

## Choice Hotels International

<div style="text-align: center; border-bottom: 1px solid black; margin-bottom: 5px;"> </div> <p>10750 Columbia Pike Silver Spring, MD 20901-4427 Tel: (800) 547-0007 (301) 592-5000 Fax: (301) 592-6205 E-Mail: franchise_sales@choicehotels.com Web Site: www.choicehotelsfranchise.com Mr. Ron Burgett, VP Franchise Sales</p> <p>CHOICE HOTELS is the leading hotel franchisor with more than 60 years' experience in developing brands and services that optimize hotel performance. Our single focus is on enhancing the return on investment for our owners and growing our brands strategically. Brands include COMFORT INN, COMFORT SUITES, QUALITY, SLEEP INN, CLARION, MAINSTAY SUITES, ECONO LODGE, and RODEWAY INN, and our new boutique brand extension, CLARION COLLECTION. Either convert an existing location or build a new one.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;"><b>BACKGROUND:</b></td> <td>IFA MEMBER</td> </tr> <tr> <td>Established: 1941;</td> <td>1st Franchised: 1962</td> </tr> <tr> <td>Franchised Units:</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Company-Owned Units</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Total Units:</td> <td style="text-align: right;">5,003</td> </tr> <tr> <td>Dist.:</td> <td>US-3,829; CAN-260; O'seas-914</td> </tr> <tr> <td>North America:</td> <td>50 States, 10 Provinces</td> </tr> <tr> <td>Density:</td> <td>258 in TX, 251 in CA, 205 FL</td> </tr> <tr> <td>Projected New Units (12 Months):</td> <td style="text-align: right;">400+</td> </tr> </table>	<b>BACKGROUND:</b>	IFA MEMBER	Established: 1941;	1st Franchised: 1962	Franchised Units:	5,000	Company-Owned Units	3	Total Units:	5,003	Dist.:	US-3,829; CAN-260; O'seas-914	North America:	50 States, 10 Provinces	Density:	258 in TX, 251 in CA, 205 FL	Projected New Units (12 Months):	400+	<p>Qualifications: 4, 4, 4, 2, 1, 1 Registered: All States</p> <p><b>FINANCIAL/TERMS:</b></p> <table style="width: 100%; border: none;"> <tr> <td>Cash Investment:</td> <td style="text-align: right;">\$20-30% Costs</td> </tr> <tr> <td>Total Investment:</td> <td style="text-align: right;">\$2-10MM</td> </tr> <tr> <td>Minimum Net Worth:</td> <td style="text-align: right;">\$Varies</td> </tr> <tr> <td>Fees: Franchise —</td> <td style="text-align: right;">\$25-50K</td> </tr> <tr> <td>Royalty — 2.75-5.1%;</td> <td style="text-align: right;">Ad. — 1.75% Rev.</td> </tr> <tr> <td>Earnings Claim Statement:</td> <td style="text-align: right;">Yes</td> </tr> <tr> <td>Term of Contract (Years):</td> <td style="text-align: right;">20/5</td> </tr> <tr> <td>Avg. # Of Employees:</td> <td style="text-align: right;">Varies</td> </tr> <tr> <td>Passive Ownership:</td> <td style="text-align: right;">Allowed</td> </tr> <tr> <td>Encourage Conversions:</td> <td style="text-align: right;">Yes</td> </tr> <tr> <td>Area Develop. 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Choice Hotels International is one of the largest hotel franchisors in the world with more than 5,000 hotels, inns, all-suites, extended stay and resort properties open in 43 countries. Choice Hotel's diverse portfolio meets the needs of today's developers and value-minded travelers. Comfort Inn®, Comfort Suite®, Quality®, Sleep Inn®, Clarion®, MainStay Suites®, Econo Lodges®, Rodeway Inn®, Suburban® and their new upscale all-suites brand Cambria Suites™.

With over 60 years of experience in the hotel industry, Choice Hotels offers franchisees a comprehensive support system that includes operational systems, technology support and marketing programs. Choice Hotels International is committed to supporting franchisees by increasing reservations and reducing operating costs.

In 2004, Choice Hotels Central Revenue System booked over \$1.4 billion in room revenue – with over 55 million occupied room nights. By offering guests loyalty programs with rewards such as Choice Privileges, Ea\$y Choice and Airline Miles, Choice guests benefit and so do franchisees.

Operating Units	12/31/2003	12/31/2004	12/31/2005
Franchised	4,810	4,977	5,210
% Change	--	3.5%	4.9%
Company-Owned	0	0	0
% Change	--	0.0%	0.0%
Total	4,810	4,977	5,200
% Change	--	3.5%	4.9%
Franchised as % of Total	100.00%	100.00%	100.00%

### Investment Required

The fee for a Choice Hotels International franchise