi	3	0	0
Missouri	9	0	0
Montana	4	0	0
Nevada	2	0	0
New Jersey	6	0	0
New Mexico	1	0	0
New York	2	1	0
North Carolina	8	2	0
Ohio	5	0	0
Oregon	5	0	0
Pennsylvania	6	0	0
Rhode Island	1	0	0
South Carolina	5	0	0
Tennessee	9	1	0
Texas	11	2	0
Utah	4	0	0
Virginia	11	2	0
Washington	3	1	0
West Virginia	1	0	0
Wisconsin	6	0	0
Total	223	31	0

*States not listed had no franchised or corporate-owned projections to report.

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 as of December 31, 2022. The number of franchises as of year-end may differ from that in the audited financial statements (Exhibit C to this Disclosure Document) as the financial statements also include franchises in Puerto Rico, Dominican Republic, Turks & Caicos, the Cayman Islands and the Bahamas.

Exhibit G lists the names of all franchisees, and the addresses and telephone numbers of all their units as of December 31, 2022, including franchisees who have signed Franchise Agreements for Hotels that were not yet operational as of December 31, 2022.

Exhibit H lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of all franchisees who transferred their hotels or who had a Hotel terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to operate and/or conduct business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of 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 past three years, franchisees have signed confidentiality clauses with us. In some instances, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all of these franchisees will be able to communicate with you.

We have a Franchisee Association that was created by us. Its address is the same as ours: until December 1, 2023 at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850 and at (301) 592-5000; and after December 1, 2023 at 915 Meeting Street, North Bethesda, Maryland 20852 and at (301) 592-5000. The Franchisee Association does not have an e-mail address or web site.

Item 21

FINANCIAL STATEMENTS

Our audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020 are included in this Disclosure Document as Exhibit E.

Item 22

CONTRACTS

The following agreements are attached to this franchise Disclosure Document:

Exhibit B – Franchise Agreement, including Guaranty

Exhibit C– Master Development Agreement

Exhibit I – State Addenda

Exhibit J – Promissory Note

Exhibit K – Incentive Promissory Note

Exhibit L – Lender Documents

Exhibit M - Construction Advisory Services Agreement

Exhibit N – Comfort Letter

Exhibit O- Franchise Disclosure Acknowledgment Form

Item 23

RECEIPTS

The last 2 pages of this franchise Disclosure Document are receipt pages. Please insert the name, address and telephone number of the franchise seller, and date and sign both copies. Detach the last two pages and return to us promptly on execution. Retain the other copy of the receipt pages for your records.

EXHIBIT A

REGISTERED AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Department of Financial Protection and Innovation
1-866-275-2677

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

Sacramento
2101 Arena Boulevard
Sacramento, CA 95834
(916) 445-7205

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

San Francisco
California Financial Protection and Innovation Commissioner
One Sansome Street, Suite 600
San Francisco, CA 94104

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
And
Corporation Service Company
1003 Bishop Street, Suite 1600
Pauahi Tower
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 Financial Protection and Innovation
1-866-275-2677

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

Sacramento
2101 Arena Boulevard
Sacramento, CA 95834
(916) 445-7205

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

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

HAWAII

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

ILLINOIS

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

INDIANA

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

MARYLAND

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

MICHIGAN

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

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101
651-539-1600

NEW YORK

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

NORTH DAKOTA

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

OREGON

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

RHODE ISLAND

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

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities & Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(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 B

CHOICE HOTELS INTERNATIONAL, INC.
WOODSPRING SUITES FRANCHISE AGREEMENT

WOODSPRING SUITES FRANCHISE AGREEMENT

Table of Contents

Page

ARTICLE 1 ACKNOWLEDGMENTS AND REPRESENTATIONS; DEFINITIONS. 1
ARTICLE 2 GRANT OF LICENSE. 6
ARTICLE 3 TERM. 7
ARTICLE 4 FEES AND ROYALTIES. 7
ARTICLE 5 PROPERTY CONSTRUCTION AND OPENING. 8
ARTICLE 6 DUTIES OF FRANCHISOR. 12
ARTICLE 7 GENERAL DUTIES OF FRANCHISEE. 13
ARTICLE 8 QUALITY CONTROL AND SUPERVISION. 19
ARTICLE 9 MARKETING AND RESERVATIONS. 22
ARTICLE 10 FINANCIAL REPORTING. 24
ARTICLE 11 PROPRIETARY MARKS AND TRADE SECRETS; COMPETITION. 26
ARTICLE 12 INSURANCE AND INDEMNITY. 29
ARTICLE 13 TRANSFER OF INTEREST OR MANAGEMENT. 32
ARTICLE 14 DEFAULT AND TERMINATION. 33
ARTICLE 15 OBLIGATIONS UPON TERMINATION. 35
ARTICLE 16 ADDITIONAL COVENANTS. 37
ARTICLE 17 APPROVALS AND WAIVERS. 38
ARTICLE 18 NOTICES. 38
ARTICLE 19 DISPUTE RESOLUTION. 39
ARTICLE 20 ENTIRE AGREEMENT/AMENDMENT. 41
ARTICLE 21 CONSTRUCTION AND MODIFICATION. 41
ARTICLE 22 EXECUTION OF AGREEMENT. 42

Schedule A – Ownership Breakdown

Attachment A – Property Improvement Plan
Attachment B – Rider to the Franchise Agreement
Attachment C – Personal Guaranty

WOODSPRING SUITES
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is made and entered into at Rockville, Maryland this ____day of _______,______ (the "Effective Date"), by and between **Choice Hotels International, Inc.** (hereinafter referred to as "Franchisor"), and **____ _______**, a ______________________________ (hereinafter referred to as "Franchisee"), whose principal business address is ____.

Recitals

A. Franchisor has developed and owns a concept and distinctive system for the design, decor, establishment, operation, and image of extended-stay properties under the Proprietary Marks utilizing certain Trade Secrets.

B. Franchisee desires to establish and operate a **______**-Sleeping Room **WoodSpring Suites®[WoodSpring Suites Signature®]** property under the System and the Proprietary Marks located at **____** ("Property") and wishes to obtain a franchise license from Franchisor for that purpose. This paragraph is referred to herein as "**Recital B**."

C. Franchisee recognizes the benefits to be derived from being identified with and licensed to use the System and Franchisee understands and acknowledges the importance of operating the extended-stay property licensed hereunder in conformity with Franchisor's standards and specifications in order to enhance public acceptance of, and demand for, all System Properties.

D. Franchisor is relying upon the business skill, financial capacity, and character of Franchisee and its principals, and the guarantee of Franchisee's obligations by its principles, if applicable, as attached to this Agreement.

E. Franchisee's Designated Representative to represent Franchisee on all matters relating to this Agreement 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» .** This paragraph is referred to herein as "**Recital E**."

NOW, THEREFORE, in consideration of the foregoing and of the promises contained herein, the parties agree as follows:

Article 1 Acknowledgments and Representations; Definitions.

1.1 Acknowledgements and Representations. Franchisee acknowledges and represents to Franchisor, in order to induce Franchisor to enter this Agreement, as follows:

A. Franchisee has read this Agreement and Franchisor's franchise disclosure document ("FDD") and understands and accepts the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of quality and service and the uniformity of those standards at each System Property in order to protect and preserve the goodwill of the Proprietary Marks.

B. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the nature of the business conducted by Franchisor may evolve and change over time; that an investment in System Property involves business risks which have been considered by Franchisee; and that the success of the venture depends primarily upon Franchisee's business ability and efforts.

C. Franchisee has not received or relied upon any guarantee, expressed or implied, about the revenues, profits, or success of the business venture contemplated by this Agreement.

D. Other than the FDD, no representations have been made by Franchisor, its Affiliates, or by their respective members, managers, officers, employees, directors, and/or agents, and Franchisee has not relied on any representations that are contrary to or not contained in the terms contained in this Agreement or the FDD.

E. In all of their dealings with Franchisee, the members, managers, officers, employees, directors, and/or agents of Franchisor act only in a representative capacity, not in an individual capacity, and that this Agreement and all business dealings between Franchisee and such individuals as a result of this Agreement are solely between Franchisee and Franchisor.

F. All information contained in the application made by Franchisee to Franchisor is true, correct, and complete. Franchisee has made no incorrect statement in the application or failed to make any statement that would be necessary to make the statements in the application not misleading.

1.2 Definitions. The definitions applicable throughout this Agreement are set forth below:

A. "Affiliate" shall mean with respect to a person (including any legal person), (i) a person (including any legal person) that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person; and (ii) any parent, spouse, lineal descendant or adopted child of such person, any spouse or adopted child of any such descendant or any child of such spouse, the executors, administrators, conservators or personal representatives of any such person or any person referred to in this clause (ii) and any person which, directly or indirectly, is owned or controlled by one or more of the persons referred to in this clause (ii).

B. "Affiliate System" shall mean another franchise system or chain owned and operated by Franchisor or its Affiliate under another name, trade name, service mark, trademark, logo, emblem, or other indication of origin than the Proprietary Marks.

C. "Affiliation Fee" shall mean the fee due upon execution and delivery of this Agreement as provided in Article 4.

D. "Agreement" shall have the meaning set forth in the introductory paragraph hereof.

E. "Approved Location" shall mean the street address set forth in **Recital B** above.

F. "Brand Standards" shall mean, collectively, the System standards, Brand Standards, and directions (whether in written, machine readable, electronic, or any other form), as they may be modified, amended or supplemented by Franchisor in its sole discretion, setting out the standards, methods, procedures, techniques and specifications of the System.

G. “Change in Control” shall mean (i) the acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or affiliated group of the beneficial ownership of ownership interest in Franchisee representing 51% or more of the equity interest in the Franchisee, (ii) any merger or consolidation of Franchisee other than a merger or consolidation where fifty one percent (51%) or more of the total combined voting power of all outstanding ownership interest of the surviving entity or the acquiring entity, as the case may be, shall be received by and/or held immediately after the consummation of such transaction by one or more holders of the outstanding ownership interest of Franchisee, immediately prior to such transaction, or (iii) the sale, transfer, license or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of Franchisee to which this Agreement relates.

H. “Choice” shall mean Choice Hotels International, Inc.

I. “Choice Brand Hotels” shall mean hotels that are authorized by Franchisor or its Affiliates to use the Choice Marks, participate in an Affiliate System, and/or participate in the Reservation System.

J. “Choice Marks” shall mean collectively all of the trademarks and trade names, including, but not limited to, the Proprietary Marks, the trademarks and trade names ASCEND HOTEL COLLECTION®, CAMBRIA®, CLARION HOTEL®, CLARION INN®, CLARION INN & SUITES®, CLARION SUITES®, CLARION RESORT®, CLARION COLLECTION®, CLARION POINTE®, COMFORT INN®, COMFORT INN & SUITES®, COMFORT SUITES®, COUNTRY INN & SUITES®, ECONO LODGE®, ECONO LODGE INN & SUITES®, EVERHOME SUITES®, MAINSTAY SUITES®, PARK INN®, PARK INN® RESIDENCES, PARK PLAZA®, QUALITY INN®, QUALITY INN & SUITES®, QUALITY SUITES®, QUALITY HOTEL®, RADISSON®, RADISSON BLU®, RADISSON INDIVIDUALS®, RADISSON INN & SUITES™, RADISSON RED®, RODEWAY INN®, RODEWAY INN & SUITES®, SLEEP INN®, SLEEP INN & SUITES®, SUBURBAN®, SUBURBAN STUDIOS®, WOODSPRING SUITES®, CHOICE HOTELS®, and the names of Franchisor’s 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), that are currently owned, licensed or used by Franchisor or its Affiliates or that Franchisor or its Affiliates later adopt, purchase or develop.

K. “Commencement of Construction,” “Commence Construction,” “Commencing Construction” or “Construction Commencement” shall mean the date that footings are poured (or the equivalent thereof) at the Approved Location.

L. “Competing Business” shall mean any property, motel, or other business that provides economy lodging accommodations on a weekly-stay basis with kitchen facilities and limited (not on a daily basis) maid service but will not include another hotel operated under the Proprietary Marks or under any other Choice Marks.

M. “Construction Completion” shall have the meaning set forth in Article 5.3.

N. “Controlling Interest” shall mean more than 50% of the voting interest in an entity, or such other ownership or voting interest that allows the holder thereof to control significant decisions in such entity.

O. “Designated Representative” shall mean the person designated in **Recital E** of this Agreement to represent Franchisee on all matters relating to this Agreement and to receive notices under this Agreement on Franchisee’s behalf.

P. “Dispute” or “Disputes” shall mean any unsettled claims, disputes, or controversies between Franchisor and Franchisee, and other matters arising between them relating to this Agreement, the dealings or relationship between them, or Franchisee’s development or operation of the Property.

Q. “FF&E” shall mean fixtures, equipment, furnishings, furniture, telephone system, facsimile machine, computer systems, Reservation System, signs, supplies and other items used in the operation of the Property.

R. “Force Majeure” shall mean a situation whereby if either party is delayed or prevented from the performance of any act required under this Agreement by reason of acts of war, acts of terrorism, acts of God, strikes or lockouts, inability to procure materials or a substitute thereof of equal or better quality, restrictive governmental laws or regulations, natural disaster, unusual delay in transportation, pandemic, or any other substantially similar event completely without the party’s fault and beyond the party’s control, the performance of that act will be extended for a period equivalent to the period of the delay; provided, however, the party experiencing the delay must exercise all reasonable efforts to remedy the cause of delay or cause preventing performance, and further provided, that this provision will not apply to any payment obligations of the party experiencing such delay.

S. “Franchised Business” shall mean the System Property licensed to, developed and operated by Franchisee under this Agreement.

T. “Franchisee” shall have the meaning set forth in the introductory paragraph of this Agreement.

U. “Franchisor” shall mean Choice Hotels International, Inc.

V. “Incapacitated” or “Incapacity” means, the inability of Franchisee, or its majority owner if an entity, to operate the Franchised Business in the ordinary course of business for 30 days or more in any consecutive 90 day period. If the parties are unable to agree whether the Franchisee, or its majority owner if an entity, is Incapacitated, the Incapacity will be determined by three physicians chosen in the following manner: Franchisee, its majority owner, or the Designated Representative shall select one physician and Franchisor shall select one, and the two physicians so chosen shall select a third physician. The physicians’ majority decision shall be conclusive as to the Franchisee’s or its majority owner’s Incapacity.

W. “Indemnitees” shall mean collectively Franchisor and its members, its affiliated companies, and each of their respective owners, shareholders, managers, agents, representatives, officers, directors, employees, partners, and other Affiliates.

X. “Liquidated Damages” shall mean the damages to be paid by Franchisee pursuant to Article 15.4 for premature termination of this Agreement.

Y. “Marketing Fund” shall mean the Marketing, Branding, Sales and Advertising Fund provided for in Article 9.3.

Z. “Opening” shall mean the date that Franchisee begins to rent any portion of the Sleeping Rooms under this Agreement.

AA. “Operations Data” shall have the meaning set forth in Article 10.6.

BB. “Payment” or “Payments” shall have the meaning set forth in Article 4.2.

CC. “Property” shall mean the extended-stay property operated by Franchisee under the Proprietary Marks under this Agreement. The Property comprises all structures, facilities, appurtenances, FF&E, and entry, exit, parking and other areas located on the site of the Approved Location.

DD. “Property Management System” shall mean the then-current version of the automated system that Franchisor will license to Franchisee on a non-exclusive basis to assist Franchisee in operating and managing the Property and to capture all data and record all transactions entered into by Franchisee and the Property in connection with the operation of the Property, including all transactions relating to the Sleeping Rooms.

EE. “Proprietary Marks” shall mean the name “WoodSpring Suites®”, “WoodSpring Suites Signature®”, and such names and any other trade names, service marks, trademarks, logos, emblems, or other indication of origin as are now or hereafter designated by Franchisor as part of the System. Franchisee shall identify the Property as “WoodSpring Suites” or “WoodSpring Suites Signature” as indicated in **Recital B** above.

FF. “Quality Assurance Review Fine” shall have the meaning set forth in Article 8.4.

GG. “Reservation System” means the then-current methods and automated systems that Franchisor uses (including its call centers and any and all related telecommunications systems, e-commerce tools and techniques, websites or mobile applications, tablet reservation applications, interfaces with global distribution systems (including travel agencies), interfaces with other internet reservations sites (such as online travel agencies), 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.

HH. “Gross Room Revenue” means all revenues from the rental, sale, in-kind exchange, use or occupancy of any of the Sleeping Rooms at the Property (with no reduction for chargebacks, credit card service charges, group booking rebates, or bad debts), for whatever purpose, including cash and credit transactions, whether or not collected by Franchisee. Gross Room Revenues also includes revenue derived from the redemption of points or rewards under any loyalty program, amounts attributable to breakfast (where the guest room includes breakfast), guaranteed no-show revenue (early departure fees, late checkout fees, day use revenue, attrition or cancellation fees) collected from unfulfilled reservations for Sleeping Rooms, proceeds from any business interruption insurance, as required by Section 12 of the Agreement, and other revenues allocable to rooms under the then-current Uniform System of Accounting for the Lodging Industry or such accounting methods specified by Franchisor in the Brand Standards. Gross Room Revenues also includes the full market value of any Sleeping Room (based on the average daily rate for a comparable room on the applicable night) that is provided at a substantial discount compared to the lowest bookable rate on the applicable night in exchange for other items, goods, services, or other consideration. It does not include sales tax, hotel occupancy tax, or any other taxes or fees that Franchisee is legally required to collect on behalf of any state or local government agency. It also does not include revenues from telephone calls, movie rentals, vending machines, room service or food and beverages sales.

II. “Royalty Fee” shall mean the continuing royalty fee set forth in Article 4.1B.

JJ. “Sleeping Rooms” means the number of rooms set forth in **Recital B** of this Agreement, which is and shall be the total number of rentable sleeping rooms at the Property, subject to change only with Franchisor’s prior written consent.

KK. “System” shall mean the distinctive design, décor, color scheme, and furnishings; the Proprietary Marks designated to be part of the System; standards, specifications, programs and procedures for operations; programs and procedures for quality control; training and assistance; advertising, direct sales, and promotional programs developed by Franchisor for the operation of a Property under the Proprietary Marks utilizing the Trade Secrets providing value-oriented, extended-stay accommodations; and may, now or in the future, include the Property Management System and Reservation System, loyalty program, business referral, gift card and credit card agreements, this Agreement, the Brand Standards, and those identifying brand characteristics as Franchisor may from time to time reasonably designate. Franchisor may add, change, modify, withdraw, or otherwise revise any element of the System in its sole discretion. Franchisor may operate multiple franchise systems under different Proprietary Marks in which case, for purposes of this Agreement, “System” only encompasses the above to the extent applicable to the franchise system being licensed hereunder to the Franchisee.

LL. “Systems Operations Data” shall have the meaning set forth in Article 10.6.

MM. “System Properties” shall mean all WoodSpring Suites and WoodSpring Suites Signature Properties.

NN. “Term” shall have the meaning set forth in Article 3.1.

OO. “Trade Secrets” shall mean confidential information, including, without limitation, (i) the design for System Properties, (ii) methods of service and operations at System Properties, (iii) knowledge of sales and profit performance at any one or more System Properties, (iv) knowledge of test programs, concepts, or results relating to operating, new advertising and promotional programs, (v) sources of suppliers of equipment, (vi) advertising, promotion, and marketing techniques, (vii) methods and information regarding the selection and training of managers and other employees for System Properties; and (viii) the Brand Standards. Trade Secrets may include confidential information used by the System and one or more Affiliate Systems.

PP. “Franchisee Association” shall mean the WoodSpring Hotels Franchisee Association or any successor association related to the System or an Affiliate System that Franchisor designates.

QQ. “Website” means an interactive electronic document, series of symbols, or otherwise that is contained in a network or computers, and/or devices linked by communications software, and includes, without limitation, the Internet and World Wide Web home pages, profiles, accounts and other types of subsections of social networking sites, blogs, micro-blogs and other Internet and World Wide Web pages or parts thereof.

Article 2 Grant of License.

2.1 Grant of License. Subject to the terms and conditions of this Agreement, and to the continuous compliance by Franchisee with the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee the nonexclusive right, and Franchisee undertakes the obligation, to operate the type of System Property specified in **Recital B** of this Agreement in accordance with Franchisor’s mandatory standards and specifications, including the operational standards procedures and techniques as prescribed in the Brand Standards (as they may be changed, improved, and further developed by Franchisor from time to time), and to use the System (as it may be changed, improved, and further developed by Franchisor from time to time) and the Proprietary Marks and certain Choice Marks in connection therewith.

2.2 Approved Location. Franchisee shall operate the Property at, and only at, the Approved Location. If Franchisee's site application has not been approved at the time of this Agreement, **Recital B** of this Agreement shall be amended to list the Approved Location upon the unconditional approval of the site application by Franchisor. Franchisee agrees that Franchisor and its Affiliates, are not restricted from using the System or any Affiliate System or engaging in or licensing any business activity including System Properties or other lodging accommodations (including those operating as Choice Brand Hotels) at any other location, except as may be otherwise set forth in Article 2.

2.3 Limitations on Grant. Franchisee agrees that (a) this license relates solely to the Approved Location, and (b) this Agreement does not entitle Franchisee to any protected territory, territorial rights, or exclusivity except as may be specifically set forth herein. Franchisor reserves all rights not expressly granted to Franchisee in this Agreement. Franchisee shall not expand or change the number of Sleeping Rooms in the Property without the prior written consent of Franchisor.

2.4 Non-Exclusive License. The license granted hereby to use the Proprietary Marks and certain Choice Marks is non-exclusive, and Franchisee agrees that such Proprietary Marks and certain Choice Marks are and shall remain the property of Franchisor and its Affiliates and shall not be contested as to ownership or validity by Franchisee. Franchisee understands and agrees that the grant of the license to use the Proprietary Marks and certain Choice Marks is conditioned upon Franchisee's agreement that: (a) the Proprietary Marks shall be used only in connection with the Franchised Business and only in the manner expressly authorized by Franchisor in writing; (b) Franchisee will not use the Proprietary Marks or Choice Marks or parts thereof as part of its corporate or other legal name, will identify itself as a Franchisee, and will comply with all fictitious name and other statutes in connection with its use of the Proprietary Marks; (c) Franchisee will cooperate with Franchisor in protecting and defending the Proprietary Marks; and (d) Franchisee will comply with Franchisor's designations of additions, deletions, and changes in the Proprietary Marks.

Article 3 Term.

3.1 Term. Unless sooner terminated or modified as hereinafter provided, the term of this Agreement shall begin upon the Effective Date and end 20 years from the date of Opening of the Property (the "Term") and this Agreement will expire without notice on such date.

Article 4 Fees and Royalties.

4.1 Fees. Franchisee shall pay to Franchisor each of the following:

A. Upon the execution and delivery of this Agreement by Franchisee, Franchisee shall pay an Affiliation Fee of **$60,000**. Franchisee acknowledges and agrees that such Affiliation Fee has been fully earned and is nonrefundable in consideration of expenses incurred, rights granted, services rendered, and other valuable consideration, the receipt and sufficiency of which is acknowledged by Franchisee;

B. A continuing Royalty Fee of **6%** of the preceding month's Gross Room Revenue during the Term ("Royalty Fee") in consideration of the rights and license granted herein;

C. A System Fee of **2.5%** of the preceding month's Gross Room Revenue 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 Franchisor will provide to Franchisee under this Agreement and for its System, as Franchisor determines in its sole discretion (collectively, the "System Fee"). The System Fee shall not be used for the license or right to use any computer software or computer systems, including but not limited to, the Property Management System and Reservation System, or for the license or right to use the Brand Mark or any other Choice Intellectual Property. Franchisee acknowledges and agrees that (i) Franchisor 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 Franchisor's cost of providing the Property Management or Reservation Systems or any of the other aspects of Franchisor's System, so long as the increases apply to all or most of the U.S. hotels that are authorized to use the Proprietary Marks; (ii) Franchisor 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 Brand Standards; and (iii) Franchisor 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 by utilizing future System Fees or through the fee increases described above, provided that such increases shall be limited to the amount needed to recover the previous monies advanced; and;

D. Such other fees that are set forth in other sections of this Agreement, the Brand Standards, or otherwise imposed. Such fees shall be due as set forth in Article 4.2 of this Agreement, unless different payment terms are expressly stated for such fees at the time they are imposed or thereafter.

4.2 Payment. Unless payment terms to the contrary are expressly stated in this Agreement or otherwise, all payments required by Article 4, and all other payments due to Franchisor on a continuing basis ("Payments"), shall be due to Franchisor by the fifteenth (15th) day after the end of the calendar month in which such Gross Room Revenue were received by Franchisee, provided that, Franchisor may, upon notice to Franchisee, collect such payments more frequently than monthly. If any Payment due to Franchisor under this Agreement is overdue, Franchisee shall pay to Franchisor immediately upon demand the overdue amount, together with a late charge on such amount from the date it was due until paid, at the rate of 1.5% per month, or the maximum rate permitted by law, whichever is less. All Payments shall be made by wire transfer or electronic funds transfer. Franchisor also has the right to require Franchisee to pay all amounts due to Franchisor and/or its affiliates by electronic fund transfer, pre-authorized auto-draft arrangement ("EFT"), or such other method as Franchisor may specify from time to time. In its sole discretion, Franchisor may collect Payments required by Article 4 by direct debit withdrawal by Franchisor from a designated bank account of Franchisee. Franchisee acknowledges that nothing contained in this Article 4 shall constitute an agreement by Franchisor to accept such Payments after the same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Property. Franchisee agrees that timely payment of the Payments and any other amounts and fees due to Franchisor are of the essence for the purposes of this Agreement. Franchisee also agrees that Franchisor may apply the Payments made in any order that Franchisor determines regardless of any contrary language Franchisee may indicate. Franchisee acknowledges that Franchisee's failure to pay all such amounts when due shall constitute grounds for termination of this Agreement, as provided in Article 14 of this Agreement, notwithstanding the provisions of this Article. The entitlement to such late charge shall be in addition to any other remedies Franchisor may have.

Article 5 Property Construction and Opening.

5.1 Construction. If the Property is to be newly constructed, then prior to commencing construction of the Property under this Agreement, Franchisee shall have completed or satisfied all of the following:

A. Obtain ownership or control over the Property within **9 months** after the Effective Date, and provide Franchisor by or before that deadline a site plan and such evidence of site control as it may reasonably request, including, but not limited to, a fully executed purchase and sale agreement or deed of trust (or warranty deed) or, if the Hotel is to be leased, an executed lease agreement giving Franchisee possession for the entire Term;

B. Inform Franchisor by written notice, not less than thirty (30) days prior to Commencing Construction, of the name of the architect and the general contractor to be used for the construction of the Property, and such other information about the architect and general contractor as Franchisor may deem necessary.

C. At least 6 months prior to Commencing Construction, submit to Franchisor with a request for approval, prior to preparation of the schematic design development documents for the building, "Preliminary Plans" plans showing: (i) the dimensions of the site at the Approved Location; (ii) the location of the site in relation to streets and other thoroughfares and adjoining properties; (iii) placement of the Property on the site; (iv) proposed drives, parking, and service areas; (v) proposed location of exterior signage including size, type, height, etc.; and (vi) such other information as may be reasonably required by Franchisor, which preliminary site plans, when approved by Franchisor, shall not thereafter be materially modified without the prior written consent of Franchisor. "Preliminary Plans" means drawings and design plans that, in accordance with the American Institute of Architects best practices, provide clear direction regarding the design intent for the size and character of the entire project, including the following preliminary drawings: civil plans; architectural floor and roof plans; concept building sections and elevations; conceptual structural, mechanical, electrical, and plumbing plans; unique conditions that are site specific; room type matrix and gross square footage of each guest room; estimations of area tabulation, construction type for budget, and cost estimation.

D. At least 4 months prior to Commencing Construction, submit to Franchisor with a request for approval, prior to the preparation of the final building plans and specifications, the schematic design development documents for the building prepared by a registered architect or engineer in compliance with all applicable laws, regulations, ordinances, and Franchisor standards, which schematic design development documents, when approved by Franchisor, shall not thereafter be materially modified without the prior written consent of Franchisor.

E. At least 3 months prior to Commencing Construction, submit to Franchisor with a request for approval, after the schematic design development documents for the buildings have been approved by Franchisor, final building plans and specifications prepared by a registered architect or engineer in compliance with all applicable laws, regulations, ordinances and Franchisor standards which plans and specifications, when approved by Franchisor, shall not thereafter be materially modified without the prior written consent of Franchisor ("Final Plans").

F. Provide to Franchisor satisfactory evidence that all permits, licenses, and certifications required for the lawful construction and operation of the proposed Property, including, without limitation, all applicable building permits, zoning access, sign and fire requirements, have been obtained.

G. Provide to Franchisor insurance certificates satisfying the applicable requirements set forth in Article 12 of this Agreement.

H. Provide to Franchisor evidence that Franchisee possesses or has obtained adequate financing for constructing, furnishing, and operating the Property.

I. Such other information as Franchisor may reasonably request.

5.2 Commencement of Construction. Franchisee shall Commence Construction (i) within 18 months after the Effective Date, or (ii) within 60 days of the point in time when a building permit for the Property is ready for issuance, whichever occurs earlier (the "Construction Start Deadline"). Notwithstanding the foregoing, if this Agreement is being entered into pursuant to a Development Agreement, the Construction Start Deadline shall be as follows: Franchisee shall commence construction of the Property (i) within 90 days after the Effective Date; or (ii) within 60 days of the point in time when a building permit for the Property is ready for issuance, whichever occurs earlier. A building permit shall be deemed ready for issuance at the point in time when the issuing authority has taken all steps necessary for issuance, and would issue the building permit upon the payment of the fee therefor. In Franchisor's discretion, Franchisor may grant Franchisee up to four (4) 30-day extensions of the Construction Start Deadline for a fee of $5,000 for each extension. Any such extensions shall be granted only in Franchisor's sole discretion and upon payment of such additional extension fees as Franchisor deems appropriate in its sole discretion. Franchisee shall pay Franchisor a fee of $5,000 at the time the extension is requested. If the extension is not granted, the fee will be refunded. Franchisee shall provide written notice to Franchisor of the date of Commencement of Construction within 5 days after it occurs and shall provide to Franchisor with such other evidence as Franchisor may reasonably request. Once commenced, construction work shall continue uninterrupted (except for interruption by reason of events constituting Force Majeure (see Article 1.2(R)) until it is completed.

A. Franchisee shall provide evidence of execution of contract for approved exterior signage with an approved vendor within thirty (30) days after Commencement of Construction.

B. Franchisee shall submit to Franchisor, within sixty (60) days after the Commencement of Construction, any request for approval of any alternate FF&E products pursuant to Article 8.2. Unless alternate FF&E products are approved by Franchisor, Franchisee must use only such FF&E products that are specified by Franchisor in the Brand Standards and other documents containing FF&E specifications current at the Commencement of Construction. Notwithstanding the foregoing, upon request, Franchisor may, in its reasonable discretion, alter FF&E requirements for the Property due to local market conditions, custom or practice.

5.3 Construction Completion. Franchisee shall diligently and continuously prosecute the construction, furnishing, and equipping of the Property (including its acquisition and installation of all FF&E, signs, supplies, and other items necessary for completion and opening of the Property) in accordance with the Preliminary and Final Plans previously approved by Franchisor and in accordance with the Brand Standards, but in any event the construction, furnishing, and equipping of the Property shall be completed within 12 months after the Construction Start Deadline. Franchisee acknowledges and understands that time is of the essence in the construction and opening of the Property, and except for the occurrence of any events constituting Force Majeure (see Article 1.2(R)), the construction shall be completed and the Property shall be furnished, equipped, and otherwise be made ready to open for business, and all governmental licenses and permits (including a certificate of occupancy) necessary to operate the Property under the System shall have been obtained by Franchisee, at the end of such 12-month period ("Construction Completion"). Franchisor shall have the sole right to determine whether the construction work has been completed in accordance with this Agreement, the approved plans, and the Brand Standards. If Franchisee has met the requirements set forth in this Article 5 and has received a certificate of occupancy for a portion of the Property, Franchisee may open the Property for business. In Franchisor's discretion, Franchisor may allow Franchisee up to four (4) additional 30-day extensions of the construction completion date for a fee of $5,000 per extension. The fee for each extension shall be payable at the time Franchisee applies for the extension. If the extension is not granted, the fee will be refunded. Any further extensions shall be granted only in Franchisor's sole discretion and upon payment of such additional extension fees as Franchisor deems appropriate in its sole discretion.

5.4 Right to Inspect. Franchisee agrees that Franchisor and its agents shall have the right (without, however, any duty or obligation to do so) to inspect the construction of the Property at all reasonable times.

5.5 Compliance with Brand Standards. Franchisor's exercise of its rights to approve the Preliminary and Final plans and specifications and to inspect construction of the Property shall be solely for the purpose of assuring compliance with Brand Standards, written approvals and with the terms and conditions of this Agreement, and Franchisor shall have no liability or obligation to Franchisee or any other person with respect to construction of the Property.

5.6 Pre-Opening. No later than thirty (30) days prior to the expected Opening Franchisee shall:

A. submit to Franchisor, for its prior approval, Franchisee's direct sales and marketing plan if requested to do so by Franchisor; and

B. employ a qualified property manager for the Property.

5.7 Opening. The Property shall be opened for business immediately within 12 months after the Construction Start Deadline upon satisfaction of all of the following requirements:

A. All FF&E required for the opening of the Property in accordance with this Agreement and the standards of Franchisor shall have been installed or completed, and Franchisee shall have submitted to Franchisor a certificate of occupancy from appropriate regulatory authorities. Franchisee may open on a floor by floor basis provided that all of the following requirements are satisfied as to all portions of the Property premises to which guests will have access: (i) all life and safety code requirements have been met; (ii) Franchisee has a certificate of occupancy or temporary certificate of occupancy for each floor opened, (iii) Franchisee has provided written documentation to Franchisor of such temporary certificate of occupancy, and (iv) Franchisee is proceeding diligently toward completion of the full Property facility in accordance with the terms of this Agreement.

B. Franchisee's property manager for the Property shall have completed to Franchisor's satisfaction a training program approved or conducted by Franchisor, and Franchisee shall have employed qualified personnel sufficient to operate the Property.

C. Franchisee shall have paid all sums due Franchisor and its affiliated companies.

D. Franchisee is not in default under this Agreement, or any existing franchise agreement or other agreement with Franchisor or any of its Affiliated companies.

E. Franchisee is in compliance with all requirements of the Americans with Disabilities Act and has provided proper evidence thereof to Franchisor.

F. Franchisor is satisfied as to Franchisee's compliance with requirements necessary for opening the Property by such on-site inspection and investigation as Franchisor deems appropriate, which shall be made and completed within 30 days of receipt of the certificate of occupancy, or temporary certificate of occupancy as the case may be, of Franchisee pursuant to this Agreement. If the Franchisee fails to pass its initial pre-opening inspection, Franchisor reserves the right to charge and collect a reasonable re-inspection fee and expenses for each additional inspection required to approve the Property for opening. The re-inspection fee and related expenses shall be due and payable within 30 days of receipt of an invoice therefor. Nothing under this Agreement shall in any manner relieve Franchisee of the obligation of complying with the requirements of the approved plans or the terms of this Agreement.

Franchisee may not open the Property until the above requirements have been satisfied to Franchisor's satisfaction.

5.8 Cost. Franchisee acknowledges and understands that Franchisee shall bear the entire cost of the development and construction of the Property, including, without limitation, all costs applicable to design, engineering, and other professional services, contractors, financing, licenses, permits, equipment, furnishings, and supplies.

5.9 Reporting of Construction Costs. Within 90 days after Opening the Property to the public, Franchisee will, in a manner and form satisfactory to Franchisor, provide Franchisor with complete and accurate information on the Construction Costs (defined below) incurred by Franchisee. "Construction Costs" shall mean: land acquisition costs; building costs; material, labor costs and other related variables; furniture, fixtures and equipment expenses; exterior signage costs; permits, licenses and governmental fees; and such other construction-related information Franchisor may reasonably request.

Article 6 Duties of Franchisor.

6.1 Franchisor's Obligations. Franchisor agrees as follows:

A. Franchisor shall provide to Franchisee a set of then-current prototype plans and specifications (not for construction) as determined by Franchisor for a typical System Property of the type specified in **Recital B** of this Agreement. These plans must be adapted to Franchisee's site by the appropriate licensed architects.

B. Upon reasonable request, Franchisor shall consult with and advise Franchisee at Franchisor's home office concerning the construction and operation of the Property. Any guidance, recommendations, or advice provided to Franchisee during such consultation shall be deemed suggestions only, and the decision to follow any such guidance, recommendations, or advice will be made by Franchisee in Franchisee's sole discretion.

C. Franchisor shall provide Franchisee access to the Brand Standards in a format determined by Franchisor, such as via the Intranet or in any such other way as Franchisor determines to be most appropriate, for the Term setting forth standards of operation for the System and standards of quality, cleanliness, and service for the Property. Franchisor shall have the right to add to and otherwise modify the Brand Standards to reflect changes in the business, authorized products or services (or specifications therefor), FF&E requirements, quality standards, and operating procedures of the Property as determined by Franchisor. Such additions or modifications may be made through various communications by Franchisor, including policy statements, memoranda, bulletins, directives, instructions, intranet, electronic communications, or other material prepared by or on behalf of Franchisor, and may impose a separate fee on Franchisee. The Brand Standards and any additions or modifications may be provided in printed, machine readable, electronic, or any other form chosen by Franchisor.

D. Franchisor shall provide Franchisee with access to, and use of, the Property Management System and the Reservation System.

E. Franchisor shall make available to Franchisee and Franchisee's employees such required and optional training courses, programs, conferences, seminars, and materials, as Franchisor deems appropriate. All training shall be conducted at such locations and at such times as Franchisor may designate and shall be subject to the terms and conditions set forth in this Agreement.

F. Franchisor shall endeavor to maintain high standards of quality, cleanliness, appearance, and service for the System, and to that end shall conduct inspections of the System Properties, evaluations of the services rendered therein, and interviews of employees, agents, and customers of System Properties, all as Franchisor deems advisable and appropriate.

6.2 Performance by Designee. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by a designee, employee, or agent of Franchisor, as Franchisor may direct. Franchisee further acknowledges that Franchisor is the franchisor of multiple brands and does and may coordinate and combine functions such as reservations, sales, marketing, training, R&D, field staff and other functions between Choice Brand Hotels and not separate facilities, staff or other resources by brand.

6.3 Duty to Franchisee Only. All of the obligations of Franchisor under this Agreement are to Franchisee only, and no other party is entitled to rely on, enforce, or obtain relief for breach of such obligations either directly or by subrogation.

Article 7 General Duties of Franchisee.

In addition to the other obligations and duties set forth in this Agreement, Franchisee agrees as follows:

7.1 Construction Completion. Franchisee covenants and agrees to commence, diligently pursue, and complete construction of the Property and open for business in accordance with Article 5 of this Agreement, if applicable.

7.2 Personnel; Training. Franchisee shall employ or retain qualified management personnel as prescribed in the Brand Standards. All personnel employed or retained by Franchisee in the position of property or general manager shall attend and successfully complete, to Franchisor's satisfaction, Franchisor's general manager training program and be certified by Franchisor. The initial property/general manager shall complete all online and classroom parts of their training and the on Property training before the Property opens for business and shall complete the certification examination part of their initial training within 90 days of employment. Any replacement property/general manager must complete the entire initial training for property/general managers within 90 days of employment. The 90 day period may be extended if space in the training program is not available to Franchisee's personnel during the specified periods. Franchisor may from time to time revise the initial training that Franchisee and Franchisee's personnel are required to complete. Such changes may include who is required to complete initial training, when, where and how the initial training will be conducted and when it must be completed, as well as its scope and the fees charged for training. If the initial training program changes between the Effective Date and the time the Franchisee and its personnel are required to participate in and complete the initial training pursuant to Brand Standards, as amended after the Effective Date but before such persons have completed the initial training, the Franchisee and its personnel will be required to participate in, and complete, the initial training as amended.

A. Franchisor may periodically make available other required or optional training courses to Franchisee's personnel, other than those mentioned, as well as other programs, conferences, seminars, and materials, and Franchisee shall ensure that such personnel, as Franchisor may direct, satisfactorily complete any required training within the time specified.

B. All training shall be provided at such locations as Franchisor may designate and Franchisee shall be responsible for Franchisee's employees' travel expenses and room, board, and wages during the training. Franchisee will be charged reasonable tuition for training of Franchisee's personnel and such tuition shall be payable per the terms of the invoice therefor. Franchisor reserves the right to require, as a condition of providing training, that personnel employed or retained by Franchisee execute confidentiality agreements prepared by Franchisor. Franchisor reserves the right to limit the availability of any optional training programs. Franchisee understands and agrees that Franchisee is solely responsible for training franchisee's employees in the operation of the Property.

7.3 Annual Conference. Franchisee, or if Franchisee is an entity, one or more of Franchisee's principal owners, shall attend Franchisor's annual (or biannual as Franchisor may determine) Franchisee conference and pay the non-refundable conference registration fee as the same may be designated by Franchisor. Franchisee will be charged the conference fee for one attendee to the Franchisor's annual conference even if the Franchisee does not send or register any attendees. The annual conference may be held as part of, or in connection with, brand conventions for one or more brands that Franchisor or its Affiliates control.

7.4 Compliance With System. Franchisee expressly acknowledges that adherence to each and every provision of the System is reasonable, necessary, and essential to maintain the uniform image and favorable reputation of each Property and the System and the success of Franchisor's license program. Accordingly, Franchisee expressly agrees to comply with each and every requirement of the System during the term hereof, as the same may be modified or supplemented by Franchisor in its sole discretion. Such modifications and supplementations may relate to, without limitation, changes in the business, authorized products and services, FF&E requirements, quality standards, operating procedures, compliance with any requirements for installing frame relay, customer information systems, reservations systems and other systems or technology programs, and to pay any fees or charges associated with any such System modifications or supplementations and any other changes reflected in the Brand Standards.

7.5 Management Company. Franchisee shall engage a professional hotel management company ("Management Company") before the Construction Start and retain such Management Company to operate and manage the Property during the Term of the Agreement. Franchisee's selection of the Management Company will be subject to Franchisor's prior written consent. Franchisor may refuse to approve any proposed management company which, in Franchisor's reasonable judgment, is not financially capable or responsible, is inexperienced or unqualified in managerial skills or operational capacity or capability, or is otherwise unable to adhere fully to the obligations and requirements of this Agreement. Franchisor may also withhold its approval if the proposed management company does not provide Franchisor with all information that Franchisor may reasonably request in order to reach such decision. It is understood that confidential information and materials are, in the normal course of business, imparted to System Franchisees and managers, and Franchisor will be under no obligation to approve a proposed management company or replacement management company that is a franchisor or owner, or is affiliated or associated with the franchisor or owner, of a hotel or other lodging industry trade name that is competitive with Franchisor, irrespective of the number of hotels operating under such trade name. Franchisor's consent of a Management Company selected by Franchisee does not constitute an endorsement, recommendation, or validation of such management company, and Franchisor provides no guaranty or assurance that such management company will be successful. Franchisor's consent is revocable at any time in Franchisor's sole discretion. When Franchisor has approved in principle the management company nominated by Franchisee, Franchisee shall have the right to negotiate and execute a management agreement with such management company for the management and operation of the Property, subject to the terms, conditions, and obligations of this Agreement. Prior to such manager's assuming rights thereunder, the management agreement shall be submitted to Franchisor for Franchisor's written approval, which shall not to be unreasonably withheld. Such management agreement shall include provisions providing that (a) the manager shall have the authority and responsibility for the day-to-day management of the Property, (b) the Property will be operated during the term of the management agreement in such a manner as shall not detract from or modify the requirements of this Agreement or otherwise adversely affect the operation and management of the Property, (c) that the manager shall accept, abide by, and be subject to all rules, regulations, inspections, and requirements of Franchisor set forth in this Agreement, and (d) that if there is a conflict between the management agreement and the terms of this Agreement, then this Agreement shall govern and control. Upon 30 days written notice, Franchisor can require Franchisee to replace its then-current Management Company with a replacement Management Company Franchisee selects and Franchisor approves in writing. Moreover, Franchisee agrees to include an express provision that provides Franchisor the right to require Franchisee to replace the Management Company, on the same terms as stated in the preceding sentence, in any hotel management company agreement Franchisee executes during the Term of this Agreement in connection with the Property.

7.6 Service Standard. Franchisee shall provide efficient, courteous, and high-quality service to the public and shall operate the Property as outlined in the mandatory parts of the Brand Standards except as otherwise permitted by Franchisor in writing. Franchisee shall cause the Property to honor all credit cards and other payment models specified by Franchisor and enter into such arrangements with the issuers of such cards and other payment methods as may be necessary to do so.

7.7 No Ancillary Businesses. Franchisee shall use the Property premises solely for the operation of the Franchised Business and shall not use or allow the use of the premises for any other purpose or activity (including, without limitation, the promotion of any Competing Business) at any time without the prior written consent of Franchisor, which may be granted or withheld in Franchisor's sole discretion. Franchisee shall not sacrifice Gross Room Revenue to further any other business activity.

7.8 Cleanliness and Condition. The Property and everything located on the Property premises shall be maintained by Franchisee in a clean, safe, orderly, and first-class condition in accordance with the standards specified in the Brand Standards, and consistent with the image of a clean, sanitary, attractive, safe, and efficiently operated value-oriented, extended-stay lodging accommodation. Franchisee is solely responsible for determining and addressing all safety concerns relating to the condition of the Property and surrounding areas. The Property shall be constructed, maintained, and operated in compliance with all applicable fire, safety, health, and sanitation laws, ordinances, and regulations, and Franchisee shall maintain the highest health standards and ratings applicable to the Property and otherwise maintain high moral and ethical standards at the Property.

7.9 Maintenance. Franchisee shall perform such maintenance of the Property as is required by Franchisor to maintain the condition, appearance, and efficient operation of the Property, including, without limitation, (a) continuous and thorough cleaning and sanitation of the interior and exterior of the Property, (b) interior and exterior repair of the Property, (c) maintenance of equipment at peak performance, (d) replacement of worn out or obsolete improvements, fixtures, furnishings, equipment, computer systems, software, and signs with approved improvements, FF&E, computer systems, software, and signs, and (e) periodic painting and decorating. At Franchisor's request, Franchisee shall upgrade the Property within the time specified by Franchisor at Franchisee's expense to conform to the building decor appearance and presentation of Proprietary Marks and trade dress consistent with Franchisor's then-current public image, including, without limitation, such structural changes, remodeling, redecoration and modifications to existing improvements as may be deemed necessary by Franchisor, as long as those same upgrading requirements are consistent with Brand Standards and apply to a majority of System Properties operated by Franchisees or by Franchisor or its Affiliates. Except as described above, Franchisee shall make no additions, alterations, or replacements to the Property or anything located on the Property premises without the prior written consent of Franchisor.

7.10 Sleeping Rooms. Franchisee acknowledges and agrees (a) that this license and Franchisee's right under this Agreement are granted for the number of Sleeping Rooms specified herein, and (b) that Franchisee shall not expand the number of Sleeping Rooms in the Property without the prior written consent of Franchisor.

7.11 Comply With All Laws. Franchisee shall, at Franchisee's expense, comply with all federal, state, and local laws, rules, ordinances, and regulations, and shall timely obtain, and keep in force as required throughout the Term, any and all permits, certificates, licenses, and approvals necessary for the full and proper conduct of the Franchised Business.

7.12 Notice of Suit. Franchisee shall notify Franchisor in writing within 5 days of the commencement of any action, suit, or proceeding, and of the issuance of any inquiry, subpoena, order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, arising out of, concerning, or which may affect the operation or financial condition of the Franchised Business, including, without limitation, any criminal action or proceeding brought by Franchisee against employees, customers, or other persons.

7.13 Taxes. Franchisee shall comply with all federal, state, and local tax laws. Franchisee shall pay when due all taxes levied or assessed in connection with the possession, ownership, or operation of the Property (including property taxes when they are due) and all taxes payable on royalties and other payments made to Franchisor or to any of the affiliated companies (excluding income taxes payable by Franchisor or any of its affiliated companies). Franchisee shall be responsible for all state and local sales and transaction taxes that are imposed on, or measured by, the gross receipts paid to Franchisor pursuant to this Agreement. In the event of any bona fide dispute respecting any tax assessed against Franchisee, the Property, any personal property located therein, or any payments due to Franchisor or any of its Affiliates, Franchisee may contest the validity or amount of the tax in accordance with procedures of the taxing authority; provided, however, that Franchisee shall act with all due diligence and shall in no event permit a tax sale or seizure against the Property or any equipment, goods, or property located therein, or any impoundment of payments due to Franchisor.

7.14 Timely Payment. Franchisee recognizes that Franchisee's failure or repeated delays in making prompt payment in accordance with the terms of any agreements, leases, invoices, or statements for purchase or lease of FF&E, inventories, supplies, travel agent services, or other goods and services will be detrimental to the reputation of Franchisee, Franchisor, and other System Franchisees. Franchisee shall timely pay when due all amounts owed by Franchisee in connection with the operation of the Property.

7.15 Property Management System. Franchisor may make available to System Properties a Property Management System, which Franchisor may change, modify, or replace at any time in its sole discretion. If required by Franchisor, Franchisee shall install, maintain, and use the automated Property Management System as developed and promulgated (in the Brand Standards or otherwise in writing) by Franchisor and agree to the then-current terms of use for such Property Management System. If required by Franchisor, Franchisee shall either reimburse Franchisor for Franchisee's equitable pro rata share of Franchisor's cost of developing and maintaining such software, including, without limitation, enhancements, additions, substitutions, or other modifications provided to the System by Franchisor, purchase or license such system, or otherwise pay such fee as Franchisor or its Affiliate may decide to charge for use of such property management or related system.

7.16 Franchisee Entity. If Franchisee is at any time a corporation, limited liability company, partnership or other business entity, Franchisee agrees and represents that:

A. Franchisee has the authority to execute and deliver this Agreement and to perform its obligations thereunder and is duly organized or formed and validly existing in good standing under the laws of the state of its formation or organization.

B. Franchisee's organizational documents or partnership agreement will at all times state that the issuance and transfer of the ownership interests of Franchisee are restricted by the terms and conditions of this Agreement, and all certificates and other documents representing an ownership interest in Franchisee will bear a legend referring to the restrictions of this Agreement in form and language satisfactory to Franchisor.

C. **Schedule A** to this Agreement will at all times completely and accurately describe all of the owners of Franchisee and their beneficial ownership interests in Franchisee.

D. Franchisee and its owners will sign and deliver to Franchisor such revised **Schedule A** as may be necessary to reflect any permitted changes in the information contained therein within 5 days following the occurrence thereof and to furnish such other information about Franchisee's organization or formation as Franchisor may request.

E. Franchisee shall furnish Franchisor with its articles or certificate of incorporation, bylaws, and partnership or limited liability documentation or similar organization documents, and any other documents Franchisor may reasonably request, and any amendments thereto or restatements thereof.

7.17 Condemnation or Casualty. If the Property (or any of the premises on which the Property is located) is condemned or damaged by casualty, Franchisee agrees as follows:

A. Franchisee shall, within 10 days of receipt, provide Franchisor with a copy of any notice of any proposed taking of the Property or surrounding premises by eminent domain or condemnation. Such notice shall be sent by Franchisee to Franchisor by overnight courier service. If the Property is condemned or so taken or such a substantial portion of the Property is condemned or so taken as to render impractical the continued operation of the Property in accordance with System standards, then in such event, (i) this Agreement shall terminate upon notice by Franchisor to Franchisee, and (ii) notwithstanding subsection (i), Franchisor shall be entitled to receive the payments due under Article 4 for as long as the Property remains open for business or for a period of 1 year from the date Franchisee notifies Franchisor of the condemnation, whichever is longer. If the Property ceases business operations prior to 1 year from the date Franchisor receives notice of the condemnation, Franchisor will be entitled to receive a payment from Franchisee for the balance of the one-year period based on the average monthly fees from the trailing 12 months, if such condemnation is due to the fault of Franchisee. If a non- substantial condemnation shall occur, then in such event, Franchisee shall promptly make whatever repairs and restoration may be necessary to make the Property conform substantially to its former character and appearance according to plans and specifications approved by Franchisor, and the resumption of normal operation of the Property shall not be unreasonably delayed by Franchisee.

B. If the Property is damaged or destroyed by fire or other casualty, and the casualty requires closing the Property, Franchisee shall (i) immediately notify Franchisor whether it intends to rebuild or repair the Property or cease operations and terminate this Agreement if it is in the best interest of Franchisee, (ii) commence reconstruction and repair as soon as practicable, but in any event within 180 days after the closing of the Property if Franchisee intends to continue operations, (iii) repair or rebuild the Property in accordance with the then-current System standards and specifications, and (iv) reopen the Property for continuous operations under the System as soon as practicable, but in any event within 12 months after closing the Property, provided that the Property may reopen only after Franchisor's express written approval of the same for opening. Franchisee shall give Franchisor at least 90 days advance written notice of the date of such reopening. If Franchisee decides to terminate this Agreement pursuant to Article 7.17.B (i) Franchisee will not be subject to Liquidated Damages.

C. The closing of the Property due to condemnation or casualty shall not extend the Term.

7.18 Customer Data. Franchisee acknowledges and agrees that, in addition to the rights granted Franchisor under Article 10.6 hereof, Franchisor may use the names of customers or guests of the Property for any purpose, and agrees that Franchisor may have access to Franchisee's sales and customer data base for that purpose.

7.19 Website. Franchisor has established an Internet Website that provides information about the System and that facilitates reservations for all System Properties. Franchisor will have sole discretion and control over its Website (including timing, design, contents and continuation). Franchisor may use part of the System Fees it collects under Article 4.1C to pay or reimburse the costs associated with the development, maintenance and update of the Franchisor Website. At Franchisee's expense, Franchisor will include a link to the Property specific page from the Franchisor Website or a replicate. Franchisor shall have the only WoodSpring Suites Website. Franchisor may operate a Website for the WoodSpring Suites System combined with any other Affiliate System operated and franchised by Franchisor or its Affiliates. Franchisee may not have any individual Website other than those accessed and linked through Franchisor's primary Website. Franchisor may require Franchisee to prepare all or a portion of such individual pages, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's prior written approval prior to posting. Except for this interior page, Franchisee may not maintain a Website or presence on a Website or on the Internet in connection with Franchisee's ownership or operation of the Property. Notwithstanding the foregoing sentence Franchisee is allowed to identify its interest in the Property on a Franchisee Website for no purpose other than to acknowledge its ownership in the Property. Because website technologies and their uses are constantly evolving, Franchisor reserves the right to require Franchisee's participation in other technologies being implemented as part of the System, such as social media and mobile applications and other mobile marketing technologies.

7.20 Internet Use. Franchisor reserves the right to require Franchisee to remove any video, advertising or other material or content posted on the internet or any website that Franchisor, in its reasonable discretion, deems inappropriate. Franchisor reserves the right to develop additional Websites and profiles or accounts on Websites designated for social networking, or on Websites otherwise commonly used by extended-stay industry or by the franchise industry in general. Franchisor may, in its sole discretion, require Franchisee to participate in such Websites by preparing and maintaining all or a portion of a profile or account for the Franchisee, at Franchisee's expense.

7.21 Intranet. Franchisor has developed an Intranet network through which confidential brand standards and other materials may be posted and where Franchisor and its Franchisees can communicate by e-mail or similar electronic means (the "Intranet"). Franchisee agrees to use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that Franchisor includes in the Brand Standards (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

7.22 Association Dues. Franchisee shall pay the Franchisee Association's then-current dues, assessments, and conference fees to attend the Franchisee Association meetings, regardless of whether Franchisee attends such meetings.

7.23 Optional Assistance. If Franchisee requests and Franchisor or its Affiliates provide additional administrative services to Franchisee, including, but not limited to: assistance with closings of financing transactions or other transactions relating to the Property, negotiations of comfort letters, non-disturbance agreements, and other instruments, documents and agreements with Franchisee's lenders or prospective lenders, lender's counsel, Franchisee's counsel, any other Franchisee representative, or third party; conducting research related to the Property and its operation; preparation of documents, instruments or agreements; and other project-based tasks, Franchisee agrees to pay to Franchisor a reasonable fee, as determined by Franchisor, for such services and to reimburse Franchisor and its Affiliates for any costs (including attorney's fees) incurred in connection with the provision of such services.

7.24 Legal Actions. Franchisee shall reimburse Franchisor for all costs and expenses (including attorneys' fees), incurred by Franchisor in connection with any legal action (including actions for injunctive relief, arbitration and mediation) in which Franchisee, its Affiliates, or their respective owners, directors, officers or managers is a named party, including but not limited to, reimbursement for costs and expenses incurred in connection with Franchisor's counsel entering an appearance, responding to discovery requests in such matters, and preparation by Franchisor and its counsel therefor.

7.25 System Programs. Franchisee shall participate in all joint programs developed by Franchisor and its Affiliates for the System and any Affiliate Systems, including guest loyalty programs, gift card programs and marketing programs. Such participation does not render Franchisee a franchisee of any Affiliate System.

7.26 Anti-Terrorism Laws. Franchisee and its owners understand the requirements of, and will abide by, all United States government economic sanctions requirements. Franchisee represents and warrants that neither it nor any of its direct or indirect owners, directors, officers, employees or agents is a person subject to trade restrictions under United States law, including (without limitation) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., or any Executive Orders or regulations promulgated thereunder (including Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, and the Specially Designated Nationals and Blocked Persons List) ("Anti-Terrorism Laws"). Franchisee and its owners may not engage in any activity that would expose Franchisor or its Affiliates to a risk of criminal or civil penalties under applicable United States law. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee's or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

7.27 Anti-Bribery Laws. Franchisee and its owner understand the requirements of, and will abide by, all other United States laws that address foreign business activities of United States citizens or individuals and businesses that operate, in whole or in part, in the United States, including but not limited to the Foreign Corrupt Practices Act (the "FCPA"), which prohibits, in pertinent part, companies subject to the FCPA from providing anything of value to a foreign official for purposes of obtaining or retaining business or a competitive advantage and which further requires an entity that issues stock registered in the United States or which is required to file periodic reports with the U.S. Securities and Exchange Commission to maintain internal accounting controls and designated books and records related to compliance therewith. Any violation of the FCPA or other United States laws by Franchisee or its owners, employees or agents shall constitute good cause for immediate termination of this Agreement.

Article 8 Quality Control and Supervision.

8.1 Maintaining System Standards. Franchisee agrees that substantial uniformity of quality at all System Properties is necessary and desirable for purposes of establishing and protecting the shared identity, reputation, and goodwill associated with the System and the Proprietary Marks. In order to better accomplish these objectives, Franchisee agrees that:

A. The Property shall be operated in strict conformity with such mandatory standards, specifications, methods, and techniques (as opposed to any best practices and other optional advice that may be included in the Brand Standards) as Franchisor may, prescribe in the Brand Standards, and Franchisee shall refrain from deviating therefrom and from otherwise operating in any manner which adversely reflects on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's rights therein. Notwithstanding the foregoing, Franchisor is not entitled to exert control over Franchisee's employee's working conditions, except to the extent of controlling the quality of the System/brand and the quality of the products and services that Franchisee offers.

B. Franchisee shall, at Franchisee's expense, purchase or lease and install at the Property all FF&E, Property Management System, frame relay, customer information system, Reservation System, and other systems and technology programs specified by Franchisor. Franchisee shall refrain from installing in, on or about the Property, or permitting to be installed, without Franchisor's prior written consent, any FF&E, electronic or video games or any other items or services not previously approved by Franchisor. The size, form, color scheme, content (except for prices, charges or other rate information which are subject to Article 8.8 below), and location of all signs, advertisements and graphic materials displayed in any public area or Sleeping Rooms at the Property shall be as prescribed in the Brand Standards or otherwise approved in writing by Franchisor.

C. All products and services sold or offered for sale at the Property, and other products, materials, supplies, paper goods, fixtures, furnishings and equipment used at the Property, must meet Franchisor's standards and specifications. Franchisee must also purchase all products and services that Franchisor designates in the Brand Standards solely from suppliers (including manufacturers, distributors and other sources) approved by Franchisor (collectively, "Qualified Vendors"), which demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's standards and specifications, who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved by Franchisor in writing. Franchisor reserves the right to require Franchisee to purchase any or all approved products or services solely from Franchisor or its designated Affiliate. Franchisor also reserves the right to receive a rebate or other benefit from Qualified Vendors based on purchases by Franchisee and other franchisees. Franchisor may limit the number of Qualified Vendors to obtain volume discounts and to promote consistent quality and adequate supplies for the brand. By entering into this Agreement, Franchisee consents to Franchisor sharing Franchisee's contact information with Qualified Vendors who provide services to franchisees under the Proprietary Marks. If such contact information is deemed "personal information" under state or federal law, and Franchisee does not want Franchisor to share this information, please contact Franchisor.

8.2 Alternate Products and Services. If Franchisee desires to purchase designated products or services from a party other than a Qualified Vendor, Franchisee must submit to Franchisor a written request to approve the proposed supplier, together with such information as Franchisor may reasonably require. Among the criteria that Franchisor may consider is the financial stability of the supplier, whether the product or service meets Franchisor's standards and specifications, and whether the product or service is of use to Franchisor's franchisees. Franchisor's complete written criteria are available for review upon Franchisee's request. Where applicable, the proposed supplier must submit product samples and specifications to Franchisor. Franchisor will use its best efforts to notify the proposed supplier within 90 days after Franchisor receives 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 Franchisor's franchisees. Franchisor may revoke its approval of particular products or Qualified Vendors when Franchisor determines, in its sole discretion, that such products or suppliers no longer meet Franchisor's standards or specifications.

8.3 Brand Standards. The Franchised Business shall be conducted in accordance with the Brand Standards, as updated, supplemented, and modified. Franchisee further acknowledges that establishing, maintaining, and protecting the goodwill, reputation, and uniformity of the System requires strict adherence to this Agreement and the Brand Standards in all respects, it being agreed that every detail is significant and material. If Brand Standards are maintained in hard copy or in another format which is not automatically updated (i.e., such as a copy maintained on the Intranet) Franchisee shall at all times ensure that Franchisee's copy of the Brand Standards is kept current and up-to-date, and in the event of any dispute as to the contents of the Brand Standards, the terms of the master copy of the Brand Standards maintained by Franchisor at Franchisor's home office shall be controlling. Franchisee shall maintain the Brand Standards in a safe and secure location and shall report the theft or loss of the Brand Standards, or any portion thereof, immediately to Franchisor.

8.4 Inspections. Franchisee hereby grants to Franchisor and its agents the right to enter upon the premises of the Property at any reasonable time for the purpose of conducting inspections. Franchisee shall (a) provide lodging without charge to Franchisor's agent during such time as may reasonably be necessary to complete such inspections; (b) cooperate fully with Franchisor's agents during the inspections; and (c) take such steps as may be reasonably necessary to correct any deficiencies detected during such an inspection, upon the written request of Franchisor or its agents, within such reasonable time as may be specified therein. Franchisee shall provide all information requested by Franchisor for the purpose of Franchisor's conducting guest satisfaction audits and surveys. Franchisee agrees that Franchisor may evaluate Franchisee's compliance with this Agreement, the Brand Standards, and any quality assurance program Franchisor administers, remotely and/or through data obtained from guest satisfaction surveys or programs. If Franchisee fails an inspection or fails to meet brand standards, Franchisor will charge Franchisee its then-current quality assurance fine. If, upon re-inspection the failure has not been remedied, Franchisee may be charged an additional fine. Franchisee must also pay the reasonable expenses of Franchisor's representative(s) conducting any such inspections. Franchisee shall pay such fine as may be charged pursuant to this Article and expenses within 15 days of receipt of an invoice therefor.

8.5 Public Health and Safety. If Franchisee fails an inspection for any health or safety reason that Franchisor, in its reasonable discretion, deems to constitute a danger to the health or safety of the public, employees at the Property, or guests or visitors to the Property, Franchisee shall, immediately upon Franchisor's request, take such action as reasonably required by Franchisor, including closing all or part of the Property, or not allowing any new guests, until the dangerous conditions have been remedied to Franchisor's satisfaction. Nothing in this Article 8.5 shall limit or restrict Franchisor's rights under Article 14, or any other Article of this Agreement.

8.6 Property Improvement Review. If the Property has sustained substantial wear and tear Franchisee may request, or Franchisor may require, that a property improvement review ("PIR") be performed. The PIR will identify areas of the Property or items that do not satisfy then current System standards as set forth in the Brand Standards, and identify steps required to be taken to remedy identified deficiencies. Franchisee will pay Franchisor the then current fee for performing the PIR. The fee will be payable upon request for the PIR to be performed.

8.7 Franchisee Improvements. If Franchisee develops any designs, products, services, procedures, or inventions deemed by Franchisor to be appropriate for use in other System Properties or any Affiliate System, it is understood and agreed that Franchisor shall be the owner of such designs, products, services, procedures, or inventions without obligation to compensate Franchisee, it being understood and agreed that the benefit to the Franchisee from the overall enhancement of the System is sufficient consideration for granting this right to Franchisor, however Franchisee will be granted a license to use such designs, products, services, procedures, or inventions.

8.8 Standard of Conduct. All marketing and promotion by Franchisee shall be factual, ethical, and in good taste in the judgment of Franchisor and shall be subject to Franchisor's approval as provided in Article 9.1 of this Agreement. Franchisee shall in all dealings with its customers, suppliers, Franchisor, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which, in the subjective opinion of Franchisor, may be injurious to the business of Franchisor and the goodwill associated with the Proprietary Marks and other System Properties. Franchisee shall also operate the Hotel in a professional manner that meets or exceeds the generally accepted standards of performance of leading hotel operators in the industry, including any and all communications and interactions with employees and agents of Franchisor; refrain from disparaging or encouraging others to disparage Franchisor or its officers, directors, or employees, or otherwise making derogatory comments or statements, orally or in writing, concerning Franchisor's or its officers', directors', or employees' character or business practices intending to harm Franchisor's or such individual's goodwill, reputation or standing.

8.9 Notice of Violations. Immediately upon receipt by Franchisee of any report from any health department or other comparable agency, Franchisee shall send a complete copy of such report to Franchisor by overnight courier service or electronic delivery. Franchisee shall notify Franchisor in writing within 5 days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee or the Property or of any notice of violation of any law, ordinance, or regulation relating to health or sanitation.

Article 9 Marketing and Reservations.

Franchisee and Franchisor recognize the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System and Affiliate Systems. In order to better accomplish these objectives, the parties agree as follows:

9.1 Marketing Standards. All advertising, marketing, and sales materials used by Franchisee in any medium shall be conducted in such manner, and shall conform to such standards and requirements, as Franchisor may specify from time to time. Franchisee must submit to Franchisor for its prior written approval samples of all advertising, marketing, and sales plans and materials and all other materials displaying the Proprietary Marks that Franchisee desires to use which have not been prepared or previously approved by Franchisor; provided, however, that no such deemed approval shall relieve Franchisee from complying with the requirements of Article 8.7 of this Agreement.

9.2 Directories. Franchisee shall obtain listings at Franchisee's expense in the yellow and white pages of local telephone directories and maintain and participate in such social media activities and maintain such an internet presence as Franchisor may specify from time to time.

9.3 Marketing Fund. Franchisor has established a Marketing, Branding, Sales and Advertising Fund ("Marketing Fund") funded solely by System Fees paid by System Franchisees. The Marketing Fund is administered by Franchisor in its sole discretion for the benefit of the System and the Affiliate Systems. The Marketing Fund will be used to meet any and all costs of researching, developing and preparing national, regional, point of sale, and local direct sales advertising and marketing strategy materials for use by Choice Brand Hotels, including, without limitation, costs associated with developing, preparing, directing, administering, maintaining, and disseminating advertising, marketing, promotional, and public relations materials; conducting marketing research; maintaining a national sales and marketing staff and related expenses; development, maintenance and updates to the Choice Websites; joint promotional programs for all Choice Brand Hotels; and preparing, producing, broadcasting, and disseminating advertising and promotions, including, without limitation, radio, television, newspaper, magazine and

Internet advertising, market surveys, public relations activities, and employment of advertising agencies. Franchisor shall choose and determine the nature, theme, and timing of advertising and the kind and quality of advertising materials to be provided to Franchisees through the Marketing Fund. All payments, plus income earned therefrom, shall be used exclusively for the above-stated purposes, and shall not be used to defray any of Franchisor's general operating expenses, except for reasonable salaries, administrative costs, travel expenses, overhead, and similar expenses Franchisor may incur in activities related to the administration of the Marketing Fund and all costs of development and preparing national, regional, point of sale, and local advertising materials for use within the System and/or Affiliate Systems. Franchisor or its designee shall direct all advertising, marketing, and direct sales promotional programs and activities, with sole discretion over the concepts, materials, and media used in such programs and activities and the placement and allocation thereof. Franchisee acknowledges that the intent of the Marketing Fund shall be to maximize general public recognition, direct sales programs, and acceptance of the Proprietary Marks for the benefit of the System, Affiliate Systems, and other Choice Brand Hotels, and Franchisor or its designee shall have no obligation in administering the Marketing Fund, to make expenditures for Franchisee which are equivalent or proportionate to any payments by Franchisee, or to ensure that any particular Franchisee or any particular franchised location benefits directly or pro rata from advertising or promotion conducted under the Marketing Fund. The Marketing Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to franchisees with respect to the Marketing Fund; provided, however, that Franchisor will make a good faith effort to expend such fees in a manner that Franchisor determines is in the general best interests of the Choice Systems. Franchisor has the right to advance monies to the Marketing Fund and subsequently obtain reimbursement of such advances out of Marketing Fund fees collected. Franchisor has the right to divide the Marketing Fund into two or more funds, or to combine the Marketing Fund with similar funds maintained for the benefit of all or a portion of an Affiliate System. If Franchisor divides or combines the Marketing Fund, Franchisee will pay its System Fee to such fund as directed by Franchisor. The Marketing Fund will be accounted for separately from Franchisor's other funds, but its funds may be deposited in any of Franchisor's general accounts and commingled with Franchisor's other funds, including marketing funds of other Choice Brand Hotels. Franchisor shall not be obligated to credit the Marketing Fund with interest.

9.4 Franchisee Association. Franchisee and all Franchisees of the System shall be members of the Franchisee Association. As long as this Agreement remains effective, Franchisee shall be a member of the Franchisee Association or such successor association or franchise advisory council as may be designated by Franchisor to serve as an advisory council to Franchisor with respect to advertising, marketing, reservations, and other matters relating to System Properties. All Franchisees of the System and Franchisor shall be members of the Franchisee Association. As a member of the Franchisee Association, Franchisee shall pay to the Franchisee Association all dues, assessments, and conference fees authorized by the Franchisee Association and shall otherwise maintain its membership in the Franchisee Association in good standing ("good standing" means the Franchisee Association dues and assessments are current and Franchisee has not been given a notice of its default under this Agreement). Such fees shall be consistently applied to all Franchisees in the System and Properties owned by Franchisor or its Affiliates. The Franchisee Association shall be governed by the Bylaws of the Franchisee Association.

9.5 Property Management System and Reservation System. At Franchisor's sole option, Franchisee shall use the Property Management System (and the equipment, networks, software and procedures, including hardware and software refresh requirements, that are described in the Brand Standards Rules and Regulations) to operate and manage the Property and in connection with all guest transactions (including all transactions relating to the Sleeping Rooms), and use the Reservation System to accept, hold, honor and track all reservations for the Sleeping Rooms. Franchisee shall not use any other property management system or reservation system without Franchisor's prior written consent, which may withhold in Franchisor's sole discretion. Franchisee understands and agrees that its use of the Property Management System is governed by a separate agreement, as Franchisor may modify and/or update from time to time ("Online Terms of Use"), which Online Terms of Use are expressly incorporated herein by reference and made a part of this Agreement, and Franchisee agrees that it will abide by such Online Terms of Use and pay all applicable fees described in the Brand Standards. Franchisee also acknowledges and agrees that Franchisor and Franchisee each have ownership rights in data used or generated by the Property Management System and/or the Reservation System.

9.6 Equipment and Software. Franchisee shall purchase, install, and maintain at the Property all equipment necessary for participation in, and use of, the Property Management System and Reservation System as required by Franchisor, including a reservation terminal and related equipment and software and any future enhancements, additions, substitutions, or other modifications specified by Franchisor in the Brand Standards or otherwise in writing. Franchisee shall also be responsible for telephone line, internet connection, or other communication infrastructure charges for connecting Franchisee's reservation equipment to the Reservation System and for the cost of supplies used in the operation of the equipment and for all other related expenses.

9.7 Rates. Franchisee agrees to list the Property in the Reservation System and to furnish to Franchisor such information as Franchisor or its designee may request for that purpose. Franchisee understands and acknowledges that the success and utility of the Reservation System may require that it contain information concerning rates for lodging accommodations; that Franchisee shall have sole discretion in determining any rates for the Property which appears in the Reservation System; and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any failure by Franchisee or Franchisor's other franchisees to honor any Reservation System rates for the period during which the Reservation System is in effect. If rates are required to be included in the Reservation System listing for the Property, seasonal and other rate changes or differentials shall be specified, upon Franchisee's request. Franchisee agrees not to charge higher rates than those that Franchisee causes to be published in the Reservation System and to comply with such other requirements with respect to the Reservation System as may be specified in the Brand Standards.

Article 10 Financial Reporting.

10.1 Books and Records. Franchisee shall, in the manner and form specified by Franchisor in the Brand Standards or otherwise in writing, prepare on a current basis (and preserve for at least 7 years from the date of preparation) complete and accurate books and records in accordance with generally accepted accounting principles concerning Gross Room Revenue and all financial, operating, marketing, and other aspects of the Property and the Franchised Business, and maintain an accounting system that fully and accurately reflects all financial aspects of the Property, the Franchised Business, and Franchisee. Such books and records shall include, but not be limited to, 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). Franchisee's obligation to preserve such books and records shall survive the termination or expiration of this Agreement.

10.2 Profit and Loss Statement. On or before the 21st day of each calendar month, Franchisee shall submit to Franchisor a profit and loss statement (in such form and detail as Franchisor may require, which may include submitting such data via a third party platform or vendor that Franchisor may designate) reflecting the computation of all amounts then due under Article 4.1 of this Agreement, provided that, if fees will become due under this Agreement more frequently than monthly, upon notice to Franchisee, Franchisor may require reports to be submitted more frequently. The statement shall include information for the preceding month as to Gross Room Revenue, other revenues, expenses, occupancy and room rates data, reservation data, and such other information as Franchisor may require. Any report required to be submitted hereunder not actually received by Franchisor on or before the date the related payment was due shall be deemed overdue unless postmarked at least 5 days prior to the date it was due.

10.3 Financial Statements. Franchisee shall submit to Franchisor as soon as available but not later than 90 days after the end of Franchisee's fiscal year, at Franchisee's expense, a full and complete reviewed financial statement in writing setting forth the Gross Room Revenue and the computation of all amounts paid by Franchisee under Article 4.1 of this Agreement for such fiscal year. Such statement shall be prepared in accordance with generally accepted accounting principles, consistently applied, and shall be accompanied by a report from an independent certified public accountant reasonably satisfactory to Franchisor that the statement has been examined in accordance with generally accepted auditing standards. In addition, at Franchisor's request, Franchisee shall submit to Franchisor true copies of all state sales tax returns and similar property specific returns relating to sales made at the Property at the same time the returns are filed with state authorities, and such other records as Franchisor may reasonably request, including, without limitation, state and federal income tax returns of Franchisee.

10.4 Audits. Franchisor or its representatives, at Franchisor's expense, shall at all reasonable times have the right to inspect or audit the books, accounts, records, returns, and statements of Franchisee. The foregoing records may include, but are not limited to, state and federal income tax returns, credit card or any other third party charge account statements, any bank, savings and loan, brokerage, or other financial checking, money market, or savings account used for the Franchised Business, and any other operating reports or contracts regarding the occupancy of guest rooms. Franchisee shall fully cooperate with Franchisor and its representatives or agents conducting such inspections or audits and, upon request, Franchisee shall submit a written response to any issues raised in connection with said audits. In the event a discrepancy between reported Gross Room Revenue and actual Gross Room Revenue is uncovered in any audit conducted pursuant to this Article for any reporting period (monthly, quarterly, or annually), Franchisee shall promptly pay the amount determined to be owing and, if the discrepancy exceeds 5% of reported Gross Room Revenue, Franchisee shall reimburse Franchisor for all costs of the audit, including travel, lodging, and wages of personnel of Franchisor or third parties required to conduct such audit. Franchisee shall also promptly reimburse Franchisor for the cost of any audit (including salaries, travel, and living expenses) necessitated by Franchisee's failure to file any financial report due hereunder and any deficiency in royalties or Marketing Fund contributions disclosed by such audit. At Franchisor's option, Franchisee shall also immediately pay to Franchisor a late charge on the understated amount due from the date such amount was due until paid at the lesser of 1.5% per month or the maximum rate permitted by applicable law. The foregoing remedies shall be in addition to any other remedies Franchisor may have. Submission by Franchisee of more than 2 written statements of Gross Room Revenue which under-report Gross Room Revenue for any reporting period by 5% or more (regardless of any subsequent cure) shall constitute a material breach of this Agreement entitling Franchisor, at its option, the right to terminate this Agreement pursuant to Article 14.1C of this Agreement.

10.5 Disclosure of Financial Information. Franchisee hereby authorizes all banks and/or other financial institutions with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to the Property. Franchisee further authorizes Franchisor to disclose such information to prospective Franchisees and state regulatory agencies; provided that such information is not identified as relating to the Property unless required by law or regulation and then only if Franchisor requests that such identification be held in confidence.

10.6 Disclosure of Operations Data. The Franchisee agrees that Franchisor or its Affiliates may disclose to third parties data concerning and relating, directly or indirectly, to the Franchisee, the operations of Franchisee, and Franchisee's customers, including, but not limited to information about occupancy rates ("Operations Data"). Franchisee waives any notice in connection with the disclosure of Operations Data. Franchisor agrees, that it, or its Affiliates, will from time to time disclose to the Franchisee such operations data as it deems appropriate regarding other Franchisees of Franchisor (Operations Data jointly with operations data of other Franchisees, "System Operations Data"). The Company may, in its sole discretion, determine when and what System Operations Data will be disclosed, and may, without prior notice to, or consent from Franchisee, change the scope of the Systems Operations Data being disclosed to Franchisee or when it is disclosed. Systems Operations Data disclosed to Franchisee is disclosed solely for Franchisee's internal business purposes and to enable Franchisee to compare its results with those of other Franchisees of Franchisor. If Franchisor or its Affiliates operate multiple brands, Franchisee agrees that Franchisor or its Affiliates may disclose System Operations Data to each other and to franchisees of such other brands. The disclosed Operations Data and Systems Operations Data remains confidential information of Franchisor. Franchisee may not disclose Systems Operations Data to other Franchisees of Franchisor, prospective Franchisees of Franchisor, competitors of Franchisor, prospective purchasers of Franchisee or any of the Franchisee's assets, financial institutions, or any other third parties. The Systems Operations Data so disclosed will be based on information provided to Franchisor by its Franchisees. Such information will not be verified by Franchisor or any of its affiliates. Franchisor has no obligation to correct Systems Operations Data disclosed after it learns that it was incorrect or incomplete, or to inform Franchisee thereof.

Article 11 Proprietary Marks and Trade Secrets; Competition.

11.1 No Ownership Rights. Franchisee acknowledges that ownership of all right, title, and interest in the System and all parts thereof, including, without limitation, the Proprietary Marks and the design, decor, and image of all System Properties, is and shall remain vested solely in Franchisor. Franchisee expressly disclaims any right, title, or interest therein or in any goodwill derived therefrom. Franchisee's license to use the System, and any part thereof, is personal to Franchisee, and Franchisee shall not license, sublicense, or allow the System, or any part thereof, to be used by any other person, firm, or business association without Franchisor's prior written approval. All uses of the System by Franchisee inure to the benefit of Franchisor.

11.2 No Impairment. Franchisee shall not, directly or indirectly, at any time during the Term or thereafter, do, cause, or suffer to be done any act or thing disputing, attacking, or in any way impairing or tending to impair the right, title, or interest of Franchisor in the Proprietary Marks or the System. Franchisee shall immediately notify Franchisor in writing of all infringements or imitations of the Proprietary Marks of which Franchisee becomes aware, and Franchisor shall exercise absolute discretion in deciding what action, if any, should be taken. Franchisee shall fully cooperate with Franchisor in the prosecution of any action to prevent the infringement, imitation, or illegal use of the Proprietary Marks and agrees to be named as a party in any such action at Franchisor's request. Franchisor shall bear any and all legal expenses incident to Franchisee's participation, at Franchisor's request, in any action to prevent the infringement or illegal use of the Proprietary Marks, except for the cost of any legal counsel separately retained by Franchisee. Except as expressly provided in this Article, Franchisor shall not be liable to Franchisee for any damages, costs, expenses, loss of profits or business opportunities, or incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Proprietary Marks.

11.3 Limited Use. Franchisee shall use the Proprietary Marks as the sole identification of the Property; provided, however, that in all public records and in its relationship with other persons, on stationery, business forms, checks, or as otherwise required by Franchisor, Franchisee shall indicate Franchisee's independent ownership of the Property. Franchisee shall identify the Property as being independently operated, such as "Independently owned and operated by [Franchisee] through a Franchise Agreement with Choice Hotels International, Inc." or "This WoodSpring Suites Property is independently owned and operated by [Franchisee] through a Franchise Agreement with Choice Hotels International, Inc." Franchisee shall file so-called assumed name or doing business certificates with local or state authorities, as required by applicable law, showing its independent ownership of the Property. In no event shall Franchisee use the Proprietary Marks in connection with the sale of any product or service not authorized for sale by Franchisor at the Property. Franchisee shall not license, sublicense, or allow the Proprietary Marks to be used by any other person or business entity without Franchisor's prior written approval. In adopting any corporate, proprietorship, or partnership name, Franchisee shall not use the Proprietary Marks or any variation or abbreviation thereof, or any words confusingly similar thereto. Franchisee has no right to register any of the Proprietary Marks. If it becomes advisable at any time in Franchisor's sole discretion for Franchisor and/or Franchisee to modify or discontinue use of the Proprietary Marks, and/or use one or more additional or substitute trade or service Proprietary Marks, Franchisee agrees to comply therewith within a reasonable time after written notice thereof by Franchisor.

11.4 Acknowledgments. Franchisee further acknowledges and agrees as follows:

A. Franchisor possesses certain Trade Secrets, and in general, methods, techniques, formats, specifications, programs, procedures, information systems, and knowledge, in the operation and franchising of Properties and other lodging concepts.

B. All confidential information it receives from Franchisor, its affiliates, or Franchisees is confidential and proprietary information in which Franchisor has a proprietary interest. For purposes of this Agreement, "Confidential Information" may include, by way of example, but without limitation, Trade Secrets, standard plans for the Property, Brand Standards, data, know-how, processes, designs, sketches, photographs, plans, drawings, specifications, reports, financial information, customer lists, pricing information, studies, findings, inventions, and ideas. Franchisee shall at all times preserve in confidence any and all Confidential Information, and Franchisee shall disclose such information or materials only to such of its employees or agents who must have access to it in connection with their employment and the operation of the Property. Franchisee shall not at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce the materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person and may only use Confidential Information for the purpose of operating the Property.

C. Franchisee shall acquire no interest in the Trade Secrets, other than the right to utilize them in the development and operation of the Property during the Term. The use or duplication of the Trade Secrets in any other business will constitute an unfair method of competition. The Trade Secrets are proprietary and are disclosed to Franchisee in confidence and solely on the condition that Franchisee agrees, and Franchisee hereby agrees that Franchisee (i) will not use the Trade Secrets in any other business or capacity; (ii) will maintain the absolute confidentiality of the Trade Secrets during and after the Term; (iii) will not make unauthorized copies of any portions of the Trade Secrets disclosed in written form, including, without limitation, any plans, the Brand Standards, bulletins or supplements, and additions thereto; and (iv) will operate and implement all reasonable procedures prescribed by Franchisor to prevent the unauthorized use and disclosure of the Trade Secrets. Franchisee shall immediately notify Franchisor of any unauthorized use of disclosure of the Brand Standards or any of the Trade Secrets or if the Brand Standards or any other materials containing any Trade Secrets are lost or stolen.

D. The foregoing restrictions on Franchisee's disclosure and use of Trade Secrets shall not apply to information, processes, or techniques that are or become generally known and used by other similar hotels or lodging concepts, other than through disclosure (whether deliberate or inadvertent) by Franchisee, and disclosure of Trade Secrets in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided, Franchisee shall have used Franchisee's best efforts, and shall have afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed. Trade Secrets will not be considered generally known or used by Franchisor's disclosure of such information to franchisees or Affiliates operating or owning properties operated under a different Choice Mark.

11.5 Ownership. Unless the context otherwise requires, the term "Franchisee" as used in this Article 11 shall include, individually and collectively, all partners, officers, directors, and managers of Franchisee, and owners or holders, directly or indirectly (and any partners, officers, directors, and managers of any such holder), of 5% or more of the beneficial interest in Franchisee.

11.6 Confidentiality Agreements. At Franchisor's request, Franchisee shall require and obtain execution of a confidentiality agreement in a form acceptable to Franchisor, (including a confidentiality agreement applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons: (a) all officers, directors, and holders of a beneficial interest of 5% or more of the securities of (i) Franchisee and (ii) any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; (b) the general partners and any limited partners (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of such corporation or other entity which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership; and (c) the managers and members (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of any corporation or other entity which controls, directly or indirectly, any member or manager), if Franchisee is a limited liability company. Failure by Franchisee to obtain execution of the confidentiality agreement required by this Article, or to deliver such confidentiality agreement to Franchisor, shall constitute a material breach of this Agreement.

11.7 General Manager. Franchisee shall require every person employed as the general manager of the Property to devote full time to such employment and for any property manager to agree in writing to be bound by the restrictions set forth in this Article. Franchisee shall also take all reasonable steps to require other employees to be bound by the confidentiality provisions of this Article. Upon Franchisor's request, Franchisee shall promptly provide copies of all such agreements to Franchisor.

11.8 Electronic Use of Marks. All use of the Proprietary Marks in electronic commerce, which includes all forms of electronic or computer communication, must comply with the requirements set forth in the Brand Standards. Franchisor may require that various types of marketing or advertising utilize a specific template or format. Franchisee must provide Franchisor with copies of all proposed applications for registrations of any of the Proprietary Marks or any variation thereof for use in and for electronic commerce, including Franchisee's Internet or Website address and domain name. Franchisee must obtain Franchisor's prior written approval to file any such application, which Franchisor may withhold in its sole discretion. Upon expiration or termination of this Agreement, Franchisee agrees to transfer its Internet or Website addresses and domain names to Franchisor upon Franchisor's written request. Franchisee will not receive any compensation for such transfer.

11.9 Judicial Proceedings. In the event any provision of this Article is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, then Franchisee agrees that the provisions hereof may be reformed and modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Franchisee agrees that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Article and agrees to the enforcement of such remedies, but without prejudice to the right of Franchisor to recover money damages, which are in no event a full and adequate remedy for such violations.

11.10 Affiliate Systems. Franchisee acknowledges that Franchisor and its Affiliates may operate one or more Affiliate Systems. For purposes of efficiency, or for other reasons, Franchisor and its Affiliates may coordinate and operate certain support functions, coordinate program between the System and Affiliate Systems. Such coordination will not be deemed a breach of this Agreement.

Article 12 Insurance and Indemnity.

12.1 Insurance Coverage. During the Term, Franchisee shall comply with all insurance requirements of any lease, mortgage, or deed of trust covering the Property as well as all insurance requirements of Franchisor as set forth in the Brand Standards or as otherwise communicated by Franchisor. All insurance shall be procured at the earliest possible time that Franchisee has an insurable interest with respect thereto, and shall be written by insurance companies with an A.M. Best rating of AVI or greater. At a minimum, Franchisee shall maintain the following:

A. Comprehensive or commercial general liability insurance, for any claims or losses arising or resulting or pertaining to the Property or its operation, provided that, if the Property is managed by a property management company, business auto liability insurance, and worker's compensation insurance must be carried by such property management company. If the general liability coverage contains a general aggregate limit, it shall apply in the aggregate to this Property only. Such insurance shall be on an occurrence policy form and shall include premises and operations, independent contractors, blanket contractual, products and completed operations, advertising injury, employees as additional insureds, broad form property damage, personal injury, severability of interests, and explosion, collapse and underground coverage during any construction.

B. Business auto liability including owned, non-owned, and hired vehicles.

C. Umbrella excess liability insurance.

D. Insurance on the Property (including furniture, fixtures, equipment, boiler, and machinery) against such risks as Franchisor may specify, including fire, lightning, vandalism, malicious mischief, and all other risks covered by the special extended coverage endorsements, in an amount equal to full replacement value thereof.

E. If the Property is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, flood insurance in an amount not less than the maximum coverable available under the National Flood Insurance Program and excess flood coverage with reasonable limits including business interruption coverage in an amount not less than that set forth in paragraph H below.

F. If the Property is located in an "earthquake prone zone" as determined by the U.S. Geological Survey, insurance in an amount not less than the probable maximum loss less any applicable deductibles, including business interruption coverage in an amount not less than set forth in Paragraph H below.

G. For properties under construction, a Builder's risk property insurance of not less than the full contract price.

H. Business interruption insurance covering loss of profits and necessary continuing expenses, including coverage for payments of royalty fees and contributions to the Marketing Fund, for a minimum of three (3) months in the event of an interruption in Franchisee's business operations, as well as the cost of conducting a pre-opening review before reopening of the business in the event of closure for repairs or rebuild.

I. Employee dishonesty coverage on all Property employees.

J. Statutory Worker's Compensation insurance as required by applicable law, employer's liability insurance, and such other insurance with minimum limits as set forth in the Brand Standards.

K. During construction at the Property (including the initial construction of the Property), Franchisee shall cause the general contractor to maintain, with an insurer carrying an A.M. Best rating of AVIII or greater, the following insurance:

(1) Comprehensive or commercial general liability insurance, for any claims or losses arising or resulting or pertaining to the Property or its operation. If the general liability coverage contains a general aggregate limit, it shall apply in the aggregate to this Property only. Such insurance shall be on an occurrence policy form and shall include premises and operations, independent contractors, blanket contractual, products and completed operations, advertising injury, employees as additional insureds, broad form property damage, personal injury, incidental medical malpractice, severability of interests, and explosion, collapse and underground coverage during any construction.

(2) Workers' compensation as required by applicable law, employer's liability insurance, and such other insurance as may be required by law.

(3) Umbrella excess liability insurance.

(4) Business auto liability insurance including owned, non-owned and hired vehicles.

L. Pollution Legal Liability insurance covering bodily injury, property damage, cleanup costs and defense costs arising from, or associated with, a pollution condition at a covered location. In addition, Employment Practices Liability insurance, including coverage for third-party violation claims and prior acts.

12.2 Policy Requirements. All policies of insurance (a) shall be written on a fully insured basis with no deductibles in excess of $50,000 nor any self-insured retentions, (b) shall name Franchisor and its affiliates and subsidiaries, Franchisor's and their respective officers directors, agents, partners and employees as additional insureds, except with respect to workers compensation insurance and other employee liability insurance, (c) shall be specifically endorsed to provide that the coverages will be primary and that any insurance carried by any additional insured, including the Indemnitees, shall be excess and non-contributory, (d) shall contain a waiver of any rights of subrogation against the Indemnitees, and (e) shall contain a severability of interest provision in favor of the Indemnitees. At all times during the Term, Franchisee will furnish to Franchisor certificates of insurance evidencing the term and limits of coverage in force, names of applicable insurers, and persons insured, and a statement that coverage may not be canceled, or permitted to lapse or expire without 30 days' advance written notice to Franchisor. Revised certificates of insurance shall be forwarded to Franchisor each time a change in coverage or insurance carrier is made by Franchisee and/or upon renewal of expired coverages. At Franchisor's option, Franchisee may be required to provide certified insurance policy copies. Franchisor may increase the minimum protection or coverage requirements of any policy required under this Article 12, and may require different or additional kinds of insurance at any time to reflect inflation, identification of special risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Franchisee acknowledges and understands that Franchisor makes no representation or warranty with respect to the adequacy or sufficiency of the insurance required under this Article, and that Franchisee shall have the sole responsibility to determine whether additional insurance or higher limits are appropriate.

12.3 Franchisor Procurement. If Franchisee does not obtain and maintain the insurance coverage required by this Agreement, as revised by the Brand Standards or otherwise in writing, Franchisor may, but shall not be obligated to, procure such insurance, and the cost or expense thereof, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon demand.

12.4 Indemnification. Franchisee shall indemnify, hold harmless, and promptly reimburse the Indemnitees for, from and against any and all fines, damages, legal fees, costs, expenses, and other liabilities suffered or incurred by the Indemnitees by reason of any actual or threatened claim, demand, lawsuit, tax, penalty, investigation, or other proceeding (even where Indemnitee's negligence or other wrongful conduct is alleged) arising directly or indirectly from, as a result of, or in connection with (a) any application submitted to Franchisor, (b) the development, construction, operation, condition, use, occupancy, or sale of the Property, (c) any occurrence at or on the Property premises, (d) any environmental matters of any kind pertaining to the Property, (e) any breach of any terms and provisions of this Agreement by Franchisee, (f) any offering of securities, units, or other ownership interests of Franchisee, including, without limitation, the violation of any federal and/or state securities laws, (g) any allegation that the Franchisor is liable under federal or state employment or labor laws as the employer of Franchisee's employees, and (h) any breach by Franchisee of data privacy laws. Upon Franchisor's request, Franchisee shall defend Indemnitees against all such matters. In any event, Franchisor shall have the right, through counsel of its choice, to control any matter to the extent Franchisor reasonably determines that such matter may have a significantly adverse effect on Indemnitees. Franchisee shall also indemnify and promptly reimburse Franchisor for all expenses reasonably incurred by Franchisor to protect itself from, or to remedy, any breach of this Agreement by Franchisee. Franchisee's indemnity obligations under this Agreement shall survive the expiration or other termination of this Agreement and shall be in addition to all other rights and remedies of Franchisor. Franchisee's obligations to indemnify Franchisor under this Article shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of its obligation to maintain insurance relieve Franchisee of liability under this indemnity provision or be construed to be a limitation on the amount of Franchisee's indemnity obligations. The right of the Indemnitees to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on the Indemnitees by statute, ordinance, regulation, or other law.

12.5 Notice of Claim. Franchisee shall notify Franchisor in writing within 5 days of receipt of notice or knowledge of any claim, dispute, loss, or damage in the amount of $25,000 or more, real or alleged, arising from Franchisee's activities in, at, or around the Property, whether or not such claim names Franchisor. A quarterly notice will be provided by Franchisee to Franchisor regarding any claim, dispute, loss, or damage. Franchisee has no authority to, and shall not, accept any service of process on behalf of Franchisor, any of its affiliated companies, or the Indemnitees.

12.6 Data Security. Franchisee acknowledges and agrees that Franchisor and Franchisee each own the rights in and to any data captured by the Property Management System or Reservation System ("Guest Data") and that Franchisor may use Guest Data in any reasonable manner that it determines, subject to compliance with applicable laws, including data privacy laws. Franchisee also acknowledges and agrees that it is obligated to comply with all information security and data privacy standards and requirements contained in the Brand Standards and all applicable federal and state laws, regulations, and standards relating to information security and data privacy, including, without limitation, the Payment Card Industry Data Security Standard ("PCI DSS"). Franchisee must secure all Guest Data against loss or theft and against unauthorized or unintended access, disclosure, copying, use or modification. Franchisee agrees to notify Franchisor in writing as soon as practicable (and at least within 24 hours) of any known, suspected, or alleged security breach of Guest Data in Franchisee's possession or custody or under its control. Franchisee also acknowledges and agrees that it is obligated to indemnify Franchisor from and against any claim resulting from any such data security breach by Franchisee or its employees or agents pursuant to Article 12.4 of this Agreement. Without limiting the foregoing, to the extent Franchisor possesses or otherwise provides services that allow for the storage, processing, or transmittal of Guest Data as defined by the PCI DSS ("Services"), or to the extent Franchisor could impact the security of the Guest Data environment, Franchisor will remain in compliance with the applicable PCI DSS requirements with respect to those Services. Franchisor 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 Franchisor's sole cost and expense.

Article 13 Transfer of Interest or Management.

13.1 Franchisor's Assignment. Franchisor may sell or assign all or part of Franchisor's 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.

13.2 Franchisee's Assignment. Franchisee's rights and duties under this Agreement are personal to Franchisee. Franchisor entered into this Agreement and granted the rights outlined in this Agreement to Franchisee in reliance on the business skill, financial capacity and personal character of Franchisee and its principal owners. Franchisee may not sell, assign, transfer, lease, or otherwise encumber any direct or indirect interest that Franchisee has in the Property, in Franchisee, or in any rights or obligations under this Agreement without giving Franchisor at least 15 days prior written notice and obtaining Franchisor's prior written consent, which will not be unreasonably withheld or delayed. Furthermore, if a Controlling Interest (as defined in Article 13.4) of the originally approved ownership of the Property is being transferred or if Franchisee is conveying the Property or 50% or more of the undivided interest in the Property, Franchisee and the transferee must comply with all reasonable conditions Franchisor requires before Franchisor will approve of such transfer, including, but not limited to, (i) the transferee signing Franchisor's then-current form of the franchise agreement for hotels that are authorized to use the Proprietary Marks, (ii) the transferee signing a property improvement plan or other writing that Franchisor prepares to document the transferee's obligations to complete required renovations as determined by Franchisor, (iii) all of transferee's owners signing Franchisor's then-current form of personal guaranty agreement; and (iv) payment of a re-licensing fee equal to the then-current affiliation fee Franchisor charges for new franchisees authorized to use the Proprietary Marks. Franchisor reserves the right to withhold its consent to any transfer if the Property fails to comply with Franchisor's then-current brand image and standards or the transferee fails to demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial or business standards, possesses a good moral character, business reputation or credit rating, has the experience, aptitude and ability to operate the Property, or has adequate financial resources and capital to operate the Property. So long as Franchisee promptly provides Franchisor with written notice, Franchisor's consent is not required for the following: (1) a mortgage, deed of trust or other encumbrance, pledge or other grant of security interest in any direct or indirect interests in Franchisee or the Property to a third party lender or third party preferred equity provider; or (2) the sale, assignment or transfer by Franchisee of securities in a publicly-traded corporation or entity that individually, or in the aggregate with other sales or transfers by Franchisee, constitute the sale or transfer of less than 5% of the outstanding capital stock or other equity interests in Franchisee or the Property. If Franchisee assigns or transfers the Property or any rights granted to Franchisee or Franchisee's obligations under this Agreement without Franchisor's written consent, Franchisee breaches this Agreement and Franchisor may terminate this Agreement pursuant to Article 14.1C.

13.3 Transfer due to Death or Mental Incompetence; Transfer to Close Family Member. If Franchisee, or any natural person with an ownership interest in Franchisee, dies or becomes mentally incompetent, the executor, administrator, or personal representative of that person must transfer that person's ownership interest in Franchisee or the Property (within 12 months after death or determination of mental incompetence) to one or more of the remaining persons in Franchisee’s entity (if applicable) or to heirs of the deceased person that Franchisor approves. If Franchisee wishes to transfer its ownership interest in the Property to a Close Family Member, that Close Family Member must demonstrate to Franchisor that he or she has both the financial ability and experience necessary to operate the Property as required by Article 13.2 before Franchisor will approve a transfer. For purposes of this Agreement, “Close Family Member” shall mean Franchisee’s adult spouse, parent, child, sibling, grandchild, or grandparent. No additional fees will be payable for any transfers of an ownership interest in the Property due to death or determination of mental incompetence. However, if Franchisee wishes to transfer its ownership interest in the Property to a Close Family Member, an application fee (not to exceed $7,500) will be due to Franchisor, which will be fully refundable if Franchisor does not approve the transfer. Franchisor’s approval(s) under this Article 13.3 will not be unreasonably withheld or delayed.

13.4 Controlling Interest. For purposes of this Agreement, “Controlling Interest” includes Franchisee’s interest if Franchisee is an individual and Franchisee owns 50% or more ownership interest in the Property, 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 Property.

13.5 No Waiver. Franchisor’s consent to an Assignment by Franchisee of any interest in the license granted herein shall not constitute a waiver of any claims it may have against the assigning party, nor shall it be deemed a waiver of Franchisor’s right to demand exact compliance with any of the terms of this Agreement by the assignee.

13.6 Right of First Refusal. Notwithstanding any other section of this Agreement, Franchisee acknowledges and agrees that if at any time during the Term Franchisee receives a good faith offer for the purchase, assignment, transfer, lease of the Hotel or a Controlling Interest in the Hotel by a third party that is acceptable to Franchisee, Franchisee will, prior to the acceptance of this offer, give Franchisor written notice of this offer (including a copy of the offer containing the terms of the offer and the name(s) and address of the proposed purchaser, assignee, transferee or lessee), and Franchisee agrees that Franchisor will have the option and right of first refusal for 90 days after Franchisor receives this notice from Franchisee, to elect to purchase (or lease) the Hotel or Franchisee’s Controlling Interest therein, as the case may be, on the same terms as the offer made to Franchisee by the third party. If Franchisor elects to purchase or lease the Hotel or a Controlling Interest therein according to its option and its right of first refusal, Franchisor will give Franchisee notice of its decision within the 90 day period. Franchisee acknowledges and agrees that if Franchisor decides not to exercise its option under its right of first refusal, this decision will not affect any of its other rights under this Agreement. Franchisor’s rights under this Section 9(d) survive early termination of this Agreement for any reason and will apply to any purchase, assignment, transfer, lease of the Hotel or Franchisee’s Controlling Interest in the Hotel that occurs within six months after such early termination.

Article 14 Default and Termination.

14.1 Franchisor’s Right to Terminate. This Agreement may not be terminated prior to the expiration of the Term except as provided in this Article. Termination of this Agreement shall not relieve Franchisee of any unfulfilled obligations to Franchisor created hereunder unless it is so agreed by Franchisor in writing. This Agreement may be terminated as follows:

A. By Franchisor in the case of a condemnation of a substantial portion of the Property in accordance with Article 7.17 of this Agreement.

B. Upon the mutual agreement of the parties in writing to a termination.

C. At Franchisor's option, effective immediately upon the giving of written notice to Franchisee, if Franchisee (i) ceases to operate the Property or otherwise abandons the business, or forfeits the legal right to do business in the jurisdiction where the Property is located; (ii) is convicted of a felony or other crime involving moral turpitude, consumer fraud, or crime or offense Franchisor believes is likely to have an adverse effect on Franchisee's ability to carry out the duties imposed by this Agreement or to have an adverse effect on the System and the goodwill associated therewith; (iii) transfers (including transfers following death or Incapacity) of any rights or obligations in violation of the terms of Article 13 of this Agreement; (iv) misuses or discloses confidential information in violation of Article 11 of this Agreement; (v) knowingly makes any false statements in any report or document submitted to Franchisor; (vi) submits more than 2 written statements of Gross Room Revenue which under-report Gross Room Revenue for any reporting period by 5% or more; (vii) suffers a final judgment to remain unsatisfied or of record for 30 days or longer (unless supersede as bond is filed), or has execution levied against Franchisee's business or property, or any suit is filed to foreclose any lien or mortgage against the premises or equipment and not dismissed within 30 days; (viii) becomes insolvent or has a receiver appointed to take possession of Franchisee's business or property or any part thereof or makes a general assignment for benefit of creditors; (ix) engages in public conduct that reflects materially and unfavorably upon the operation of the System, the reputation of the System, or the goodwill associated with the Proprietary Marks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination; (x) is in default under any other Franchise Agreement or other agreement with Franchisor or any of its Affiliates which is not curable, or, if such default is curable, has not cured such default within the applicable cure period; or (xi) any Affiliate defaults under any Franchise Agreement or other agreement with Franchisor or any of its Affiliates which is not curable, or if such default is curable, has not cured such default within the applicable cure period.

D. At Franchisor's option, without notice, in the event Franchisee shall become bankrupt or become subject to a proceeding under any chapter of the United States Bankruptcy Code, unless Franchisee shall: (i) timely undertake to reaffirm the obligations under the Agreement, (ii) timely comply with all conditions as legally may be imposed by Franchisor upon such an undertaking to reaffirm the Agreement, and (iii) timely comply with such other conditions and provide such assurance as may be legally required in or under relevant provisions of the United States Bankruptcy Code; provided, however, that the parties acknowledge that this Agreement constitutes a personal services contract made in reliance on the qualifications and personal characteristics of Franchisee and its directors, officers, managers, shareholders, members, or partners, as the case may be, and in the expectation of a material degree of personal involvement in the management and operation of the Franchised Business, and consequently, the parties agree that any attempt by any other party, including a trustee in bankruptcy or any other third party, to assume or accept a transfer or assignment of this Agreement shall be void, and that in no event shall this Agreement or any rights or duties of Franchisee hereunder, be transferred to any individual or entity who does not comply with all requirements for transfer specified in this Agreement.

E. At the election of Franchisor, effective upon the expiration of 30 days after giving of written notice (10 days in the case of non-payment of any Payment or other financial obligation), in the event Franchisee defaults, and does not cure to Franchisor's reasonable satisfaction within the 30 day (or 10 day) notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to submit a site application, commence construction of the Property, complete construction of the Property, or open the licensed Property and commence operations within the time schedule established under Article 5 of this Agreement, the obligation to pay when due any financial obligation to Franchisor, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures prescribed for the Franchised Business in this Agreement, the Brand Standards, or otherwise; provided, however, that Franchisee shall be entitled to notice and opportunity to cure any such default only once in any 6-month period, and any subsequent occurrence of the same or substantially similar default within such 6-month period shall entitle Franchisor, at its option, to terminate this Agreement effective immediately upon the giving of notice and without opportunity to cure.

14.2 No Waiver or Estoppel. No forbearance of Franchisor from asserting any default or giving any permitted notice of termination shall constitute a waiver of such default or right to terminate or an estoppel against such right as to any continuing default or subsequent occurrence of a default, whether similar or dissimilar in nature to the prior default. The rights of Franchisor to terminate this Agreement are in addition to, and not in lieu of, other remedies available at law or equity for defaults by Franchisee in the payment and performance of its obligations hereunder.

14.3 Suspension from Brand Channels. If Franchisee's default is such that, in Franchisor's sole judgment, the Franchised Business does not fairly represent the quality and standards of the System, Franchisor may, temporarily in lieu of termination, remove the Franchised Business from marketing and registration channels and other "Brand Channels" generally available to all WoodSpring Suites Properties such as reservation websites, reservation telephone numbers, national accounts marketing and other such channels then in use. Franchisor may also require Franchisee to hire a property management company or change property management companies. Because fees charged by Franchisor for access to such marketing and registration channels are generally set to cover the cost of the channels and charged on a pro rata basis, Franchisee shall continue to pay such fees, so that Franchisee's default does not negatively impact other Franchisor Franchisees. Franchisor's removal of the Franchised Business from Brand Channels, or requirement to change/hire property management company, will not constitute a waiver of Franchisor's right to terminate this Agreement due to the underlying default.

Article 15 Obligations Upon Termination.

15.1 Post-Termination Obligations. Upon expiration or termination of this Agreement for any reason:

A. All rights granted hereunder to Franchisee shall terminate.

B. Franchisee shall immediately and permanently cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a Franchisee of Franchisor except if Franchisee operates other Franchised Businesses than the one terminated.

C. Franchisee shall immediately and permanently discontinue the use of all Proprietary Marks, all similar names and marks, or any other designation or mark indicating or tending to indicate that Franchisee is or was a Franchisee of Franchisor. Franchisee shall promptly amend or terminate any filings or registrations with any governmental authorities containing or pertaining to the use of Franchisor's name and Proprietary Marks. Franchisee shall not promote or advertise the fact that it was formerly a Franchisee of Franchisor.

D. Franchisee shall surrender and transfer to Franchisor or its designee any and all rights to use the telephone numbers and other business listings used by Franchisee for the Franchised Business. Franchisee agrees to cooperate and execute any and all documents required to affect transfer of the telephone numbers and other business listings from Franchisee to Franchisor or its designee.

E. Franchisee shall immediately turn over to Franchisor all materials, including, without limitation, the Brand Standards (in whatever form Franchisee may have) and all other Brand Standards, all customer and supplier lists, marketing materials, instructions, any Website references and brochures, and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, custody, or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of the foregoing, excepting only Franchisee's copy of this Agreement and of any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law.

F. Franchisee shall immediately and permanently discontinue all advertising as a Franchisee of Franchisor, including but not limited to removal of all signs and other identifying marks and colors, and shall destroy or surrender to Franchisor any letterheads, forms, printed matter, and advertising containing Franchisor's Proprietary Marks and any similar or related names marks or designations tending to indicate that Franchisee is or was an authorized Franchisee of Franchisor.

G. Franchisee shall, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the Property so clearly from its former appearance and from other System Properties as to prevent any possibility of confusion therewith by the public, and to prevent the operation of any business at the location of the Property by Franchisee or others in derogation of this Article (including, without limitation, removal of all distinctive physical identifying Property in the System including, without limitation, removal of all signs and emblems, and changing of telephone numbers and other directory listings). Franchisee shall, at Franchisee's expense, immediately make such specific additional changes as Franchisor may reasonably request for this purpose. Franchisee agrees that for 90 days following termination or expiration, Franchisor or its designated agents may enter the Property and adjacent areas, and hereby grants Franchisor an irrevocable license and permit to go upon the Property premises for such purposes, at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others. Franchisee acknowledges that such actions by Franchisor are authorized and permitted and shall not be deemed a violation of any civil or criminal law or any basis for an action under such laws by Franchisee or others. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to Franchisor, and consents to entry, at Franchisee's expense, of an ex parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order.

H. Franchisee shall immediately and permanently cease using Franchisor's System, including, but not limited to the Brand Standards, any other operating or training manuals or aids, intranet, advertising and promotional materials, and all confidential material delivered to Franchisee pursuant to this Agreement.

15.2 Payment of Fees. Franchisee shall within 10 days from termination or expiration pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include payment of all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property (including, without limitation, signage, equipment, furnishings, furniture, and supplies) owned and used by Franchisee in connection with the Property at the time of default.

15.3 Costs of Enforcement. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

15.4 Liquidated Damages. The parties recognize the difficulty of ascertaining damages to Franchisor resulting from premature termination of this Agreement and have provided for Liquidated Damages, which Liquidated Damages represent the parties' best estimate as to the damages arising from the circumstances in which they are provided and which are the only damages for the premature termination of this Agreement and not as a penalty or as damages for breaching this Agreement or in lieu of any other payment. Accordingly, if this Agreement is terminated pursuant to Articles 14.1C, 14.1D, or 14.1E, or by Franchisee without cause, Franchisee shall pay to Franchisor within 30 days of termination a lump sum payment (as liquidated damages and not as a penalty or in lieu of any other payments required under this Agreement) as follows:

A. If the Agreement is terminated prior to Opening, an amount equal to the product of (i) the number of contractually approved Sleeping Rooms, multiplied by (ii) $70.00, multiplied by (iii) 36 months; or

B. If the Agreement is terminated after Opening, an amount equal to the product of (i) the average monthly Gross Room Revenue during the prior 12 full calendar months (or such shorter time that the Property has been open), multiplied by (ii) the maximum Royalty Fee payable under Article 4.1B, multiplied by (iii) the number of months (including partial months, which will be prorated) between the date of termination and the end of the Term (not to exceed 60 months). However, the product of (i) multiplied by (ii) will not be less than the product of $70.00 multiplied by the number of contractually approved Sleeping Rooms.

15.5 Preservation of Records. Termination of this Agreement shall not relieve Franchisee of the obligations under Article 10 hereof to maintain and preserve financial and other records and to make them available for inspection and audit by Franchisor.

15.6 Survival of Terms. All covenants, obligations, and agreements of Franchisee which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of the Term, shall survive such termination or expiration.

15.7 Other Franchisee Properties. To the extent Franchisee is a franchisee of other Properties under other franchise agreements with Franchisor, which agreements are not terminated at the time of termination or expiration of this Agreement, the obligations of this Article 15 only apply to the Property subject to this Agreement.

Article 16 Additional Covenants.

16.1 Independent Investigation. Franchisee agrees and acknowledges that, prior to executing this Agreement, Franchisee has made such independent investigation of Franchisor and the System as Franchisee deems necessary, that Franchisee understands that the results of operations of the licensed Property are dependent upon the efforts and management of Franchisee, and Franchisee hereby assumes full responsibility for such operations.

16.2 No Fiduciary Relationship. It is understood and agreed by all parties hereto that this Agreement does not create a fiduciary relationship between them; that Franchisee shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name or on Franchisor's behalf, and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Franchised Business, or any claim or judgment arising therefrom against Franchisor. Franchisee agrees that Franchisor is not in a position to, and does not undertake to, exercise control over the employment, supervision, or discharge of Property employees and has no right to do so, other than to the extent of controlling the quality of the System/brand and the quality of the products and services that Franchisee offers; Property maintenance; guest safety and health; or other matters arising out of or affecting Property operations, which are within the responsibility of Franchisee as a qualified independent business operator. This includes, but is not limited to, hiring and firing employees, supervising and controlling employees' work schedules and conditions of employment, determining employees' rate and method of payment, and maintaining employees' employment records. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Franchisor. Franchisee agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the premises of the Franchised Business, and, as directed by Franchisor, in Franchisee's advertising and on Franchisee's agreements, forms, stationery, and promotional materials.

16.3 Payments. All payments to Franchisor hereunder shall be made payable to Choice Hotels International, Inc. and, except as provided in the next sentence, shall be tendered to Franchisor in person at the address set forth in Article 18 below, or by making such Payment by mail, postage prepaid, or via overnight courier to that address. At Franchisor's option, Franchisee shall make payments to Franchisor hereunder by wire transfer or electronic funds transfer to an account or accounts specified by Franchisor. All Payments received by Franchisor from Franchisee shall be applied in Franchisor's discretion to any outstanding obligation, regardless of any contrary designation by Franchisee. Franchisee agrees that Franchisee will not, on grounds of the alleged non-performance by Franchisor of any of its obligations hereunder, withhold payment of any royalties, marketing and advertising contributions, amounts due to Franchisor for purchases by Franchisee, or any other amounts due Franchisor.

16.4 Child Protection Code of Conduct. Franchisor is a member of ECPAT-USA's Tourism Child-Protection Code of Conduct (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. Franchisee agrees to support the principles of The Code and to take all reasonable steps at the Property, including the training of staff, to recognize and prevent all forms of human trafficking.

Article 17 Approvals and Waivers.

17.1 Requests for Approval. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent shall be obtained in writing. Except as otherwise expressly provided herein, Franchisor may withhold any consent or approval herein at its discretion. Franchisor shall have no liability for withholding any consent or approval or for any delay or inaction in connection therewith, and the granting of any approval or consent shall not imply or constitute any representation, warranty, guaranty, or endorsement of the matter approved or consented to or an assumption of any liability in connection therewith.

17.2 No Waiver. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee, or any other Franchisee, of any of the terms, provisions, covenants, or conditions hereof shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any obligations due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

Article 18 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 Franchisor at **Choice Hotels International, Inc., 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, Attention: General Counsel**, or at such other address Franchisor requires upon written notice to Franchisee, and to Franchisee at the Designated Representative's address set forth in **Recital E** of this Agreement. Franchisee authorizes the Designated Representative to submit written notices to Franchisor or receive Franchisor's written notices to Franchisee as its 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. Franchisee may change the Designated Representative and/or the Designated Representative's address by written notice to Franchisor.

Article 19 Dispute Resolution.

19.1 Arbitration. 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 Franchisor 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 Franchisee or Franchisor to produce documents, witnesses, or information at a time other than at a hearing on the claim without Franchisor's 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 Franchisee's 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 Franchisor's 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 Article 19 will be construed as requiring Franchisee or Franchisor to make a claim in arbitration before exercising any rights Franchisee or Franchisor may have to give notice of default or termination in accordance with the terms of this Agreement or any related agreements.

19.2 Injunctive Relief. Notwithstanding anything to the contrary contained in this Article, Franchisee and Franchisor each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. Franchisee acknowledges that a proper case to obtain temporary restraining orders and temporary or permanent injunctive relief from a court of competent jurisdiction shall include, but not be limited to, the following:

A. Any Dispute involving actual or threatened disclosure or misuse of the contents of the Brand Standards or any other confidential information or Trade Secrets of Franchisor;

B. Any Dispute involving the ownership, validity, use of, or right to use or license the Proprietary Marks;

C. Any action by Franchisor to enforce the covenants set forth in Article 11 and Article 13 of this Agreement; and

D. Any action by Franchisor to stop or prevent any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Property. The provisions of this Article are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

19.3 **MUTUAL WAIVER OF JURY TRIAL. THE PARTIES AGREE THAT ALL DISPUTES ADMITTED TO THE COURT PURSUANT TO THIS PROVISION SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.**

19.4 **MUTUAL WAIVER OF PUNITIVE DAMAGES. NO PUNITIVE OR EXEMPLARY DAMAGES SHALL BE AWARDED AGAINST EITHER FRANCHISOR OR FRANCHISEE OR ANY AFFILIATES OF EITHER OF THEM, IN ANY PROCEEDING, AND ALL CLAIMS TO SUCH DAMAGES ARE HEREBY WAIVED.**

19.5 **MUTUAL WAIVER OF CLASS ACTIONS. NEITHER FRANCHISEE NOR FRANCHISOR 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 FRANCHISOR AND FRANCHISEE AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, FRANCHISOR OR FRANCHISEE, UNLESS BOTH FRANCHISOR AND FRANCHISEE CONSENT IN WRITING. FRANCHISOR HAS THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. FRANCHISEE AGREES AND ACKNOWLEDGES THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE OR ANY AFFILIATE OF FRANCHISOR'S WILL BE CONSIDERED UNIQUE ON ITS FACTS AND MAY NOT BE BROUGHT AS A CLASS OR GROUP ACTION.**

19.6 Franchisor's Business Judgment. The parties hereto recognize, and any arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) certain actions in the exercise of its discretion based on its assessment of the overall best interest of the network and/or license program. Where such discretion has been exercised, and is supported by the business judgment of Franchisor, neither an arbitrator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

19.7 Legal Fees. Legal fees must be paid according to the terms of this Section 19.7 and also, as may be applicable, Section 12.4 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 Franchisee or Franchisor 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 this Section 19.7, that provision will control. Attorneys' fees, including those payable to any attorney who is an employee of Franchisee or Franchisor, 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 Franchisor to enforce its rights under Article 4, Article 15, or Section 19 of this Agreement will bear interest at the rate referred to in Section 4.2 until paid.

Article 20 Entire Agreement/Amendment.

Franchisor and Franchisee each acknowledge and warrant to each other that they wish to have all terms of their business relationship defined in this written Agreement. Neither Franchisor nor Franchisee wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree that this Agreement, together with any other documents or agreement executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as presentations, inducements, promises, agreements, or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on his or her behalf, which might be taken to constitute agreements, representations, inducements, promises, or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and Franchisor and Franchisee each agree that they have placed, and will place, no reliance on any such discussions; provided, however, that nothing in this Agreement or any related document is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights, and obligations of the parties with respect to any aspect of the relationship between the parties. No future license rights or offer of license rights have been promised to Franchisee and no such license rights or offer of license rights shall come into existence, except by means of a separate writing, executed by an officer of Franchisor or such other entity granting the Franchise Agreement and specifically identified as a modification of this Agreement. No change, modification amendment or waiver of any of the provisions hereof, including by custom or usage of trade or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto, and signed by the party to be charged.

Article 21 Construction and Modification.

21.1 Governing Law. This Agreement is governed by and shall be interpreted and construed in accordance with the substantive laws of the State of Maryland, without giving effect to its conflicts of law provisions, except that nothing herein shall be construed to establish independently Franchisee's right to pursue claims under Maryland's Franchisee Registration and Disclosure Law.

21.2 Severability. Should any one or more parts of this Agreement be declared invalid for any reason by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portions of the Agreement, which shall remain in full force and effect as if the Agreement had been executed without such invalid parts, except to the extent the absence of the provisions invalidated would frustrate or make it impossible to achieve the purposes for which the Agreement was made. Should the requirements of any applicable law or regulation change or modify the terms of this Agreement or conflict with its provisions, such change or modification shall not be applicable to this Agreement unless such change is lawfully mandated by the authority making the same, in which case only the provisions affected by such law or regulation shall be affected, and the Agreement shall otherwise remain in full force and effect, as modified to be consistent with such law or regulation.

21.3 No Third Party Beneficiaries. This Agreement is made solely for the benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein shall create any right to rely upon the terms hereof in favor of any third party nor confer any right or remedy upon any third party.

21.4 Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provisions hereof.

21.5 References. All terms and words used in this Agreement, regardless of numbers and genders in which they are used, shall be deemed to include singular or plural and all genders as the context or sense of this Agreement or any paragraph or clause herein may require.

21.6 Joint and Several. All acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

21.7 Time of the Essence. Time is of the essence of this Agreement and all provisions hereof shall be so interpreted. Any provision of this Agreement which imposes an obligation after termination or expiration of this Agreement shall survive such termination or expiration.

21.8 Cumulative Rights. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

Article 22 Execution of Agreement.

22.1 Counterparts. This Agreement may be executed in counterparts, which together shall constitute one agreement of the parties.

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

22.3 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.

22.4 Franchise Disclosure. By signing this Agreement, Franchisee acknowledges that it has received a complete copy of this Agreement, with any attachments, schedules, and exhibits referred to herein attached, at least 7 calendar days prior to the date on which this Agreement was executed, and further acknowledges that it has received Franchisor's franchise disclosure document at least 14 calendar days prior to the date on which this Agreement was executed or any money paid, or by such earlier date as may be required by state law. Franchisee further acknowledges that no agent or employee of Franchisor is authorized to make any representation or warranty inconsistent with or in addition to the terms of this Agreement. By signing this Agreement, Franchisee represents and warrants to Franchisor that no such representation or warranty, including specifically any representation as to the potential success or profitability of the Franchised Business, has been made or relied upon.

[Remainder of page intentionally left blank. Signature page follows]

Franchisor and Franchisee agree to be bound by the terms and conditions of this Agreement, including all Attachments, by setting the hands and seals of their 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 – Ownership Breakdown for Individuals

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

Name of Individual Property Owner *Percentage owned*

______________________________ ___________%
(type or print)

______________________________ ___________%
(type or print)

______________________________ ___________%
(type or print)

______________________________ ___________%
(type or print)

______________________________ ___________%
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(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, Franchisee certifies 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)

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(type or print)

______________________________ ____________%
(type or print)

______________________________ ____________%
(type or print)

INITIAL HERE _____

ATTACHMENT A

PROPERTY IMPROVEMENT PLAN

[For existing hotels converting to use the Brand Mark]

ATTACHMENT B

RIDER TO THE FRANCHISE AGREEMENT

[Other Modifications to the Franchise Agreement]

ATTACHMENT C

PERSONAL GUARANTY

GUARANTY

This Guaranty ("Guaranty") is made as of ___________________, by **(name of guarantors)** ("each, individually a Guarantor"), in favor of and for the benefit of Choice Hotels International, Inc., a Delaware corporation ("Choice"). In consideration of and as an inducement to Choice to execute a Franchise Agreement by and between Choice and **«LIC_BLOCK»** ("Franchisee"), Guarantor agrees as follows:

1. Guarantor unconditionally warrants to Choice and its successor and assigns that all of Franchisee's representations and warranties in (a) any application submitted by Franchisee to Choice; and (b) the Franchise Agreement are true, accurate and complete as of the time made as of the date of this Guaranty.

2. Guarantor personally and unconditionally guarantees that all of Franchisee's obligations under the Franchise Agreement, as amended, and all related agreements will be punctually paid and performed.

3. Guarantor agrees that the obligations of Guarantor under this Guaranty shall not be reduced, limited, terminated, discharged, impaired or otherwise affected by: (a) the occurrence or continuance of a default under the Franchise Agreement or any related agreement; (b) any assignment of the Franchise Agreement; (c) any modification or amendment of, or waiver or consent or other action taken with respect to the Franchise Agreement or any related agreement; (d) the voluntary or involuntary liquidation, sale or other disposition of Franchisee's assets, or the receivership, insolvency, bankruptcy, reorganization or similar proceedings affecting Franchisee or its assets or the release or discharge of Franchisee from any of its obligations under the Franchise Agreement; or (e) any change of circumstances, whether or not foreseeable, and whether or not any such change does or might vary the risk of Guarantor hereunder. Any failure by Choice to exercise any power or right or to insist upon Guarantor's compliance with any term under this Guaranty shall not constitute a waiver of Choice's right to demand full compliance with any term of this Guaranty.

4. Guarantor unconditionally and irrevocably waives notice of acceptance of this Guaranty, presentment, demand, diligence, protest and notice of dishonor or of any other kind to which Guarantor otherwise might be entitled under applicable law.

5. Guarantor agrees to promptly pay all sums owed to Choice and its subsidiaries or affiliates, and all damages, costs, and expenses, including reasonable attorneys' fees, that Choice or its subsidiaries or affiliates incur as a result of any default under this Guaranty, the Franchise Agreement, or any related Agreement, including all outstanding fees, any liquidated damages due under the Franchise Agreement, and any costs and expenses that Choice or its subsidiaries or affiliates incur to obtain injunctive relief for the enforcement of any portion of this Guaranty, the Franchise Agreement, or any related Agreement.

6. If more than one person or entity has signed this Guaranty as a Guarantor, the liability of each such Guarantor shall be joint, several and primary. Each Guarantor shall be bound by his/her/its/their signature block below, and such Guarantor's obligations hereunder are not contingent on any other Guarantor being bound hereby.

7. All notices required or permitted under this Guaranty must be in writing, must be personally delivered or mailed by registered or certified mail, return receipt requested, or by a nationally recognized courier service, to Choice at **Choice Hotels International, Inc., 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, Attention: General Counsel**, and to Guarantor at the address set forth

below. Any notice by registered or certified mail or by courier service is deemed given and received at the date and time of sending. Guarantor may change its address only by written notice to Choice, and Choice may change its 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 Choice's claims for indemnification or actions seeking to enjoin Guarantor from using any of Choice's 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 Guarantor or Choice to produce documents, witnesses, or information at a time other than at a hearing on the claim without the parties' 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 Guarantor or Choice to make a claim in arbitration before exercising any rights Choice or Guarantor may have to give notice of default or termination in accordance with the terms of this Guaranty.

IN WITNESS WHEREOF, the undersigned have set his/her/its/their hands and seals on the date noted above.

Add all Guarantors (entities & people individually),
Individually, Jointly and Severally

(name of entity)

By: ____________________________L.S.
Name:
Title:

Social Security No. ____________________

Date: ________________________

Address: _____________________________

____

, Individually

_______________________________L.S.

Social Security No. ___________________

Date: ________________________

Address: ____________________________

____

<u>ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT</u>

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 19 and 21.1 of the Agreement 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 19.3 (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.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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 21.1 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.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

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

ADDENDUM TO THE FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA

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

1. The North Dakota Franchise Law prohibits a franchisor from requiring a franchisee to consent to liquidated damages and termination penalties. If the Agreement contains a provision that is inconsistent with the North Dakota Franchise Law, the provisions of the Agreement will be superseded by the North Dakota Franchise Law's requirements and Franchisee will not be deemed to have consented to the calculation of the amount of such damages.

2. Sections 19 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 19.3 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.

4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

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

ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

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

> If Sections 19 and 21 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:

Washington Franchise Agreement Addendum

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal 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.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Section 1.1C of the Franchise Agreement is hereby amended to delete the following language: "or relied upon." The remainder of Section 1.1C remains unchanged.

Section 1.1D of the Franchise Agreement is hereby amended to delete the following language: "and Franchisee has not relied on any representation that are contrary to or not contained in the terms in this Agreement or the FDD." The remainder of Section1.1D remains unchanged.

Section 22.4 of the Franchise Agreement is hereby amended to delete the following language from the last sentence of that Section: "or relied upon." The remainder of Section 22.4 remains unchanged.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum. Dated this ____________ day of ____________________________________ 20______.

______________________________	______________________________
Franchisor	Franchisee

ADDENDUM TO THE FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN

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

1. The Wisconsin Fair Dealership Act, Wisconsin Statutes, Chapter 135 will apply to and govern the provisions of the Franchise Agreement.

2. That Act's requirement, including the requirements that, in certain circumstances, a franchisee receives ninety (90) days' notice of termination, cancellation, non-renewal or substantial change in competitive circumstances, and sixty (60) days to remedy claimed deficiencies, will supersede the requirements of the Franchise Agreement to the extent they may be inconsistent with the Act's requirements.

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

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

EXHIBIT C

[LOGO]

CHOICE HOTELS INTERNATIONAL, INC.

[BRAND]

MASTER DEVELOPMENT AGREEMENT

[DEVELOPER]

TABLE OF CONTENTS

RECITALS 1

1. GRANT 1

- 1.1 Grant 1
- 1.2 Exclusivity 1
- 1.3 Existing Exceptions. 1
- 1.4 Reserved Rights 2
- 1.5 Not a Franchise Agreement 2
- 1.6 Permitted Assignment 2

2. TERM 2

3. RIGHTS DEPOSIT 2

4. OBLIGATIONS OF THE PARTIES 2

- 4.1 Development Schedule 2
- 4.2 Franchise Agreements 3
- 4.3 Failure to Meet Development Schedule 3
- 4.4 Legal Compliance 3
- 4.5 Development of Additional Hotels During Term 3

5. DEFAULT AND TERMINATION 3

- 5.1 Immediate Termination by Choice 3
- 5.2 Termination After Opportunity to Cure 4
- 5.3 Reduction or Elimination of Developer Rights 4
- 5.4 Costs and Attorneys' Fees 4
- 5.5 No Cross-Default 5

6. TRANSFERS 5

- 6.1 Transfer by Choice 5
- 6.2 Transfer by Developer 5

7. RELATIONSHIP OF THE PARTIES 5

8. GOVERNING LAW, COSTS OF ENFORCEMENT, WAIVERS 5

- 8.1 Governing Law 5
- 8.2 Arbitration 5
- 8.3 Venue 6
- 8.4 Cost 6
- 8.5 WAIVER OF PUNITIVE DAMAGES 6
- 8.6 WAIVER OF JURY TRIAL 6

8.7 NO CLASS ACTIONS 6
8.8 Arbitration/Enforcement Costs 6
9. MISCELLANEOUS 6
9.1 Entire Agreement 6
9.2 Confidentiality 7
9.3 Severability 7
9.4 Interpretation 7
9.5 No Third-Party Beneficiary 7
9.6 Waiver 7
9.7 Notices 7
9.8 Corrupt Practices 8
9.9 Sanctioned Persons 8
9.10 Developer's Representations and Warranties 8

Exhibits

EXHIBIT A - Exclusive Territories and Development Schedule
EXHIBIT B - Exclusivity Exceptions
EXHIBIT C - Definitions

MASTER DEVELOPMENT AGREEMENT

This Master Development Agreement (this "**MDA**") is entered into by and between **CHOICE HOTELS INTERNATIONAL INC.**, a Delaware corporation ("**Choice**") and **__________________________________**, a __________________________ ("**Developer**") (each a "**Party**", collectively the "**Parties**") effective as of _____________________, 20___ (the "**Effective Date**").

RECITALS

A. Capitalized terms not defined in the body of this MDA have the meanings set forth in **Exhibit C** ("**Definitions**") attached hereto and incorporated herein by reference.

B. Choice and Choice's Affiliates own and operate the System and the Proprietary Marks.

C. Developer wishes to develop newly constructed hotels (each a "**Hotel**" and collectively the "**Hotels**") branded as **[BRAND]** (each a "**System Property**" and collectively the "**System Properties**") with each System Property subject to a separate Franchise Agreement.

D. Choice wishes to grant Developer the exclusive right to develop, open, and operate a minimum of **__________________ (__)** System Properties within the **_________ (__)** geographically defined areas set forth on **Exhibit A** (each an "**Exclusive Territory**", and together "**Exclusive Territories**") and enter into Franchise Agreements for each System Property developed by Developer or its Affiliate, pursuant to the terms and conditions of this MDA during the Term.

NOW, THEREFORE, in consideration of the promises in this MDA and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Developer and Choice agree as follows:

1. GRANT

1.1 Grant. Subject to the terms of this MDA, Choice hereby grants Developer the exclusive right to develop, open, and operate System Properties in the Exclusive Territories with the number of System Properties per Exclusive Territory set forth in **Exhibit A** (the "**Development Schedule**"). Developer may assign its rights to submit an Application and enter into a Franchise Agreement for the development of any System Property to an Affiliate as set forth in Section 4.1 and Section 4.2.

1.2 Exclusivity. Except as provided in Section 1.3 and Section 1.4, so long as Developer continues to meet the development thresholds set forth in the Development Schedule, neither Choice nor any of Choice's Affiliates will operate or allow any third party to operate any System Property in an Exclusive Territory until the earlier of (i) the last date to open a System Property under the Development Schedule for such Exclusive Territory, or (ii) the date Developer signs the minimum number of Franchise Agreements required under the Development Schedule for such Exclusive Territory, or (iii) the end of the Term.

1.3 Exclusivity Exceptions. The exclusivity set forth in Section 1.2 does not apply to the System Properties listed as "**Exclusivity Exceptions**" in **Exhibit B**, which consists of System Properties that are either open for business or under development with pending Applications or executed franchise agreements as of the Effective Date of this MDA, nor does the exclusivity set forth in Section 1.2 apply to (a) the relicensing of any System

Property listed as an Exclusivity Exception, or (b) the licensing of any System Property at any location inside the Exclusive Territory that replaces a System Property listed as an Exclusivity Exception which has departed or which is scheduled to depart the System; provided, however, Choice will not grant a replacement franchise inside the Exclusive Territory if the replacement hotel would entail more than a 50% increase in the number of rooms over that of the departed/departing hotel.

1.4 Reserved Rights. Choice and Choice's Affiliates reserve the right to own, operate, franchise, or otherwise allow any person to own or operate (i) System Properties and other Affiliate System Hotels at any location outside the Exclusive Territories; and (ii) Affiliate System Hotels at any location inside the Exclusive Territory.

1.5 Not a Franchise Agreement. The System Properties developed under this MDA shall be established and operated pursuant to a separate Franchise Agreement (each, a "**Franchise Agreement"**) as provided in Section 4.2. This MDA is not a Franchise Agreement. The right of Developer or an Affiliate to use the Proprietary Marks and System will arise solely out of, and be limited as set forth in, an applicable Franchise Agreement for each System Property.

1.6 Permitted Assignment. From time to time, Choice may request Developer's consent to permit a different Choice franchisee to develop a System Property within one of the Exclusive Territories during the exclusive development period. If Developer provides such consent, in writing, Choice agrees to credit the third party franchisee's executed franchise agreement towards Developer's Development Schedule obligations in the Exclusive Territory. Once the third party's franchise agreement is fully executed, at Developer's option, Choice will either refund Developer its prepaid $50,000 affiliation fee or credit such fee towards a future System Property.

2. TERM

2.1 Term. This MDA commences on the Effective Date and, unless otherwise terminated pursuant to the terms provided herein or extended upon mutual agreement of the Parties hereto, expires on the date that is the earlier of (i) the last date to open a System Property under the Development Schedule, as it may be extended in accordance with the terms of this MDA, or (ii) the date Developer signs the minimum number of Franchise Agreements required under the Development Schedule (the "**Term**").

3. RIGHTS DEPOSIT

3.1 Deposit. On or before the Effective Date of this MDA, Developer will deposit **________________________ Dollars ($___________)** with Choice (the "**Rights Deposit**"), which shall be credited to Developer as set forth in Section 4.1 or reimbursed to Developer as set forth in Section 1.6. The Rights Deposit is fully earned and non-refundable when both Developer and Choice sign this Agreement whether or not you enter into all Franchise Agreements pursuant to the Development Schedule.

4. OBLIGATIONS OF THE PARTIES

4.1 Development Schedule. Developer or an Affiliate must submit an Application (the "**Application**") for a Franchise Agreement for each System Property that Developer or such

Affiliate intends to develop under this MDA. Choice will process each Application according to Choice's then-current standards for approval of Franchise Agreements. Choice will not unreasonably withhold, condition or delay its approval of any Application. Upon written approval of the Application by Choice, and full execution of a Franchise Agreement by Choice and Developer or an Affiliate, Choice will credit fifty thousand dollars ($50,000) of the Rights Deposit against the Affiliation Fee (the "**Affiliation Fee**") associated with each Franchise Agreement. Franchise Agreements must be executed by the deadline set forth in the Development Schedule.

4.2 Franchise Agreements. Each Franchise Agreement will be on Choice's then-current form, provided that:

4.2.1. The Royalty Fee will be six percent (6%) of Room Revenue, for the duration of the Term;

4.2.2 The System Fee will be two and one-half percent (2.5%) of Room Revenue for the duration of the Term (subject to adjustment in accordance with the Franchise Agreement);

4.2.3. The Affiliation Fee of fifty thousand dollars ($50,000) will be credited from the Rights Deposit after approval of each Application and execution of each Franchise Agreement.

4.3 Failure to Meet Development Schedule. If Developer (i) fails to execute the minimum number of Franchise Agreements required under the Development Schedule, or (ii) fails to commence construction on or open a System Property in accordance with the deadlines set forth in the Franchise Agreement, then Developer will forfeit such Exclusive Territory and such portion of the Rights Deposit not previously credited against Affiliation Fees equal to $50,000 multiplied by the remaining number of System Properties specifically allocated to the applicable Exclusive Territory.

4.3.1. Notwithstanding the foregoing, if an Application is under review by Choice, then the corresponding Development Schedule for the applicable Exclusive Territory shall be extended until the Application is either approved or denied by Choice.

4.3.2. The termination with respect to one Exclusive Territory shall not terminate Developer's right to develop System Properties allocated to any other Exclusive Territory that has not been terminated.

4.4 Legal Compliance. In developing System Properties and otherwise performing Developer's obligations under this MDA, Developer must strictly comply with all applicable Laws. Developer will notify Choice promptly and in writing if Developer reasonably believes that any obligation under this MDA or any provision of the System violates any Law.

4.5 Development of Additional Hotels During Term. During the Term, Developer may, but is not obligated to, enter into Franchise Agreements for additional System Properties outside of the Exclusive Territories, subject to Choice's standard franchise application and approval procedures. If Choice permits Developer to develop System Properties in areas other than the Exclusive Territories, such franchise agreements will not count toward Developer's development obligations under this MDA.

5. DEFAULT AND TERMINATION

5.1 Immediate Termination by Choice. Choice may terminate this MDA immediately, without giving Developer an opportunity to cure the default, effective upon Choice's delivery of written notice to Developer (or such later date as required by Law), without the need to obtain the authorization of any third party or any arbitral, judicial or administrative resolution and without liability to Developer, if:

5.1.1. Developer commences any case, proceeding or other action seeking Developer's reorganization, arrangement, adjustment, liquidation, dissolution or composition or of Developer's debts under any Laws relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for Developer or for all or any substantial part of Developer's property;

5.1.2. Any case, proceeding or other action against Developer is commenced seeking to have an order for relief entered against Developer as debtor, or seeking Developer's reorganization, arrangement, adjustment, liquidation, dissolution or composition or of Developer's debts under any Laws relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for Developer or for all or any substantial part of Developer's property, and such case, proceeding or other action: (i) results in the entry of any order for relief against Developer which is not fully stayed within seven (7) days after entry, or (ii) remains undismissed for a period of forty-five (45) days after entry;

5.1.3. Developer breaches Section 9.8 (Corrupt Practices) or Section 9.9 (Sanctioned Persons);

5.1.4. Developer or any of its members is, or Choice discovers that Developer or any of its members has been, convicted of a felony; or

5.1.5. Developer knowingly submits false reports or other information of a material nature to Choice.

5.2 Termination After Opportunity to Cure. Choice may terminate this MDA, effective on the date stated in Choice's written notice (or the earliest date permitted by Law), without the need to obtain the authorization of any third party or any arbitral, judicial or administrative resolution and without liability to Developer, if:

5.2.1. Developer fails to pay Choice any fees or other amounts when due under this MDA, and does not cure that default within ten (10) days after Choice delivers written notice of default to Developer; or

5.2.2. Subject to Choice's immediate right to terminate in Section 5.1, Developer fails to comply with any other provision of this MDA or Laws and does not cure that default within thirty (30) days after Choice delivers written notice of default to Developer.

5.3 Reduction or Elimination of Developer Rights. In lieu of termination, Choice may reduce or eliminate all or only certain of Developer's rights under this MDA (including, but not limited to, reducing the size of the Exclusive Territory; reducing the number of System Properties to be developed under the Development Schedule; or limiting Developer's exclusivity).

5.4 Costs and Attorneys' Fees. In addition to other available remedies, if Choice terminates this MDA as a result of Developer's default, Developer must pay Choice all of Choice's associated costs and expenses, including attorneys' fees.

5.5 No Cross-Default. A default under this MDA does not constitute a default under any Franchise Agreement.

6. TRANSFERS

6.1 Transfer by Choice. Choice may, in its reasonable discretion, transfer this MDA, all or any part of Choice's rights, duties or obligations under this MDA, to an entity (i) that is sufficiently capitalized; (ii) that is experienced and qualified to act as franchisor of the System; and (iii) who expressly assumes Choice's obligations. Such a Transfer will constitute a release and novation and Choice will not have any further obligations under this MDA.

6.2 Transfer By Developer. Developer may transfer this MDA, all or any part of Developer's rights, duties or obligations under this MDA (including any pledge of this MDA to any mortgage lender), to any Person who is approved by Choice. Choice's approval will not be unreasonably withheld, delayed, or conditioned, but will require, among other things, that the transferee entity (i) is sufficiently capitalized; (ii) is experienced and qualified to act as a developer hereunder; and (iii) expressly assumes Developer's obligations hereunder. Such a Transfer will cause such transferee to take over all of Developer's rights under this MDA and Developer will have no further obligations hereunder. Choice has the right to require payment of its then-current transfer fee.

7. RELATIONSHIP OF THE PARTIES

7.1 The business relationship between Choice and Developer is defined entirely by this MDA. This MDA does not create a franchise, partnership, joint venture, affiliate, agency, fiduciary, or employment relationship. Developer acknowledges that Choice does not (a) direct, supervise, manage, dictate, control, nor have the right to control Developer's labor or employment matters nor (b) have the right to set any terms or conditions of employment for Developer's employees.

8. GOVERNING LAW, COSTS OF ENFORCEMENT, WAIVERS

8.1 Governing Law. This MDA shall be governed by and construed in accordance with the laws of the state of Maryland and the reference to such laws shall not, by the application of conflict of law rules, or otherwise require the application of the laws in force in any jurisdiction other than the state of Maryland; except that nothing herein shall be construed to establish independently a right to pursue claims under Maryland's Franchisee Registration and Disclosure Law.

8.2 Arbitration. Except for actions/claims seeking an injunction or equitable relief, any other controversy or claim arising out of or relating to this MDA, or the breach of this MDA, including any claim that this MDA or any part of this MDA is invalid, illegal, or otherwise voidable or void, will be sent to final and binding arbitration before the American Arbitration Association 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 Choice or Developer to produce documents, witnesses, or information at a time other than at a hearing on the claim without the mutual consent of the parties. In the event more than one demand for arbitration is filed in connection with this MDA, the demand filed with the American Arbitration Association office having jurisdiction over Maryland proceedings shall take precedence, and any other demand shall be withdrawn and presented in the Maryland filing. 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 8.2 will be construed as requiring Choice to make a claim in arbitration before exercising any rights Choice may have to give notice of default or termination in accordance with the terms of this MDA.

8.3 Venue. Any Claim brought by any Party against the other in any forum or court, whether federal or state, which is not subject to arbitration under Section 8.2, shall be brought within the judicial district in which Choice's U.S. principal place of business is at the time the action or proceeding is initiated, and both Parties consent to personal jurisdiction in that forum.

8.4 Cost. Except as set forth in Section 8.8, each Party shall bear the cost of their respective legal counsel and other costs related to the various agreements and transactions contemplated by this MDA.

8.5 WAIVER OF PUNITIVE DAMAGES. THE PARTIES EACH WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR SIMILAR DAMAGES AGAINST EACH OTHER.

8.6 WAIVER OF JURY TRIAL. THE PARTIES EACH WAIVE TRIAL BY JURY OF ANY ACTION OR PROCEEDING, AT LAW OR IN EQUITY, BROUGHT AGAINST EACH OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN THE ACTION OR PROCEEDING.

8.7 NO CLASS ACTIONS. NEITHER DEVELOPER NOR CHOICE 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. 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.

8.8 Arbitration/Enforcement Costs. If either Party shall initiate a legal proceeding to enforce its rights hereunder, the prevailing party in such legal proceeding shall be entitled to recover from the other Party all costs, expenses and reasonable legal fees incurred in connection with such proceeding.

9. MISCELLANEOUS

9.1 Entire Agreement. This MDA, together with any agreements to be executed and delivered pursuant to this MDA, constitutes the entire agreement between the Parties with respect to the subject matter of this MDA and supersedes all prior understandings and writings between them. This MDA may not be modified except by an instrument in writing executed and delivered by both Parties.

9.2 Confidentiality. Choice and Developer each agree to keep confidential the terms of this MDA and shall not disclose (and shall direct their respective agents not to disclose) the terms of this MDA or any discussions or negotiations in relation to this MDA, except as may be required by applicable law or regulatory authority. This Section 9.2 shall survive the termination of this MDA.

9.3 Severability. If any provision of this MDA is determined to be void, illegal, or unenforceable under the law, all other provisions of this MDA shall continue in full force and effect, and the Parties will negotiate in good faith to replace the void, illegal or unenforceable provision with a valid, legal and enforceable provision that corresponds as close as possible to the spirit and purpose of the void, illegal, or unenforceable provision.

9.4 Interpretation. Section headings are for convenience and are not to be used to interpret the Sections to which they refer. All Exhibits and Schedules to this MDA are incorporated by reference. Words indicating the singular include the plural and *vice versa* as the context may require. References to days, months and years are all calendar references.

9.5 No Third-Party Beneficiary. There are no third-party beneficiaries to this MDA.

9.6 Waiver. No waiver by a party of any provision, or the breach of any provision, of this MDA shall be effective unless it is contained in a written instrument duly executed by the Party granting the waiver. Such waiver shall affect only the matter specifically identified in the instrument granting the waiver and shall not extend to any other matter, provision or breach. The failure of a Party to give notice to any other Party or to take any other steps in exercising any right, or in respect of the breach or non-fulfillment of any provision of this MDA, shall not operate as a waiver of that right, breach or provision nor shall any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in law or in equity or otherwise.

9.7 Notices. All notices, requests or other communications required or permitted under this MDA shall be delivered in writing, either in person, by facsimile or email, overnight courier or by United States first-class mail. Postage prepaid, addressed, if to the Parties at the addresses set forth below, or to such other address as the Parties may specify by written notice. Notice shall be deemed given, delivered and received on: (a) the actual date of personal delivery (including delivery by overnight courier), or on the first Business Day thereafter if the delivery is not on a Business Day; (b) the date of a machine generated confirmation of a completed facsimile or email transmission (or on the first Business Day thereafter if the transmission is not on a Business Day); or (c) three (3) days after deposit in the United States Mail as set forth above.

Notices to Choice:

Choice Hotels International Inc.
1 Choice Hotels Circle, Suite 400
Rockville, MD 20850
Attn: General Counsel

Notices to Developer:

____
____
____
Attn: ______________________

9.8 Corrupt Practices. Neither Party, nor any person acting for or on behalf of such Party, shall, and each Party acknowledges that the other Party will not: (a) make any expenditure for any unlawful purposes in the performance of its obligations under this MDA or in connection with its activities in relation thereto; or (b) bribe or offer to bribe any government official, any political party or official thereof, or any candidate for political office, for the purpose of influencing any action or decision of such person in their official capacity or any Government Entity of any jurisdiction, or for any other reason, or any third party. Each Party, and any person acting on behalf of such Party, shall comply with all applicable Anti-Corruption Laws and anti-money laundering laws and regulations in connection with the performance of this MDA (including construction, development, opening and operation of any System Property).

9.9 Sanctioned Persons. The Parties represent and warrant to each other that as of the Effective Date, and the Parties covenant throughout the Term, that the Parties, the Parties' directors, officers, shareholders, managers, and members are not (and will not be) and are not (and will not be) owned or controlled by, or acting on behalf of, any Sanctioned Persons. The Parties will notify each other in writing immediately upon the occurrence of any event which would render the foregoing representation, warranty and covenant incorrect.

9.10 Developer's Representations and Warranties. Developer represents and warrants to Choice as of the Effective Date as follows:

9.10.1. **DISCLOSURE**. DEVELOPER ACKNOWLEDGES THAT DEVELOPER HAS RECEIVED FROM CHOICE A FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY FEDERAL OR STATE LAW AT LEAST FOURTEEN (14) DAYS BEFORE DEVELOPER HAS EXECUTED THIS MDA OR PAID ANY CONSIDERATION TO CHOICE.

9.10.2. **INDEPENDENT INVESTIGATION**. DEVELOPER ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED HEREUNDER, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS MDA INVOLVES BUSINESS RISKS, AND THAT

DEVELOPER'S SUCCESS WILL BE LARGELY DEPENDENT UPON DEVELOPER'S ABILITY AS INDEPENDENT BUSINESSPERSONS. CHOICE EXPRESSLY DISCLAIMS THE MAKING OF, AND DEVELOPER ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESSS VENTURE CONTEMPLATED BY THIS MDA

9.10.3 **SYSTEM PROPERTY SITES.** DEVELOPER ACKNOWLEDGES THAT IT SHALL POSSESS ULTIMATE RESPONSIBILITY FOR THE DECISION OF ANY SITE THAT DEVELOPER CHOOSES TO DEVELOP. DEVELOPER ALSO ACKNOWLEDGES THAT CHOICE HAS GIVEN NO REPRESENTATION, PROMISE, OR GUARANTEE OF DEVELOPER'S SUCCESS IN GENERAL OR IN ANY EXCLUSIVE TERRITORY AND THAT DEVELOPER SHALL BE SOLELY RESPONSIBLE FOR ITS OWN SUCCESS IN GENERAL AND IN ANY EXCLUSIVE TERRITORY.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this MDA as of the Effective Date.

CHOICE HOTELS INTERNATIONAL, INC., **a Delaware corporation**	**_________________________________,** **a _______________________________**
By:_________________________________	**By:_________________________________**
Name:______________________________	**Name:______________________________**
Title:_______________________________	**Title:_______________________________**

EXHIBIT A

EXCLUSIVE TERRITORIES AND DEVELOPMENT SCHEDULE

1. Exclusive Territory. As used in this MDA, the "**Exclusive Territories**" consist of **_____________ (__)** geographically defined areas with the right to develop the number of System Properties per Exclusive Territory, all as set forth in the table below:

Exclusive Territories	**System Properties per Exclusive Territories**
	Minimum of _________ System Properties
	Minimum of _________ System Properties
Total	**Minimum of _________ System Properties**

2. Development Schedule: Developer shall develop and open a minimum of **_____________ (__)** System Properties within the Exclusive Territories pursuant to the below schedule and the terms of the Franchise Agreements:

Deadline	**Cumulative Number of Executed Franchise Agreements in ____________ Territory**	**Cumulative Number of Executed Franchise Agreements in __________ Territory**	**Cumulative Number of Executed Franchise Agreements in ___________ Territory**
First (1st) Anniversary of the Effective Date			
Second (2nd) Anniversary of the Effective Date			
Third (3rd) Anniversary of the Effective Date			

EXHIBIT B
EXCLUSIVITY EXCEPTIONS

Exceptions: The exclusivity granted in Section 1.2 of the MDA does not apply to the following locations and properties in the Exclusive Territories, which may be modified by Choice consistent with Section 1.2 (i.e., any System Property open and operating, in development with a pending Application, subject to an executed franchise agreement as of the Effective Date, or with a Replacement System Property).

EXHIBIT C
DEFINITIONS

The following capitalized terms will have the meanings set forth after each term:

"**Affiliate**" means with respect to a person (including any legal person), (i) a person (including any legal person) that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person; and (ii) any parent, spouse, lineal descendent or adopted child of such person, any spouse or adopted child of any such descendant or any child of such spouse, the executors, administrators, conservators, or personal representatives of any such person or any person referred to in this clause (ii) and any person which, directly or indirectly, is owned or controlled by one or more of the persons referred to in this clause (ii).

"**Affiliate System Hotels**" means Hotels under another franchise system or chain owned and operated by Choice or its Affiliates under another name, trade name, service mark, trademark, logo, emblem, or other indication of origin other than the Proprietary Marks.

"**Affiliation Fees**" means the fee of Fifty Thousand Dollars ($50,000) due upon execution and delivery of the Application and Franchise Agreement as provided in <u>Article 4.</u>

"**Anti-Corruption Laws**" means the (i) the United Nations Convention Against Corruption; (ii) the U.S. Foreign Corrupt Practice Act, available in many languages a, 15 U.S.C. § 78m, 78dd-l, 78dd-2, and 78dd-3; (iii) the Organization For Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (and related implementing legislation); (iv) the relevant common law or legislation from time to time in force in England and Wales, including the Public Bodies Corrupt Practices Act 1889 and the Prevention of Corruption Act 1906 as supplemented by the Prevention of Corruption Act 1916 and the Anti-Terrorism, Crime and Security Act 2001, the Criminal Law Act 1977, and The Bribery Act 2010; and (v) any anti-bribery or anti-corruption provisions in the criminal, anti-competition, anti-bribery and/or anti-corruption laws of the jurisdiction in which Developer operates; together with any amending, consolidating or successor legislation or case law which has effect from time to time in the relevant jurisdiction.

"Application" means Developer's application to enter into a Franchise Agreement for a proposed Site for approval by Choice.

"**Brand**" means the brand name of the System Properties.

"**Choice Marks**" means collectively all of the trademarks and trade names, including, but not limited to, the Brand Mark, the trademarks and trade names ASCEND®, CAMBRIA®, COMFORT INN®, COMFORT SUITES®, CLARION®, CLARION POINTE®, QUALITY®, SLEEP INN®, MAINSTAY SUITES®, SUBURBAN EXTENDED STAY HOTEL®, WOODSPRING SUITES®, ECONO LODGE®, RODEWAY INN®, and the names of Choice's 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), that are currently owned, licensed or used by Choice or its Affiliates or that Choice or its Affiliates later adopt, purchase or develop.

"**Control**" (and any form thereof, such as "**<u>controlling</u>**" or "**<u>controlled</u>**") means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, or of the power to veto major policy decisions of an entity, whether through the ownership of voting securities, by contract, or otherwise.

"**Development Schedule**" means the deadlines set forth in **Exhibit A** to this MDA.

"**Effective Date**" has the meaning defined in the preamble to this MDA.

"**Franchise Agreement**" means an agreement to be entered into by Developer and Choice Hotels International Inc. to operate as a Franchisee under the Proprietary Marks.

"**Franchise Disclosure Document**" means that certain document that Choice provides to prospective franchisees of System Properties as required by the trade regulation rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising" and as Choice may update from time to time.

"**Government or Government Entity**" means: (i) any agency, instrumentality, subdivision or other body of any national, regional, local or other government; (ii) any commercial or similar entities owned or controlled by such government, including any state-owned and state-operated companies; (iii) any political party; and (iv) any public international organization.

"**Hotel**" means each hotel located at a Site that Developer develops pursuant to this MDA. The Hotel includes all structures, facilities, appurtenances, guest rooms, meeting facilities, supplies, entrances, exits, and parking areas located on the Site or any other real property that Choice approves for Hotel expansion, signage, or other facilities.

"**Laws**" means all public laws, statutes, ordinances, orders, rules, regulations, permits, licenses, certificates, authorizations, directions and requirements of all Governments and Government Entities having jurisdiction over the Hotel, Site or over Developer to operate the Hotel, which, now or hereafter, may apply to the construction, renovation, completion, equipping, opening and operation of the Hotel, including Title III of the Americans with Disabilities Act, 42 U.S.C. § 12181, et seq., and 28 C.F.R. Part 36.

"**Master Development Agreement**" or "**MDA**" means this Master Development Agreement, including any Exhibits, attachments and addenda.

"**Metropolitan Statistical Area**" is a geographic area defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. Qualification of a Metropolitan Statistical Area requires the presence of an urbanized area with a total population of at least 50,000.

"**Party**" or "**Parties**" means Developer or Choice when referred to individually, and collectively when referred to in plural.

"**Person(s)**" means a natural person or entity.

"**Proprietary Marks**" means the name set forth in Recital C of this MDA, and such names and other trade names, service marks, trademarks, logos, emblems, or other indication of origin as are now or hereafter designated by Choice as part of the System.

“**Rights Deposit**” means the amount set forth in Section 3.1, which is the product of the Affiliation Fee of fifty thousand dollars ($50,000) multiplied by the number of System Properties to be developed pursuant to the Development Schedule. The Rights Deposit shall be credited towards the Affiliation Fee upon approval of each Application and execution of each Franchise Agreement in accordance with Section 4.1.

“**Room Revenue**” means revenues attributable to or payable for the use or occupancy of the guestrooms at the Site, including barter and credit transactions (before commissions and discounts for credit cards), whether or not collected, proceeds from any business interruption insurance or other loss of income insurance applicable to loss of revenues due to the non-availability of rooms, and proceeds for guaranteed no-show revenue and other cancellation fees which are collected, but excluding sales taxes, room taxes or other taxes collected by Developer from customers for transmittal to appropriate taxing authorities. Room Revenue shall also exclude revenue derived from vending, laundry exchange, and laundry machines. Room Revenue shall be accounted for in accordance with the Uniform System of Accounts for The Lodging Industry, Eleventh Revised Edition, 2014 (the “**2014 11th Edition**”), as published by the Hotel Association of New York City, Inc., except as otherwise provided in the accounting procedures set forth in the Standards; subject, however, to the right of Choice to designate any subsequent edition or to designate a reasonable alternative accounting system if, the 2014 11th Edition is no longer recognized as the authoritative lodging accommodations accounting practice.

“**Royalty Fee**” means the continuing royalty fee set forth in Section 4.2.1.

“**Sanctioned Person**” means: (a) the government of any country that is subject to an embargo imposed by the United States government or United Kingdom government; (b) in the event of entities, any Person located in, or organized under, the laws of any country that is subject to an embargo imposed by the United States government or United Kingdom government; (c) in the event of individuals, any Person that ordinarily reside in any country that is subject to an embargo imposed by the United States government or United Kingdom government; or (d) any Person identified from time to time by any government or legal authority under applicable laws as a Person with whom dealings and transactions by Choice and/or its Affiliates 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 terrorists and narcotics traffickers), any Person designated on the United Kingdom government’s asset freeze lists and similar restricted party listings, including those maintained by other governments pursuant to applicable United Nations, European Union, regional or national trade or financial sanctions.

“**Site**” means the real property on which the Hotel is located or to be located, as approved by Choice.

“**Standards**” means Choice’s confidential Brand standards, systems, guides, programs, other requirements (including those relating to insurance), directives, specifications, design criteria, and such other information, initiatives and controls that are necessary for planning, designing, constructing, renovating, refurbishing, and operating System Properties.

“**System**” means the distinctive design, décor, color scheme, and furnishings; the Proprietary Marks designated to be part of the System; standards, specifications, programs and procedures for operations; programs and procedures for quality control; training and assistance; advertising, direct sales, and promotional programs developed by Choice for the operation of a Property under the Proprietary Marks utilizing the Trade Secrets providing value-oriented, extended-stay accommodations; and may, now or in the future, include the Property Management System and Reservation System, loyalty program, business referral, gift card and credit card agreements, this MDA, the Brand Standards, and those identifying brand characteristics as Choice may from time to time reasonably designate. Choice may add, change, modify, withdraw, or otherwise revise any element of the System in its sole discretion. Choice may operate multiple franchise systems under different Proprietary Marks in which case, for purposes of this MDA, "System" only encompasses the above to the extent applicable to the franchise system being licensed hereunder to the Franchisee.

"**System Fee**" means the continuing System Fee set forth in Section 4.2.2.

"**Taxes**" means all taxes (including any sales, gross receipts, value-added, goods and services, or similar taxes), levies, charges, impositions, stamp or other duties, fees, deductions, withholdings or other payments levied or assessed by any competent Government Entity.

"**Term**" has the meaning set forth in Section 2.1.

"**Transfer**" means any sale, conveyance, assignment, exchange, pledge, encumbrance, lease or other transfer or disposition, directly or indirectly, voluntarily or involuntarily, absolutely or conditionally, by operation of law or otherwise.

* * *

EXHIBIT D

CHOICE HOTELS

CEND CAMBRiA Comfort Sleep Quality CLARION clarion pointe MainStay SUITES EVERHOME SUITES WOODSPRING SUITES Suburban STUDIOS EconoLodge RODEWAY INN CHOICE privileges

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Compliance & QA

Rules & Regulations

View Rules & Regulations by: ○ By Products | ◉ By Category

WoodSpring Rules & Regulations by Categories

Preface & Introduction

100.00 Front of House Rules of Operations

- 101.00 Service Standards
- 102.00 Hours of Operation
- 103.00 Check-In
- 104.00 Guest Walk Standards
- 105.00 Ancillary Revenue
- 106.00 Guest Laundry
- 107.00 Smoking Policies
- 108.00 Vending
- 110.00 American with Disabilities Act (ADA)
- 111.00 Interior Walk-Off Mats
- 112.00 Additional Guest Amenities at Front Desk
- 113.00 Luggage Cart
- 114.00 Fitness Center
- 115.00 Scent Program
- 116.00 Pets
- 117.00 Lobby Coffee Program
- 118.00 Permitted Use

Back of House Rules of Operation

- 201.00 Housekeeping Services

Quality Assurance

- 300.01 Quality Assurance
- 301.00 General Rules
- 302.00 Quality Assurance Review Fines

Associates

- 401.00 Uniforms
- 402.00 Staffing

Training & Development

- 501.00 Training

Brand Identity & Marketing

- 601.00 Brand Trademarks and Logo Use
- 602.00 Interior Signage
- 603.00 Collateral Requirements
- 604.00 Marketing Collateral
- 605.00 Consumer Generated Content, Social and Rich Media
- 606.00 Photography

Guest Room / Guest Bathroom

- 701.00 Top of Bed
- 702.00 Guest Room Amenities
- 703.00 Guest Bathroom Amenities
- 704.00 Televisions
- 705.00 TV Channels

Interior Design & Construction

- 801.00 Building Design and Furniture, Fixtures and Equipment (FF&E)
- 802.00 Renovation/Updates to Existing Properties
- 804.00 Electronic Door Lock Systems

Reservations, Distribution & Loyalty

- 901.00 Franchise Reporting Requirements
- 902.00 Methods of Payment
- 903.00 Data Integrity
- 904.00 Website Template
- 905.00 Reservation System
- 906.00 Cancellation Policy
- 907.00 Room Type Descriptions in CloudPM
- 908.00 Hotel Naming
- 909.00 Marketing
- 910.00 Contact Center & Call Forwarding

Technology

- 1001.00 Internet Access
- 1002.00 Hotel Email Address
- 1003.00 Property Management System
- 1004.00 Confidentiality & PCI Compliance
- 1006.00 Phone System
- 1007.00 Intranet Network

Building Exterior

- 1101.00 Exterior Signage
- 1103.00 Landscaping

Safety & Security

- 1201.00 Safety & Security
- 1206.00 Fire System
- 1209.00 Public Area
- 1210.00 Door and Lock
- 1212.00 Guest Registration
- 1213.00 Elevator
- 1216.00 Pest Control
- 1217.00 Insurance Requirements

Waivers

- 1300.00 Waivers

EXHIBIT E

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page No.
Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)	65
Consolidated Statements of Income	68
Consolidated Statements of Comprehensive Income	69
Consolidated Balance Sheets	70
Consolidated Statements of Cash Flows	71
Consolidated Statements of Shareholders' Equity (Deficit)	73
Notes to Consolidated Financial Statements	74

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, 2022 and 2021, the related consolidated statements of income, comprehensive income, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matters

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

Accounting for Guest Loyalty Programs

Description of the Matter	The Company recognized $109.3 million in revenues from loyalty points redeemed, net of the cost of redemptions, and had a point liability and deferred revenue of $137.3 million and $93.4 million, respectively, as of December 31, 2022, associated with the Choice Privileges Loyalty Program and the Radisson Americas Loyalty Program that was acquired on August 11, 2022, as part of the acquisition of Radisson Hotels Americas ("the Guest Loyalty Programs"). As discussed in Note 1 to the consolidated financial statements, loyalty points earned represent a performance obligation attributable to usage of the points, and thus revenues are recognized at the point in time when the loyalty points are redeemed by members for benefits. The liability for the Guest Loyalty Programs is developed based on an estimate of the eventual redemption rates on future redemption behavior and point values using various actuarial methods. The amount of the Guest Loyalty Programs fees in excess of the point liability represents deferred revenue, which is recognized to revenue as points are redeemed including an estimate of future forfeitures. Auditing the Guest Loyalty Programs results is complex due to: (1) the complexity of the models used to account for the Guest Loyalty Programs results; and (2) the complexity of estimating the future redemption rate and Guest Loyalty Programs point values. Such estimates are highly judgmental given the significant estimation uncertainty associated with expected redemption activity.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process of accounting for the Choice Privileges Guest Loyalty Programs during the year. For example, we tested controls over management's review of the assumptions and data inputs used in the accounting model and the actuarial methods used to estimate the ultimate redemption rate of Choice Privileges Guest Loyalty Programs points. To test the recognition of revenues and liabilities associated with the Guest Loyalty Programs, we performed audit procedures that included, among others, testing the completeness and accuracy of the data and significant assumptions used in the models and assessing the accounting models developed by the Company to recognize the related revenue and the liabilities. For example, we tested significant inputs into the accounting models, including the Guest Loyalty Programs point values and the recognition of points earned and redeemed during the period. With the assistance of our actuarial specialists, we evaluated management's methodologies as well as the actuarial assumptions used in estimating the Guest Loyalty Programs expected redemption rates.

Accounting for Acquisitions

Description of the Matter	On August 11, 2022, the Company completed its acquisition of Radisson Hotels Americas ("Radisson") for net consideration of approximately $674 million, as disclosed in Note 24 to the consolidated financial statements. The transaction was accounted for as a business combination. Auditing the Company's accounting for its acquisition of Radisson was complex due to the significant estimation uncertainty in the Company's determination of the fair value of identified intangible assets, which principally consisted of in-place franchise agreements and brand intangible assets. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying significant assumptions about the future performance of the acquired business. The Company used a discounted cash flow model to measure the in-place franchise agreements and brand intangible assets. The significant assumptions used to estimate the value of these assets included discount rates and certain assumptions that form the basis of the forecasted results (e.g., revenue growth rates and operating profit margin). These significant assumptions are forward looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit	We tested the Company's controls over its accounting for acquisitions. Our tests included controls over the estimation process supporting the recognition and measurement of consideration transferred and the acquired asset values. We also tested management's review of assumptions used in the valuation models. To test the estimated fair value of the in-place franchise agreements and brand intangible assets, we performed audit procedures that included, among others, evaluating the Company's selection of the valuation methodology, evaluating the methods and testing the significant assumptions used by the Company's valuation specialist. Our procedures included evaluating the completeness and accuracy of the underlying data supporting the significant assumptions and estimates and reconciling the prospective financial information utilized by the company's valuation specialists with other prospective financial information prepared by the Company. We involved our valuation specialists to assist with our evaluation of the methodology used by the Company and significant assumptions included in the fair value estimates. For example, we compared the significant assumptions to current industry, market and economic trends, to the assumptions used to value similar assets in other business combinations, to the historical results of the acquired business and to other guidelines used by companies within the same industry. Specifically, when assessing the key assumptions, we focused on revenue growth rates and operating profit margin that would drive these forecasted growth rates.

/s/ Ernst & Young LLP

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

Tysons, Virginia

March 1, 2023

CONSOLIDATED FINANCIAL STATEMENTS

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Years Ended December 31,		
	2022	2021	2020
REVENUES			
Royalty, licensing and management fees	$ 471,759	$ 397,218	$ 263,308
Initial franchise fees	28,074	26,342	25,906
Procurement services	63,800	50,393	45,242
Owned hotels	70,826	37,833	20,168
Other	64,740	28,669	16,880
Other revenues from franchised and managed properties	702,750	528,843	402,568
Total revenues	1,401,949	1,069,298	774,072
OPERATING EXPENSES			
Selling, general and administrative	207,275	145,623	148,910
Depreciation and amortization	30,425	24,773	25,831
Owned hotels	48,837	24,754	16,066
Other expenses from franchised and managed properties	653,060	444,946	446,847
Total operating expenses	939,597	640,096	637,654
Impairment of long-lived assets	—	(282)	(14,751)
Gain on sale of business and assets, net	16,249	13	—
Operating income	478,601	428,933	121,667
OTHER EXPENSES AND INCOME, NET			
Interest expense	43,797	46,680	49,028
Interest income	(7,288)	(4,981)	(7,688)
Loss on extinguishment of debt	—	—	16,565
Other loss (gain)	7,018	(5,134)	(4,533)
Equity in net (gain) loss of affiliates	(1,732)	15,876	15,289
Total other income and expenses, net	41,795	52,441	68,661
Income before income taxes	436,806	376,492	53,006
Income tax expense (benefit)	104,654	87,535	(22,381)
Net income	$ 332,152	$ 288,957	$ 75,387
Basic earnings per share	$ 6.05	$ 5.20	$ 1.36
Diluted earnings per share	$ 5.99	$ 5.15	$ 1.35

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

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	Years Ended December 31,		
	2022	2021	2020
Net income	$ 332,152	$ 288,957	$ 75,387
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	(637)	72	(96)
Other comprehensive (loss) income, net of tax:	(637)	72	(96)
Comprehensive income	$ 331,515	$ 289,029	$ 75,291

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

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ **41,566**	$ 511,605
Accounts receivables (net of allowance for credit losses of $23,435 and $34,149, respectively)	**216,614**	153,147
Income taxes receivable	**4,759**	12,511
Notes receivable (net of allowance for credit losses of $4,125 and $4,318, respectively)	**52,466**	54,453
Prepaid expenses and other current assets	**32,517**	29,945
Total current assets	**347,922**	761,661
Property and equipment, net	**427,306**	377,367
Operating lease right-of-use assets	**68,985**	34,183
Goodwill	**218,653**	159,196
Intangible assets, net	**742,190**	312,389
Notes receivable (net of allowance for credit losses of $6,047 and $12,461, respectively)	**55,577**	66,451
Investments, employee benefit plans, at fair value	**31,645**	33,946
Investments in affiliates	**30,647**	27,967
Deferred income taxes	**88,182**	68,643
Other assets	**91,068**	90,021
Total assets	$ **2,102,175**	$ 1,931,824
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ **118,863**	$ 81,169
Accrued expenses and other current liabilities	**131,410**	104,472
Deferred revenue	**92,695**	81,538
Liability for guest loyalty program	**89,954**	86,765
Current portion of long-term debt	**2,976**	216,351
Total current liabilities	**435,898**	570,295
Long-term debt	**1,200,547**	844,123
Long-term deferred revenue	**134,149**	105,785
Deferred compensation and retirement plan obligations	**36,673**	38,690
Income taxes payable	**15,482**	20,642
Operating lease liabilities	**70,994**	35,492
Liability for guest loyalty program	**47,381**	41,785
Other liabilities	**6,391**	9,130
Total liabilities	**1,947,515**	1,665,942
Commitments and Contingencies		
Common stock, $0.01 par value; 160,000,000 shares authorized; 95,065,638 shares issued at December 31, 2022 and December 31, 2021; 52,200,903 and 55,609,226 shares outstanding at December 31, 2022 and December 31, 2021, respectively	**951**	951
Additional paid-in-capital	**298,053**	259,317
Accumulated other comprehensive loss	**(5,211)**	(4,574)
Treasury stock, at cost; 42,864,735 and 39,456,412 shares at December 31, 2022 and December 31, 2021, respectively	**(1,694,857)**	(1,265,032)
Retained earnings	**1,555,724**	1,275,220
Total shareholders' equity	**154,660**	265,882
Total liabilities and shareholders' equity	$ **2,102,175**	$ 1,931,824

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

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Years Ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 332,152	$ 288,957	$ 75,387
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,425	24,773	25,831
Depreciation and amortization - marketing and reservation system	33,488	25,721	22,625
Franchise agreement acquisition cost amortization	15,666	13,222	11,310
Impairment of long-lived assets	—	282	14,751
Loss on extinguishment of debt	—	—	16,565
(Gain) loss on sale and disposal of assets, net	(16,251)	530	—
Non-cash stock compensation and other charges	42,974	35,731	9,690
Non-cash interest, investment, and affiliate (income) loss, net	7,365	(13,509)	(6,723)
Deferred income taxes	(19,642)	(1,006)	(44,826)
Equity in net loss of affiliates, less distributions received	489	23,985	15,439
Franchise agreement acquisition costs, net of reimbursements	(54,527)	(38,230)	(36,479)
Change in working capital and other, net of acquisition	(5,078)	23,240	6,491
Net cash provided by operating activities	367,061	383,696	110,061
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in property and equipment	(89,954)	(74,294)	(33,603)
Investment in intangible assets	(3,631)	(3,573)	(1,359)
Proceeds from sales of assets	166,568	6,119	—
Asset acquisitions, net of cash acquired	(856)	—	—
Cash received from extinguishment of notes receivable	—	301	—
Proceeds from sale of tax credits for rehabilitation of historic building	—	—	9,197
Business acquisition, net of cash acquired	(550,431)	—	—
Proceeds from termination of intangibles	44,711	—	—
Contributions to investments in affiliates	(3,148)	(2,778)	(5,454)
Distributions and sales proceeds from investments in affiliates	—	15,554	10,798
Purchases of investments, employee benefit plans	(4,185)	(1,705)	(2,562)
Proceeds from sales of investments, employee benefit plans	1,908	2,609	2,478
Issuance of notes receivable	(5,647)	(20,133)	(9,845)
Collections of notes receivable	975	213	6,494
Other items, net	1,260	(1,239)	(623)
Net cash used in investing activities	(442,430)	(78,926)	(24,479)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of Term Loan	—	—	249,500
Proceeds from issuance of 2020 Senior Notes	—	—	447,723
Net borrowings (repayments) pursuant to revolving credit facilities	360,000	—	(18,480)
Principal payments on long-term debt	(216,571)	—	(473,857)
Payments to extinguish long-term debt	—	—	(14,347)
Payments to extinguish acquired debt	(55,975)	—	—
Proceeds from acquired derivative	1,943	—	—
Debt issuance costs	(44)	(365)	(4,620)
Purchases of treasury stock	(434,767)	(13,365)	(55,450)
Dividends paid	(52,545)	(25,044)	(25,274)
Proceeds from exercise of stock options	3,809	11,054	10,203
Net cash (used in) provided by financing activities	(394,150)	(27,720)	115,398

Net change in cash and cash equivalents	**(469,519)**	277,050	200,980
Effect of foreign exchange rate changes on cash and cash equivalents	**(520)**	(224)	33
Cash and cash equivalents at beginning of period	**511,605**	234,779	33,766
Cash and cash equivalents at end of period	**$ 41,566**	$ 511,605	$ 234,779
Supplemental disclosure of cash flow information:			
Cash payments during the year for			
Income taxes, net of refunds	**$ 115,972**	$ 106,539	$ 8,605
Interest, net of capitalized interest	**$ 46,908**	$ 43,939	$ 45,145
Non-cash investing and financing activities			
Dividends declared but not paid	**$ 13,136**	$ 13,208	$ —
Asset acquisition from extinguishment of note receivable	**$ 20,446**	$ 21,133	$ —
Investment in property, equipment and intangibles acquired in accounts payable and accrued liabilities	**$ 5,383**	$ 3,518	$ 1,421

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

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	Common Stock - Shares Outstanding	Common Stock - Par Value	Additional Paid-in-Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total
Balance as of December 31, 2019	55,702,628	$ 951	$ 231,160	$ (4,550)	$ (1,219,905)	$ 968,833	$ (23,511)
Cumulative-effect adjustment [1]	—	—	—	—	—	(6,831)	(6,831)
Net income	—	—	—	—	—	75,387	75,387
Other comprehensive income (loss), net of tax	—	—	—	(96)	—	—	(96)
Share-based payment activity [2]	506,953	—	2,761	—	14,877	(437)	17,201
Dividends declared [2]	—	—	—	—	—	(12,452)	(12,452)
Treasury purchases	(674,027)	—	—	—	(55,450)	—	(55,450)
Balance as of December 31, 2020	55,535,554	$ 951	$ 233,921	$ (4,646)	$ (1,260,478)	$ 1,024,500	$ (5,752)
Net income	—	—	—	—	—	288,957	288,957
Other comprehensive income (loss), net of tax	—	—	—	72	—	—	72
Share-based payment activity [2]	185,867	—	25,396	—	8,811	8	34,215
Dividends declared [2]	—	—	—	—	—	(38,245)	(38,245)
Treasury purchases	(112,195)	—	—	—	(13,365)	—	(13,365)
Balance as of December 31, 2021	55,609,226	$ 951	$ 259,317	$ (4,574)	$ (1,265,032)	$ 1,275,220	$ 265,882
Net income	**—**	**—**	**—**	**—**	**—**	**332,152**	**332,152**
Other comprehensive income (loss), net of tax	**—**	**—**	**—**	**(637)**	**—**	**—**	**(637)**
Share-based payment activity [2]	**294,095**	**—**	**38,736**	**—**	**4,941**	**—**	**43,677**
Dividends declared ($0.2375 per share) [2]	**—**	**—**	**—**	**—**	**—**	**(51,648)**	**(51,648)**
Treasury purchases	**(3,702,418)**	**—**	**—**	**—**	**(434,766)**	**—**	**(434,766)**
Balance as of December 31, 2022	**52,200,903**	**$ 951**	**$ 298,053**	**$ (5,211)**	**$ (1,694,857)**	**$ 1,555,724**	**$ 154,660**

[1] Reflects the cumulative effect of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* and subsequent amendments issued thereafter (collectively "Topic 326"), which was adopted on January 1, 2020. Refer to Note 4.

[2] On February 28, 2020, the Company's Board of Directors declared a quarterly cash dividend of $0.225 per share of common stock payable on April 16, 2020. In April 2020, subsequent to the payment of the dividend and in light of uncertainty resulting from the COVID-19 pandemic, we suspended future, undeclared dividends. In May 2021, the Company resumed payment of quarterly dividends, subject to future declarations by the Company's Board of Directors, and declared a quarterly cash dividend of $0.225 per share of common stock. On December 6, 2021, the Company's Board of Directors approved a 6% increase in the quarterly cash dividend and declared a quarterly cash dividend of $0.2375 per share of common stock. During the year ended December 31, 2022, the Company declared cash dividends at a quarterly rate of $0.2375 per share of common stock. During certain periods presented, accumulated dividends were paid to certain shareholders upon vesting of certain performance vested restricted stock units ("PVRSU") which are captured in Share-based payment activity.

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 of Choice Hotels International, Inc. and its subsidiaries (together the "Company") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with GAAP requires 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. Actual results could differ from those estimates. In the opinion of management, the accompanying consolidated financial statements include all adjustments that are necessary to fairly present the Company's consolidated financial statements.

Acquisition of Radisson Hotels Americas

On August 11, 2022, the Company completed the acquisition (the "Transaction") of (1) all of the issued and outstanding shares of Radisson Hospitality, Inc. and (2) certain trademarks held by Radisson Hospitality Belgium BV/SRL (collectively referred to as "Radisson Hotels Americas"). With the close of this Transaction, Choice Hotels International has added approximately 67,000 rooms across the United States, Canada, Caribbean and Latin America. The Transaction expands the Company's footprint in international markets and the upper-upscale and upscale full-service chain scales and enhances guest offerings in the core upper-midscale chain scale. The Transaction also accelerates our asset-light strategy of growth in higher revenue travel chain scales and locations.

The Company has determined it is the accounting acquirer of Radisson Hotels Americas and has accounted for the Transaction as a business combination using the acquisition method of accounting. Accordingly, assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date, with the exception of certain asset and liabilities which were accounted for in accordance with provisions of ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). Refer to Note 24.

The Company's significant accounting policies herein address elements attributable to Radisson Hotels Americas balances and activity.

Revenue Recognition

Franchise agreements

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 franchise fee is assessed to third-party hotel owners to affiliate with our brands, which is typically paid prior to agreement execution and is non-refundable. After hotel opening, fees are typically generated based on a percentage of gross room revenues or as designated transactions and events occur (such as when a reservation is delivered to the hotel through a specified channel) and are invoiced by 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 programs, Choice Privileges and Radisson Rewards Americas.

Brand intellectual property

Fees generated from 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 (i.e., after the completion of a hotel stay), with the exception of fixed up-front fees that usually represent an insignificant portion of the transaction price. 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. Royalty fees are recognized within royalty, licensing and management fees revenue in the consolidated statements of income.
- *Initial franchise fees*. Initial franchise 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 fees 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 are typically 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, access to centralized reservation and property management systems, revenue management services and/or software, and certain franchise services to support the operation of the overall franchise system. The marketing and reservation system revenues are recognized within other revenues from franchised and managed properties in the consolidated statements of income. 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 programs. The revenue recognition of these programs is discussed in *Material rights for free or discounted goods 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 within other expenses from franchised and managed properties in the consolidated statements of income, 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 goods or services to hotel guests

Choice Privileges and Radisson Rewards Americas are the Company's frequent guest loyalty programs, which enable members to earn points based on their spending levels with the Company's franchisees or certain vendors (refer to Partnership agreements header below). 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 programs. 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 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 programs 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, 2022, the current and non-current deferred revenue balances are $61.0 million and $32.5 million, respectively. Loyalty points are typically redeemed within three years of issuance. Loyalty program point redemption revenues are recognized within other revenues from franchised and managed properties in the consolidated statements of income.

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

Partnership Agreements

The Company maintains various agreements with third-party partners, including the co-branding of the Choice Privileges credit card. The agreements typically provide for use of the Company's marks, limited access to the Company's distribution channels, and sale of loyalty points, in exchange for fees primarily comprising variable consideration paid each month. Loyalty 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 royalty, licensing and management fees and 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 other revenues from franchised and managed properties.

Qualified Vendors

The Company generates procurement services revenues from qualified vendors. Qualified vendor revenues are generally based on marketing services provided by the Company on behalf of and access provided to 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 in the consolidated statements of income.

Other

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

Managed Hotels

The Company manages 13 legacy Radisson Hotels Americas hotels (inclusive of the three Radisson Hotels Americas branded owned hotels). The management agreements provide for use of the Company's marks and hotel management services, include providing day-to-day management services in the operation of the hotels for the hotel owners. Fees generated from management agrees are recognized to revenue over time as hotel owners pay for access to these services for the duration of the management agreement, and include base and incentive management fees. Base management fees are generally based on a percentage of the hotel's monthly gross revenue and invoiced and collected monthly. Incentive management fees are generally based on a percentage of the hotel's operating profits as measured and invoiced on an annual basis. Base and incentive management fee revenues are recognized within royalties, licensing and management fees in the consolidated statements of income. Refer to Note 23 regarding discussion of management agreement guarantees.

The Company's management agreements include contemplation of amounts that are contractually reimbursed to us by property owners, either directly or indirectly, relating to certain costs and expenses paid by us in support of the operations of these properties. These reimbursements include payroll and related costs and certain other operating costs of the managed properties' operations, which are reimbursed to us by the property owners as expenses are incurred. Revenue related to these direct reimbursements is recognized based on the amount of expenses incurred by the Company, which are presented as other expenses from managed and franchised properties in our consolidated statements of operations, that are then reimbursed to us by the property owner typically on a monthly basis, which results in no net effect on operating income or net income. Revenues related to marketing and reservations are recognized over time and are intended to reimburse us, indirectly, for expenses incurred in the execution of marketing and reservation services. These managed revenues are presented within other revenues from managed and franchised properties in our consolidated statements of operations.

Owned Hotels

The Company owned nine hotels (inclusive of three acquired in the Radisson Hotels Americas transaction) at December 31, 2022 and six hotels at December 31, 2021, from which the Company derives revenues. As a hotel owner, the Company has performance obligations to provide accommodations to hotel guests and in return the Company earns a nightly fee for an agreed upon period that is generally payable at the time the hotel guest checks out of the hotel. The Company typically satisfies the performance obligations over the length of the stay and recognizes the revenue on a daily basis, as the hotel rooms are occupied and services are rendered. Other ancillary goods and services at owned hotels are purchased independently of the hotel stay at standalone selling prices and are considered separate performance obligations, which are satisfied at the point in time when the related good or service is provided to the guest. These primarily consist of food and beverage, incidentals and parking fees. Hotel room night and other ancillary hotel ownership revenues are recognized within owned hotels revenue in the consolidated statements of income.

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.

Notes & Accounts Receivable and Allowances for Credit Losses

The Company provides financing in the form of notes receivable loans to franchisees to support the development of properties in strategic markets. The Company has developed a systematic methodology to determine its allowance for credit losses across our portfolio of notes receivable loans. The Company monitors the risk and performance of our portfolio by the level of security in collateral (i.e., senior, subordinated or unsecured), which is the Company's credit quality indicator. As each of the Company’s notes receivable loans has unique risk characteristics, the Company deploys its methodology to calculate allowances for credit losses at the individual notes receivable loan level.

The Company primarily utilizes a discounted cash flow ("DCF") technique to measure the credit allowance, influenced by the key economic variables of each note receivable loan. The Company identified the key economic variables for these loans to be loan-to-cost ("LTC") or loan-to-value ("LTV") ratios and debt service coverage ratio ("DSCR"). The LTC or LTV ratio represents the loan principal relative to the project cost or value and is an indication of the ability to be re-paid principal at loan maturity. The DSCR represents property-specific net operating income as a percentage of the interest and principal payments incurred (i.e., debt service) on all debt of the borrower for the property and is an indication of the ability of the borrower to timely pay amounts due during the term of the loan. The LTC or LTV ratios and DSCR are considered during loan underwriting as indications of risk and, accordingly, we believe these factors are the most representative risk indicators for calculating the allowance for credit loss. Loans with higher LTC or LTV ratios and lower DSCR ratios generally are representative of loans with greater risk and, accordingly, have higher credit allowances as a percentage of loan principal. Conversely, loans with lower LTC or LTV ratios and higher DSCR ratios generally are representative of loans with lesser risk and, accordingly, have lower credit allowances as a percentage of loan principal. In preparing or updating a DCF model as the basis for the credit allowance, the Company develops various recovery scenarios and, based on the key economic variables and present status of the loan and underlying collateral, applies a probability-weighting to the outputs of the scenarios.

Collateral-dependent financial assets are financial assets for which repayment is expected to be derived substantially through the operation or sale of the collateral and where the borrower is experiencing financial difficulty. For collateral-dependent loans, expected credit losses are based on the fair value of the collateral, less selling costs if repayment will be from the sale of the collateral. The Company calculates fair value of the collateral using a DCF technique to project cash flows or a market approach via quoted market prices. In developing cash flow projections, the Company will review the borrower's financial statements for the property, economic trends, industry projections for the market where the property is located, and comparable sales capitalization rates.

Management assesses the credit quality of the notes receivable portfolio and adequacy of credit loss allowances on an at least quarterly basis and records provisions for credit losses in SG&A expenses. Significant judgment is required in this analysis.

Accounts receivable consist primarily of franchise and related fees due from hotel franchisees and are recorded at the invoiced amount. The allowance for credit losses is the Company's best estimate of the amount of expected credit losses inherent in the accounts receivable balance. The Company determines the allowance considering historical write-off experience, review of aged receivable balances and customer payment trends, the economic environment, and other available evidence. The Company records provisions for credit losses on accounts receivable in SG&A expenses and marketing and reservation system expenses in the accompanying consolidated statements of income.

When the Company determines that a trade or note receivable is not collectible, the account is written-off to the associated allowance for credit losses.

Refer to Note 4 for further discussion of receivables and allowances for credit losses.

Advertising Costs

The Company expenses advertising costs as the advertising occurs. Advertising expense was $170.4 million, $81.5 million, and $88.5 million for the years ended December 31, 2022, 2021 and 2020, respectively. The Company includes advertising costs primarily in marketing and reservation system expenses in the 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 generally recorded at cost and depreciated for financial reporting purposes 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. Costs for computer software developed for internal use are capitalized during the application development stage and amortized 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. The Company capitalizes interest incurred during construction and development of property and equipment, including software. Interest capitalized as a cost of property and equipment totaled $2.0 million and $0.7 million during the years ended December 31, 2022 and 2021, respectively.

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. 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 consolidated statements of income. Maintenance, repairs and minor replacements are charged to expense as incurred.

The Company has made certain acquisitions of hotel assets which are recorded at the fair value of consideration exchanged. Refer to Note 24.

A summary of the ranges of estimated useful lives from original place in service date for depreciation and amortization purposes are as follows:

Computer equipment and software	2 - 7 years
Buildings and leasehold improvements	10 - 40 years
Furniture, fixtures, vehicles and equipment	3 - 10 years

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 as a component of other current assets at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and ceases recording depreciation. Refer to Note 3.

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 (a) the carrying amount before the asset was classified as held for sale, adjusted for any depreciation or amortization expense that would have been recognized had the asset been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Valuation of Long-Lived Assets, Intangibles, and Goodwill

The Company groups its long-lived assets, including property and equipment and definite-lived intangible assets (e.g., franchise rights, franchise agreement acquisition costs), at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company evaluates the potential impairment of its long-lived asset groups annually as of December 31 or earlier when other circumstances indicate that the Company may not be able to recover the carrying value of the asset group. When indicators of impairment are present, recoverability is assessed based on undiscounted expected cash flows. If the undiscounted expected cash flows are less than the carrying amount of the asset group, an impairment charge is measured and recorded, as applicable, for the excess of the carrying value over the fair value of the asset group. The fair value of long-lived asset groups are estimated primarily using discounted cash flow analyses representing the highest and best use by an independent market participant. Significant management judgment is involved in evaluating indicators of impairment and developing any required projections to test for recoverability or estimate fair value. Furthermore, if management uses different projections or if different conditions occur in future periods, future-operating results could be materially impacted.

The Company did not identify any indicators of impairment of long-lived assets from the Hotel Franchising reporting unit during the years ended December 31, 2022, 2021 and 2020, other than impairments on franchise sales commission assets and franchise agreement acquisition cost intangibles recorded within SG&A expenses and marketing and reservation system expenses as discussed in Note 2.

During 2020, the Company recognized impairments of long-lived assets attributable to a commercial office building and a real estate parcel. Refer to Note 6.

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 whereby the carrying value is compared to the fair value of the asset and an impairment charge is recognized, as applicable, for the excess of the carrying value over the fair value. 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. The Company's reporting units are determined primarily by the availability of discrete financial information relied upon by chief operating decision maker ("CODM") to assess performance and make operating segment resource allocation decisions. As of December 31, 2022, the Company's goodwill is allocated solely to the Hotel Franchising reporting unit. 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, a quantitative test was not required and no impairment was recorded.

Variable Interest Entities

In accordance with the guidance for the consolidation of variable interest entities ("VIE"), the Company identifies its variable interests and analyzes 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. Determination if a variable interest is a VIE 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 is deemed the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE 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. The Company would consolidate those entities in which it is determined to be the primary beneficiary. As of December 31, 2022, the Company is not the primary beneficiary of any VIE. 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.

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 using the equity method.

Valuation of Investments in Affiliates

The Company evaluates an investment in an affiliate 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, market 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. There are judgments and assumptions in each of these fair value determinations, including our selection of comparable market transactions, the amount and timing of expected future cash flows, long-term growth rates, and sales capitalization rates. These nonrecurring fair value measurements are classified as level three of the fair value measurement hierarchy, as the Company utilized unobservable inputs which are significant to the overall fair value. 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, impairment charges are recorded to earnings. During the years ended December 31, 2022, 2021 and 2020, the Company recognized impairment charges of $0.2 million, $19.3 million and $7.3 million, respectively, related to multiple investments in affiliates accounted for under the equity method. The impairment charges are classified as equity in net (gain) loss of affiliates in the consolidated statements of income. Refer to Note 8.

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 approximate weighted average exchange rate for the period. The Company includes translation adjustments from foreign exchange and the effect of exchange rate changes on intercompany transactions of a long-term investment nature as a separate component of shareholders' equity (deficit). The Company reports foreign currency transaction gains and losses and the effect of inter-company transactions of a short-term or trading nature within other gains in the consolidated statements of income. Foreign currency transaction losses (gains) for the years ended December 31, 2022, 2021 and 2020 were $1.0 million, $0.4 million, and $(0.4) million, respectively.

Leases

The Company determines if an arrangement is a lease and classification as operating or financing at lease inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued expenses and other current liabilities, and operating lease liabilities on our consolidated balance sheets. At December 31, 2022 and 2021, the Company did not have any leases classified as financing.

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

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

The Company has made elections to not separate lease and non-lease components for all classes of underlying assets in which it is the lessee nor account for leases with an initial term of 12 months or less on the balance sheet. These short-term leases are expensed on a straight-line basis over the lease term.

Recently Adopted & Issued Accounting Standards

In October 2021, the FASB issued ASU 2021-08 which requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities in accordance with *Revenue from Contracts with Customers (Topic 606)*, as if the acquirer had originated the contracts at the date of the business combination. ASU 2021-08 is effective for annual reporting periods beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption is permitted.

The Company elected to early adopt ASU 2021-08 in the second quarter of 2022. There was no retrospective impact to our consolidated financial statement as a result of the adoption. ASU 2021-08 was applied in the accounting for the acquisition of Radisson Hotels Americas, and accordingly, the Company utilized the carrying values of contract assets and contract liabilities of Radisson Hotels Americas in application of acquisition accounting (refer to Note 24).

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses* ("ASU 2022-02"). ASU 2022-02 eliminates the recognition and measurement guidance on troubled debt restructuring for creditors that have adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("Topic 326"), requires enhanced disclosures about loan modifications for borrowers experiencing financial difficulty, and includes new guidance on current-period gross write-offs presentation. ASU 2022-02 is effective for annual reporting periods beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the potential impact that ASU 2022-02 will have on the consolidated financial statements and disclosures.

2. Revenue

Contract Liabilities

Contract liabilities relate to (i) advance consideration received, such as initial franchise 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 loyalty points are issued but for which revenue is not yet recognized since the related loyalties have not been redeemed.

Deferred revenues from initial fees and system implementation fees are typically 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 are recognized to revenue in the period of termination. Loyalty points are typically redeemed within three years of issuance.

Significant changes in the contract liabilities balances during the year ended December 31, 2022, inclusive of balances assumed in the acquisition of Radisson Hotels Americas (refer to Note 24), are as follows:

(in thousands)		
Balance as of December 31, 2021	$	175,425
Assumption of contract liabilities from Radisson Hotels Americas acquisition		27,682
Increases to the contract liability balance due to cash received		124,103
Revenue recognized in the period		(117,851)
Balance as of December 31, 2022	$	209,359

Remaining Performance Obligations

The aggregate amount of transaction price allocated to unsatisfied or partially unsatisfied performance obligations is $209.4 million as of December 31, 2022. This amount represents fixed transaction price that will be recognized as revenue in future periods, which is primarily captured in the consolidated balance sheet as current and non-current deferred revenue.

Based on practical expedient elections permitted by ASU 2014-09, *Revenue From Contracts with Customers (Topic 606)* and subsequent amendments ("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 software as a service ("SaaS") agreements), (ii) variable consideration for which we recognize revenue at the amount to which we have the right to invoice for services performed, or (iii) contracts with an expected original duration of one year or less.

Capitalized Franchise Agreement Costs

Sales commissions earned by Company personnel upon execution of a franchise agreement ("franchise sales commissions") meet the requirement to be capitalized as an incremental cost of obtaining a contract with a customer. Capitalized franchise sales commission are amortized on a straight-line basis over the estimated benefit period of the arrangement, unless the franchise agreement is terminated and the hotel exits the system whereby remaining capitalized amounts will be expensed in the period of termination. The estimated benefit period is the Company's estimate of the duration a hotel will remain in the Choice system. Capitalized franchise sales commissions of $57.6 million and $55.5 million are recorded within Other assets as of December 31, 2022 and 2021, respectively. Amortization expense and impairment charges for the years ended December 31, 2022, 2021 and 2020 were $13.0 million, $11.9 million and $9.7 million, respectively, and are recorded within SG&A expenses.

The Company makes certain payments to customers as an incentive to enter into 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, licensing and management fees and other revenues from franchised and managed properties. Impairments from adverse franchise agreement activity, including terminations and significant delinquencies in construction or invoice payments, for the years ended December 31, 2022, 2021 and 2020 were $2.5 million, $11.1 million and $2.0 million, respectively, and are recorded within SG&A expenses and other expenses from franchised and managed properties.

Disaggregation of Revenue

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

(in thousands)	Year Ended December 31, 2022 Over time	Point in time	Total
Royalty, licensing and management fees	$ 471,601	$ 158	$ 471,759
Initial franchise fees	28,074	—	28,074
Procurement services	60,768	3,032	63,800
Owned hotels	55,197	15,398	70,595
Other	64,740	—	64,740
Other revenues from franchised and managed properties	596,668	106,082	702,750
Topic 606 revenues	$ 1,277,048	$ 124,670	1,401,718
Non-Topic 606 revenues			231
Total revenues			$ 1,401,949

(in thousands)	Year Ended December 31, 2021 Over time	Point in time	Total
Royalty, licensing and management fees	$ 397,218	$ —	$ 397,218
Initial franchise fees	26,342	—	26,342
Procurement services	47,878	2,515	50,393
Owned hotels	31,747	5,642	37,389
Other	28,669	—	28,669
Other revenues from franchised and managed properties	465,184	63,659	528,843
Topic 606 revenues	$ 997,038	$ 71,816	1,068,854
Non-Topic 606 revenues			444
Total revenues			$ 1,069,298

(in thousands)	Year Ended December 31, 2020 Over time	Point in time	Total
Royalty, licensing and management fees	$ 263,308	$ —	$ 263,308
Initial franchise fees	25,906	—	25,906
Procurement services	42,919	2,323	45,242
Owned hotels	16,824	2,912	19,736
Other	15,838	—	15,838
Other revenues from franchised and managed properties	325,785	76,783	402,568
Topic 606 revenues	$ 690,580	$ 82,018	772,598
Non-Topic 606 revenues			1,474
Total revenues			$ 774,072

Owned hotels point in time revenues represent goods and services purchased independently of the hotel stay, such as food and beverage, incidentals, and parking fees. The remaining point in time revenue captions represent loyalty points redeemed by members for benefits (with both franchisees and third-party partners), net of the cost of redemptions. For the years ended December 31, 2022, 2021 and 2020, these loyalty net revenues, inclusive of adjustments to estimated redemption rates, were $109.3 million, $66.2 million, and $79.1 million, respectively.

For the year ended December 31, 2022, other revenues include contract termination fees of $22.6 million related to the termination of 110 WoodSpring units. The termination fee revenue represents $67.4 million in consideration received, less the $44.7 million carrying basis of the related contract intangibles initially established at the time of the WoodSpring acquisition.

As presented in Note 20, the Corporate & Other segment amounts represent $108.9 million, $45.7 million, and $28.3 million for the years ended December 31, 2022, 2021 and 2020, respectively, and are included in the Over time column of Other revenues and the Owned hotels and Non-Topic 606 revenues rows. The remaining revenues relate to the Hotel Franchising & Management reportable segment. Royalty, licensing and management fees and Other revenues from franchised and managed properties net of intersegment revenues of $5.5 million, $2.9 million, and $1.5 million for the years ended December 31, 2022, 2021 and 2020, respectively.

3. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	December 31,	
(in thousands)	**2022**	**2021**
Prepaid expenses	**$ 29,640**	$ 15,610
Other current assets	**2,877**	5,870
Land held for sale	**—**	8,465
Total prepaid expenses and other current assets	**$ 32,517**	$ 29,945

Land held for sale represents a parcel of land previously acquired to support the Company's program to stimulate development of certain brands. In October 2021, the Company committed to a plan to market the land for sale and executed a purchase and sale agreement. As a result, the land was deemed to meet held for sale classification during the fourth quarter of 2021, and the Company recognized a $0.3 million charge, reflected within Impairment of long-lived assets on the consolidated statements of income, for the carrying value in excess of fair value less costs to sell. The agreed upon transaction price in the purchase and sale agreement was determined to approximate fair value under a market valuation approach. The impairment of the land is included in the Corporate & Other segment in Note 20. The land was subsequently sold on January 18, 2022.

4. Receivables and Allowance for Credit Losses

Notes Receivable

The composition of notes receivable balances based on the level of security credit quality indicator and the allowances for credit losses is as follows:

	December 31,	
(in thousands)	2022	2021
Senior	$ 95,466	$ 108,370
Subordinated	17,075	27,801
Unsecured	5,674	1,512
Total notes receivable	118,215	137,683
Total allowance for notes receivable credit losses	10,172	16,779
Total notes receivable, net of allowance	$ 108,043	$ 120,904
Current portion, net of allowance	$ 52,466	$ 54,453
Long-term portion, net of allowance	$ 55,577	$ 66,451

Amortized cost basis by year of origination and level of security credit quality indicator are as follows:

(in thousands)	2022	2021	2020	Prior	Total
Senior	$ —	$ 7,909	$ —	$ 87,557	$ 95,466
Subordinated	—	—	—	17,075	17,075
Unsecured	466	2,149	983	2,076	5,674
Total notes receivable	$ 466	$ 10,058	$ 983	$ 106,708	$ 118,215

The following table summarizes the activity related to the Company’s notes receivable allowance for credit losses:

	December 31,	
(in thousands)	2022	2021
Beginning balance	$ 16,779	$ 19,484
Provisions for credit losses	(938)	709
Write-offs	(5,669)	(3,414)
Ending balance	$ 10,172	$ 16,779

As of December 31, 2022 and December 31, 2021, one and two loans, respectively, with senior and/or subordinated tranches met the definition of collateral-dependent and are collateralized by membership interests in the borrowing entities and either the associated land parcels or an operating hotel. The Company used a discounted cash flow ("DCF") market approach via quoted market prices to value the underlying collateral. The Company reviewed the borrower's financial statements, economic trends, industry projections for the market, and comparable sales capitalization rates, which represent significant inputs to the cash flow projections. These nonrecurring fair value measurements are classified as level three of the fair value measurement hierarchy, as there are unobservable inputs which are significant to the overall fair value. Based on these analyses, the fair value of collateral secures substantially all of the carrying value of each loan. Allowances for credit losses attributable to collateral-dependent loans are $0.9 million and $6.3 million as of December 31, 2022 and December 31, 2021, respectively.

The write-offs recorded in the year ended December 31, 2022 and December 31, 2021 are primarily associated with loans previously classified as collateral-dependent that were settled in exchange for an operating hotel on April 14, 2022 and October 1, 2021, respectively. Refer to Note 24 regarding the second quarter 2022 and third quarter 2021 asset acquisition accounting. Additionally, one loan was settled under negotiated terms and therefore written off. Two loans had revised provisions as a result of loan repayments being made timely and a favorable reassessment of the underlying collateral's performance.

The Company considers loans to be past due when payments are not made when due in accordance with then current loan provisions or terms extended to borrowers, including loans with concessions or interest deferral. Although the Company considers loans to be past due 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 to principal. The Company does not resume interest accrual until all delinquent payments are received based on then current loan provisions. The amortized cost basis of notes receivable on non-accrual status was $18.7 million and $44.1 million at December 31, 2022 and 2021, respectively.

The Company has identified loans totaling approximately $4.8 million and $7.5 million, respectively, with stated interest rates that are less than market rate, representing a total discount of $0.1 million and $0.3 million as of the years ended December 31, 2022 and 2021, respectively. These discounts are reflected as a reduction of the outstanding loan amounts and are amortized over the life of the related loan.

The past due status by credit quality indicator of the notes receivable amortized cost basis are as follows:

(in thousands)	1-30 days Past Due	31-89 days Past Due	> 90 days Past Due	Total Past Due	Current	Total Notes Receivable
As of December 31, 2022						
Senior	$ —	$ 15,200	$ —	$ 15,200	$ 80,266	$ 95,466
Subordinated	—	—	2,209	2,209	14,866	17,075
Unsecured	20	40	40	99	5,574	5,674
	$ 20	$ 15,240	$ 2,249	$ 17,508	$ 100,706	$ 118,215
As of December 31, 2021						
Senior	$ —	$ —	$ —	$ —	$ 108,370	$ 108,370
Subordinated	—	—	2,209	2,209	25,592	27,801
Unsecured	—	—	—	—	1,512	1,512
	$ —	$ —	$ 2,209	$ 2,209	$ 135,474	$ 137,683

The Company evaluated its off-balance-sheet credit exposure for loan commitments and determined the likelihood of having to perform is remote as of December 31, 2022. Refer to Note 23.

Variable Interest through Notes Issued

The Company has issued notes receivables to certain entities that have created variable interests in these borrowers totaling $103.2 million and $120.2 million at December 31, 2022 and 2021, respectively. The Company has determined that it is not the primary beneficiary of these VIEs. These loans have stated fixed and/or variable interest amounts. For collateral-dependent loans, the Company has no exposure to the borrowing VIE beyond the note receivable and limited commitments addressed in Note 23.

Accounts Receivable

Accounts receivable consist primarily of franchise and related fees due from hotel franchisees and are recorded at the invoiced amount.

During the year ended December 31, 2022, the Company recorded provisions for credit losses on accounts receivable of $0.4 million in SG&A expenses and $1.4 million in marketing and reservation system expenses. During the year ended December 31, 2021, the Company recorded reversals of provisions for credit losses on accounts receivable of $4.4 million in SG&A expenses and $7.3 million in marketing and reservation system expenses, after considering improved collection patterns and economic and credit conditions. During the years ended December 31, 2022 and December 31, 2021, the Company recorded write-offs, net of recoveries, through the accounts receivable allowance for credit losses of $12.4 million and $13.5 million, respectively. The Company assumed $41.7 million of trade accounts receivable as a result of the Radisson acquisition.

5. Property and Equipment

The components of property and equipment are:

	December 31,	
(in thousands)	**2022**	**2021**
Land and land improvements	**$ 37,335**	$ 32,255
Construction in progress and software under development	**76,700**	66,832
Computer equipment and software	**243,436**	214,814
Buildings and leasehold improvements	**261,669**	233,255
Furniture, fixtures, vehicles and equipment	**61,489**	62,703
Property and equipment	**680,629**	609,859
Less: Accumulated depreciation and amortization	**(253,323)**	(232,492)
Property and equipment, net	**$ 427,306**	$ 377,367

Unamortized capitalized software development costs at December 31, 2022 and 2021 totaled $58.5 million and $52.0 million, respectively. Amortization of software development costs for the years ended December 31, 2022, 2021 and 2020 totaled $26.6 million, $14.1 million, and $14.6 million, respectively.

Depreciation expense, excluding amounts attributable to marketing and reservation activities, for the years ended December 31, 2022, 2021 and 2020 was $14.5 million, $16.5 million and $16.9 million, respectively.

In the first quarter of 2022, the Company acquired a hotel property through a deed in lieu foreclosure at the fair value of $20.4 million as of the acquisition date of April 14, 2022. In the fourth quarter of 2021, the Company acquired a hotel property through a deed in lieu foreclosure at the fair value of $21.1 million as of the acquisition date of October 1, 2021. The Company acquired owned hotel property and equipment at the fair value of $125.4 million in the acquisition of Radisson Hotels Americas. Refer to Note 24.

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

Goodwill

The following table details the carrying amount of the Company's goodwill, including goodwill arising from the acquisition of Radisson Hotels Americas (refer to Note 24):

(in thousands)	December 31, 2022	December 31, 2021
Goodwill, excluding goodwill arising from Radisson Hotels Americas acquisition	**$ 166,774**	$ 166,774
Accumulated impairment losses	**(7,578)**	(7,578)
Goodwill arising from Radisson Hotels Americas acquisition (refer to Note 24)	**59,457**	—
Goodwill, net carrying amount	**$ 218,653**	$ 159,196

As of December 31, 2022 and 2021, goodwill is entirely attributable to the Hotel Franchising reporting unit. 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 & Management reportable segment in Note 20. There were no changes in the carrying amount of goodwill during the year ended December 31, 2021.

Long-lived asset group impairments

Real estate asset sales

Four separate owned Cambria hotel assets or land parcels met held for sale classification and had sales consummated to third-party franchisees, resulting in derecognition from the balance sheet, during the year ended December 31, 2022. We recognized gains on sale of business and assets, net for the four sales of $16.2 million in the Corporate & Other segment during the year ended December 31, 2022.

Commercial office building

On December 30, 2014, a court awarded the Company title to a commercial office building as settlement of a portion of an outstanding loan receivable for which the building was pledged as collateral. Prior to initial lease term expiration of the building's single tenant, the tenant provided notice that lease renewal options would not be exercised. Management identified this as a triggering event requiring the interim reevaluation of the commercial office building's long-lived assets. During the third quarter of 2020, recoverability of the long-lived asset group was assessed based on undiscounted expected cash flows of the asset group aligned with management’s present long-term strategy for the building, and management concluded the undiscounted expected cash flows were less than the carrying amount of the asset group. An impairment charge was recorded for the excess of the carrying value over the fair value of the asset group. To estimate the fair value of the long-lived asset group, the Company utilized a combination of market and income approach valuation methods. The Company recognized a non-cash pretax long-lived asset group impairment charge in the amount of $4.3 million during the third quarter of 2020.

In 2021, the Company committed to a plan to sell the commercial office building, meeting held for sale classification in the third quarter of 2021. The building was sold in November 2021 for $6.1 million, resulting in a gain of $13 thousand reflected within gain (loss) on sale of business and assets, net on the consolidated statements of income in the fourth quarter of 2021.

The results of the commercial office building are included in the Corporate & Other segment in Note 20.

Real estate parcel

During the third quarter of 2018, the Company purchased the remaining membership interests in a VIE previously accounted for under the equity method of accounting. The VIE held a real estate parcel 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 2018. The real estate parcel represents a long-lived asset group with a carrying value prior to recoverability evaluation of $29.5 million in other assets as of December 31, 2020.

Based on the impact of the COVID-19 pandemic, the Company’s assessment of the highest and best use of the real estate parcel changed and, therefore, the recoverability of the long-lived asset group was re-assessed based on undiscounted expected cash flows of the asset group from a sale, which were less than the carrying value of the asset group. An impairment charge was recorded for the excess of the carrying value over the fair value of the asset group. To estimate the fair value of the long-lived asset group, the Company utilized market approach valuation methods. The Company recognized a non-cash pre-tax long-lived asset group impairment charge in the amount of $9.2 million during the fourth quarter of 2020.

The results of the real estate parcel are included in the Corporate & Other segment in Note 20.

7. Intangible Assets

The components of the Company's intangible assets, including intangibles established from the acquisition of Radisson Hotels Americas (refer to Note 24), are as follows:

	As of December 31, 2022			As of December 31, 2021		
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Value**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Value**
Franchise Rights[(1)]	**$ 352,665**	**$ 104,836**	**$ 247,829**	$ 190,641	$ 105,604	$ 85,037
Franchise Agreement Acquisition Costs[(2)]	**307,169**	**68,085**	**239,084**	263,718	66,373	197,345
Trademarks & Other[(3)]	**19,236**	**12,888**	**6,348**	16,152	12,403	3,749
Capitalized SaaS Licenses[(4)]	**17,807**	**15,592**	**2,215**	14,773	11,529	3,244
Total amortizing intangible assets	**696,877**	**201,401**	**495,476**	485,284	195,909	289,375
Trademarks (non-amortizing)[(5)]	**246,714**	**—**	**246,714**	23,014	—	23,014
Total intangible assets	**$ 943,591**	**$ 201,401**	**$ 742,190**	$ 508,298	$ 195,909	$ 312,389

(1) Represents the purchase price assigned to long-term franchise contracts. The unamortized balance relates primarily to franchise rights established from the Radisson Transaction, as well as WoodSpring franchise rights active since acquisition. The franchise rights are being amortized over lives ranging from 12 to 15 years on a straight-line basis.
(2) Represents certain payments to customers as an incentive to enter into new franchise agreements generally amortized as an offset to royalty fees and marketing and reservation system fees over lives ranging from 5 to 30 years on a straight-line basis commencing at hotel opening. Gross and accumulated amortization amounts are written off upon full amortization recognition, including at termination of an associated franchise agreement. Refer to Note 2 for discussion of impairments recognized.
(3) Represents definite-lived trademarks and other various amortizing assets, including management agreements, generally amortized on a straight-line basis over a period of 10 years to 30 years.
(4) Represents software licenses capitalized under a SaaS agreement which are generally amortized on a straight-line basis over an average period of 3 years.
(5) Represents the purchase price assigned to the Radisson, WoodSpring and Suburban trademarks established at the time of their respective acquisitions. The trademarks are expected to generate future cash flows for an indefinite period of time and therefore are non-amortizing.

Amortization expense for the years ended December 31, 2022, 2021 and 2020 amounted to $35.1 million, $25.2 million, and $23.6 million, respectively.

The estimated annual amortization expense related to the Company's amortizing intangible assets for each of the next five years is as follows:

(in thousands)	
2023	$ 41,092
2024	$ 39,044
2025	$ 38,497
2026	$ 37,740
2027	$ 36,608

8. Investments in Affiliates

The Company maintains equity method investments in affiliates related to the Company's program to offer equity support to qualified franchisees to develop and operate Cambria Hotels in strategic markets. The Company has investments in affiliates that represent VIEs totaling $24.5 million and $25.2 million on the consolidated balance sheets at December 31, 2022 and 2021, respectively. The Company has determined that it is not the primary beneficiary of any of these VIEs, however it does exercise significant influence through its equity ownership and as a result the investment in these affiliates is accounted for under the equity method. 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 23 of these financial statements.

For the years ended December 31, 2022, 2021 and 2020, the Company recognized losses from investments in VIEs, inclusive of impairments and gains/losses upon sales of ownership interests in or distributions resulting from sales of underlying assets of affiliates, totaling $3.7 million, $18.9 million and $15.4 million, respectively. These amounts are classified as equity in net (gain) loss of affiliates in the consolidated statements of income and captured in the Hotel Franchising & Management reportable segment in Note 20.

During the years ended December 31, 2022, December 31, 2021, and December 30, 2020 the Company recognized impairment charges of $0.2 million, $19.3 million, and $7.3 million, respectively, related to certain equity method investments. The Company estimated the fair value of each investment on an individual basis and derived the value from a combination of observable prices from offers received for either the underlying collateral or the ownership interest of the unconsolidated affiliate, comparable market transactions, and DCF techniques to project cash flows for the investment based upon the underlying property. There are judgments and assumptions in each of these fair value determinations, including our selection of comparable market transactions, the amount and timing of expected future cash flows, long-term growth rates, and sales capitalization rates. These nonrecurring fair value measurements are classified as level three of the fair value measurement hierarchy, as the Company utilized unobservable inputs which are significant to the overall fair value. Based on these analyses, in each case the Company determined that the fair market value declined below the carrying value and the decline is other-than-temporary. As a result, the Company recorded impairment charges from the carrying value to the estimated fair value for each investment.

During the years ended December 31, 2021 and 2020, the Company recognized net gains (losses) upon sales of ownership interests in or distributions resulting from sales of underlying assets of affiliates of $6.9 million, and $0.5 million, respectively. The Company recognized no net gains (losses) during the year ended December 31, 2022.

Investment in affiliate ownership interests at December 31, 2022 and 2021 are as follows:

	Ownership Interest	
	December 31, 2022	**December 31, 2021**
Choice Hotels Canada, Inc. [1]	**50 %**	50 %
Main Street WP Hotel Associates, LLC	**50 %**	50 %
CS Hotel 30W46th, LLC [2]	**— %**	— %
CS Hotel West Orange, LLC	**50 %**	50 %
City Market Hotel Development, LLC	**43 %**	43 %
CS Woodlands, LLC [3]	**50 %**	50 %
926 James M. Wood Boulevard, LLC	**75 %**	75 %
CS Dallas Elm, LLC [2]	**— %**	— %
Pine Street Long Beach LLC [2]	**— %**	— %
SY Valley Vineyard Resorts LLC [2]	**— %**	— %
CS Lakeside Santa Clara LLC	**50 %**	50 %
BL 219 Holdco, LP	**50 %**	50 %
Integrated 32 West Randolph LLC	**20 %**	20 %
EH Nampa JV LLC	**80 %**	— %
Radisson Hotel La Crosse [1]	**14 %**	— %

[1] Non-VIE investments
[2] The Company sold its ownership interest in the equity method investment or received distributions resulting from the sale of underlying assets of the affiliate during 2021
[3] The Company received distributions from the sale of underlying assets of the affiliate in February 2023. The equity method investment will be derecognized in the first quarter of 2023.

The following tables present summarized financial information for all unconsolidated ventures in which the Company holds an investment in affiliate that is accounted for under the equity method:

	Year Ended December 31,		
(in thousands)	**2022**	**2021**	**2020**
Revenues	**$ 58,821**	$ 35,514	$ 30,364
Operating income (loss)	**7,977**	2,299	(6,494)
Income (loss) from continuing operations	**1,837**	(5,227)	(18,366)
Net loss	**(1,058)**	(1,593)	(18,977)

	As of December 31,	
(in thousands)	**2022**	**2021**
Current assets	**$ 39,870**	$ 31,209
Non-current assets	**237,347**	242,567
Total assets	**$ 277,217**	$ 273,776
Current liabilities	**$ 38,660**	$ 30,365
Non-current liabilities	**181,894**	81,090
Total liabilities	**$ 220,554**	$ 111,455

9. Other Assets

Other assets consist of the following at:

(in thousands)	December 31, 2022	December 31, 2021
Land and buildings	$ 20,303	$ 20,303
Capitalized franchise sales commissions (refer to Note 2)	57,606	55,535
Other assets	13,159	14,183
Total other assets	$ 91,068	$ 90,021

Land and buildings represents the Company's purchase of real estate as part of its program to stimulate development of certain brands and is classified as Other assets as the real estate is not presently under active construction.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

(in thousands)	December 31, 2022	December 31, 2021
Accrued compensation and benefits	$ 75,453	$ 54,911
Accrued interest	9,628	15,140
Dividends payable	13,136	13,435
Termination benefits	1,242	509
Income taxes payable	6,388	125
Current operating lease liabilities	10,663	11,998
Other liabilities	14,900	8,354
Total	$ 131,410	$ 104,472

11. Deferred Revenue

Deferred revenue consists of the following:

(in thousands)	December 31, 2022	December 31, 2021
Initial franchise fees	$ 123,790	$ 96,628
Loyalty programs	93,419	82,742
System implementation fees	4,675	5,865
Procurement services fees	2,568	1,410
Other	2,392	678
Total deferred revenue	$ 226,844	$ 187,323
Current portion	$ 92,695	$ 81,538
Long-term portion	$ 134,149	$ 105,785

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. Debt

Debt consists of the following:

(in thousands)	December 31, 2022	2021
$450 million senior unsecured notes due 2031 ("2020 Senior Notes") with an effective interest rate of 3.86%, less a discount and deferred issuance costs of $4.9 million and $5.5 million at December 31, 2022 and December 31, 2021, respectively	$ **445,080**	$ 444,470
$400 million senior unsecured notes due 2029 ("2019 Senior Notes") with an effective interest rate of 3.88%, less a discount and deferred issuance costs of $4.2 million and $4.8 million at December 31, 2022 and December 31, 2021, respectively	**395,838**	395,237
$216.6 million senior unsecured notes due 2022 ("2012 Senior Notes") with an effective interest rate of 6.0% less deferred issuance costs of $0.2 million at December 31, 2021[2]	**—**	216,351
$600 million senior unsecured credit facility with an effective interest rate of 5.37% less deferred issuance costs of $1.8 million at December 31, 2022[1]	**358,189**	—
Economic development loans with an effective interest rate of 3.0% at December 31, 2022 and December 31, 2021, respectively	**4,416**	4,416
Total debt [3]	$ **1,203,523**	$ 1,060,474
Less current portion	**2,976**	216,351
Total long-term debt	$ **1,200,547**	$ 844,123

[1] As there are no outstanding borrowings at December 31, 2021, deferred issuance costs for the senior unsecured revolving credit facility of $2.3 million are presented in non-current Other assets in the consolidated balance sheets. Refer to Note 25 regarding an amendment to the senior unsecured revolving credit facility entered into on February 14, 2023.
[2] The 2012 Senior Notes matured on July 1, 2022. The outstanding principal of $216.6 million was re-paid at maturity.
[3] As part of the Radisson Transaction, we assumed debt that was subsequently paid off during the third quarter of 2022. For additional details, refer *Acquired debt and swap derivative Asset* sub-header below and Note 24.

Scheduled principal maturities of debt, net of unamortized discounts, premiums and deferred issuance costs, as of December 31, 2022 were as follows:

(in thousands)	Senior Notes	Revolving Credit Facility	Other Notes Payable	Total
2022	—	—	—	—
2023	—	—	4,416	4,416
2024	—	—	—	—
2025	—	—	—	—
2026	—	358,189	—	358,189
Thereafter	840,918	—	—	840,918
Total payments	$ 840,918	$ 358,189	$ 4,416	$ 1,203,523

Senior unsecured credit facility

On August 11, 2022, to fund the Radisson Hotels Americas acquisition, the Company drew $175.0 million on the senior unsecured revolving credit facility and funded the remainder with cash on hand. Refer to Note 24. At December 31, 2022, there is approximately $360.0 million outstanding on the senior unsecured revolving credit facility.

Refer to Note 25 regarding an amendment to the senior unsecured revolving credit facility entered into on February 14, 2023.

Acquired debt and swap derivative asset

On August 11, 2022, in connection with the Radisson Hotels Americas acquisition, the Company also acquired three owned hotel properties, one of which had an encumbered mortgage loan with a mortgage principal in the amount of $53.5 million with an original maturity date of August 7, 2024. In addition, the mortgage had an associated interest rate cap agreement ("Interest Swap") with an effective date of July 30, 2021 through August 6, 2024. On August 12, 2022, at Choice's election, cash on hand was wired to pay off the outstanding loan principal, outstanding interest, and certain prepayment, exit and related fees in the amount of $56.0 million. At the same time, several of the loan related escrows were released in the amount of $10.4 million. On August 16, 2022, the Interest Swap derivative was terminated, which resulted in a payment to Choice in the amount of $1.9 million.

13. 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 $37.4 million and $40.8 million at December 31, 2022 and 2021, 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 decrease in compensation expense recorded in SG&A for the year ended December 31, 2022 was $5.3 million. For the years ended December 31, 2021, and 2020, an increase in compensation expense was recorded in SG&A for $6.1 million, and $4.5 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 $32.4 million and $36.1 million as of December 31, 2022 and 2021, respectively, and are recorded at their fair value, based on quoted market prices. At December 31, 2022, the Company expects $0.7 million of the assets held in the trust to be distributed during the year ended December 31, 2023 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, net in the accompanying consolidated statements of income. The Company recorded investment loss during December 31, 2022 of $6.0 million and gains during the years ended December 31, 2021 and 2020 of $5.6 million, and $4.2 million, respectively. The Deferred Compensation Plan held no shares of the Company's common stock at December 31, 2022 and 2021.

14. 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 on a recurring basis.

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

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

Level 3: Unobservable inputs, supported by little or no market data available, where the reporting entity is required to develop its own assumptions to determine the fair value of the instrument. The Company does not currently have any assets recorded at fair value on a recurring basis whose fair value was determined using Level 3 inputs and there were no transfers of Level 3 assets during the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Company had the following assets measured at fair value on a recurring basis:

(in thousands)	Total	Fair Value Measurements at Reporting Date Using Level 1	Level 2	Level 3
December 31, 2022				
Mutual funds[1]	**$ 29,143**	**$ 29,143**	**$ —**	**$ —**
Money market funds[1]	**3,242**	**—**	**3,242**	**—**
Total	**$ 32,385**	**$ 29,143**	**$ 3,242**	**$ —**
December 31, 2021				
Mutual funds[1]	$ 33,555	$ 33,555	$ —	$ —
Money market funds[1]	2,520	—	2,520	—
Total	$ 36,075	$ 33,555	$ 2,520	$ —

[1] Included in Investments, employee benefit plans, at fair value and other current assets on the consolidated balance sheets.

Other financial instruments disclosure

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 we believe its carrying amount, when amounts are drawn, approximates fair value.

The fair values of the Company's senior unsecured notes are classified as Level 2, as the significant inputs are observable in an active market. The Company's 2012 Senior Notes matured and were re-paid on July 1, 2022. Refer to Note 12 for further information on debt. At December 31, 2022 and December 31, 2021, the carrying amounts and fair values are as follows:

(in thousands)	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value	December 31, 2021 Carrying Amount	December 31, 2021 Fair Value
2020 Senior Notes	**$ 445,080**	**$ 384,647**	$ 444,470	$ 477,675
2019 Senior Notes	**395,838**	**349,368**	395,237	425,984
2012 Senior Notes	**—**	**—**	216,351	221,702

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 not be possible or a prudent management decision.

15. Income Taxes

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

(in thousands)	Year Ended December 31, 2022	2021	2020
U.S.	$ 409,666	$ 355,408	$ 38,475
Outside the U.S.	27,140	21,084	14,531
Income from continuing operations before income taxes	$ 436,806	$ 376,492	$ 53,006

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

(in thousands)	Year Ended December 31, 2022	2021	2020
Current tax expense			
Federal	103,275	$ 71,573	$ 14,345
State	20,068	15,605	4,303
Foreign	2,331	1,041	2,300
Deferred tax (benefit) expense			
Federal	(18,974)	(2,690)	(12,333)
State	(4,163)	(1,254)	(1,953)
Foreign	2,117	3,260	(29,043)
Income tax expense (benefit)	$ 104,654	$ 87,535	$ (22,381)

Net deferred tax assets as of December 31, 2022 were as follows:

(in thousands)	December 31, 2022	2021
Deferred tax assets:		
Accrued compensation	$ 17,044	$ 13,997
Deferred revenue	46,758	36,666
Receivable, net	8,599	11,776
Tax credits	16,379	14,217
Operating lease liabilities	19,715	6,621
Partnership interests	3,948	4,398
Foreign net operating losses	8,245	7,478
Non-U.S. intellectual property	17,642	21,402
Other	5,589	5,727
Total gross deferred tax assets	143,919	122,282
Less: Valuation allowance	(21,402)	(19,734)
Deferred tax assets	$ 122,517	$ 102,548
Deferred tax liabilities:		
Property, equipment and intangible assets	$ (15,585)	$ (28,276)
Operating lease ROU assets	(17,703)	(4,350)
Other	(1,047)	(1,279)
Deferred tax liabilities	(34,335)	(33,905)
Net deferred tax assets	$ 88,182	$ 68,643

The Company assesses all positive and negative evidence to estimate whether sufficient future taxable income will be generated to use deferred tax assets. Based on this evaluation, the Company recorded a net change to its valuation allowance of $1.7 million due to a $2.2 million increase related to state tax credits, partially offset by a $0.5 million decrease related to foreign deferred tax assets.

The Company has $16.4 million of state income tax credit carryforwards. It is more likely than not that these benefits will not be realized. Accordingly, the Company has provided a full valuation allowance against these credit carryforwards. The Company has also provided a tax-effected valuation allowance of $5.0 million on its foreign deferred tax assets, as it believes it is more likely than not that some of these benefits will not be realized.

As of December 31, 2022, the Company had gross foreign net operating losses ("NOLs") of $31.4 million, all of which have indefinite carryforward lives. The Company has recorded a tax-effected valuation allowance of $1.8 million for these NOLs, primarily related to France and India. In addition, the Company has a Dutch deferred tax asset of $17.6 million, for which it has recorded a valuation allowance of $3 million. The Dutch valuation allowance did not change in 2022.

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

	Year Ended December 31,		
	2022	**2021**	**2020**
Statutory U.S. federal income tax rate	**21.0 %**	21.0 %	21.0 %
State income taxes, net of federal tax benefit	**3.0 %**	3.1 %	4.6 %
Benefits related to foreign operations	**0.1 %**	(0.2)%	(4.2)%
Expenses (benefits) related to compensation, net	**1.0 %**	0.5 %	(5.8)%
Unrecognized tax positions	**0.2 %**	0.2 %	4.7 %
International Reorganization	**— %**	1.1 %	(65.2)%
Tax credits	**(1.5)%**	(1.8)%	(15.2)%
Valuation allowance	**0.5 %**	(0.2)%	17.5 %
Other	**(0.3)%**	(0.4)%	0.4 %
Effective income tax rates	**24.0 %**	23.3 %	(42.2)%

The Company's effective income tax rates from continuing operations were 24.0%, 23.3%, and (42.2)% for the years ended December 31, 2022, 2021 and 2020, respectively.

The effective income tax rates for the years ended December 31, 2022 and December 31, 2021 were higher than the U.S. federal income tax rate of 21.0% primarily due to state income taxes and tax expense related to compensation, partially offset by federal income tax credits. The effective income tax rate for the year ended December 31, 2021 was also higher due to a reduction in the net carrying value of its Dutch deferred tax asset.

As of December 31, 2022, 2021 and 2020, the Company's gross unrecognized tax benefits totaled $11.9 million, $11.1 million, and $10.2 million, respectively. After considering the deferred income tax accounting impact, it is expected that approximately $8.1 million of the total as of December 31, 2022 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:

(in thousands)	**2022**	**2021**	**2020**
Balance, January 1	**$ 11,147**	$ 10,193	$ 7,738
Changes for tax positions of prior years	**(31)**	156	1,174
Increases for tax positions related to the current year	**1,650**	1,618	1,281
Settlements and lapsing of statutes of limitations	**(890)**	(820)	—
Balance, December 31	**$ 11,876**	$ 11,147	$ 10,193

It is reasonably possible that the Company's unrecognized tax benefits could decrease within the next 12 months by as much as $10.5 million due to settlements and the expiration of applicable statutes of limitations. The Company's federal income tax returns for tax years 2015 and 2016 are currently under examination by the Internal Revenue Service for a tax credit refund claim. The Company's federal income tax return for tax years 2017 and 2018 are also under examination by the Internal Revenue Service. Further, the Company's federal income tax returns for tax years 2019, 2020, and 2021 are 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 2022, 2021, and 2020. The Company had $0.3 million and $0.4 million of accrued interest and penalties on December 31, 2022 and 2021, respectively.

The Tax Cuts and Jobs Act subjects a U.S. shareholder to a minimum tax on "global intangible low-taxed income" ("GILTI") earned by certain foreign subsidiaries. The practice of the Company is to recognize the tax expense on GILTI as a period expense in the period the tax is incurred. The Company has incurred tax on GILTI for the year ended December 31, 2022.

16. Share-Based Compensation and Capital Stock

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. 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; for the grants with market conditions, the fair value of the award is determined at grant date and expensed over the life of the grant.

The Company has stock compensation plans pursuant to which it is authorized to grant stock-based awards of which 1.6 million shares of the Company's common stock remain available for grant as of December 31, 2022. The Company's policy allows the issuance of new or treasury shares to satisfy stock-based awards. Restricted stock, stock options, stock appreciation rights and performance share awards may be granted to officers, key employees and non-employee directors with contractual terms set by the Compensation and Management Development Committee of the Board of Directors.

Stock Options

The Company granted approximately 0.2 million, 0.3 million and 0.2 million options to certain employees of the Company at a fair value of approximately $7.4 million, $7.9 million and $2.7 million during the years ended December 31, 2022, 2021 and 2020, 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:

	2022	2021	2020
Risk-free interest rate	**2.01 %**	0.94 %	0.99 %
Expected volatility	**29.46 %**	29.23 %	20.88 %
Expected life of stock option	**5.9 years**	5.9 years	5.9 years
Dividend yield	**0.66 %**	0.82 %	0.99 %
Requisite service period	**4 years**	4 years	4 years
Contractual life	**10 years**	10 years	10 years
Weighted average fair value of options granted (per option)	**$ 42.66**	$ 28.00	$ 17.25

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 as of December 31, 2022 was $23.1 million and $18.8 million, respectively. The total intrinsic value of options exercised during the years ended December 31, 2022, 2021 and 2020 was $5.4 million, $10.6 million and $8.9 million, respectively.

The Company received $3.8 million, $11.1 million and $10.2 million in proceeds from the exercise of 0.1 million, 0.2 million and 0.2 million employee stock options during the years ended December 31, 2022, 2021 and 2020, respectively.

The following table summarizes information about stock options outstanding as of December 31, 2022:

Range of Exercise Prices	Options Outstanding: Number Outstanding at December 31, 2022	Options Outstanding: Weighted Average Remaining Contractual Life (Years)	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Number Exercisable at December 31, 2022	Options Exercisable: Weighted Average Exercise Price
$45.59 to $55.00	105,172	0.16	$ 51.49	105,172	$ 51.49
$55.01 to $65.00	78,855	1.22	60.69	78,855	60.69
$65.01 to $85.00	230,110	2.75	81.31	194,648	81.34
$85.01 to $91.28	153,692	7.17	91.28	76,838	91.28
$91.29 to $104.87	273,567	8.16	104.87	68,343	104.87
$104.88 to $117.98	16,667	9.63	117.98	—	—
$117.99 to $146.68	152,584	9.16	146.68	—	—
	1,010,647	5.58	$ 94.97	523,856	$ 76.77

Restricted Stock

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

	For the Year Ended December 31, 2022	2021	2020
Restricted shares granted	**273,777**	61,009	158,133
Weighted average grant date fair value per share	**$ 143.76**	$ 111.25	$ 90.18
Aggregate grant date fair value (in thousands)	**$ 39,357**	$ 6,787	$ 14,260
Restricted shares forfeited	**14,443**	19,209	36,860
Vesting service period of shares granted	**9 - 60 months**	9 - 48 months	12 - 48 months
Fair value of shares vested (in thousands)	**$ 13,784**	$ 11,927	$ 9,000

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 Company grants three types of PVRSU awards: i) PVRSUs with performance conditions based on internal performance metrics, ii) PVRSUs with market conditions based on the Company's total shareholder return ("TSR") relative to a predetermined peer group, and iii) PVRSUs with both performance and market conditions. The vesting of PVRSU awards is contingent upon the Company achieving internal performance and/or TSR targets over a specified period and the employees' continued employment for a service period. These performance and market conditions affect the number of shares that will ultimately vest.

During the year ended December 31, 2022, the Company granted PVRSUs with market conditions, PVRSUs with performance conditions and PVRSUs with performance and market conditions with requisite service periods between 9 months and 60 months with award vesting ranges generally between 0% and 300% of the initial units granted.

The fair value of PVRSUs with only internal performance metrics is measured by the market price of the Company's common stock on the date of award grant. Compensation expense is recognized ratably over the requisite service period based on the Company's estimate of the achievement of the performance conditions. Management monitors current results and forecasts of the relevant internal performance metrics and, as necessary, adjusts the performance-based leveraging of unvested PVRSUs.

The fair value of PVRSUs with market conditions is estimated using a Monte Carlo simulation method as of the date of award grant. Compensation expense is recognized ratably over the requisite service period, regardless of whether the market conditions are achieved and the awards ultimately vest.

The fair value of PVRSUs with both performance and market conditions is estimated using a Monte Carlo simulation as of the date of award grant. Compensation is recognized ratable over the requisite service period based on the Company's estimate of the achievement of the performance conditions, with subsequent adjustments made for performance-based leveraging of unvested PVRSUs, as necessary. The Company has currently estimated that between 54% and 266.7% of the various award targets will be achieved.

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

	For the Years Ended December 31,		
	2022	2021	2020
PVRSUs granted at target	**111,585**	98,544	170,471
Weighted average grant date fair value per share	**$ 181.91**	$ 108.75	$ 134.26
Aggregate grant date fair value (in thousands)	**$ 20,298**	$ 10,716	$ 22,888
PVRSUs forfeited & expired	**83,563**	78,500	33,080
Requisite service period	**9 - 60 months**	9 to 60 months	31 to 36 months

During the year ended December 31, 2022, no PVRSUs vested. During the years ended December 31, 2021 and 2020, PVRSUs totaling 3,986 and 176,471 vested at a fair value of $0.3 million and $17.5 million, respectively. During the years ended December 31, 2021 and 2020, an additional 920 and 30,116 units, respectively, were awarded because the Company's performance exceeded the conditions provided in the awards.

As a result of the Company's operating results not achieving certain performance conditions contained in the PVRSU awards, the number of PVRSUs that expired was 78,370 shares for the year ended December 31, 2022, 72,944 shares for the year ended December 31, 2021, and 16,117 shares for the year ended December 31, 2020.

A summary of stock-based award activity as of December 31, 2022, 2021 and 2020 and the changes during those years are presented below:

	2022						
	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 as of January 1, 2022	**910,944**	**$ 83.14**		**236,599**	**$ 92.60**	**412,642**	**$ 114.70**
Granted	**172,441**	**143.91**		**273,777**	**143.76**	**111,585**	**181.91**
Performance-based leveraging*	**—**	**—**		**—**	**—**	**(3,484)**	**121.34**
Exercised/vested	**(66,192)**	**57.55**		**(96,834)**	**87.34**	**—**	**—**
Expired	**(986)**	**51.49**		**—**	**—**	**(78,370)**	**81.15**
Forfeited	**(5,560)**	**128.86**		**(14,443)**	**106.35**	**(5,193)**	**132.06**
Outstanding as of December 31, 2022	**1,010,647**	**$ 94.97**	**5.6 years**	**399,099**	**$ 128.47**	**437,180**	**$ 140.05**
Options exercisable as of December 31, 2022	**523,856**	**$ 76.77**	**3.3 years**				

* PVRSU units outstanding have been adjusted by 3,484, net units during the year ended December 31, 2022, due to a decrease in outstanding PVRSU units due to the Company partially meeting the targeted performance conditions offset by an increase in outstanding PVRSU units due to the Company exceeding the targeted performance conditions in PVRSU's granted in prior periods.

	2021						
	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 as of January 1, 2021	819,610	$ 70.48		304,439	$ 84.48	321,752	$ 109.25
Granted	280,811	104.87		61,009	111.25	98,544	108.75
Performance-based leveraging*	—	—		—	—	74,832	107.51
Exercised/vested	(185,437)	59.61		(109,640)	80.83	(3,986)	81.55
Expired	—	—		—	—	(72,944)	81.55
Forfeited	(4,040)	104.87		(19,209)	90.23	(5,556)	55.76
Outstanding as of December 31, 2021	910,944	$ 83.14	5.5 years	236,599	$ 92.60	412,642	$ 114.70
Options exercisable as of December 31, 2021	421,592	$ 67.09	2.8 years				

* PVRSU units outstanding have been increased by 74,832 units during the year ended December 31, 2021, due to the Company exceeding the targeted performance conditions contained in PVRSU's granted in prior periods.

	2020						
	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 as of January 1, 2020	873,895	$ 61.69		312,097	$ 75.23	330,716	$ 70.03
Granted	158,620	91.28		158,133	90.18	170,471	134.26
Performance-based leveraging*	—	—		—	—	30,116	60.68
Exercised/vested	(209,209)	49.17		(128,931)	69.80	(176,471)	58.68
Expired	—	—		—	—	(16,117)	60.50
Forfeited	(3,696)	91.28		(36,860)	81.98	(16,963)	82.25
Outstanding as of December 31, 2020	819,610	$ 70.48	4.2 years	304,439	$ 84.48	321,752	$ 109.25
Options exercisable as of December 31, 2020	480,255	$ 60.70	2.5 years				

* PVRSU units outstanding have been increased by 30,116 units during the year ended December 31, 2020, 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 thousands)	2022	2021	2020
Stock options	$ **4,674**	$ 3,396	$ 1,975
Restricted stock	**14,349**	9,281	8,731
Performance vested restricted stock units	**21,436**	10,703	(3,466)
Total share-based compensation expense	$ **40,459**	$ 23,380	$ 7,241

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, 2022 are as follows:

(in thousands)		Unrecognized Compensation Expense on Unvested Awards	Weighted Average Remaining Amortization Period
Stock options	$	10,528	3.0 years
Restricted stock		37,634	3.6 years
Performance vested restricted stock units		28,545	2.5 years
Total	$	76,707	

Dividends

On February 28, 2020, the Company's Board of Directors declared a quarterly cash dividend of $0.225 per share of common stock for $12.5 million. The dividend was payable on April 16, 2020 to shareholders of record on April 2, 2020. Subsequent to the payment of the dividend, in light of uncertainty resulting from the COVID-19 pandemic, the Company's Board of Directors suspended future, undeclared dividends.

During the fourth quarter of 2021, the Company's Board of Directors announced a 6% increase to the quarterly dividend rate to $0.2375 per share from $0.225 per share, beginning with the dividend payable in the first quarter of 2022.

During the year ended December 31, 2022, the Company's quarterly dividend rate was $0.2375 per share. Annual dividends declared during the year ended December 31, 2022 were $0.95 per share or $51.7 million. During the year ended December 31, 2021, the Company's quarterly dividend rate was $0.225 per share for the second and third quarter and was $0.2375 per share in the fourth quarter of 2021. Annual dividends declared during the year ended December 31, 2021 were $0.688 per share or $38.2 million. During the year ended December 31, 2020, the Company's quarterly dividend rate was $0.225 per share. Annual dividends declared during the year ended December 31, 2020 were $0.225 per share or $12.5 million.

The Company may not declare or make any payment if under the Restated Credit agreement there is an existing event of default or if the payment would create an event of default.

In addition, during the years ended December 31, 2022, 2021 and 2020, the Company paid previously declared but unrecorded dividends totaling $5 thousand, $8 thousand, and $0.4 million, respectively, that were contingent upon the vesting of performance vested restricted units.

Share Repurchases and Redemptions

In 1998, we instituted a share repurchase program. The Company may purchase stock under the share repurchase program to return excess capital to its shareholders. Treasury stock activity is recorded at cost in the consolidated balance sheets.

During the three months ended March 31, 2020, the Company repurchased 0.5 million shares of common stock under the repurchase program at a total cost of $43.3 million. In light of uncertainty resulting from the COVID-19 pandemic, the Company subsequently temporarily suspended activity under the share repurchase program and no additional repurchases were made pursuant to the program for the balance of 2020. On May 7, 2021, the Company's Board of Directors approved resumption of the share repurchase program. During the year ended December 31, 2021, the Company repurchased 57,754 shares of its common stock under the repurchase program at a total cost of $7.3 million.

During the year ended December 31, 2022, the Company repurchased 3,666,298 shares of its common stock under the repurchase program at a total cost of $429.4 million. On a cumulative basis through December 31, 2022, the Company repurchased 88.4 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 $1.9 billion.

During the year ended December 31, 2022, the Company redeemed 36,120 shares of common stock at a total cost of approximately $5.4 million from employees to satisfy the option exercise price and statutory minimum tax-withholding requirements related to the exercising of stock options and vesting of performance vested restricted stock units and restricted stock grants. During 2021 and 2020, the Company redeemed 54,441 and 125,996 shares of common stock at a total cost of $6.0 million and $12.2 million, respectively, from employees to satisfy the option price and minimum tax-withholding requirements related to the exercising of options and vesting of performance vested restricted stock units and restricted stock grants. These redemptions were outside the share repurchase program.

17. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss is as follows:

	December 31,		
(in thousands)	2022	2021	2020
Foreign currency translation adjustments	$ (5,211)	$ (4,574)	$ (4,646)
Total accumulated other comprehensive loss	$ (5,211)	$ (4,574)	$ (4,646)

The following represents the changes in accumulated other comprehensive loss, net of tax by component:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
(in thousands)	Foreign Currency Items	Total	Foreign Currency Items	Total
Beginning Balance	$ (4,574)	$ (4,574)	$ (4,646)	$ (4,646)
Other comprehensive (loss) income before reclassification	(637)	(637)	72	72
Ending Balance	$ (5,211)	$ (5,211)	$ (4,574)	$ (4,574)

There were no amounts reclassified from accumulated other comprehensive loss during the year ended December 31, 2021 or December 31, 2022.

18. Earnings Per Share

The Company's shares of restricted stock contain rights to receive nonforfeitable dividends and thus are participating securities requiring the computation of basic earnings per share ("EPS") using the two-class method. As the shares of restricted stock are both potential shares of common stock and participating securities, the Company calculates diluted earnings per share by the more dilutive of the treasury stock method or the two-class method. The calculation of EPS for net income available to common shareholders excludes the distribution of dividends and undistributed earnings attributable to participating securities from the numerator. The diluted earnings weighted average shares of common stock outstanding includes stock options, PVRSUs and RSUs.

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

	Year Ended December 31,		
(in thousands, except per share amounts)	2022	2021	2020
Numerator:			
Net income	$ 332,152	$ 288,957	$ 75,387
Income allocated to participating securities	(1,881)	(1,125)	(423)
Net income available to common shareholders	$ 330,271	$ 287,832	$ 74,964
Denominator:			
Weighted average common shares outstanding - basic	54,595	55,379	55,175
Basic earnings per share	$ 6.05	$ 5.20	$ 1.36
Numerator:			
Net income	$ 332,152	$ 288,957	$ 75,387
Income allocated to participating securities	(1,881)	(1,125)	(423)
Net income available to common shareholders	$ 330,271	$ 287,832	$ 74,964
Denominator:			
Weighted average common shares outstanding - basic	54,595	55,379	55,175
Diluted effect of stock options and PVRSUs	526	504	354
Weighted average common shares outstanding - diluted	55,121	55,883	55,529
Diluted earnings per share	$ 5.99	$ 5.15	$ 1.35

The following securities have been excluded from the calculation of diluted weighted average common shares outstanding as the inclusion of these securities would have an anti-dilutive effect:

	Year Ended December 31,		
(in thousands)	2022	2021	2020
Stock Options	153	—	155
PVRSUs	—	155	231

19. Leases

Lessee

The Company has operating leases primarily for office space, buildings, and equipment. Our leases, excluding the assumed ground lease discussed below, have remaining lease terms of one month to ten years, some of which may include options to extend leases for up to five years and some which may include options to terminate the leases within one year.

Additionally, as part of the Radisson Transaction, the Company assumed a ground lease on an owned hotel with a remaining 89 year term. Inclusive of other assumed operating leases, the Radisson transaction resulted in a lease liability and right-of-use asset at acquisition of $40.7 million and $40.3 million, respectively (refer to Note 24).

The Company's lease costs were as follows:

	Year Ended December 31,	
(in thousands)	2022	2021
Operating lease cost	$ 12,073	$ 9,499
Short-term lease cost	40	325
Sublease income	(559)	(134)
Total lease cost	$ 11,554	$ 9,690

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

	December 31,	
(in thousands)	2022	2021
Assets:		
Operating lease right-of-use assets	$ 68,985	$ 34,183
Liabilities:		
Current operating lease liabilities	$ 10,663	$ 11,998
Long-term operating lease liabilities	70,994	35,492
Total lease liabilities	$ 81,657	$ 47,490

On October 4, 2021, an office lease for an approximate 10-year term with an unrelated third party commenced. The Company accounted for this lease as an operating lease and established a lease liability and right-of-use asset of approximately $34.6 million and $25.3 million, respectively, during the fourth quarter of 2021.

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

	Year Ended December 31,	
(in thousands)	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 14,145	$ 11,528
ROU assets obtained in exchange for lease liabilities in non-cash transactions:		
Operating lease assets obtained in exchange for operating lease liabilities	$ 44,481	$ 25,852
Weighted-average remaining lease term	41.02 years	7.66 years
Weighted-average discount rate[1]	4.77 %	2.79 %

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

Maturities of lease liabilities as of December 31, 2022 are as follows:

(in thousands)		
2023	$	12,856
2024		6,517
2025		6,289
2026		6,205
2027		6,554
Thereafter		284,249
Total minimum lease payments	$	322,670
Less imputed interest		241,013
Present value of minimum lease payments	$	81,657

In the fourth quarter of 2021, the Company entered into one office lease agreement with an unrelated third-party that we expect to account for as an operating lease. This lease is not reflected in our consolidated balance sheets or in the table above as the lease has not commenced. The lease has an approximate 11-year term and expected to commence in the fourth quarter of 2023.

Related Party

The Company and family members of the Company's largest shareholder entered into an agreement that allows those family members to lease the Company aircraft from time to time for their personal use. The agreement provides for lease payments that contribute towards the fixed costs associated with the aircraft as well as reimbursement of the Company's variable costs associated with operation of the aircraft, in compliance with, and to the extent authorized by, applicable regulatory requirements. The terms of the lease agreements are consistent with the terms of lease agreements that the Company has entered into with unrelated third parties for use of the aircraft. During the years ended December 31, 2022 and 2021, the Company received $48 thousand and $0.2 million, respectively, pursuant to this arrangement.

20. Reportable Segments

The Hotel Franchising & Management reportable segment includes the Company's hotel franchising operations consisting of its 22 brands and brand extensions and hotel management operations of 13 Radisson Hotels Americas hotels (inclusive of 3 owned hotels). The 22 brands and brand extensions and hotel management operations are aggregated within this reportable segment considering their similar economic characteristics, types of customers, distribution channels and regulatory business environments. Revenues from the hotel franchising and management business include royalty fees, initial franchise and relicensing fees, cost reimbursement revenues, procurement services revenue, base and incentive management fees, and other hotel franchising and management related revenue. The Company provides certain services under its hotel franchise and management agreements which result in direct and indirect cost reimbursements. The cost reimbursement revenues received from franchisees are included in hotel franchising and management revenues and are offset by the related expenses to calculate hotel franchising operating income. Equity in earnings or losses from hotel franchising related investments in affiliates is allocated to the Company's Hotel Franchising & Management reportable segment.

The Company evaluates its Hotel Franchising & Management reportable segment based primarily on the results of the segment without allocating corporate expenses, indirect general and administrative expenses, interest expense, interest income, other gains and losses or income taxes, which are included in the Corporate & Other column. Corporate & Other revenues include owned hotel revenues and revenues related to the Company's SaaS technology solutions division which provide cloud-based property management software to non-franchised hoteliers.

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

Our President and Chief Executive Officer, who is our CODM, does not use assets by operating segment when assessing performance or making operating segment resource allocation decisions and therefore assets by segment are not disclosed below.

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

(in thousands)	For the Year Ended December 31, 2022 Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	**$ 1,298,521**	**$ 108,879**	**$ (5,451)**	**$ 1,401,949**
Operating income (loss)	**552,905**	**(74,304)**	**—**	**478,601**
Depreciation and amortization	**12,935**	**17,490**	**—**	**30,425**
Income (loss) before income taxes	**554,637**	**(117,831)**	**—**	**436,806**

(in thousands)	For the Year Ended December 31, 2021 Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	$ 1,026,409	$ 45,740	$ (2,851)	$ 1,069,298
Operating income (loss)	485,199	(56,266)	—	428,933
Depreciation and amortization	8,050	16,723	—	24,773
Income (loss) before income taxes	468,894	(92,402)	—	376,492

(in thousands)	For the Year Ended December 31, 2020 Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	$ 747,329	$ 28,257	$ (1,514)	$ 774,072
Operating income (loss)	191,301	(69,634)	—	121,667
Depreciation and amortization	8,000	17,831	—	25,831
Income (loss) before income taxes	176,012	(123,006)	—	53,006

The results of the Company's international operations are included in the Hotel Franchising & Management reportable segment and Corporate & Other. Revenues generated by foreign operations, including royalty, cost reimbursable fees and other revenues for the years ended December 31, 2022, 2021 and 2020 were $70.2 million, $46.8 million, and $42.6 million, respectively.

21. Related Party Transactions

Transactions with Company's Largest Shareholder

Effective October 15, 1997, Choice Hotels International, Inc., which included both a franchising business and owned hotel business, separated the businesses via a spin-off into two companies: Sunburst Hospitality Corporation (referred to hereafter as “Sunburst”) and the Company. Subsequent to the spin-off, the Company’s largest shareholder retained significant ownership percentages in both Sunburst and the Company. As part of the spin-off, Sunburst and the Company entered into a strategic alliance agreement (as amended, the "Strategic Alliance Agreement"). Among other things, the Strategic Alliance Agreement provided for revised royalty and system fees and the determination of liquidated damages related to the termination of Choice branded Sunburst properties. The liquidated damage provisions extend through the life of the existing Sunburst franchise agreements.

On June 5, 2019, the Strategic Alliance Agreement was terminated and replaced with addenda to each of the five hotels under franchise at that time. The addenda preserve certain terms from the Strategic Alliance Agreement with respect to the five hotels, including the revised royalty and system fee and liquidated damage provisions, which would also apply to new franchise agreements signed for the five hotels (as either a renewal or a change to another Choice brand not contemplated at the time of original agreement execution). No terms were substantially modified with respect to the five operating hotels under franchise. In June 2019, the Company and Sunburst entered into master development agreements which provide Sunburst geographic exclusivity in two specified regions for development of five WoodSpring branded hotels. For the years ended December 31, 2022 and 2021, there were four and zero new franchise agreements signed between the Company and Sunburst and affiliates, respectively. As of December 31, 2022, Sunburst and affiliates operate five hotels under franchise with the Company.

Total franchise fees, including royalty and marketing and reservation system fees, paid by Sunburst and affiliates to the Company included in the accompanying consolidated financial statements were $0.8 million, $0.4 million, and $0.5 million for the years ended December 31, 2022, 2021 and 2020, respectively. As of both December 31, 2022 and 2021, accounts receivable due from Sunburst and affiliates were $0.1 million.

22. Transactions with Unconsolidated Affiliates

The Company extends loans to various unconsolidated affiliates or members of our unconsolidated affiliates. The Company has a total principal balance on these loans of $65.2 million and $90.7 million as of December 31, 2022 and December 31, 2021, respectively. These loans mature at various dates and bear interest at fixed and variable rates.

The Company signed a management fee arrangement for marketing services with a partner in an unconsolidated affiliate. For the years ended December 31, 2022, 2021 and 2020, fees earned and payroll costs reimbursed under this arrangement totaled $2.4 million, $1.4 million and $1.3 million, respectively.

The Company entered into franchise agreements with certain of the unconsolidated affiliates listed within Note 8. Pursuant to these franchise agreements, the Company recorded royalty and marketing and reservation system fees of approximately $27.2 million, $20.2 million, and $13.9 million for the years ended December 31, 2022, 2021 and 2020, respectively. The Company recorded $3.9 million and $2.7 million as a receivable due from these unconsolidated affiliates as of December 31, 2022 and 2021, respectively.

23. 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 guarantee 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 $5.7 million, plus unpaid expenses and accrued unpaid interest. As of December 31, 2022 and December 31, 2021, the Company believed the likelihood of having to perform under the aforementioned limited payment guaranties was remote. In the event of performance, the Company has recourse for one of the transactions in the form of a membership interest pledge as collateral for the guaranty.

Commitments

The Company has the following commitments outstanding at December 31, 2022:

- The Company provides financing in the form of franchise agreement acquisition payments to franchisees for property improvements, hotel development efforts and other purposes. These payments are typically made at commencement of construction or hotel opening, in accordance with agreed upon provisions in individual franchise agreements. At December 31, 2022, the Company had commitments to extend an additional $330.4 million for these purposes provided the conditions of the payment are met by its franchisees.
- As part of the acquisition of Radisson Hotels Americas, the Company entered into a long-term management arrangement, with an expiration date of July 31, 2031, to manage eight hotel properties owned by a third-party. In conjunction with the management arrangement, the Company entered into a guarantee with the third-party to fund any shortfalls in the payment of the third-party owner’s priority stipulated in the management agreement up to a specified maximum amount. On November 1, 2021, an amended and restated management agreement was executed between the Company and the third party. The maximum guarantee under the agreement is $22 million. There are no potential guaranteed payments until January 2023 and future performance is expected to be sufficient to cover the terms of the agreement. Accordingly, no liability was recorded as of the acquisition date of Radisson Hotels Americas or December 31, 2022 in accrued liabilities within the consolidated balance sheets.
- To the extent existing unconsolidated affiliates proceed to the hotel construction phase, the Company is committed to make capital contributions totaling $14.1 million to support their efforts to construct Cambria hotels.
- The Company committed to provide financing in the form of loans or credit facilities to franchisees for Choice brand development efforts. As of December 31, 2022, the Company has remaining commitments of approximately $1.8 million, upon certain conditions being met.

- The Company's legacy Choice franchise agreements require the payment of franchise fees, which include marketing and reservation system fees. In accordance with terms of our legacy Choice 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. The legacy Radisson Hotels Americas franchise agreements have similar provisions regarding marketing fees to be used for marketing activities. To the extent revenues collected exceed expenditures incurred, the Company has a commitment to the franchisee system to make expenditures in future years. Conversely, to the extent expenditures incurred exceed revenues collected, the Company has the contractual enforceable right to assess and collect such amounts.

In the ordinary course of business, the Company enters into numerous agreements that contain standard indemnities whereby the Company indemnifies another party for breaches of representations and warranties. Such indemnifications are granted under various agreements, including those governing (i) purchases or sales of assets or businesses, (ii) leases of real estate, (iii) licensing of trademarks, (iv) access to credit facilities, (v) issuances of debt or equity securities, and (vi) certain operating agreements. The indemnifications issued are for the benefit of the (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) financial institutions in credit facility arrangements, (v) underwriters in debt or equity security issuances and (vi) parties under certain operating agreements. In addition, these parties are also generally indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. While some of these indemnities extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these indemnities, nor is the Company able to develop an estimate of the maximum potential amount of future payments to be made under these indemnifications as the triggering events are not subject to predictability. With respect to certain of the aforementioned indemnities, such as indemnifications of landlords against third-party claims for the use of real estate property leased by the Company, the Company maintains insurance coverage that mitigates potential liability.

24. Acquisitions

2021 & 2022 Asset Acquisitions

In September 2021 and April 2022, the Company reached settlements with independent borrowers holding senior and mezzanine loans classified as collateral-dependent, collateralized by operating hotels. The key terms of the settlements resulted in a deed in lieu of foreclosure on each operating hotel in exchange for releasing obligations pursuant to the senior and mezzanine loans and the associated franchise agreements, as exchanged on October 1, 2021 and April 14, 2022, respectively.

As collateral-dependent financial assets, the expected credit losses as captured in Notes receivable, net of allowance for credit losses, on the consolidated balance sheets immediately prior to exchange were determined based on the fair value of the operating hotels. The acquisition accounting was also based on the fair value of the operating hotels. The fair values were estimated using an income approach valuation method based on discounted cash flows of the collateralized operating hotel utilizing historical operating performance, industry projections for the market, and comparable sales capitalization rates.

The acquisition dates for these hotels were October 1, 2021 and April 14, 2022 and had fair values at time of acquisition of $21.1 million and $20.4 million, respectively. In accordance with the provisions of ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), each purchase represented an asset acquisition based on the concentration of value in the acquired land and building. The Notes receivable, net of allowance for credit losses, balances were re-characterized and attributed to each asset class based on a relative fair value allocation to qualifying assets. The relative fair values for each asset class were estimated using a combination of income and market approach valuations methods. For the October 1, 2021 acquisition, the $21.1 million balance was re-characterized as $4.8 million to land, $14.2 million to building and improvements, $1.8 million to furniture, fixtures, and equipment, and $0.3 million to net assets assumed. For the April 14, 2022 acquisition, the $20.4 million balance was re-characterized as $3.3 million to land, $16.6 million to building and improvements, $1.3 million to furniture, fixtures, and equipment, and $(0.8) million to net liabilities assumed.

August 2022 Radisson Hotels Americas Acquisition

On August 11, 2022, the Company completed the acquisition of Radisson Hotels Americas. The accounting purchase price for the Transaction was $673.9 million, which includes the base purchase price of $675.2 million, adjusted for Disclosed Leakage (as defined in the Share Sale and Purchase Agreement) and certain other prepaid expenses. To fund the Transaction, Choice drew $175.0 million on the Company's existing $600.0 million unsecured credit facility (the "Revolver"), and funded the remainder with cash on hand.

Additionally, in connection with the acquisition, we recorded $39.6 million of transaction, transition, and severance expense, included within Selling, general and administrative, during the year ended December 31, 2022, respectively.

Preliminary Fair Values of Assets Acquired and Liabilities Assumed

The Company allocated the purchase price based upon a preliminary assessment of the fair value of the assets acquired and liabilities assumed as of August 11, 2022. These preliminary fair values are based on management's estimates and assumptions, using the best information available at the time of this filing. During the fourth quarter of 2022, the Company recorded net measurement period adjustments that decreased goodwill by $9.1 million, as presented in the table below. The Company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date. The measurement period adjustments resulted in no impact to our consolidated statements of income.

The final valuation and related allocation of the purchase price will be completed no later than 12 months after the closing date. The final acquisition accounting adjustments may be materially different and may include (1) changes in fair value of property and equipment and associated salvage values, (2) changes in allocations to intangible assets, such trade names, acquired franchise and management agreements, above and below market leases, as well as goodwill; and (3) other changes to assets and liabilities, such as working capital.

The preliminary allocation of the purchase price including measurement period adjustments, as presented in our Consolidated Balance Sheet:

Assets acquired		August 11, 2022	Measurement Period Adjustments		August 11, 2022 (as adjusted)
Cash and cash equivalents	$	113,023 $	—	$	113,023
Restricted cash		10,403	—		10,403
Accounts receivable		32,972	8,752		41,724
Notes receivables - current		1,709	—		1,709
Prepaid expenses and other current assets		8,139	—		8,139
Property and equipment		125,441	—		125,441
Operating lease right-of-use assets		42,315	(2,016)		40,299
Intangible assets		447,400	(300)		447,100
Notes receivable - noncurrent		2,592	—		2,592
Investment in affiliates		471	—		471
Other assets		2,129	—		2,129
Total assets acquired	$	786,594 $	6,436	$	793,030
Liabilities assumed					
Accounts payable		8,295	(1,566)		6,729
Accrued expenses and other current liabilities		15,987	425		16,412
Deferred revenue - current[1]		5,745	1,566		7,311
Liability for guest loyalty program - current[1]		3,542	3,792		7,334
Long-term debt		55,975	—		55,975
Long-term deferred revenue[1]		26,499	(3,915)		22,584
Deferred compensation and retirement plan obligations		9,265	—		9,265
Operating lease liabilities		42,705	(2,016)		40,689
Liability for guest loyalty program - noncurrent[1]		10,180	(1,443)		8,737
Other liabilities		3,052	543		3,595
Total liabilities assumed	$	181,245 $	(2,614)	$	178,631
Fair value of net assets acquired	$	605,349 $	9,050	$	614,399
Goodwill		68,507	(9,050)		59,457
Total purchase consideration	$	673,856 $	—	$	673,856

[1] The Deferred revenue (including deferred affiliation fees) and Liability for guest loyalty program balances were assumed at their carrying value at the date of the acquisition pursuant to the application of ASU 2021-08 (see Note 1).

Property and Equipment

The following table presents the preliminary estimates of fair value of the acquired property and equipment, which is primarily concentrated at three acquired hotel properties, and their estimated weighted average remaining useful lives.

	Estimated Useful Life (in years)		Estimated Fair Value (in thousands)
Land	N/A	$	7,159
Construction in progress	N/A		3,190
Building and leasehold improvements	24.4		93,934
Site improvements	23.1		586
Furniture, fixtures and equipment	3.9		8,334
Computer equipment and software	2.0		12,238
Total		$	125,441

We provisionally estimated the value of the property and equipment through a combination of income, cost and market approaches, which are primarily based on significant Level 2 and Level 3 assumptions, such as estimates of future income growth, discount rates, capitalization rates and capital expenditure needs of the hotels. We are continuing to assess the marketplace assumptions and property conditions, which could result in changes to these provisional values.

Identified Intangible Assets

The following table presents our preliminary estimates of the fair value of the acquired identified intangible assets and their estimated useful lives:

	Estimated Useful Life (in years)		Estimated Fair Value (in thousands)
Trade names	N/A	$	223,700
Franchise agreements	15.5		220,100
Management agreements	15.5		3,300
Total		$	447,100

The fair value of the trade names was provisionally estimated using the relief-from-royalty method. This method applies an estimated royalty rate to forecasted future cash flows, discounted to present value. The fair value of the franchise and management agreements was preliminarily estimated using a multi-period excess earnings method, a variation of the income approach. This method uses the present value of incremental after-tax cash flows attributable to the intangible asset to estimate fair value. These valuation methodologies utilize Level 3 assumptions, and we are continuing to assess the assumptions used in estimating these values as well as the respective useful lives, which could result in changes to these provisional values.

Debt Assumed

As part of the Transaction, we assumed a mortgage related to an acquired hotel property. The mortgage had an associated interest rate cap agreement with an effective date of July 30, 2021 through August 6, 2024. Subsequent to the acquisition closing date, the mortgage, inclusive of outstanding interest and fees, was repaid in full in the amount of $56.0 million using cash we acquired. Additionally, the interest rate cap agreement was terminated, which resulted in a payment to Choice in the amount of $1.9 million. Related to the mortgage, we acquired $10.4 million in restricted cash, for which restrictions were lifted upon repayment.

Operating Leases

The Company measured operating lease liabilities assumed at the present value of remaining payments as of the acquisition date, discounted using Choice's applicable incremental borrowing rate, in accordance with *Leases (Topic 842)*. The corresponding right-of-use assets acquired were measured at the value of the lease liabilities, further adjusted for favorable or unfavorable lease terms as compared to market terms. We are continuing to assess market assumptions, which could change our preliminary estimate.

Income Taxes

Pursuant to the terms of the Transaction, the parties agree to jointly make a valid, timely election under Section 338(h)(10) of the U.S. Internal Revenue Code and under any similar provisions of state or local law with respect to the purchase of the shares of Radisson Hotels Americas. Under this election, the parties agreed to treat the Transaction for federal income tax purposes as if it had been structured as an asset sale and purchase. As a result of this election, the tax basis of the assets acquired and liabilities assumed by Choice were reset to fair value at the time of the acquisition, which results in the elimination of previously established deferred income tax balances and the establishment of new balances that reflect the new tax basis, including tax deductible goodwill. Because the accounting for the Transaction is ongoing, the resulting deferred tax balances are still being finalized.

Pro Forma Results of Operations

The following unaudited pro forma information presents the combined results of operations of Choice and Radisson Hotels Americas as if we had completed the Transaction on January 1, 2021, but using our preliminary fair values of assets acquired and liabilities assumed as of the acquisition date. The unaudited pro forma information reflects adjustments relating to (i) the allocation of purchase price and related adjustments, including incremental depreciation and amortization expense based on the preliminary fair values of the property and equipment assets and intangible assets acquired; (ii) the incremental impact of the Revolver draw on interest expense and amortization of financing costs; (iii) nonrecurring transaction costs; and (iv) income tax impact of the aforementioned pro forma adjustments.

As required by GAAP, these unaudited pro forma results do not reflect any cost saving synergies from operating efficiencies. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the transaction had occurred at the beginning of the period presented, nor are they indicative of future results of operations.

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Revenues	$ 1,551,775	$ 1,263,988
Net income	368,449	207,023

Radisson Hotels Americas Results of Operations

The results of Radisson Hotels Americas have been consolidated with the Company since August 11, 2022 and are included in the Company's Consolidated Statement of Income for the year ended December 31, 2022. The following table presents these results of the 142 days from the closing date through December 31, 2022.

(in thousands)	**August 11, 2022-December 31, 2022**
Revenues	$ 104,201
Net income	1,249

Goodwill

The $59.5 million excess value recorded in goodwill is primarily attributable to value we expect to realize from the existing customer base, improvements in RevPAR, cost synergies and new agreements signed with new franchisees and developers. Goodwill for the Transaction is fully attributable to the Hotel Franchising & Management reportable segment and is fully deductible for tax purposes. Refer to Note 6 for reconciliation of the Company's goodwill balance.

25. Subsequent Events

On February 14, 2023, the Company entered into a Third Amendment to the Amended and Restated Senior Unsecured Credit Agreement. The Amendment provides, among other things, for (i) an increase in the aggregate amount of commitments under the Revolver by $250 million (the "Increased Commitments") to an aggregate amount of $850 million and (ii) the replacement of the interest reference rate for U.S. dollar-denominated borrowings under the Revolver from LIBOR to an adjusted Secured Overnight Financing Rate. The pricing and other terms applicable to the Increased Commitments are the same as those applicable to the existing revolving loan commitments that were in effect prior to the Amendment. Except as amended by the Amendment, the remaining terms of the unsecured credit facility remain in full force and effect.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

The Company has a disclosure review committee whose membership includes the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), among others. The disclosure review committee's procedures are considered by the CEO and CFO in performing their evaluations of the Company's disclosure controls and procedures and in assessing the accuracy and completeness of the Company's disclosures.

Our management, with the participation of our CEO and CFO have evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), as of the end of the period covered by this annual report as required by Rules 13a-15(b) or 15d-15(b) under the Exchange Act. Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

An evaluation was performed under the supervision and with the participation of the Company's CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the

Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2022.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the fourth quarter of 2022 that materially affected, or is reasonably likely to materially affect the Company’s internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

The management of Choice Hotels International, Inc. and its subsidiaries (together "the Company") is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on management’s assessment under those criteria, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2022.

On August 11, 2022, we completed our acquisition of Radisson Hotels Americas. We are in the process of evaluating the existing controls and procedures of Radisson Hotels Americas and integrating Radisson Hotels Americas into our internal control over financial reporting. In accordance with SEC Staff guidance permitting a company to exclude an acquired business from management’s assessment of the effectiveness of internal control over financial reporting for the year in which the acquisition is completed, we have excluded the business that we acquired in the Radisson Hotels Americas Transaction from our assessment of the effectiveness of internal control over financial reporting as of December 31, 2022. The business that we acquired in the Radisson Hotels Americas Transaction represented 34% of the Company’s total assets as of December 31, 2022, and 7% of the Company’s revenues and less than 1% of the Company’s net income for the year ended December 31, 2022. The scope of management’s assessment of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 31, 2022 includes all of the Company’s consolidated operations except for those disclosure controls and procedures of Radisson Hotels Americas that are subsumed by internal control over financial reporting.

The effectiveness of the Company’s internal control over financial reporting as of December 31, 2022 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Choice Hotels International, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Choice Hotels International, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Choice Hotels International, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Radisson Hotels Americas, which is included in the 2022 consolidated financial statements of the Company and constituted 34% of total assets as of December 31, 2022 and 7% of revenues and less than 1% of net income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Radisson Hotels Americas.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2022 consolidated financial statements of the Company and our report dated March 1, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Tysons, Virginia
March 1, 2023

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"), select one or more of the two 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 Hotel Questionnaire (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 (Premium or DiGITAL) by checking the appropriate box at the end of each Service Option description.

Service Option #1 — Premium

Premium is available on either a seasonal basis (from April 1 to September 30) or on an annual basis.

With Premium, callers to Your Hotel will continue to use Your existing Main Number as they did before You enrolled in the Program. 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. The caller will be prompted to choose either "reservations" or "all other inquiries", or a third option of your choice if required. 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. If you should also like to implement a third option on the IVR, calls will be transferred to a designated telephone number of your choice and no fee will apply.

To select Service Option #1 – Premium, 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 #1 – Premium, 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 #1, 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 #1, in accordance with the terms stated below in Section 4, however, Choice does not guaranty this reassignment back to Your Hotel.

◉ **Select Service Option #1 — Premium**

Service Option #2 — DiGITAL

DiGITAL is available on either a seasonal basis (from April 1 to September 30) or on an annual basis.

Choice will provide Your Hotel with its own unique Call Forwarding Number. Choice will substitute Your Hotel's published primary toll-number (the "Main Number") with a designated Call Forwarding 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 designated Call Forwarding 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 Call Forwarding Number will be routed to an automated "interactive voice response" system (IVR) with a message specific to Your Hotel (similar to the Premium service). The caller will be prompted to choose either "reservations" or "all other inquiries," or a third option of your choice if required 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. If you should also like to implement a third option on the IVR, calls will be transferred to a designated telephone number of your choice and no fee will apply.

You also have the option to also have Incoming Calls on Your Call Forwarding Number routed through Your Hotel's PBX system. You then can treat the Incoming Call as a Manual Transfer or an Automatic Transfer, as outlined under Service Option #2. Dependent on your agreement with your telephone provider, additional fees may apply.

○ **Select Service Option #2 — DiGITAL**

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2. Obligations and Representations

Once You accept these Terms of Use and select Your Service Option(s), You will be enrolled in the Program and You will receive an e-mail confirmation including the Call Forwarding Technical Requirements & Hotel Questionnaire. You represent and warrant that the Hotel Questionnaire 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 Hotel Questionnaire. If You wish to enroll additional Hotels in the Program, You must accept these Terms of Use and complete a separate Hotel Questionnaire for each Hotel.

Call Forwarding representatives have access to all your local negotiated rate plans through our reservation system. This includes rate plans You have loaded as Property Direct. It is Your responsibility to ensure every local negotiated rate plan has a loaded rate description.

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 Hotel Questionnaire 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.

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 Call Forwarding Number Published Listings (Service Option #2 only). For Service Option #2, Your removal of the Call Forwarding 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 #1 only). For Service Option #1, 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 #1 only). Upon termination of Your participation in the Program under Service Option #1 – Premium, 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 #1 (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

List of All Current Outlets for Fiscal Year Ending December 31, 2022

Franchisee	Hotel Street Address	Hotel City	Hotel State	Hotel Zip code	Hotel phone number
SHM DELAWARE, LLC.	120 Brazelton Circle	Madison	Alabama	35758	(256) 325-6300
INVESTMENT RESOURCES CORPORATION	1420 E Tucson Marketplace Blvd.	Tucson	Arizona	85713	(520) 829-5720
SSH/BG Edge Hotel Operations II, LLC	24275 N 23rd Ave	Phoenix	Arizona	85085	(530) 3531
SSH/BG Edge Hotel Operations IV LLC	404 E Baseline Road	Mesa	Arizona	85204	(480) 351-0610
AMENA COLTON, LLC	2050 W Valley Boulevard	Colton	California	92324	(909) 639-1123
Lennox Bakersfield LLC	8311 E Brundage Lane	Bakersfield	California	93307	(661) 489-8311
PREET BHATHAL	8740 Spectrum Park Way	Bakersfield	California	93308	(661) 450-9100
RS Littleton, LLC	5260 S Santa Fe Drive	Littleton	Colorado	80120	(720) 823-5051
SSH / Genesis WBF Hotel Operations, LLC	121 Edgeview Drive	Broomfield	Colorado	80021	(720) 457-5038
Warner Row, LLC	659 Market Street	Grand Junction	Colorado	81505	(970) 644-5902
BG Edge Hotel Property III LLC	1328 Republic Drive	Colorado Springs	Colorado	80921	(719) 452-8477
SSH/BG Edge Hotel Operations I, LLC	16125 Washington Street	Thornton	Colorado	80023	(720) 844-5921
Sandpiper WWS Tampa LLC	9310 Anderson Road	Tampa	Florida	33634	(813) 418-6782
GOLD COAST PREMIER PROPERTIES, LLC	16055 SW 117th Ave	Miami	Florida	33177	(786) 509-7373
GOLD COAST PREMIER PROPERTIES VII, LLC	2600 Tamiami Trail East	Naples	Florida	34112	(239) 676-0483
Sandpiper Orlando Clermont, LLC	16311 FL-50	Clermont	Florida	34711	(407) 877-2634
GOLD COAST PREMIER PROPERTIES IV, LLC	3786 White Lake Boulevard	Naples	Florida	34117	(239) 351-2299
Sandpiper Orlando Clarcona, LLC	4125 Clarcona Ocoee Road	Orlando	Florida	32810	(407) 292-6200
GOLD COAST PREMIER PROPERTIES V, LLC	3660 Red Road	Miramar	Florida	33025	(754) 581-8173
GOLD COAST PREMIER PROPERTIES III, LLC	5751 Madison Avenue	Tamarac	Florida	33321	(754) 802-2818
GOLD COAST PREMIER PROPERTIES II, LLC	7500 NW 41st Street	Miami	Florida	33166	(305) 363-3092
WOODSPRING DAYTONA, LLC	2910 W. International Speedway Blvd.	Daytona Beach	Florida	32124	(386) 333-6512
GOLD COAST PREMIER PROPERTIES VIII, LLC	7376 Stone River Road	Bradenton	Florida	34203	(941) 219-4775
RS Orlando LLC	11781 International Dr.	Orlando	Florida	32821	(407) 842-1455
WS DAVENPORT, LLC	702 Champions Drive	Davenport	Florida	33897	(863) 578-3658
JACKSONVILLE WSS, LLC	8341 Dames Point Crossing Blvd	Jacksonville	Florida	32277	(904) 743-7100
WSS SANDFORD, LLC	171 Hickman Drive	Sanford	Florida	32771	(407) 638-9511
VP INCOME PROPERTIES, LLC	5505 SW 41st Boulevard	Gainesville	Florida	32608	(352) 672-6008
VPLACE PARTNERS, LLC	3425 Saland Way	Jacksonville	Florida	32246	(904) 483-5400
GOLD COAST PREMIER PROPERTIES IX, LLC	2800 Cypress Ridge Boulevard	Wesley Chapel	Florida	33544	(813) 395-0708
Gold Coast Premier Properties X, LLC	7125 Bonneval Road	Jacksonville	Florida	32256	(904) 866-4811
CONCORD WP COL CAMPFIELD LLC	11250 Lamb Tail Lane	Jacksonville	Florida	32256	(904) 289-3439
Park Silver Orlando LLC	6025 Sand Lake Vista Drive	Orlando	Florida	32819	(407) 545-3015
1801 VICTORY, LLC	1801 Victory Drive Bldg. #1	Columbus	Georgia	31901	(706) 649-6599
DEV-11 PROPERTIES, INC.	5323 New Jessup Highway	Brunswick	Georgia	31523	(912) 689-3001
THDP PARTNERS, LLC	69 Diplomat Parkway	Newnan	Georgia	30265	(678) 400-6958
SPI Savannah, LLC	122 Godley Station Blvd South	Pooler	Georgia	31322	(912) 348-9380
MACON VALUED PARTNERS II, LLC	4949 Harrison Road	Macon	Georgia	31206	(478) 477-0949
MACON VALUED PARTNERS, LLC	2000 Bowman Road	Macon	Georgia	31210	(478) 477-8347
PARADOR INVESTMENTS, LLC	625 Industrial Boulevard	Mcdonough	Georgia	30253	(678) 552-1483
ROCKDALE HOSPITALITY LLC	2000 West Iris Drive	Conyers	Georgia	30013	(770) 785-6649
BHAVIKA, LLC	3567 Highway 138 SE	Stockbridge	Georgia	30281	(770) 756-9565
CCF PARTNERS LAKELAND, LLC	4912 Augusta Road	Garden City	Georgia	31408	(912) 966-1212
RIVERWATCH VP, LLC	2995 Riverwatch Parkway	Augusta	Georgia	30907	(706) 733-8998
NOLAND VP, LLC	2115 Noland Connector	Augusta	Georgia	30909	(706) 792-1212
COUNCIL BLUFFS VP INVESTORS, LC	3541 14th Avenue	Council Bluffs	Iowa	51501	(712) 388-8000
GURU KRUPA LLC	1525 Metro East Drive	Pleasant Hill	Iowa	50327	(515) 266-9500
GURU KRUPA LLC	6703 SE Bellagio Drive	Ankeny	Iowa	50021	(515) 289-1701
CWP Franchise Holdco II LLC	5315 Elmore Circle	Davenport	Iowa	52807	(563) 949-4008

GURU KRUPPA LLC	7255 Lake Drive	West Des Moines	Iowa	50266	(515) 705-7644
Meridian Hotel Holdings, LLC	1262 S Rackham Way	Meridian	Idaho	83642	(208) 370-5343
HP WS-V ADDISON, LLC	991 E Lake Street	Addison	Illinois	60101	(331) 307-1100
NWI-CHICAGO VALPLACE DEVELOPER, LLC	951 N. Frontage Road	Darien	Illinois	60561	(630) 686-9080
CHAMPAIGN HOTEL, INC.	1212 West Anthony	Champaign	Illinois	61821	(217) 359-5499
HP VP-I ROMEOVILLE, LLC	1093 Windham Parkway	Romeoville	Illinois	60446-1651	(331) 803-4040
HP WS-III TINLEY PARK, LLC	18636 West Creek Drive	Tinley Park	Illinois	60477	(708) 336-4696
HP WS-IV CAROL STREAM, LLC	1160 North Gary Ave	Carol Stream	Illinois	60188	(630) 517-0909
HP WS-VII BURBANK, LLC	5001 W 79th Street	Burbank	Illinois	60459	(708) 794-0411
HP WS-VIII ELGIN, LLC	2225 Point Boulevard	Elgin	Illinois	60123	(224) 238-6057
HP WS-IX GURNEE LLC	5742 Northridge Drive	Gurnee	Illinois	60031	(224) 808-5096
HP WS-VI MERRILLVILLE, LLC	1500 East 83rd Avenue	Merrillville	Indiana	46410	(219) 940-5677
HP WS CASTLETON LLC	8301 Bash Street	Indianapolis	Indiana	46250	(317) 854-3327
Evansville Lodge LLC	8221 Stahl Road	Evansville	Indiana	47715	(812) 853-0900
CLARKSVILLE VP INVESTORS, LLC	1811 Independence Court	Clarksville	Indiana	47129	(812) 285-0100
TGC Whitestown, LLC	6007 Perry Worth Road	Whitestown	Indiana	46075	(317) 732-0517
SANDPIPER FORT WAYNE, LLC	2850 Dupont Commerce Court	Fort Wayne	Indiana	46825	(260) 489-4164
KENTUCKY AVENUE HOTEL GROUP LLC	4545 Kentucky Ave	Indianapolis	Indiana	46221	(317) 856-9533
DC HOSPITALITY-LENEXA, LLC	14700 W. 112th Street	Lenexa	Kansas	66215	(913) 327-1101
DC HOSPITALITY-MISSION, LLC	6950 Foxridge Drive	Mission	Kansas	66202	(913) 831-1300
TOPEKA VP INVESTORS LLC	1801 SW Westport Road	Topeka	Kansas	66604	(785) 271-8862
JCVP INVESTORS, LLC	311 E Ash Street	Junction City	Kansas	66441	(785) 762-2221
CNL LOUISVILLE, LLC	1201 Kentucky Mills Drive	Louisville	Kentucky	40299	(502) 290-0036
LEXINGTON EXTENDED STAY, LLC	2370 Lake Park Road	Lexington	Kentucky	40502	(859) 269-6677
VP LOUISVILLE LLC	10400 Brookridge Village	Louisville	Kentucky	40291	(502) 239-0044
Warner Louisiana, LLC	3202 N Power Centre Parkway	Lake Charles	Louisiana	70615	(337) 564-6966
Monroe WSS LLC	230 Blanchard Street	West Monroe	Louisiana	71291	(318) 582-1610
Sandpiper Harrell?s Ferry, LLC	11544 N. Harrell's Ferry Road	Baton Rouge	Louisiana	70816	(225) 226-1522
Sandpiper Airline Highway, LLC	8382 Airline Highway	Baton Rouge	Louisiana	70815	(225) 922-4336
Warner Louisiana, LLC	200 Hugh Wallis Road	Lafayette	Louisiana	70508	(337) 504-5522
SULPHUR HOTEL PARTNERS, LLC	2580 Calcasieu Industrial Dr.	Sulphur	Louisiana	70665	(337) 607-0170
Sandpiper Greenbelt, LLC	7480 Greenway Center Drive	Greenbelt	Maryland	20770	(240) 760-1300
SANDPIPER ARENA DRIVE, LLC	1603 Brightseat Drive	Hyattsville	Maryland	20785	(202) 760-2360
Sandpiper White Marsh, LLC	4985 Mercantile Road	White Marsh	Maryland	21236	(443) 290-0101
SANDPIPER ANDREWS, LLC	6010 Allentown Road	Camp Springs	Maryland	20746	(301) 423-4200
SANDPIPER FREDERICK, LLC	341 Ballenger Center Drive	Frederick	Maryland	21703	(240) 575-2550
CONCORD WP COL FARMINGTON LLC	22100 Haggerty Road	Farmington Hills	Michigan	48335	(248) 513-8992
CONCORD WP COL MADISON LLC	32400 Stephenson Highway	Madison Heights	Michigan	48071	(248) 607-6230
SPIH HOLLAND, LLC	2630 Van Ommen Drive	Holland	Michigan	49424	(616) 738-8200
LENNOX ARNOLD, LLC	888 Arnold Commons Dr.	Arnold	Missouri	63010	(636) 287-6441
LENNOX ST. CHARLES, LLC	2100 Old Hwy 94 S.	Saint Charles	Missouri	63303	(636) 916-0001
LIBERTY VP INVESTORS, L.C.	1911 Industrial Drive	Liberty	Missouri	64068	(816) 415-3330
SSH/RH Hotel Operations I LLC	3035 Stockyard Rd.	Missoula	Montana	59808	(406) 317-7444
DEESHA HOTEL INC.	1010 Sue Lane	Shelby	North Carolina	28152	(704) 487-1001
DC HOSPITALITY APEX LLC	901 Lufkin Rd.	Apex	North Carolina	27539	(919) 387-4636
DC HOSPITALITY GASTONIA LLC	1830 Wren Turnpike	Gastonia	North Carolina	28052	(704) 866-8865
MM VAIBHAVLAXMI, LLC	142 Cleveland Crossing Drive	Garner	North Carolina	27529	(919) 779-5800
SANDPIPER ASHEVILLE, LLC	40 Monte Vista Road	Asheville	North Carolina	28806	(828) 418-1400
SANDPIPER RALEIGH, LLC	8840 Wadford Drive	Raleigh	North Carolina	27616	(919) 322-1550
LIBERTY WS CHARLOTTE BELGATE, LLLP	7007 MacFarlane Blvd	Charlotte	North Carolina	28262	(704) 981-4145

CONCORD WP COL CONCORD, LLC	7845 Commons Park Circle	Concord	North Carolina	28027	(980) 248-2585
Concord WP COL Morrisville, LLC	610 Airport Boulevard	Morrisville	North Carolina	27560	(919) 323-8772
Concord WP COL Greensboro LLC	505 Hickory Ridge Drive	Greensboro	North Carolina	27409	(336) 690-5269
FVP HOTEL PARTNERS, LLC	1090 35th Street North	Fargo	North Dakota	58102	(701) 532-1600
DICKINSON ND, LLC	3233 Legend Drive	Dickinson	North Dakota	58601	(701) 483-6900
Williston WS, LLC	121 Wells Street W	Williston	North Dakota	58801	(701) 774-9120
Lennox Lincoln, LLC	2050 Fletcher	Lincoln	Nebraska	68521	(402) 438-7000
BELLEVUE VP INVESTORS, LLC	2703 Samson Way	Bellevue	Nebraska	68123	(402) 991-5050
DC HOSPITALITY LINDEN URBAN RENEWAL, LLC	1920 East Linden Avenue	Linden	New Jersey	07036	(908) 344-5915
DC HOSPITALITY GROUP, LLC	1830 Frontage Rd.	Cherry Hill	New Jersey	08034	(856) 354-5500
DC HOSPITALITY GROUP, LLC	2991 Hamilton Boulevard	South Plainfield	New Jersey	07080	(908) 356-0700
RYENNE, LLC	3962 US 1	Monmouth Junction	New Jersey	08852	(732) 474-8919
ALBUQUERQUE WSS, LLC	13001 Central AV NE	Albuquerque	New Mexico	87123	(505) 275-8200
HOBBS VP INVESTORS, LLC	5100 N Lovington Highway	Hobbs	New Mexico	88240	(575) 964-7100
Tiger Hotel Term TRS Sub LLC	140 Salomon Court	Sparks	Nevada	89434	(775) 501-8700
NEW ERA COLUMBUS II, LLC	2305 North Wilson Road	Columbus	Ohio	43228	(614) 272-2170
SANDPIPER FAIRFIELD, LLC	6725 Fairfield Business Ctr.	Fairfield	Ohio	45014-5492	(513) 860-1222
SANDPIPER EASTON, LLC	4202 Transit Drive	Columbus	Ohio	43230	(614) 362-6860
VP COLUMBUS II LLC	3205 Centerpoint Dr.	Grove City	Ohio	43123	(614) 408-8886
SANDPIPER COLUMBUS, LLC	375 Hutchinson Ave	Columbus	Ohio	43235	(614) 681-7000
VP COLUMBUS II, LLC	4105 Hamilton Square Boulevard	Groveport	Ohio	43125	(614) 524-0122
RAINMAKER HOLDINGS IV LLC,	7373 Miller Lane	Dayton	Ohio	45414	(937) 518-6511
RHV, LLC	1788 Indian Wood Circle	Maumee	Ohio	43537	(419) 740-5819
CNL - TULSA, LLC	3415 South Sheridan Road	Tulsa	Oklahoma	74145	(918) 392-8200
CNTL 2, LLC	11000 E 45th St.	Tulsa	Oklahoma	74146	(918) 271-7500
POSH HOTEL OPERATIONS I LLC	4050 Woodhaven Road	Philadelphia	Pennsylvania	19154	(267) 946-5615
Wilkes Barre WSS LLC	350 Bear Creek Boulevard	Wilkes-Barre	Pennsylvania	18702	(570) 371-0310
CHERRY TREE, LLC	4016 Christian Springs Road	Bethlehem	Pennsylvania	18020-9451	(610) 867-2222
POSH PROPERTIES NO. 39, PAXTON, LLC	6351 Chelton Avenue	Harrisburg	Pennsylvania	17112	(717) 441-6690
JALAN, LLC	5518 Oakview Drive	Allentown	Pennsylvania	18106	(484) 664-1810
VIREN PATEL	64 Orchard Park Drive	Greenville	South Carolina	29615	(864) 368-9429
GREENVILLE VALUED PARTNERS II, LLC	255 Frontage Road	Duncan	South Carolina	29334	(864) 486-9998
GREENVILLE VALUED PARTNERS III, LLC	3025 Grandview Drive	Simpsonville	South Carolina	29680	(864) 962-9500
GREENVILLE VALUED PARTNERS, LLC	116 Chalmers Road	Greenville	South Carolina	29605	(864) 277-5500
COLUMBIA VALUED PARTNERS, LLC	931 Spears Creek Court	Elgin	South Carolina	29045	(803) 699-1413
TGC Charleston, LLC	4475 Leeds Place West	North Charleston	South Carolina	29405-8402	(843) 744-8001
GOLD COAST PROPERTIES SC 1, LLC	3471 Highway 21	Fort Mill	South Carolina	29715	(803) 591-9289
KHAN VP SIOUX FALLS, LLC	1109 S. Lyons Avenue	Sioux Falls	South Dakota	57106	(605) 274-1001
DC HOSPITALITY-LEBANON LLC	205 Eastgate Court	Lebanon	Tennessee	37090	(615) 453-9087
DC HOSPITALITY ALCOA, LLC	4412 Singleton Station Road	Louisville	Tennessee	37777	(865) 238-4545
DC HOSPITALITY - MURFREESBORO, LLC	157 John R Rice Blvd	Murfreesboro	Tennessee	37129	(615) 904-2595
PRECISION HOPSITALITY	7710 Lee Highway	Chattanooga	Tennessee	37421	(423) 551-9500
BOONES CREEK VP, LLC	135 Pinnacle Drive	Johnson City	Tennessee	37615	(423) 283-0365
Nashville Rivergate Hotel, LLC	122 Liberty Lane	Madison	Tennessee	37115	(615) 933-7775
Nashville Airport Hotel, LLC	515 Metroplex Drive	Nashville	Tennessee	37211	(615) 387-1983
WCP EXTENDED STAY, LLC	675 Kennedy Lane	Clarksville	Tennessee	37040	(931) 572-1446
Terrapin Memphis Investment, LLC	5787 Shelby Oaks Drive	Memphis	Tennessee	38134-7316	(901) 266-8088
TERRAPIN MEMPHIS INVESTMENTS, LLC	7060 Riverdale Bend Road	Memphis	Tennessee	38125	(901) 522-6989
Concord WP COL Knoxville LLC	320 N. Gallaher View Rd.	Knoxville	Tennessee	37922	(865) 263-2587
Concord WP COL Smyrna, LLC	945 Colonade Drive	Smyrna	Tennessee	37167	(615) 751-6487

Lennox Brownsville, LLC	995 Media Luna Road	Brownsville	Texas	78520	(956) 542-1684
Lennox Harlingen, LLC	3905 S. Expressway 77/83	Harlingen	Texas	78550	(956) 423-2200
Lennox McAllen, LLC	1207 W. Expressway 83	Pharr	Texas	78577	(956) 283-0854
Warner Dallas, LLC	6801 K Avenue	Plano	Texas	75074	(469) 253-4003
SUMMIT PECOS LLC	109 Lincoln Street	Pecos	Texas	79772	(432) 296-5753
NEW ERA FW, LLC	12745 N. Freeway	Fort Worth	Texas	76177	(817) 898-5166
LENNOX WACO, LLC	705 N Interstate 35	Waco	Texas	76705	(254) 799-4900
Warner ROW, LLC	2551 I-45 North	Conroe	Texas	77304	(936) 788-2300
Warner Houston 2, LLC	14900 N. Freeway	Houston	Texas	77090	(281) 443-3008
Warner Dallas, LLC	3401 N Central Expressway	Mckinney	Texas	75071	(214) 504-9353
Warner Houston 2, LLC	1506 West Fairmont Parkway	La Porte	Texas	77571	(281) 471-6600
LENNOX FT. SAM, LLC	6922 IH 35 North	San Antonio	Texas	78218	(210) 655-3900
DC GUEST - ZARZAMORA, LLC	7958 Interstate 35 Access Rd	San Antonio	Texas	78224	(210) 923-9335
Warner Dallas, LLC	4505 N I-35	Denton	Texas	76207	(940) 387-3400
Warner ROW, LLC	1026 S. Padre Island Drive	Corpus Christi	Texas	78416	(361) 852-9292
Warner Row, LLC	4601 I-40 East	Amarillo	Texas	79104	(806) 342-0222
Squires Group 2	18929 Tomball Parkway	Houston	Texas	77070	(281) 807-5999
Squires Group 2	5959 W. Sam Houston South Pkwy	Houston	Texas	77072	(713) 779-4441
CAMTOD SAN ANGELO, LLC	4013 W. Houston Harte Expwy	San Angelo	Texas	76901	(325) 617-7100
SPIH TYLER, LLC	3210 S. Southwest Loop 323	Tyler	Texas	75701-9203	(903) 561-3232
Warner ROW, LLC	620 N. Earl Rudder Freeway	Bryan	Texas	77802	(979) 485-9888
LCP Advisors, LLC	904 Rockmoor Drive	Georgetown	Texas	78628	(512) 688-4366
Lennox Las Colinas LLC	380 West Lyndon B Johnson Fwy	Irving	Texas	75063	(469) 284-9222
KILLEEN VP INVESTORS, LLC	501 E. Central Texas Expwy	Killeen	Texas	76541	(254) 526-6900
WCP TERI ROAD, LLC	4911 S IH 35	Austin	Texas	78744	(512) 344-9271
Warner ROW, LLC	4266 Oil Belt Lane	Abilene	Texas	79605	(325) 232-8710
WCP AUSTIN PARTNERS, LLC	11105 N Interstate 35 Frontage	Austin	Texas	78753	(512) 837-3100
WS Suites Lake Jackson Texas LP	618 East Highway 332	Lake Jackson	Texas	77566	(979) 353-4499
WCP HOLDINGS, LLC-SERIES A	4712 West Loop 250 North	Midland	Texas	79707	(432) 703-1703
WCP HOLDINGS, LLC	7051 Tres Hermanas Boulevard	Odessa	Texas	79765	(432) 272-4590
Warner Houston 1, LLC	121 Baker Road	Houston	Texas	77094-1217	(281) 599-8872
WCP-REGENT LIVE OAK, LLC	13598 N. I-35	San Antonio	Texas	78233	(210) 655-3100
NEW ERA SA III, LLC	5534 University Heights Blvd.	San Antonio	Texas	78249	(726) 262-5909
NEW ERA SA, LLC	2619 N Loop 1604 E	San Antonio	Texas	78232	(210) 245-4833
ROCKWALL WSS, LLC	1040 East I-30	Rockwall	Texas	75087	(972) 722-7778
FOSSIL CREEK WSS, LLC	3501 NE Loop 820	Fort Worth	Texas	76137	(817) 847-4999
FOREST HILL WSS, LLC	4101 California Parkway East	Forest Hill	Texas	76119	(817) 536-0010
EL PASO WSS, LLC	12215 Gateway Blvd W	El Paso	Texas	79936	(915) 858-5300
TROPHY CLUB WSS, LLC	306 Trophy Branch Dr.	Southlake	Texas	76092	(817) 491-1118
Warner Houston 2, LLC	4624 E Freeway	Baytown	Texas	77520	(281) 421-4544
Squires Group 2	13150 Cityscape Ave	Houston	Texas	77047	(832) 681-8250
Warner Dallas, LLC	4250 Mapleshade Lane	Plano	Texas	75093	(972) 422-5500
NEW ERA SA II, LLC	7335 NW Loop 410	San Antonio	Texas	78245	(210) 742-5505
Squires Group 2	5350 W. Sam Houston Pkwy North	Houston	Texas	77041	(832) 844-2777
Warner Houston 2, LLC	18028 Hwy 59 N	Humble	Texas	77396	(832) 960-7133
Warner Houston 2, LLC	11444 32nd Avenue N	Texas City	Texas	77591	(409) 978-2300
RS Cedar Park, LLC	5210 183A Toll Road	Cedar Park	Texas	78613	(512) 524-3375
Round Rock WSS LLC	1201 Louis Henna Blvd	Round Rock	Texas	78664	(512) 436-0982
SANDPIPER HOSPITALITY, LLC	255 Jennick Drive	Colonial Heights	Virginia	23834	(804) 520-5585
SANDPIPER FREDERICKSBURG, LLC	1455 Carl D Silver Parkway	Fredericksburg	Virginia	22401	(540) 548-9001

SANDPIPER QUANTICO, LLC	1006 Corporate Drive	Stafford	Virginia	22554	(571) 427-4337
SANDPIPER WEST RICHMOND, LLC	6900 West Broad Street	Richmond	Virginia	23230	(804) 269-7746
SANDPIPER MANASSAS LLC	10910 Balls Ford Road	Manassas	Virginia	20109	(703) 335-5009
SANDPIPER KEMPSVILLE, LLC	137 Kempsville Road	Chesapeake	Virginia	23320	(757) 410-0006
Sandpiper Virginia Beach LLC	4800 Alicia Drive	Virginia Beach	Virginia	23462	(757) 502-8886
WOODSPRING SUITES	1708 Sentinel Drive	Chesapeake	Virginia	23320	(757) 963-5009
WS Two, LLC	310 Border Street	Lynchburg	Virginia	24502	(434) 509-0994
SPI Richland, LLC	1370 Tapteal Drive	Richland	Washington	99352	(509) 717-2011
SPI Vancouver, LLC	200 NE 104th Avenue	Vancouver	Washington	98664	(360) 312-7288
SPI Tukwila, LLC	15637 West Valley Highway	Tukwila	Washington	98188-5535	(425) 336-6980
CITY CENTRE HOTEL HOLDINGS, LLC	7707 Broadway	Everett	Washington	98203	(425) 645-9260
SPI Redmond, LLC	7045 180th Avenue Northeast	Redmond	Washington	98052	(425) 598-7010
SPI Lakewood, LLC	11329 Pacific Highway SW	Lakewood	Washington	98499	(253) 215-4547

Franchisees who have signed Franchise Agreements for Hotels that were not yet operational as of December 31, 2022

Franchisee	Licensee Rep Street Address	Licensee Rep City	Licensee Rep State	Licensee Rep Zip code	Licensee Rep phone number
WSS Huntsville LLC	10210 North Central Expressway, Suite 300	Dallas	Texas	75231	9723854182
Shaan Kumar	9694 Madison Blvd, Suite A-16	Madison	Alabama	35758	2564172256
Manjulaben S. Patel, Manorema Patel, Nimesha Patel, et al	115 West Jackson St., Suite 2D	Ridgeland	Mississippi	39157	6014884657
Baron Hospitality, LLC	1854 Lake Cyrus Club Drive	Hoover	Alabama	35244	2703663626
Baron Hospitality, LLC	1854 Lake Cyrus Club Drive	Hoover	Alabama	35244	2703663626
Baron Hospitality, LLC	1854 Lake Cyrus Club Drive	Hoover	Alabama	35244	2703663626
Baron Hospitality, LLC	1854 Lake Cyrus Club Drive	Hoover	Alabama	35244	2703663626
Baron Hospitality, LLC	1854 Lake Cyrus Club Drive	Hoover	Alabama	35244	2703663626
Virendra Patel	1381 West Fairway Drive	Gulf Shores	Alabama	36542	2517471461
BG EDGE, LLC	4420 Madison Ave, Suite 104	Kansas City	Missouri	64111	8165202233
ServiceStar Hospitality VII LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
ServiceStar Hospitality V LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
Investment Resources Corporation	2398 E Camelback #690	Phoenix	Arizona	85016	6024694474
Greens Development Inc	8815 Research Drive	Irvine	California	92618	9498294902
BG Edge, LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
Gold Coast Properties CA 1, LLC	16115 SW 117 Ave. Unit A7	Miami	Florida	33177	3059348353
TGC Moreno, LLC	713 Cavalcade Lane	Andover	Kansas	67002	3162609088
TGC Bellflower, LLC	713 Cavalcade Lane	Andover	Kansas	67002	3162609088
Gold Coast Properties CA 4, LLC	16115 SW 117 Ave. Unit A7	Miami	Florida	33177	3059348353
Neeraj Paul	550 Hawkcrest Circle	Sacramento	California	95835	9168336530
TRIN LLP	16400 Pacific Coast Highway	Huntington Beach	California	92649	5623077281
Amanda Bui & Harprett Dhaliwal	19510 Van Buren #f3-484	Riverside	California	92508	9513537449
DEC Development, LLC	51 Fifth Ave #10-c	New York	New York	10003	6462832746
DCM Realty, LLC	15212 Perry Street	Overland Park	Kansas	66221	9135226474
Greens Development Inc	8815 Research Drive	Irvine	California	92618	9498294902
DCM Realty, LLC	15212 Perry Street	Overland Park	Kansas	66221	9135226474
WS California Developer, LLC	15212 Perry Street	Overland Park	Kansas	66221	9135226474
WS California Developer, LLC	15212 Perry Street	Overland Park	Kansas	66221	9135226474
NS Holdings, LLC	713 Cavalcade Lane	Andover	Kansas	67002	3162609088
Greens Development Inc	8815 Research Drive	Irvine	California	92618	9498294902
WS California Developer, LLC	15212 Perry Street	Overland Park	Kansas	66221	9135226474
BG Edge, LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
ServiceStar Hospitality VI LLC	8231 East Prentice Avenue	Greenwood Village	Colorado	80111	7025292840

Commerce City Extended Stay Hotel LLC	100 N Parker, Suite 114	Bryan	Texas	77803	9795956716
ServiceStar Hospitality VIII LLC	8231 East Prentice Avenue	Greenwood Village	Colorado	80111	7025292840
POSH PROPERTIES NO 42 ROCKY HILL	2216 Willow Park Road	Wilkes Barre	Pennsylvania	00000	6107304064
GOLD COAST PROPERTIES CT 1, LLC	16115 SW 117 Ave. Unit A7	Miami	Florida	33177	3059348353
Vanara Properties LLC	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
Vanara Properties LLC	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
Vanara Properties LLC	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
Sunburst Hotel Holdings, Inc.	0	Silver Spring	Maryland	0	3015923800
PHMI DEVELOPMENT ENCORE LLC	390 Lakeshore Cove	Fort Oglethorpe	Georgia	30742	4233131477
BAYONET POINT HOTEL, LLC	14106 US Highway 19	Hudson	Florida	34667	7278469500
WSS Orlando LLC	10210 North Central Expressway, Suite 300	Dallas	Texas	75231	9723854182
GOLD COAST PREMIER PROPERTIES VI, LLC	16115 SW 117 Ave. Unit A7	Miami	Florida	33177	3059348353
LIBERTY DEVELOPMENT LLC	824 Highland Ave	Orlando	Florida	32803	3214411850
VANSHI, LLC	978 Vestavia Way	Gulf Breeze	Florida	32563	3342891760
CENTRAL FLORIDA HOSPITALITY SERVICES LLC	900 Old Dawson Village Road #120	Dawsonville	Georgia	30534	7658602784
WSS Panama City Beach LLC	10210 North Central Expressway, Suite 300	Dallas	Texas	75231	9723854182
CITRUS HOSPITALITY LLC	Maya Hotel Corporation 4486 North Suncoast Boulevard	Crystal River	Florida	34428	3527953111
MEHULKUMAR PATEL AND LAVINA PATEL	390 Lakeshore Cove	Fort Oglethorpe	Georgia	30742	4233131477
GOLD COAST PREMIER PROPERTIES XIII, LLC	16115 SW 117 Ave. Unit A7	Miami	Florida	33177	3059348353
Concord WP COL Orange Park LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
TGC Port St. Lucie, LLC	713 Cavalcade Lane	Andover	Kansas	67002	3162609088
PHMI Development LLC	390 Lakeshore Cove	Fort Oglethorpe	Georgia	30742	4233131477
Hotel Partners 207 A, LLC	705 Berry Lane	Ponte Vedra Beach	Florida	32082	5038195536
LIBERTY DEVELOPMENT, LLC	824 Highland Ave	Orlando	Florida	32803	3214411850
Sunshine Fund Port Orange, LLC	807 Dashwood Court	Winter Green	Florida	34787	4079658797

Mehulkumar Patel & Lavina Patel	418 Alamar Street	Fort Oglethorpe	Georgia	30742	4233131477
DI DEVELOPMENT, LLC	900 Old Dawson Village Road #120	Dawsonville	Georgia	30534	7658602784
Liberty Development LLC	824 Highland Ave	Orlando	Florida	32803	3214411850
Homestead Commerce Center LLC	14011 Southwest 20th Street	Miami	Florida	33175	786-485-4174
Cross Key LLC	1877 South Federal Highway Suite 202	Boca Raton	Florida	33432	5613618140232
Sunshine Fund I LP	807 Dashwood Court	Winter Green	Florida	34787	4079658797
Concord WP COL GP Holdings II LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Sunshine Fund I LP	807 Dashwood Court	Winter Green	Florida	34787	4079658797
PHMI Development LLC	418 Alamar Street	Fort Oglethorpe	Georgia	30742	4233131477
Sunshine Fund I LP	807 Dashwood Court	Winter Green	Florida	34787	4079658797
PHMI Development LLC	418 Alamar Street	Fort Oglethorpe	Georgia	30742	4233131477
Sunshine Fund LP I	807 Dashwood Court	Winter Green	Florida	34787	4079658797
Park Silver Development, LLC	8171 Maple Boulevard, Suite 380	Fulton	Maryland	20759	3015923891
PHMI DEVELOPMENT ENCORE LLC	390 Lakeshore Cove	Fort Oglethorpe	Georgia	30742	4233131477
TURNSTONE GROUP, LLC	1170 Peachtree St NE, Suite 1150	Atlanta	Georgia	30309	4044776800
Joseph Posh	2216 Willow Park Road	Bethlehem	Pennsylvania	18020	6107304064
PHMI DEVELOPMENT ENCORE LLC	390 Lakeshore Cove	Fort Oglethorpe	Georgia	30742	4233131477
DI Development LLC	900 Old Dawson Village Road #120	Dawsonville	Georgia	30534	7658602784
WS SUGARLOAF LLC	390 Lakeshore Cove	Fort Oglethorpe	Georgia	30742	4233131477
Parkway & 17 Hotel Partners, LLC	0	Richmond Hill	Georgia	0	912-272-7441
Viren Patel, Mitesh Bhula, Vinny Patel, Nilesh Patel	372 Abby Circle	Greenville	South Carolina	29607	8137877270
QSR Group, LLC	0	Dunwoody	Georgia	0	6786971442
DI DEVELOPMENT, LLC	900 Old Dawson Village Road #120	Dawsonville	Georgia	30534	7658602784
Vanraj Real Estate, LLC	3575 Trowbridge Drive	Cumming	Georgia	30040	4707728266
Sam Patel and Daxa Patel	1008 Young Way	Richmond Hill	Georgia	31324	9126676988
Mehulkumar Patel & Lavina Patel	418 Alamar Street	Fort Oglethorpe	Georgia	30742	4233131477
Anil Patel	35 Hobson Way	Rome	Georgia	30161	7062320021
TURNSTONE GROUP, LLC	1170 Peachtree St NE, Suite 1150	Atlanta	Georgia	30309	4044776800
Prakash Patel, Nishant Randerwala and Nisha Patel	4494 US Hwy 17	Richmond Hill	Georgia	31324	9129211010

Piyush Patel, Arjun Patel, Samrat Patel & Anurag Paregi	1615 Jamestown Avenue	Evans	Georgia	30809	706-731-9697
TURNSTONE GROUP, LLC	1170 Peachtree St NE, Suite 1150	Atlanta	Georgia	30309	4044776800
TURNSTONE GROUP, LLC	1170 Peachtree St NE, Suite 1150	Atlanta	Georgia	30309	4044776800
NNH Investment LLC	0	Dunwoody	Georgia	0	6786971442
Anil Patel	35 Hobson Way	Rome	Georgia	30161	7062320021
PHMI DEVELOPMENT ENCORE LLC	390 Lakeshore Cove	Fort Oglethorpe	Georgia	30742	4233131477
Shree Sai Ram, LLC	5050 Merle Hay Rd	Johnston	Iowa	50131	5152593040
MATT ORR	3301 Burke Ave N Suite 330	Seattle	Washington	98103	2070000000000
BZ Hospitality LLC	0	Puyallup	Washington	0	5038195536
Matt Orr	3301 Burke Ave N Suite 330	Seattle	Washington	98103	2070000000000
HP WS-X DOWNERS GROVE LLC	6370 AmeriPlex Drive, Suite 110	Portage	Indiana	46368	5745320985
HP WSS DEVELOPER III, LLC	6370 AmeriPlex Drive, Suite 110	Portage	Indiana	46368	5745320985
KENTUCKY ZINC, LLC	222 East Witherspoon Street	Louisville	Kentucky	40202	5027441465
KENTUCKY ZINC, LLC	222 East Witherspoon Street	Louisville	Kentucky	40202	5027441465
Kentucky Nickel Investment, LLC	222 East Witherspoon Street	Louisville	Kentucky	40202	5027441465
Pradipkumar Patel, Tarunkumar Patel, and Kunal Patel	3176 Maria Drive	Lexington	Kentucky	40516	8595235148
Joseph Posh	2216 Willow Park Road	Bethlehem	Pennsylvania	18020	6107304064
Amit Patel and Ameet Patel	130 S. 4th Street	Danville	Kentucky	40422	8592090387
Pradipkumar Patel, Tarunkumar Patel, and Kunal Patel	3176 Maria Drive	Lexington	Kentucky	40516	8595235148
Pradipkumar Patel, Tarunkumar Patel, and Kunal Patel	3176 Maria Drive	Lexington	Kentucky	40516	8595235148
Pradipkumar Patel, Tarunkumar Patel, and Kunal Patel	3176 Maria Drive	Lexington	Kentucky	40516	8595235148
Mayur Patel & Vishal Patel	2509 Amelia Island Path	Southlake	Texas	76092	4195604843
Jiten Patel & Jacob Self	405 Thomas Road	West Monroe	Louisiana	71292	3182374768
Hiren Zaveri	3608 W Prien Lake Road	Lake Charles	Louisiana	70605	337-499-8510
Park Silver Development, LLC	0	Silver Spring	Maryland	0	3015923800
SUNBURST HANOVER, MD, INC	8171 Maple Boulevard, Suite 380	Fulton	Maryland	20759	3015923891
Joseph Posh	2216 Willow Park Road	Bethlehem	Pennsylvania	18020	6107304064
Concord WP COL Wixom LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890

Concord WP COL Sterling Heights LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Concord WP COL Kentwood LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Concord WP COL East Lansing LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Concord WP COL Dearborn LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Concord WP COL GP Holdings II LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Concord WP COL GP Holdings II LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
River City Hospitality LLC	11035 Graeser Road	St. Louis	Missouri	63141	3149605258
River City Hospitality LLC	11035 Graeser Road	St. Louis	Missouri	63141	3149605258
BG Edge, LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
Genesis Realty & Development, LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
Genesis Realty & Development, LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
Genesis Realty & Development, LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
Genesis Realty & Development, LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
Genesis Realty & Development, LLC	4420 Madison Ave Suite 104	Kansas City	Missouri	64111	8167562331
Genesis Realty & Development, LLC	4220 Madison Ave	Kansas City	Missouri	64111	8167562331
Pearl Lodging Group, LLC	115 West Jackson St., Suite 2D	Ridgeland	Mississippi	39157	6014884657
Baron Hospitality, LLC	1854 Lake Cyrus Club Drive	Hoover	Alabama	35244	2703663626
Baron Hospitality, LLC	1854 Lake Cyrus Club Drive	Hoover	Alabama	35244	2703663626
Mitchell Development & Investments LLC	1315 8th Ave North	Great Falls	Montana	59401	4067614400
Rimrock Hospitality Montana, LLC	343 NW Cole Terrace Suite 201	Lake City	Florida	32055	904-240-1388
Rimrock Hospitality Montana, LLC	343 NW Cole Terrace Suite 201	Lake City	Florida	32055	904-240-1388
Rimrock Hospitality Montana, LLC	343 NW Cole Terrace Suite 201	Lake City	Florida	32055	904-240-1388
HARESH JHALA	3608 Kahn Dr.	Lumberton	North Carolina	28358	9107409928
GOLD COAST PROPERTIES NC 1, LLC	16115 SW 117 Ave. Unit A7	Miami	Florida	33177	3059348353
Concord WP COL Winston-Salem Margaret, LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Concord WP COL I-B Holdings LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890

Concord WP COL Charlotte, LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Concord WP COL GP Holdings II LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
SAI AND AUM INC.	5301 Equipment Drive	Charlotte	North Carolina	28262	7045969390
Anvaya Hotels RDU LLC	1841 Amberly Ledge Way	Cary	North Carolina	27519	8034797649
DCD CAPITAL LLC	1200 Route 22 East, Suite 2000	Bridgewater	New Jersey	08807	9082954002
4591 INVESTMENTS LLC	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
Vanara Properties LLC	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
DCD CAPITAL LLC	1200 Route 22 East, Suite 2000	Bridgewater	New Jersey	08807	9082954002
DCD CAPITAL LLC	1200 Route 22 East, Suite 2000	Bridgewater	New Jersey	08807	9082954002
Vana Partners LLC	55 Scollard Street, Suite 1403	Toronto	Ontario	M5R0A1	6032770286
Genesis Realty & Development, LLC	4220 Madison Ave	Kansas City	Missouri	64111	8167562331
Silverstone Development LLC	129 East Market St	Indianapolis	Indiana	46202	3179793424
NS Holdings, LLC	713 Cavalcade Lane	Andover	Kansas	67002	3162609088
4591 INVESTMENTS LLC	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
4591 INVESTMENTS LLC	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
New S&M Investments LLC	130 Arrowhead Blvd	Hebron	Ohio	43025	6145950221
Rathnaker Patlola	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
Rathnaker Patlola	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
Concord WP COL GP Holdings II LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Concord WP COL GP Holdings II LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
JBH PROPERTY ACQUISITIONS LLC	12909 SW 68th Parkway, Suite 430	Tigard	Oregon	97223	1231231234
JBH Property Acquisitions LLC	12909 SW 68th Parkway, Suite 430	Tigard	Oregon	97223	1231231234
JBH Property Acquisitions LLC	12909 SW 68th Parkway, Suite 430	Tigard	Oregon	97223	1231231234
JBH Property Acquisitions LLC	12909 SW 68th Parkway, Suite 430	Tigard	Oregon	97223	1231231234
NORTH BARNETT HOSPITALITY, LLC	1315 8th Ave North	Great Falls	Montana	59401	4067614400
Vanara Properties LLC	103 Carnegie Center suite 345 Princeton, New Jersey 08540	Princeton,	New Jersey	08540	8562981301607
Joseph Posh	2216 Willow Park Road	Wilkes Barre	Pennsylvania	00000	6107304064
DCD CAPITAL LLC	1200 Route 22 East, Suite 2000	Bridgewater	New Jersey	08807	9082954002
Pittsburgh WSS Developer I, LLC	6370 AmeriPlex Drive, Suite 110	Portage	Indiana	46368	5745320985
Steel Hospitality LLC	6659 Forest Knoll CT	Allentown	Pennsylvania	18106	6102179781

Pittsburgh WSS Developer I, LLC	6370 AmeriPlex Drive, Suite 110	Portage	Indiana	46368	5745320985
GOLD COAST PROPERTIES RI 1, LLC	16115 SW 117 Ave. Unit A7	Miami	Florida	33177	3059348353
VIREN PATEL	372 Abby Circle	Greenville	South Carolina	29607	8645870129
VIREN PATEL	372 Abby Circle	Greenville	South Carolina	29607	8645870129
LIBERTY DEVELOPMENT LLC	824 Highland Ave	Orlando	Florida	32803	3214411850
Noble Hospitality Fund V Acquisitions LLC	3424 Peachtree Rd. #2000	Atlanta	Georgia	30326	4044191000
Noble Hospitality Fund V Acquisitions LLC	3424 Peachtree Rd. #2000	Atlanta	Georgia	30326	4044191000
WP Concord COL Hermitage LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Shaan Kumar	9694 Madison Blvd, Suite A-16	Madison	Alabama	35758	2564172256
Concord WP COL GP Holdings II LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Amish Patel & Dipal Patel	7638 Lee Highway	Chattanooga	Tennessee	37421	4239338666
Monilkumar Patel, Dinesh Patel, et al	4601 Bradford Lane	Kingsport	Tennessee	37663	4234430059
Amit Patel, Darshan Patel, Dinesh Patel and Pravin Patel	10323 Clover Ridge Lane	Knoxville	Tennessee	37931	6159737429
Amish Patel and Dipal Patel	7638 Lee Highway	Chattanooga	Tennessee	37421	4239338666
Amish Patel	7638 Lee Highway	Chattanooga	Tennessee	37421	4239338666
Concord WP COL GP Holdings II LLC	11410 Common Oaks Drive	Raleigh	North Carolina	27614	9194552890
Mirage Hospitality, LLC	0	Houston	Texas	0	8324522414
Wills Capital Partners, L.P.	5710 LBJ Fwy, Suite 430	Dallas	Texas	75240	2147399455
Vinesh Kumar	137 Cherokee Rose Circle	Georgetown	Texas	78626	2102136745
Ajay Patel	7701 Las Colinas Ridge, Ste. 120	Irving	Texas	75063	2143959398
PRA Investments, LTD.	10210 North Central Expressway, Suite 300	Dallas	Texas	75231	9723854182
WSS WACO LLC	10210 North Central Expressway, Suite 300	Dallas	Texas	75231	9723854182
PRA Investments, LTD.	10210 North Central Expressway, Suite 300	Dallas	Texas	75231	9723854182
Mayur Patel & Vishal Patel	2509 Amelia Island Path	Southlake	Texas	76092	4195604843
NXTGen Group Investments, LLC	12379 Pebble View Drive	Conroe	Texas	77304	9136028470
Mitul Ratan	800 Six Flags Dr.	Arlington	Texas	76011	214-395-3786
Hiren Zaveri	3608 W Prien Lake Road	Lake Charles	Louisiana	70605	337-499-8510
SSH/RH Hotel Operations IV (BC) LLC	1909 Woodall Rodgers Freeway, Ste. 300	Dallas	Texas	75201	2145223300

SSH/RH Hotel Operations II (CV) LLC	1909 Woodall Rodgers Freeway, Ste. 300	Dallas	Texas	75201	2145223300
SSH/RH Hotel Operations III (SV) LLC	1909 Woodall Rodgers Freeway, Ste. 300	Dallas	Texas	75201	2145223300
BZ Hospitality LLC	0	Puyallup	Washington	0	5038195536
WS One, LLC	3600 Pacific Avenue	Virginia Beach	Virginia	23451	7576711700333
WS Four, LLC	3600 Pacific Avenue	Virginia Beach	Virginia	23451	7576711700333
WS Three, LLC	3600 Pacific Avenue	Virginia Beach	Virginia	23451	7576711700333
HP WS Ashland LLC	6370 AmeriPlex Drive, Suite 110	Portage	Indiana	46368	5745320985
WS FIVE, LLC	3600 Pacific Avenue	Virginia Beach	Virginia	23451	7576711700333
WS Seven, LLC	3600 Pacific Avenue	Virginia Beach	Virginia	23451	7576711700333
WS Six, LLC	3600 Pacific Avenue	Virginia Beach	Virginia	23451	7576711700333
WS Eight, LLC	3600 Pacific Avenue	Virginia Beach	Virginia	23451	7576711700333
Augusta Partners LLC	11401 McCabe's Grant Terrace	Henrico	Virginia	23233	8048142905
Unaka Developers, LLC	2304 Silverdale Drive Suite 200	Johnson City	Tennessee	37601	4232826582
WS Nine, LLC	3600 Pacific Avenue	Virginia Beach	Virginia	23451	7576711700333
Olympia Hotel Holdings II LLC	10672 NE 9th Place	Bellevue	Washington	98004	4259747078
West77 VP, LLC	10620 NE 9th Place	Bellevue	Washington	98004	4259747078
West77 VP, LLC	10620 NE 9th Place	Bellevue	Washington	98004	4259747078
New Era Development Group, LLC	2150 N Meridian	Wichita	Kansas	67203	3169284051
NEW ERA DEVELOPMENT GROUP, LLC	2150 N Meridian	Wichita	Kansas	67203	3169284051
NEW ERA DEVELOPMENT GROUP, LLC	2150 N Meridian	Wichita	Kansas	67203	3169284051
New Era Development Group, LLC	2150 N Meridian	Wichita	Kansas	67203	3169284051
AV Wisconsin Developers, Inc.	2202 Rowling Rd	De Pere	Wisconsin	54115	7152077397
AV Wisconsin Developers, Inc.	2202 Rowling Rd	De Pere	Wisconsin	54115	7152077397
Pradipkumar Patel, Tarunkumar Patel, and Kunal Patel	3176 Maria Drive	Lexington	Kentucky	40516	8595235148

EXHIBIT H

Franchisees that left the System during Fiscal Year Ending December 31, 2022

Franchisee	Licensee Rep Street Address	Licensee Rep City	Licensee Rep State	Licensee Rep Zip code	Licensee Rep phone number
Tiger Hotel TRS Sub LLC	11525 North Community House I	Charlotte	North Carolina	28277	9803451784
Tiger Hotel Term TRS Sub LLC	11525 North Community House I	Charlotte	North Carolina	28277	9803451784
WATFORD CITY ND, LLC	9995 Gate Parkway North, Suite	Jacksonville	Florida	32246	0

EXHIBIT I

NEGOTIATED CHANGE APPENDIX FOR USE IN CALIFORNIA

Pursuant to the requirements of Section 31109.1 of the California Franchise Investment Law, the following is a summary of negotiated changes made during the last 12 months:

1. Extensions of milestones including the Construction Start date and the Opening Date.
2. Modification to the term of the franchise agreement.
3. Modification to exit windows.
4. Addition of a site transfer provision.
5. Reduced certain franchise fees, including the System Fee, the Royalty Fee, and Liquidated Damages for individual franchisees.
6. Modification to transfer requirement providing one transfer at no charge.
7. Modification to management company requirement.
8. Modification to format of Brand Standards.
9. Modification to mental incompetence transfer requirements.
10. Modification to transfer clause.
11. Addition of language regarding comfort letter and fee.
12. Modification to condemnation and casualty clause.
13. Modification to quality inspection language.
14. Modification to financial statements requirements.
15. Modification to guaranty requirement.

STATE SPECIFIC ADDENDA FOR THE FOLLOWING STATES:

CALIFORNIA
HAWAII
ILLINOIS
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.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

CALIFORNIA CORPORATIONS CODE, SECTION 31125 REQUIRES CHOICE HOTELS INTERNATIONAL, INC. TO GIVE YOU A DISCLOSURE DOCUMENT, APPROVED BY THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION PRIOR TO A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

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. Item 10 of the FDD is amended to provide that Balboa Capital Corporation, Ascentium Capital LLC, and Avana Capital all operate in California under a California Finance Lender license. PMC Commercial Trust holds a license issued directly by the Small Business Administration ("SBA") that allows it to make SBA 7a loans in every state, including the State of California.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

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

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

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

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

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

7. 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.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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.

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

1. Items 17(v) and 17(w) of the "Franchise Agreement" chart are supplemented by the following:

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

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

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

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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).

4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR NEW YORK

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

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

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

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

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

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

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

   D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

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

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

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

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

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

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

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

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

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

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

<u>**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT FOR NORTH DAKOTA**</u>

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

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

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

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

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

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

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

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

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

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

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

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

11. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

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

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

1. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal 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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

3. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

4. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

5. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

6. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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 J

INCENTIVE PROMISSORY NOTE

$_______________ **City, State** Date:_____________

FOR VALUE RECEIVED, each of the undersigned (collectively, "Maker"), jointly and severally hereby promises to pay to the order of Choice Hotels International, Inc. ("Holder") the principal sum of ________________ Dollars ($________) (the "Principal Amount"), or such lesser amount as shall then equal the outstanding Principal Amount hereof on the terms and conditions set forth hereinafter, together with interest thereon, as provided for herein. Pursuant to the terms of the Franchise Agreement (defined below), Holder will lend Maker the sum of $_________ upon the occurrence of the Opening Date, as defined in the Franchise Agreement. Capitalized terms used but not defined herein will have the meaning ascribed to such terms in the Franchise Agreement.

1. Background and Certain Definitions. Maker and Holder are parties to a franchise agreement dated ______________, (as may be amended or supplemented from time to time, the "Franchise Agreement"), which Franchise Agreement, among other items, set forth certain conditions pursuant to which Holder will make a loan to Maker pursuant to a promissory note in substantially similar form to this promissory note (the "Note").

2. Interest.

2.1 This Note will bear interest from the date on which funds are advanced to Maker (the "Distribution Date") until paid in full at the annual rate of Prime plus two percent (2%) (the "Rate of Interest"). "Prime" initially refers to the prime rate quoted by the Wall Street Journal Prime Rate as of the Distribution Date, and during the period in which all or any portion of the Principal Amount remains outstanding, shall adjust from time to time as the rate quoted by the Wall Street Journal adjusts. Rate of Interest will be computed on the basis of a 360-day year and charged for the actual number of days elapsed in each interest calculation period. The maximum interest rate in California is 10% annually.

2.2 Nothing in this Note will be construed or operate to require Maker to pay interest at a greater rate than the maximum allowed by law. Should any interest or other charges paid or payable by Maker under this Note result in the computation or earning of interest in excess of the maximum allowed by law, then all excess interest charges are waived by Holder, and any such excess interest received by Holder will be automatically credited against the Principal Amount, and any such remaining excess received by Holder that exceeds the Principal Amount will be credited by Holder against Royalty Fees payable to Holder pursuant to the Franchise Agreement.

3. Use of Proceeds. Maker agrees that the entire proceeds of this Note will be used solely for purposes related to the operation of a **«Brand_Name»** hotel pursuant to the Franchise Agreement.

4. **Payment**.

4.1 Unless otherwise accelerated pursuant to Section 5.2, this Note matures one hundred and twenty (120) months from the Opening Date (the "Maturity Date"), at which time the entire Principal Amount, all accrued and unpaid interest on this Note and all other sums due under this Note will be due and payable in full.

4.2 Notwithstanding the foregoing, no payments (of either the Principal Amount or any associated interest) will be due or payable under this Note unless and until a Default (as defined in Section 5.1 hereof) occurs. If no Default (i) has occurred before the Maturity Date, or (ii) is occurring on the Maturity Date, then the entire Principal Amount and all accrued interest will be waived and forgiven by Holder as of the Maturity Date.

4.3 As of each anniversary of the Opening Date, unless a Default has occurred, the loan balance shall automatically be reduced by: (a) 1/10th of the Principal Amount (the “Forgiven Amount”), and (b) all accrued interest on the Forgiven Amount.

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

5. **Default**.

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

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

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

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

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

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

6. General.

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

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

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

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

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

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

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

6.8 Waiver of Trial by Jury. **THE MAKER AND THE HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE MAKER AND THE HOLDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO THIS NOTE. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS NOTE.**

In Witness Whereof, Maker acknowledges and agrees to the terms of this Note as evidenced by its signature under seal as of the day and year first above written.

EXHIBIT K

EXHIBIT K.A.
CAPITAL SUPPORT PROMISSORY NOTE

INCENTIVE PROMISSORY NOTE

Up to $____________ **[LOCATION]** **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 equal to the lesser of (i) ________________________and **00/100 Dollars ($____)**, or (ii) the product of **$____** multiplied by the number of Sleeping Rooms (such amount, the "Principal Amount"), together with interest thereon, as provided for herein. Capitalized terms used but not defined herein will have the meaning ascribed to such terms in the Franchise Agreement (defined below).

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 (prime plus 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 construction and operation of a Cambria hotel pursuant to the Franchise Agreement.

4. Payment.

4.1 Unless otherwise accelerated pursuant to Section 5.2, this Note matures fifteen (15) years 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) 1/15th 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 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 (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 Cambria 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; and (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.

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 years that have elapsed since the Opening Date, and the denominator of which is fifteen (15) (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 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 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, Attention: General Counsel**, 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.**

[Remainder of this page intentionally left blank]

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.

____

________________________________ (Seal)

Date: _________________________

EXHIBIT K.B.
DIVERSITY INCENTIVE PROMISSORY NOTE

INCENTIVE PROMISSORY NOTE

$________________ **City, State** Date:_____________

FOR VALUE RECEIVED, each of the undersigned (collectively, "Maker"), jointly and severally hereby promises to pay to the order of Choice Hotels International, Inc. ("Holder") the principal sum of ________________ Dollars ($________) (the "Principal Amount"), or such lesser amount as shall then equal the outstanding Principal Amount hereof on the terms and conditions set forth hereinafter, together with interest thereon, as provided for herein. Pursuant to the terms of the Franchise Agreement (defined below), Holder will lend Maker the sum of $_________ upon the occurrence of the Opening Date, as defined in the Franchise Agreement. Capitalized terms used but not defined herein will have the meaning ascribed to such terms in the Franchise Agreement.

1. Background and Certain Definitions. Maker and Holder are parties to a franchise agreement dated ______________, (as may be amended or supplemented from time to time, the "Franchise Agreement"), which Franchise Agreement, among other items, set forth certain conditions pursuant to which Holder will make a loan to Maker pursuant to a promissory note in substantially similar form to this promissory note (the "Note").

2. Interest.

2.1 This Note will bear interest from the date on which funds are advanced to Maker (the "Distribution Date") until paid in full at the annual rate of Prime plus two percent (2%) (the "Rate of Interest"). "Prime" initially refers to the prime rate quoted by the Wall Street Journal Prime Rate as of the Distribution Date, and during the period in which all or any portion of the Principal Amount remains outstanding, shall adjust from time to time as the rate quoted by the Wall Street Journal adjusts. Rate of Interest will be computed on the basis of a 360-day year and charged for the actual number of days elapsed in each interest calculation period. The maximum interest rate in California is 10% annually.

2.2 Nothing in this Note will be construed or operate to require Maker to pay interest at a greater rate than the maximum allowed by law. Should any interest or other charges paid or payable by Maker under this Note result in the computation or earning of interest in excess of the maximum allowed by law, then all excess interest charges are waived by Holder, and any such excess interest received by Holder will be automatically credited against the Principal Amount, and any such remaining excess received by Holder that exceeds the Principal Amount will be credited by Holder against Royalty Fees payable to Holder pursuant to the Franchise Agreement.

3. Use of Proceeds. Maker agrees that the entire proceeds of this Note will be used solely for purposes related to the operation of a **«Brand_Name»** hotel pursuant to the Franchise Agreement.

4. Payment.

4.1 Unless otherwise accelerated pursuant to Section 5.2, this Note matures one hundred and twenty (120) months from the Opening Date (the "Maturity Date"), at which time the entire Principal Amount, all accrued and unpaid interest on this Note and all other sums due under this Note will be due and payable in full.

4.2 Notwithstanding the foregoing, no payments (of either the Principal Amount or any associated interest) will be due or payable under this Note unless and until a Default (as defined in Section 5.1 hereof) occurs. If no Default (i) has occurred before the Maturity Date, or (ii) is occurring on the Maturity Date, then the entire Principal Amount and all accrued interest will be waived and forgiven by Holder as of the Maturity Date.

4.3 As of each anniversary of the Opening Date, unless a Default has occurred, the loan balance shall automatically be reduced by: (a) 1/10th of the Principal Amount (the “Forgiven Amount”), and (b) all accrued interest on the Forgiven Amount.

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

5. Default.

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

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

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

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

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

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

6. General.

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

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

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

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

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

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

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

6.8 Waiver of Trial by Jury. **THE MAKER AND THE HOLDER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE MAKER AND THE HOLDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO THIS NOTE. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS NOTE.**

In Witness Whereof, Maker acknowledges and agrees to the terms of this Note as evidenced by its signature under seal as of the day and year first above written.

EXHIBIT L

Your Application for Financing is Approved

Finance Agreement _______ Prepared On March 6, 2017	Prepared For **Customer Name** Address City, State, Zip Code	Financing Provided By **Ascentium Capital LLC** 23970 HWY 59 N 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.

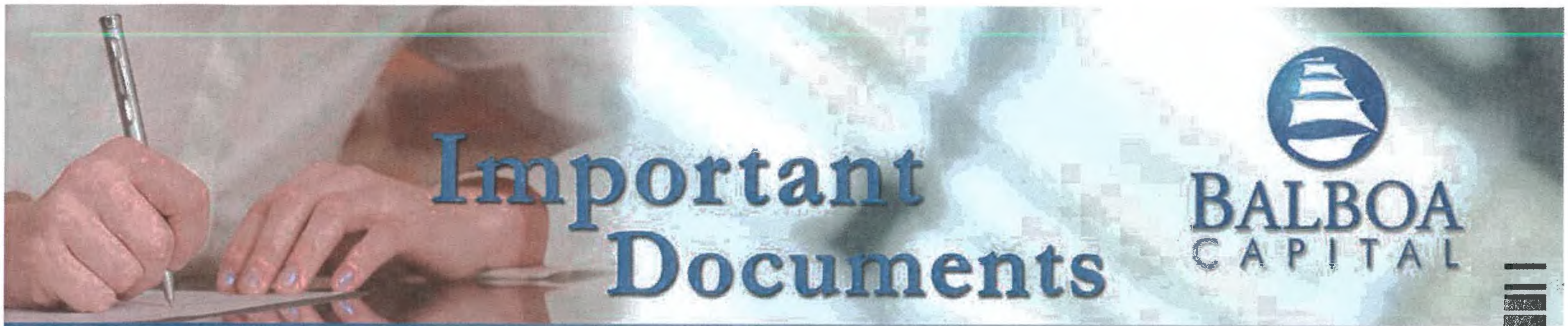
CUSTOMER: ____

Signature: ____

Printed Name: ____

Title: ____

Date Signed: ____



Regarding Your Agreement Number: 000-000

Date March 5 2014
Debtor Name Example Docs LLC
Debtor Address 43RD ST
Owatonna, MN 55060

Dear Valued Customer,

Balboa Capital is pleased to be working with you to earn your business and complete the equipment financing transaction. We strive to give you the best customer service possible, so please feel free to call your Account Executive with any questions you may have.

Enclosed you will find the necessary documents to complete your equipment financing. Please complete and sign the documents as indicated and return them by one of the following options:

Return documents **via overnight mail** to the following address:

Balboa Capital Corporation
Attn: Business Center
2010 Main Street 11th Floor
Irvine, CA 92614

Be sure to follow these simple instructions when signing the documents:

1. Please ensure the Company Resolution, if applicable, is signed by an officer or other authorized representative of your company other than the person signing the agreement.
2. Please do not cross out or make any changes on the documents without first discussing such changes with your Account Executive.

Enclosed Documents:

Equipment Financing Agreement	Exhibit "A"
ACH Agreement	Request for Drivers License Copy
Company Resolution	Personal Guaranty
Disbursement Authorization	EFA PG

Please forward the above documents with the following items:

Advance Payment(s): **$0.00**
Loan Fee: **$0.00**
Total Amount Due: $0.00

- **Tax ID Number:** ______
- **Email Address:** ______
- **Mobile Number:** ______
- **Fax Number:** ______
- **Tax Exemption Certificate (If available)**
- **Copy of all invoices and cancelled checks**
- **Copy of current and valid driver's license for each of the lease signors and guarantors**

Please note that you will be invoiced for standard closing costs once your equipment financing transaction has been completed including applicable prorated rent and other expenses directly related to the completion of your equipment financing.

If you have any questions, please contact your Account Executive at **Eric M. Bisson** at **949-553-3480**.

Thank you for choosing Balboa Capital Corporation for your financing needs. Balboa is here to help you get the equipment you need to help your business grow.

EFA337E

EQUIPMENT FINANCING AGREEMENT (Page 1 of 2)

Agreement # 000-000

Debtor Information

Business Name: **Example Docs LLC** Business Phone: **9495533480** Business Tax ID#:	Business Address: **43RD ST** **Owatonna, MN 55060**	Collateral Location: **(if different than billing address of Debtor)**

Full Description Of Collateral Including Model, Serial Numbers: As delineated on Exhibit "A", attached hereto and made a part hereof.	Equipment Cost: **$100,000.00**	**Initial Payment** (Check For This Amount Must Accompany Agreement) SECURITY DEPOSIT: $0.00 FIRST PAYMENT: $1,909.98 LAST PAYMENT: $1,919.98
Monthly Payment: **$1,909.98** Loan Term In Months: **60**	Initial Payment Date:	Loan Fee: $0.00 **Total Amount Due:** **$0.00**

TERMS OF EQUIPMENT FINANCING AGREEMENT

Debtor and Creditor agree as follows:

1. SECURITY INTEREST: Debtor hereby grants Creditor a security under the Uniform Commercial Code in the above property (collectively the "Collateral" and individually an "Item" or "Item of Collateral"). Such security interest is granted to secure performance by Debtor if its obligations thereunder and under any other present or future agreement with Creditor. Debtor shall insure that such security interest is and shall remain a sole first lien security interest. **DEBTOR HEREBY AUTHORIZES CREDITOR TO FILE A COPY OF THIS AGREEMENT AS A FINANCING STATEMENT AND APPOINTS CREDITOR OR ITS DESIGNEE AS DEBTOR'S ATTORNEY-IN-FACT TO EXECUTE AND FILE, ON DEBTOR'S BEHALF, FINANCING STATEMENTS COVERING THE COLLATERAL.**
2. PAYMENTS: Debtor shall repay creditor the above Total of Payments in the number of monthly installments of the amount indicated above. The initial installment payment shall be deemed due as of the date indicated above and subsequent installment payments shall be due on the same day of each month thereafter until paid. A prorata portion of the installment payment based on a daily charge of one-thirtieth (1/30) of the installment payment calculated from the payment commencement date to the start of the base term shall be due and payable at the payment commencement date. All other amounts due thereunder shall be due upon Debtor's Receipt of Creditor's invoice therefor. Advance payments shall be applied to the last installment payments in reverse order until exhausted; provided that if there is a default, any payments under this agreement may be applied to Debtor's obligations to Creditor in such order as Creditor chooses. 3. NO AGENCY. DEBTOR ACKNOWLEDGES THAT NO SUPPLIER OF AN ITEM OR INTERMEDIARY NOR ANY AGENT OF EITHER THEREOF IS AN AGENT OF CREDITOR AND FURTHER THAT NONE OF SUCH PARTIES IS AUTHORIZED TO WAIVE OR ALTER ANY ITEM OR CONDITION OF THIS AGREEMENT. NO REPRESENTATION AS TO ANY MATTER BY ANY SUCH PARTY SHALL BIND CREDITOR OR AFFECT DEBTORS DUTY TO PAY THE INSTALLMENT PAYMENTS AND PERFORM ITS OTHER OBLIGATIONS THEREUNDER. 4. **NON CANCELABLE AGREEMENT;** PREPAYMENT, NO OFFSET, THIS AGREEMENT IS NON CANCELABLE BY DEBTOR FOR ANY REASON WHATSOEVER. DEBTOR MAY REPAY THE INSTALLMENT PAYMENTS ONLY IN ACCORDANCE HEREWITH. ALL PAYMENTS THEREUNDER ARE TO BE MADE WITHOUT OFFSET. 5. FINANCING. THIS AGREEMENT IS SOLELY A FINANCING AGREEMENT. SEE REVERSE SIDE FOR ADDITIONAL TERMS AND CONDITIONS WHICH ARE PART OF THIS AGREEMENT. **CREDITOR MAKES NO WARRANTY, EXPRESS OR IMPLIED, OR THAT THE EQUIPMENT IS FIT FOR A PARTICULAR PURPOSE OR THAT THE EQUIPMENT IS MERCHANTABLE.** DEBTOR AGREES THAT DEBTOR HAS SELECTED THE SUPPLIER AND EACH ITEM OF EQUIPMENT BASED UPON DEBTOR'S OWN JUDGMENT AND DISCLAIMS ANY RELIANCE UPON ANY STATEMENTS OR REPRESENTATIONS MADE BY CREDITOR. CREDITOR DOES NOT TAKE RESPONSIBILITY FOR THE INSTALLATION OR PERFORMACE OF THE EQUIPMENT. THE SUPPLIER IS NOT AN AGENT OF CREDITOR'S AND NOTHING THE SUPPLIER STATES CAN AFFECT DEBTOR'S OBLIGATION UNDER THE AGREEMENT. DEBTOR WILL CONTINUE TO MAKE ALL PAYMENTS UNDER THIS AGREEMENT REGARDLESS OF ANY CLAIM OR COMPLAINT AGAINST SUPPLIER. This agreement is effective only upon execution by an authorized officer of Creditor following Debtor's execution hereof, and upon execution Creditor shall fund the Equipment Cost/Advanced. Debtor hereby authorizes Creditor to Disburse the Equipment Cost/Advance as indicated on the attached Disbursement Authorization. Creditor reserves the right to pay the applicable portion of the Equipment Cost/Advance jointly to any party not specified in the preceding sentence with a security interest in an Item of Collateral. 6. LOCATION; INSPECTION; USE. Debtor shall keep, or, as to an Item which is movable, permanently garage and not remove from the United States, as appropriate, each Item of Collateral in Debtor's possession and control at the Collateral Location or at such other location to which such Item may have been moved with the prior written consent of Creditor, Upon request, Debtor shall advise Creditor as to the exact location of an Item of Collateral. Creditor may inspect the Collateral during normal business hours and enter the premises where the Collateral may be located for such purposes. Each Item shall be used solely for commercial or business purposes and operated in a careful and proper manner an in compliance with all applicable governmental requirements, all requirements of insurance policies carried hereunder and all manufacturer's instructions and warranty requirements.
7. ALTERATIONS; SECURITY INTEREST COVERAGE. Without Creditor's prior written consent, Debtor shall not make any alterations, additions **or** improvements to an Item of Collateral which detract from its economic value or functional utility. All additions and improvements made to an Item shall be deemed accessions thereto, and shall not be removed if removal would impair the Item's economic value or functional utility. Creditor's security interest shall cover all modifications, accessions, additions to and replacements and substitutions for the Collateral. Debtor will not make any replacements or substitutions without Creditor's prior written consent. 8. MAINTENANCE. Debtor shall maintain the Collateral in good repair, condition and working order. Debtor shall cause all repairs required to maintain the Collateral in such condition to be made promptly by qualified parties. Debtor will cause each Item of Collateral for which a service contract is generally available to be covered by such a contract which provides coverage typical as to property of the type involved and is issued by a competent servicing entity. 9. LOSS AND DAMAGE; CASUALTY VALUE. In the event of loss, theft, destruction or requisition of or damage to an Item of Collateral from any cause Debtor shall give Creditor prompt notice thereof and shall thereafter place the Item in good repair, condition and working order; provided, however, that if such Item is determined by Creditor to be lost, stolen, destroyed or damaged beyond repair or is requisitioned or suffers a constructive total loss under an insurance policy carried hereunder Debtor shall cause the Equipment to be replaced and shall immediately provide Creditor with information necessary to perfect Creditor's security interest in the replacement Equipment, or shall pay Creditor the "Casualty Value" of such Item which shall equal (a) any amounts due at the time of such payment, and (b) each future installment payment due with respect to such Item discounted at three percent (3%) per annum simple interest from the date due to the date of such payment. 10. PAYMENT OF FINANCING AGREEMENT OBLIGATIONS: Payment of the Financing Agreement Obligation shall be made by electronically withdrawing funds from the bank account on which Debtors deposit check was drawn, or any other account from which Debtor paid any obligation under this Agreement. Debtor authorizes Creditor to debit from this account on which Debtors deposit check was drawn, or any other account from which Debtor paid any obligation under this Agreement on or after the due date of Debtors monthly installment, for scheduled Financing Agreement Payments or other amounts due and owing at the time under the Financing Agreement. Debtor acknowledges that, if Creditor assigns the Financing Agreement to a third party, the assignee is authorized to debit the account on which Debtors deposit check was drawn, or any other account from which Debtor paid any obligation under this Agreement. If Debtor would prefer to authorize Creditor to debit another account, fill in the blanks provided below along with a copy of a voided check from the specified account. However, Debtor agrees that Creditor, or its assignees, has the right, but not the obligation, to electronically withdraw funds from the bank account on which Debtor's deposit check was drawn, the account specified below, or any other account from which Debtor paid any obligation under this Agreement to pay for any unpaid Financing Agreement Payment or other amounts due and owing at the time under this Agreement.

Account Number: ____________________ ABA / Routing Number: ____________________

Financial Institution Name: ____________________ Initials ____________ sign

SEE REVERSE SIDE FOR ADDITIONAL TERMS AND CONDITIONS WHICH ARE PART OF THIS AGREEMENT.

(CREDITOR) **BALBOA CAPITAL CORPORATION** **2010 Main Street** **11th Floor** **Irvine, Ca 92614** By: ____________________ Vice President Date ____________	**(DEBTOR)** **Example Docs LLC** 43RD ST Owatonna, MN 55060 sign By: ____________________ Name: John Johnson Title: Managing Member Date 03/05/14 Home Phone ____________

11. TITLING. If requested by Creditor, Debtor shall cause an Item of Collateral subject to title registration laws to be titled as directed by Creditor. Debtor shall advise Creditor promptly as to any necessary re-titling. Debtor shall cause all documents of title to be furnished Creditor within sixty (60) days of the date of any titling effected by Debtor.
12. TAXES. Debtor agree to pay when due all taxes (including personal property tax, fines and penalties) and fees relating to this Agreement or the Equipment. If Creditor pays any of the above for Debtor, Debtor agrees to reimburse Creditor and to pay Creditor a processing fee for each payment Creditor makes on Debtors behalf. In addition, Debtor also agrees to pay Creditor any filing fees prescribed by the Uniform Commercial Code or other law and reimburse Creditor for all costs and expenses involved in documenting and servicing this transaction. Debtor further agrees to pay Creditor an origination fee on or before the date the first payment is due. Debtor also acknowledges that in addition to the lease payments, Creditor may assess and Debtor may be required to pay additional taxes and/or fees. Such fees may not only cover Creditors costs they may also include a profit.
13. INSURANCE. Debtor agrees to maintain, at Debtor's expense, "Special Form" property insurance protecting the Equipment for its full replacement value, naming Creditor as a loss payee on a "Lender's Loss Payable" endorsement; and public liability insurance, in amounts acceptable to Creditor, naming Creditor as an additional insured (together "Required Insurance"). Debtor must provide Creditor satisfactory written evidence of Required Insurance within thirty (30) days of the commencement date of this Equipment Finance Agreement or of any subsequent written request. If Debtor does not do so, Creditor may obtain insurance from an insurer of Creditor's choosing in such forms and amounts as Creditor selects ("Insurance"). Insurance covers the Equipment and Creditor only and not Debtor. Debtor shall pay Creditor periodic charges for Insurance ("Insurance Charges") that include: a premium that may be higher than if Debtor maintained Required Insurance separately; a finance charge of up to the implicit rate of the Equipment Finance Agreement on any premium advances made by Creditor or Creditors agents; and billing and processing fees; each of which may generate a profit to Creditor and Creditor agents. If Debtor fails to pay billed Insurance Charges within 30 days of their due date, Creditor may pay them by applying funds paid under the Equipment Finance Agreement or debiting Debtor's account under any previously authorized automatic payment. Debtor agrees to arbitrate any dispute with Creditor or Creditor agents regarding Insurance or Insurance Charges under the rules of the American Arbitration Association in Los Angeles, California; provided however, such agreement does not authorize class action arbitration. At Creditor's election, in lieu of obtaining or continuing Insurance, Creditor may require Debtor to pay a monthly additional fee up to 2% of the Equipment Cost. This fee is not calculated with reference to additional risk and constitutes additional profit for Creditor, but represents the basis on which Creditor is willing to forbear from exercising remedies and continue this Agreement without Required Insurance. Debtor will receive no insurance coverage and will not be released from any obligations. Creditor is not selling insurance. Creditor will cease charging the additional fee or billing for Insurance 30 days after Debtor provides satisfactory proof of Required Insurance and compliance with this section.
14. CREDITOR'S PAYMENT. If Debtor fails to perform any of its obligations hereunder, Creditor may perform such obligation, and Debtor shall (a) reimburse Creditor the cost of such performance and (b) pay creditor the service charge contemplated in paragraph 21.
15. INDEMNITY. Debtor shall indemnify, defend and hold Creditor harmless against any claim, action, liability or expense, including attorneys' fees and court costs, incurred by Creditor related to this agreement. While it is not anticipated that Creditor shall have any liability for torts related to the Collateral, this indemnity covers tort proceedings including any strict liability claim, any claim under another theory related to latent or other defects and any patent, trademark or service mark infringement claim.
16. DEFAULT. Any of the following constitutes an event of default hereunder: (a) Debtor's failure to pay any amount hereunder, within three (3) business days of when due; (b) Debtor's default in performing any other obligation hereunder or under any agreement between Debtor and Creditor; (c) death or judicial declaration of competency of Debtor, if an individual; (d) the filing by or against Debtor of a petition under the Bankruptcy Code or under any other insolvency law or law providing for the relief of debtors, including, without limitation, a petition for reorganization, agreement or extension; (e) the making of an assignment of a substantial portion of its assets by Debtor for the benefit of creditors, appointment of a receiver or trustee for Debtor or for any Debtor's assets, institution by or against Debtor of any other type of insolvency proceeding or other proceeding contemplating settlement claims against or winding up of the affairs of Debtor, Debtor's cessation of active business affairs or the making by Debtor of a transfer of a material portion of Debtor's assets or inventory not in the ordinary course of business; (f) the occurrence of an event described in (c), (d), or (e) s to a guarantor of other surety of Debtor's obligations hereunder, (g) any misrepresentation of a material fact in connection herewith by or on behalf of Debtor; (h) Debtor's default under a lease or agreement providing financial accommodation with a third party or (i) creditor shall in good faith deem itself insecure as a result of a material adverse change in Debtor's financial condition or otherwise.
17. REMEDIES. Upon the occurrence of an event of default Creditor shall have the right, options, duties and remedies of a secured party, and Debtor shall have the rights and duties of a Debtor, under the Uniform Commercial Code (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and in connection therewith Creditor may: (a) declare the Casualty Value or such lesser amount as may be set by law immediately due and payable with respect to any or all Items of Collateral without notice or demand to Debtor; (b) take possession of and, if deemed appropriate, render unusable any or all Items of Collateral, without demand or notice, wherever located, without any process of law and without liability for any damages occasioned by such taking of possession including damages to contents; (c) require Debtor to assemble any or all Items of Collateral at a location in reasonable proximity to their designated location hereunder, (d) upon notice to Debtor required by law, sell or otherwise dispose of any Items of Collateral, whether or not in Creditor's possession, in a commercially reasonable manner at public or private sale and apply the net proceeds of such sale after deducting all costs of such sale, including, but not limited to, costs of transportation, repossession, storage, refurbishing, advertising and brokers fees, to the obligations of Debtor hereunder with Debtor remaining liable for any deficiency and with any excess being returned to Debtor or (e) utilize any other remedy available under the Uniform Commercial code or otherwise to Creditor.
All remedies are cumulative. Any sale may be adjourned by announcement at the time and place appointed for such sale without further published notice, and Creditor may if permitted by law bid and become the purchaser at any such sale.
18. LITIGATION EXPENSES. Debtor shall pay Creditor its costs and expenses not offset as provided in paragraph 17, including repossession and attorneys' fees and court costs, incurred by Creditor in enforcing this agreement. This obligation includes the payment of such amounts whether an action is filed and whether an action which is filed is dismissed.
19. ASSIGNMENT. Without the prior written consent of Creditor, Debtor shall not sell, lease or create or allow any lien other than Creditor's security interest against an Item of Collateral or assign any of Debtor's obligations hereunder. Debtor's obligations are not assignable by operation of law. Consent to any of the foregoing applies only in the given instance.
Creditor may assign, pledge or otherwise transfer any of its rights **but none of its obligations** hereunder without notice to Debtor. If Debtor is given notice of any such assignment, Debtor shall acknowledge receipt thereof in writing and shall thereafter pay any amounts due hereunder as directed in the notice. The rights of an assignee to amounts due hereunder shall be free of any claim or defense Debtor may have against Creditor, and Debtor agrees not to assert against an assignee any claim or defense which Debtor may have against Creditor.
Subject to the foregoing, this agreement inures to the benefit of, and is binding upon, the heirs, legatees, personal representatives, successors and assigns of the parties.
20. MARKINGS; PERSONAL PROPERTY. Debtor shall mark the Collateral or its location as requested by Creditor to indicate Creditor's security interest. As between the parties the Collateral shall at all times be deemed personal. Debtor will provide Creditor any real property waivers requested by Creditor as to the real property where an Item of Collateral is or is to be located.
21. LATE PAYMENT. If Debtor fails to pay any amount to be paid hereunder within Three (3) days of when due, Debtor agree to pay us (a) eighteen percent (18%) of each such late payment (to the extent permitted by law) (b) amounts Creditor pays others in connection with the collection of the payment and (c) interest on such unpaid amount from the date due until paid at the lesser of eighteen percent (18%) per annum or the highest rate permitted by applicable law. No more than a single charge under subparagraph (a) will be due in any given month.
22. SECURITY INTEREST RELEASE. At such time as there is no outstanding obligation secured hereby (including obligations under other agreements contemplated under paragraph 1) Creditor shall provide Debtor such termination statements related to the Collateral as Debtor shall reasonably request. Debtor shall be responsible for the filing of each such termination statement.
23. ADDITIONAL DOCUMENTS. Debtor shall provide to Creditor such financing statements and similar documents as Creditor shall request. Debtor authorizes Creditor where permitted by law to make filings of such documents without Debtor's signature. Debtor further shall furnish Creditor (a) a fiscal year end financial statement including balance sheet and profit and loss statement within one hundred twenty (120) days of the close of each fiscal year and (b) such other information and documents not specifically mentioned herein relative to this agreement as Creditor may request. Debtor shall reimburse Creditor for all search and filing fees incurred by Creditor related hereto.
24. NOTICES. Notices shall be in writing, and sufficient if mailed to the party involved, United States mail first class postage prepaid, at its respective address set forth above or at such other address as such party may provide on notice in accordance herewith. Notice so given shall be effective when mailed. Debtor shall promptly notify Creditor of any change in Debtor's address.
25. GENERAL. This agreement constitutes the entire agreement of the parties as to the subject matter and shall not be amended, altered or changed except by a written agreement signed by the parties. Any waiver by Creditor must be in writing, and forbearance shall not Constitute a waiver. Whenever the context of this agreement requires, the neuter includes the masculine or feminine and the singular includes the plural. If there is more than one Debtor named in this agreement, the liability of each shall be joint and several. The titles to the paragraphs of this agreement are solely for the convenience of the parties and are not an aid in the interpretation. This agreement shall be governed by the law of the State of California. Venue for any action related to this agreement shall be in an appropriate court in Orange County, California or the home county and state of anyone holding Creditor's interest as it may be assigned from time to time, to which Debtor consents, or in an appropriate court in another jurisdiction selected by Creditor which has jurisdiction over the parties. Any provision declared invalid shall be deemed severable from the remaining provisions which shall remain in full force and effect. Time is of the essence of this agreement. The obligations of Debtor shall survive the release of the security interest in the Collateral.
26. DEBTOR'S WARRANTIES. DEBTOR CERTIFIES AND WARRANTS:(a) THE FINANCIAL AND OTHER INFORMATION WHICH DEBTOR HAS SUBMITTED, OR WILL SUBMIT, TO CREDITOR IN CONNECTION WITH THIS AGREEMENT IS, OR SHALL BE AT TIME OF SUBMISSION, TRUE AND COMPLETE; (b) THIS AGREEMENT HAS BEEN DULY AUTHORIZED BY DEBTOR AND UPON EXECUTION BY DEBTOR SHALL CONSTITUTE THE LEGAL, VALID AND BINDING OBLIGATION, CONTRACT AND AGREEMENT OF DEBTOR ENFORCEABLE AGAINST DEBTOR IN ACCORDANCE WITH ITS TERMS; AND (c) EACH SHOWING PROVIDED BY DEBTOR IN CONNECTION HEREWITH MAY BE FULLY RELIED UPON BY CREDITOR NONWITHSTANDING ANY TECHNICAL DEFICIENCY IN ATTESTATION OR OTHERWISE. THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF DEBTOR WARRANTS THAT PERSON'S DUE AUTHORITY TO DO SO. DEBTOR FURTHER WARRANTS THAT EACH ITEM OF COLLATERAL SHALL AT THE TIME CREDITOR FUNDS THE TOTAL ADVANCE BE OWNED BY DEBTOR FREE AND CLEAR OF LIENS OR ENCUMBRANCES AND BE IN GOOD CONDITION AND WORKING ORDER.
27. Counterparts and Facsimile Signatures. If this Agreement was sent electronically, Debtor hereby warrants that this Agreement has not been altered in any way. Any alteration or revision to any part of this Agreement or any attached documents will make all alterations or revisions non-binding and void. Only one counterpart of this Agreement and of each Schedule, Addenda, or Exhibit attached hereto shall bear our ink signed signature and shall be marked "Original". To the extent that any Equipment Financing Agreement, Schedule, Addenda or Exhibit hereto constitute chattel paper (as that term is defined by the Uniform Commercial Code), a security interest may only be created in this Agreement, Schedule, Addenda or Exhibit that bears our ink signed signature and is marked "Original".

Equipment Financing Agreement # 000-000

INITIAL____________ sign

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

EXHIBIT 'A'
EQUIPMENT DESCRIPTION

The following invoice(s) are referenced, and hereby incorporated, for the purpose of describing the equipment subject to Equipment Financing Agreement ("Agreement") Number 000-000. By signing below, I, the debtor, acknowledge that I choose to finance the equipment listed on the invoice(s) per the payment schedule and the terms and conditions set out in the agreement, which is the governing document to this equipment financing regardless of the price and terms (if any) indicated on the invoice(s).

EQUIPMENT DESCRIPTION	INVOICE #	INVOICE DATE	VENDOR NAME

Equipment Financing Agreement Number 000-000

Debtor Name Example Docs LLC

sign **By:** ____________________
Name: John Johnson
Title: Managing Member

Date: 03/05/14

Page 1 of 1

"Delivery of this document bearing a facsimile signature or signatures shall have the same force and effect as if the document bore an original signature."

EFA248B

BALBOA CAPITAL

COPY OF DRIVERS LICENSE

Equipment Financing Agreement Number: 000-000

Debtor Name: Example Docs LLC

Please include a copy of your driver's license; with picture and signature, or another form of photo identification with signature.

Please provide a copy from the following individuals:

Signor	**John Johnson**
PG 1	**John Johnson**
PG 2	**Jane Johnson**
PG 3	
PG 4	

Place copy of Driver's License(s) below:

BALBOA CAPITAL

PERSONAL GUARANTY

Equipment Financing Agreement # 000-000

THIS PERSONAL GUARANTY CREATES SPECIFIC LEGAL OBLIGATIONS. When we use the words **you** and **your** in this Personal Guaranty, we mean the **Personal Guarantor (s)** indicated below. When we use the words **we, us** and **our** in this Personal Guaranty, we mean **BALBOA CAPITAL CORPORATION,** its successors and assigns.

In consideration of our entering into the equipment financing agreement above ("EFA"), you unconditionally and irrevocably guarantee to us, our successors and assigns, the prompt payment and performance of any and all obligations of the Customer ("Debtor") under the EFA and any other financial transaction of any kind whatsoever, whether now existing or hereafter arising with us. You agree that this is a guaranty of payment and not of collection, and that we can proceed directly against you without first proceeding against the Debtor or against the Equipment covered by the EFA or against any collateral or security held by us. You waive all defenses and notices, including those of protest, presentment and demand. You agree that we can renew, extend or otherwise modify the terms of the EFA and you will be bound by such changes. If the Debtor defaults under the EFA, you will immediately perform all obligations of the Debtor under the EFA, including, but not limited to, paying all amounts due under the EFA. You will pay to us all expenses (including attorneys' fees) incurred by us in enforcing our rights against you or the Debtor. This is a continuing guaranty that will not be discharged or affected by your death and will bind your heirs and personal representatives. You waive any rights to seek repayment from the Debtor in the event you pay us. If more than one personal guarantor has signed this Personal Guaranty, each of you agree that your liability is joint and several. You authorize us or any of our affiliates to obtain credit bureau reports regarding your personal credit, and make other credit inquiries that we determine are necessary.

THIS PERSONAL GUARANTY IS GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU CONSENT TO THE JURISDICTION OF THE COUNTY OF ORANGE IN THE STATE OF CALIFORNIA. YOU HEREBY EXPRESSLY WAIVE THE RIGHT TO TRIAL BY JURY.

"Delivery of this document bearing a facsimile signature or signatures shall have the same force and effect as if the document bore an original signature."

sign X ______________________________

John Johnson ______________________ 03/05/14 __________
Name **Date**

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

111111111 ______________________ ______________
Social Security Number **Phone Number**

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

EFA251

U.S. Small Business Administration

NOTE

SBA Loan #	
SBA Loan Name	
Date	
Loan Amount	
Interest Rate	
Borrower	
Operating Company	
Lender	

1. PROMISE TO PAY:

In return for the Loan, Borrower promises to pay to the order of Lender the amount c
___ ____________ Dollars, interest on the unpaid principal balance, and all other amounts required by this Note.

2. DEFINITIONS:

"Collateral" means any property taken as security for payment of this Note or any guarantee of this Note.
"Guarantor" means each person or entity that signs a guarantee of payment of this Note.
"Loan" means the loan evidenced by this Note.
"Loan Documents" means the documents related to this loan signed by Borrower, any Guarantor, or anyone who pledges collateral.
"SBA" means the Small Business Administration, an Agency of the United States of America.

3. PAYMENT TERMS:

Borrower must make all payments at the place Lender designates. The payment terms for this Note are:

The interest rate on this Note will fluctuate. The initial interest rate is 6.00% per year. This initial rate is the prime rate in effect on the first business day of the month in which SBA received the loan application, plus 2.75%. The initial interest rate must remain in effect until the first change period begins unless reduced in accordance with SOP 50 10.

Borrower must pay a total of 2 payments of interest only on the disbursed principal balance beginning one month from the month this Note is dated and every month thereafter; payments must be made on the first calendar day in the months they are due.

Borrower must pay principal and interest payments of every month, beginning three months from the month this Note is dated; payments must be made on the first calendar day in the months they are due.

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

Lender and Borrower may agree to pay an additional amount into an escrow account for payment of real estate taxes and required insurance related to commercial real estate securing the loan. Any such account must comply with SOP 50 10.

The interest rate will be adjusted every calendar quarter (the "change period").

The "Prime Rate" is the prime rate in effect on the first business day of the month (as published in a national financial newspaper or website) in which SBA received the application, or any interest rate change occurs. Base Rates will be rounded to two decimal places with .004 being rounded down and .005 being rounded up.

The adjusted interest rate will be 2.75% above the Prime Rate. Lender will adjust the interest rate on the first calendar day of each change period. The change in interest rate is effective on that day whether or not Lender gives Borrower notice of the change.

The spread as identified in the Note may not be changed during the life of the Loan without the written agreement of the Borrower.

For variable rate loans, the interest rate adjustment period may not be changed without the written consent of the Borrower.

Lender must adjust the payment amount at least annually as needed to amortize principal over the remaining term of the note.

If SBA purchases the guaranteed portion of the unpaid principal balance, the interest rate becomes fixed at the rate in effect at the time of the earliest uncured payment default. If there is no uncured payment default, the rate becomes fixed at the rate in effect at the time of purchase.

LOAN PREPAYMENT:

Notwithstanding any provision in this Note to the contrary:

Borrower may prepay this Note. Borrower may prepay 20 percent or less of the unpaid principal balance at any time without notice. If Borrower prepays more than 20 percent and the Loan has been sold on the secondary market, Borrower must:

a. Give Lender written notice;
b. Pay all accrued interest; and
c. If the prepayment is received less than 21 days from the date Lender receives the notice, pay an amount equal to 21 days' interest from the date lender receives the notice, less any interest accrued during the 21 days and paid under subparagraph b., above.

If Borrower does not prepay within 30 days from the date Lender receives the notice, Borrower must give Lender a new notice.

Subsidy Recoupment Fee. When in any one of the first three years from the date of initial disbursement Borrower voluntarily prepays more than 25% of the outstanding principal balance of the loan, Borrower must pay to Lender on behalf of SBA a prepayment fee for that year as follows:

a. During the first year after the date on which the loan is first disbursed, 5% of the total prepayment amount;

b. During the second year after the date on which the loan is first disbursed, 3% of the total prepayment amount; and

c. During the third year after the date on which the loan is first disbursed, 1% of the total prepayment amount.

All remaining principal and accrued interest is due and payable 25 years and 2 months from the date of this Note.

Late Charge: If a payment on this Note is more than 10 days late, Lender may charge Borrower a late fee of up to 5% of the unpaid portion of the regularly scheduled payment.

4. DEFAULT:

Borrower is in default under this Note if Borrower does not make a payment when due under this Note, or if Borrower or Operating Company:

A. Fails to do anything required by this Note and other Loan Documents;
B. Defaults on any other loan with Lender;
C. Does not preserve, or account to Lender's satisfaction for, any of the Collateral or its proceeds;
D. Does not disclose, or anyone acting on their behalf does not disclose, any material fact to Lender or SBA;
E. Makes, or anyone acting on their behalf makes, a materially false or misleading representation to Lender or SBA;
F. Defaults on any loan or agreement with another creditor, if Lender believes the default may materially affect Borrower's ability to pay this Note;
G. Fails to pay any taxes when due;
H. Becomes the subject of a proceeding under any bankruptcy or insolvency law;
I. Has a receiver or liquidator appointed for any part of their business or property;
J. Makes an assignment for the benefit of creditors;
K. Has any adverse change in financial condition or business operation that Lender believes may materially affect Borrower's ability to pay this Note;
L. Reorganizes, merges, consolidates, or otherwise changes ownership or business structure without Lender's prior written consent; or
M. Becomes the subject of a civil or criminal action that Lender believes may materially affect Borrower's ability to pay this Note.

5. LENDER'S RIGHTS IF THERE IS A DEFAULT:

Without notice or demand and without giving up any of its rights, Lender may:

A. Require immediate payment of all amounts owing under this Note;
B. Collect all amounts owing from any Borrower or Guarantor;
C. File suit and obtain judgment;
D. Take possession of any Collateral; or
E. Sell, lease, or otherwise dispose of, any Collateral at public or private sale, with or without advertisement.

6. LENDER'S GENERAL POWERS:

Without notice and without Borrower's consent, Lender may:

A. Bid on or buy the Collateral at its sale or the sale of another lienholder, at any price it chooses;
B. Incur expenses to collect amounts due under this Note, enforce the terms of this Note or any other Loan Document, and preserve or dispose of the Collateral. Among other things, the expenses may include payments for property taxes, prior liens, insurance, appraisals, environmental remediation costs, and reasonable attorney's fees and costs. If Lender incurs such expenses, it may demand immediate repayment from Borrower or add the expenses to the principal balance;
C. Release anyone obligated to pay this Note;

D. Compromise, release, renew, extend or substitute any of the Collateral; and
E. Take any action necessary to protect the Collateral or collect amounts owing on this Note.

7. WHEN FEDERAL LAW APPLIES:

When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law.

8. SUCCESSORS AND ASSIGNS:

Under this Note, Borrower and Operating Company include the successors of each, and Lender includes its successors and assigns.

9. GENERAL PROVISIONS:

A. All individuals and entities signing this Note are jointly and severally liable.
B. Borrower waives all suretyship defenses.
C. Borrower must sign all documents necessary at any time to comply with the Loan Documents and to enable Lender to acquire, perfect, or maintain Lender's liens on Collateral.
D. Lender may exercise any of its rights separately or together, as many times and in any order it chooses. Lender may delay or forgo enforcing any of its rights without giving up any of them.
E. Borrower may not use an oral statement of Lender or SBA to contradict or alter the written terms of this Note.
F. If any part of this Note is unenforceable, all other parts remain in effect.
G. To the extent allowed by law, Borrower waives all demands and notices in connection with this Note, including presentment, demand, protest, and notice of dishonor. Borrower also waives any defenses based upon any claim that Lender did not obtain any guarantee; did not obtain, perfect, or maintain a lien upon Collateral; impaired Collateral; or did not obtain the fair market value of Collateral at a sale.

10. STATE - SPECIFIC PROVISIONS:

None.

11. BORROWER'S NAME(S) AND SIGNATURE(S):

By signing below, each individual or entity becomes obligated under this Note as Borrower.

EXHIBIT M

THIS CONSTRUCTION ADVISORY SERVICES AGREEMENT (this "Agreement") is made and entered into as of the date last written below, by and between ______________________, a ___________________ ("Franchisee" or "you") and Choice Hotels International, Inc., a Delaware corporation ("Franchisor", "Choice", "we", "us" or "our").

W I T N E S S E T H:

WHEREAS, you have entered into a Franchise Agreement with us, whereby you have agreed to construct and operate a ___________hotel property ("Property"); and

WHEREAS, you have acquired and/or intend to acquire real property for the construction of the Property at the location set forth in Attachment A and desire that we provide the services described herein for the purpose of assisting you in the construction of the Property;

NOW, THEREFORE, in consideration of the covenants and premises herein contained, and for other good and valuable consideration received, it is hereby agreed as follows:

1. Construction Advisory Services. Subject to the terms and conditions of this Agreement, you hereby engage us to provide certain advisory services to you with respect to the construction of the Property ("Construction Advisory Services") on land that you now or hereafter have under contract for building the Property at the location set forth in Attachment A. You agree that we shall act solely as an advisor for purposes of assisting you in your construction of the Property. The Construction Advisory Services to be performed, to the extent required and to the extent requested by you, are described in Attachment A. Additional services may be provided at an additional cost, as the parties may mutually agree. Notwithstanding the foregoing, in accordance with the provisions of Section 13 hereof, we may at any time discontinue performing services for any construction project, including a construction project for which construction has begun, and may do so for any reason whatsoever. In such event, we shall make available to you our file with respect to such construction project and refund any pro rata amount paid by you for services not yet performed (at the rate of $4,000 per visit).

2. Fees. You will pay us **$20,000** in one lump sum payment on the date you Commence Construction (as defined in the Franchise Agreement). You acknowledge and agree that such fee has been fully earned and is nonrefundable (except as expressly set forth herein) in consideration of expenses incurred, rights granted, services rendered, and other valuable consideration, the receipt and sufficiency of which is acknowledged by you. If you request and we agree in writing to conduct any additional site visits, you will pay us **$4,000** for each additional site visit we perform at the Property. Such payment is due to us in one lump sum payment upon the completion of any additional site visit, as solely determined by us. For the sake of clarity, an "additional site visit" means any site visit performed by us after our fifth site visit is completed at the Property in accordance with Attachment A. All such fees are due and payable within five (5) calendar days of the date billed to you.

3. Personnel. We shall select such personnel as we reasonably believe may be necessary to perform the services required hereunder and shall be solely responsible for deciding their qualifications, time in field, the amount of deployed resources, and similar logistical decisions.

4. Architectural, Engineering and Other Professional Services. This Agreement does not entitle you to any architectural, engineering, or other licensed professional services and you expressly acknowledge that we do not provide architectural, engineering or other licensed professional services, or hold ourselves out as a provider of any such services. We will not provide any certification services. You shall engage your own architects and engineers to handle all matters requiring such services at your sole cost and expense. You shall also engage the architect and engineer of your selection to prepare site

drawings and building plans. Upon request, we may provide you a list of professional advisors such as architects, engineers, structural engineers, general and subcontractors, and other personnel from time to time. The selection of any approved professionals, contractors or vendors shall be solely your responsibility.

5. Pre-Construction Advisory Services. You are solely responsible for acquiring the land and site for construction and for taking all actions necessary to obtain a building permit for the construction of the Property. You are also solely responsible for obtaining any required permits and the costs thereof. We will review your architect's plans and drawings for compliance with the Franchise Agreement and will review the general contractor's proposed construction schedule for feasibility.

6. No Warranty. You acknowledge that we make no express or implied warranties regarding (i) the proper performance by the architects, engineers, general contractor or subcontractors of their contractual obligations, (ii) the compliance with applicable zoning, building code, or similar laws, (iii) adequacy of the physical plant to perform its intended purpose, or (iv) the future business success of any Property. You understand that the construction of the Property will not guarantee success of the business, which will depend on many factors under your control, and we are engaged solely to assist you in completing the construction of the Property.

7. Communications. You shall designate a representative who shall be authorized to make all decisions on your behalf and receive the our reports; execute construction and other contracts in favor of you; and to act for and on behalf of you ("Designated Representative"). Your Designated Representative shall be the official Choice liaison with Franchisee. We may rely completely on communications and instructions from the Designated Representative. We shall communicate with the Designated Representative regarding the construction and the performance of the construction advisory services exclusively through its written reports and shall provide all information due you hereunder to the Designated Representative. The person set forth in Attachment A shall be designated the initial Designated Representative and may thereafter be replaced only by the written instructions of you. In order to avoid confusion and miscommunication, we shall not take any instructions or direction from any person other than the Designated Representative and shall not be obligated to deliver or communicate any information to any person other than the Designated Representative.

8. Entire Agreement, Modifications. This Agreement, together with the other documents contemplated hereby, represents the entire understanding and agreement of the parties hereto with respect to the subject matter hereof, supersedes all prior negotiations between such parties, and cannot be amended, supplemented, or changed orally but only by an agreement in writing signed by the party or parties against whom enforcement is sought and making specific reference to this Agreement.

9. Assignment and Succession. Except as expressly set forth herein, this Agreement may not be assigned by either party without the prior written consent of the other and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

10. 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 conflicts of laws provision or such provisions of any jurisdiction.

11. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when taken together, shall be deemed to be the same instrument.

12. Section and Paragraph Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13. Termination. This Agreement may not be terminated by you unless we shall have been grossly negligent in the performances of our services. We may terminate this Agreement for any reason upon 10 days prior written notice to you. Upon termination, you will be obligated to pay all fees and costs due and owing to us under this Agreement. Upon full payment of sums due, we shall deliver to you a copy of the file of the construction project and the work we have performed for you.

14. Obligations Under Franchise Agreement. The parties acknowledge that the you have executed one or more agreements with us that require you to obtain a development site and to commence construction within a period specified therein. You acknowledge that the assistance provided you hereunder by us does not relieve, absolve, mitigate or otherwise alter or amend your obligations under any agreement with us, nor will our failure to render services hereunder or otherwise perform our obligations result in any extension of time by us to you to meet your obligations under such agreements. Provided, however, that any reports regarding construction which you are obligated to provide us will be produced by us as part of the construction advisory services provided hereunder, including the "final inspection" report.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date last written below.

CHOICE HOTELS INTERNATIONAL, INC.	______________________________ "FRANCHISEE"
By: ______________________	By: ______________________
Its: ______________________	Its: ______________________
Date: ______________________	Date: ______________________

ATTACHMENT A

PROPERTY ADDRESS

____

DESIGNATED REPRESENTATIVE

Name: __________________________
Address: __________________________
____
Phone: __________________________

CONSTRUCTION ADVISORY SERVICES

Site Visits Included in Base Fee ($20,000)

A. Site Inspection/Slab on grade/Pre Construction Meeting – prior to pouring slab
B. Framing – during the 2nd/3rd floor install
C. Pre-drywall – prior to production drywall
D. Finishes and Trim – MEP, Paint, Cabinet and Trim
E. Final Construction Inspection – prior to POR (pre-opening review)

Total Site Visits: 5 – timing to be coordinated with you

*Site visits are typically one day. If occasion warrants additional days on site, you are responsible for our travel costs.

Additional Site Visits ($4,000)

If you request and we agree in writing to conduct any additional site visits, you will pay us **$4,000** for each additional site visit we perform at the Property.

EXHIBIT N

March 11, 2022

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

Re: **«Contract_Brand» «Contract_Product»**s **«Contract_Legal_Sec_Name» «Contract_Property» - «Contract_Contract_ID»**

«Contract_Property_Address_for_ChoiceMap» (the "Hotel")

Dear Lender:

Choice Hotels International, Inc., (successor-in-interest to WoodSpring Suites Franchise Services LLC, f/k/a ValuePlace Franchise Services LLC, "Franchisor") and **«Customer_Customer_Name»** ("Franchisee") are parties to a franchise agreement dated **«Contract_EffectiveExecution_Date»** (as amended, the "Franchise Agreement"). The Franchise Agreement permits Franchisee to operate the Hotel as a WoodSpring Suites ® hotel.

As of the date of this letter agreement, the Franchise Agreement is in full force and effect, Franchisee is in good standing with Franchisor, and Franchisor has not issued a notice of default under the Franchise Agreement which has not been cured; and to the best of Franchisor's knowledge and belief, Franchisee is not currently in default of the Franchise Agreement. "Franchisor's knowledge" means the actual knowledge of obvious Hotel development, construction, and operational matters regularly reviewed by company employees who have given their attention to such matters in the ordinary course of business and does not include any investigation by those employees or others of other matters or beyond their usual and customary reviews of the Hotel, nor does it include constructive notice of matters or information located in public or Hotel records. "Default" means matters which have been the subject of an actual notice of default under the Franchise Agreement and does not include matters which are or may be in process, under discussion, or otherwise addressed.

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

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

1. <u>Opportunity to Cure Defaults</u>.

(a) <u>Notice and Cure Period</u>. Franchisor will copy Lender on any notice of default or termination issued to Franchisee under the Franchise Agreement. To the extent any default is curable, Lender shall have the right, but not the obligation, to cure the default within a cure period of fifteen (15) calendar days for monetary defaults or forty-five (45) days for non-monetary defaults beyond the expiration of the cure

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

period, if any, given to Franchisee ("Lender's Cure Period"). For non-monetary default, Lender must provide notice to Franchisor of Lender's intended method to cure the non-monetary default.

(b) Non-Monetary Default Requiring Possession to Cure. In the event of a non-monetary default, Lender must obtain Franchisor's prior written consent to apply for the right to acquire the Hotel (the "Acquisition"). Lender must provide notice to Franchisor in accordance with Section 1(a) of this Comfort Letter, and has, upon request, one hundred eighty (180) calendar days ("Additional Period") commencing at the expiration of Lender's Cure Period to complete the Acquisition, through foreclosure or other appropriate proceedings. To request the Additional Period, Lender must: (i) notify Franchisor no later than the date it commences proceedings (or promptly after action is stayed or enjoined) that Lender wants the Additional Period; (ii) commence proceedings within Lender's Cure Period and diligently prosecutes such proceedings to completion; and (iii) comply with the obligations of Franchisee under the Franchise Agreement not being performed by Franchisee during the Additional Period, including payment of all monetary obligations but excluding those obligations that can only be performed by Franchisee or which Lender cannot perform without ownership of the Hotel. If requested by Lender, Franchisor may extend the Additional Period, at Franchisor's determination taking into consideration the period of time that may be necessary to complete the foreclosure or other proceeding in the applicable jurisdiction and any period of time during which such action has been stayed or enjoined. If Lender fails to timely request the Additional Period, Lender acknowledges that the Franchise Agreement terminates pursuant to Franchisor's notice of default and termination.

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

(d) Franchisor's Rights to Terminate Franchise Agreement. Notwithstanding any other provision of this Comfort Letter, and without limiting Franchisor's right to terminate the Franchise Agreement. Franchisor may terminate the Franchise Agreement if any of the following occur: (i) Franchisee's default or any subsequent default, in the sole opinion of Franchisor, damages the image or reputation of Franchisor or any brand name owned and/or licensed by Franchisor; (ii) Franchisor is required to terminate the Franchise Agreement by court order or action of any trustee in bankruptcy or debtor in possession of the Hotel; (iii) the Additional Period expires without other arrangements, satisfactory to Franchisor in its sole discretion, having been entered into between Franchisor and Lender; or (iv), if applicable, Franchisor has the right to terminate the Franchise Agreement without cause under Section 3 of the Franchise Agreement.

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

2. Elections Upon Lender Acquisition.

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

(b) Election to Operate. If Lender completes its Acquisition before the expiration of the applicable time periods set forth in Paragraph 1 and Lender elects to continue operating the Hotel as a WoodSpring Suites hotel, Lender may, by notice and payment to Franchisor of an affiliation fee in the amount of $15,000 by no later than thirty (30) days after the Acquisition and, enter into a new franchise agreement on Franchisor's then-current form. Lender and Franchisor will execute the new franchise agreement within thirty (30) days of Lender's Acquisition. Such franchise agreement shall be dated as of the later of (i) the date that Lender acquired the Hotel or (ii) the date that we sign the new franchise agreement.

The conditions contained in the Section 13 (or, as applicable, Section 9) transfer provisions of the Franchise Agreement relevant to a new franchisee as determined appropriate by Franchisor shall apply with respect to the transfer to Lender, including but not limited to submission by Lender of its ownership structure, evidence of ADA compliance and evidence of insurance. Any renovation requirements imposed by Franchisor will not exceed those which Franchisor could have imposed had Franchisee remained as the Franchisee under the Franchise Agreement. Lender must diligently cure all defaults which it could not cure before the Acquisition under the terms of Paragraph 1(b), except for personal and non-curable defaults as defined below, within the time period determined by Franchisor based on the nature of the default and/or the condition of the Hotel at the time of Lender's Acquisition. The term "personal and non-curable defaults" as used in this Paragraph shall mean such defaults that (i) occurred before the date of Lender's Acquisition; (ii) are non-curable; (iii) are purely personal to Franchisee (*e.g.*, failure to provide adequate notice or past failure to maintain Franchisee's company status); and (iv) are unrelated to the operation of the Hotel. However, Lender shall not be liable for any termination fees or liquidated damages.

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

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

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

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

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

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

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

if to Franchisee, to:

«Customer_Customer_Name»
«Licensee_Rep_Account_Billing_Address_Li»
«Licensee_Rep_Account_Billing_Address_Li1»
«Licensee_Rep_Account_Billing_Address_Li2»
«Licensee_Rep_Account_City», «Licensee_Rep_Account_StateProvince»
«Licensee_Rep_Account_ZipPostal_Code»
Attention: «Licensee_Rep_Contact»

If to Franchisor, to:

Choice Hotels International, Inc.
1 Choice Hotels Circle, Suite 400
Rockville, MD 20850
Attention: Legal Department

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

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

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

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

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

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

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

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

(b) agrees that this Comfort Letter shall remain in full force and effect in favor of Lender with respect to the Loan, as the Loan may periodically be modified, amended, extended, supplemented or restated; and certifies to Franchisor that no Claim or condition that could with the passage of time, giving notice or otherwise, become a Claim by or through Lender, currently exists or has existed against Franchisor under the existing comfort letter; and

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

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

12. Replacement Comfort Letter. Franchisor will issue a replacement comfort letter, substantially similar in form to Franchisor's then current comfort letter and charge the then current fee, if Lender (a)(i) appoints a third-party loan servicing agent to service the Loan, (ii) transfers the Loan to a successor mortgagee that is a financial institution in the business of routinely financing real estate transactions, or (iii) designates a trustee of a trust established in connection with the securitization of the Loan, provided that such transferee, designee, or appointee is not a Competitor, an affiliate of a Competitor, or is not in violation of the Anti-Terrorism Laws as set forth in Section 7.26 (or, as applicable, Section19(k)) of the Franchise Agreement, and is not an affiliate of Franchisee, and (b) Franchisor receives a written request to issue a replacement comfort letter within sixty (60) days of the date of such appointment or transfer, setting forth the name, address of the entity for which the replacement comfort letter is requested, the name, address, telephone number and email address for the contact person for such entity, and the date of such appointment or transfer.

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

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

14. **<u>Termination</u>.** This Comfort Letter shall terminate, and Lender shall have no rights hereunder, if:

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

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

(iii) the Franchise Agreement has expired or the Franchisee has exercised its right to terminate;

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

(v) Lender breaches this Comfort Letter.

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

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

17. **<u>Consent to Mortgage of Hotel.</u>** Franchisor hereby consents to Franchisee's grant of a security interest, lien, mortgage and/or deed trust in or on the Hotel (including, without limitation, any and all of the real estate or fixtures comprising the Hotel or upon which it is located) in favor of Lender in connection with the Loan. Franchisor acknowledges that this Comfort Letter satisfies the requirement that Lender deliver a comfort letter as a condition of the foregoing consent in accordance with Section 13.3 of the Franchise Agreement.

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

Very truly yours,

CHOICE HOTELS INTERNATIONAL, INC.

By: ______________________________

Name: Iris Figueroa Rosario
Title: Senior Counsel

Date: ______________________________

(Signatures continue on following page)

FRANCHISEE:

«Customer_Customer_Name»

By:______________________________
Name:
Title:

Date: _______________________

LENDER:

[lender name]

By:______________________________L.S.

Name:___________________________

Title:____________________________

Date: _______________________

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

EXHIBIT O

FRANCHISE DISCLOSURE ACKNOWLEDGMENT FORM

<u>Do not sign this Acknowledgment Form</u> if you are a Maryland or California resident or the franchise is located (or to be located) in either Maryland or California. If any California franchisee completes this Acknowledgment Form, it is against California public policy and it will be void and unenforceable, and Choice Hotels International, Inc. will destroy, disregard and will not rely on this Acknowledgment Form.

Choice Hotels International, Inc. ("Choice") and you are preparing to enter into a Franchise Agreement for a hotel operating under the Choice system. The purpose of this Acknowledgment Form is to confirm that you are making an informed investment decision and to determine whether any improper statements or promises were made to you that Choice has not authorized. Please review each of the following acknowledgments carefully and provide your initials to indicate your understanding of, and agreement with, the statements made.

1. You acknowledge and agree that you received a copy of the Franchise Disclosure Document at least 14 calendar days before you signed any agreement with Choice or made any payment to Choice.

Initial ________

2. You acknowledge and agree that you received and personally reviewed the Franchise Agreement and each of its attachments.

Initial ________

3. You acknowledge and agree that you consulted an attorney before signing the Franchise Agreement, or that you voluntarily declined to do so.

Initial ________

4. You acknowledge and agree that you understand the risks of operating a hotel under the Choice system and understand that the success or failure of your business will depend in large part upon on a number of factors, including your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, the overall economy, and other economic and business factors.

Initial ________

5. You acknowledge and agree that no Choice employee or representative has made any oral, written or visual claim or representation concerning the revenues, profits or earnings of a hotel (or hotels) operating in the Choice system that is different from or inconsistent with the information contained in the Franchise Disclosure Document.

Initial ________

6. You acknowledge and agree that no Choice employee or representative has made any oral, written or visual promise or guaranty regarding the amount of money you may earn, the amount of revenue a hotel operating under the Choice system may generate, or the likelihood of your success.

Initial ________

7. You acknowledge and agree that no Choice employee or representative has made any oral, written or visual statement or promise concerning the advertising, marketing, training, support service or other assistance that Choice will furnish to you that is different from or inconsistent with the information contained in the Franchise Disclosure Document.

Initial ________

8. If the Franchisee is a corporation, partnership, limited liability or other entity, you acknowledge and agree that (a) you have the authority to bind the entity for purposes of this Acknowledgment Form, and (b) you have discussed this Acknowledgment Form with all principal owners and have obtained their oral or written agreement with the statements made in this Acknowledgment Form.

Initial ________

9. You understand that this Acknowledgment Form is important to Choice and that we are relying on the accuracy and truthfulness of your acknowledgments as a condition of signing the Franchise Agreement.

Initial ________

This Acknowledgment Form is not intended to disclaim any representations made in the Franchise Disclosure Document that was furnished to you. This Acknowledgment Form is not intended nor will it act as a release, estoppel, or waiver of any liability incurred under the Illinois Franchise Disclosure Act or the Maryland Franchise Registration and Disclosure Law.

* * *

EXHIBIT P

STATE EFFECTIVE DATES

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

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

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

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

RECEIPT

This WoodSpring Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this WoodSpring Disclosure Document and all agreements carefully.

If Choice Hotels International, Inc. ("Choice") offers you a franchise, it must provide this WoodSpring 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 requires that Choice gives you this WoodSpring 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 WoodSpring 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 WoodSpring 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): Ron Burgett and/or: ______________________________,

Address Before December 1, 2023	**Address On or about December 1, 2023**
Choice Hotels International, Inc.	Choice Hotels International, Inc.
1 Choice Hotels Circle, Suite 400	915 Meeting Street
Rockville, Maryland 20850	North Bethesda, Maryland 20852
301.592.5000	301.592.5000

Issuance Date: April 1, 2023

We authorize the respective agents and/or state agencies identified in Exhibit B to receive service of process for us. This WoodSpring Disclosure Document is for use in all states and the District of Columbia (see state Effective Dates at the beginning of this document).

I received a WoodSpring Disclosure Document dated April 1, 2023 that included the following Exhibits:

A. Regulatory Authorities; Registered Agents for Service of Process
B. Franchise Agreement, including Guaranty
C. Master Development Agreement
D. Brand Standards Table of Contents
E. Financial Statements
F. Call Forwarding Terms of Use
G. List of Franchisees
H. Franchisees Who have Left System
I. State Addenda
J. Promissory Note
K. Incentive Promissory Note
L. Lender Documents
M. Construction Advisory Services Agreement
N. Comfort Letter
O. Franchise Disclosure Acknowledgment Form
P. Receipt

Location in which you are interested: ______________________________(City, State)

Date Received:______________________

<u>ENTITY</u>:

Entity Name:______________________________

Print Name:______________________________

Title:______________________________

Signature:______________________________

<u>INDIVIDUALS</u>: All persons signing a Franchise Agreement must sign Receipt (Owners, Partners, Members)

Signature:______________________ Signature:______________________

Name: ______________________ Name:______________________

Franchisee's Copy

RECEIPT

This WoodSpring Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this WoodSpring Disclosure Document and all agreements carefully.

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Franchise Seller(s): Ron Burgett and/or: ____,

Address Before December 1, 2023	**Address On or about December 1, 2023**
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L. Lender Documents
M. Construction Advisory Services Agreement
N. Comfort Letter
O. Franchise Disclosure Acknowledgment Form
P. Receipt

Location in which you are interested: ______________________________(City, State)

Date Received:____________________

<u>ENTITY</u>:

Entity Name:____

Print Name:____

Title:____

Signature:____

<u>INDIVIDUALS</u>: All persons signing a Franchise Agreement must sign Receipt (Owners, Partners, Members)

Signature:______________________ Signature:______________________

Name: ______________________ Name:______________________

Choice Hotels' Copy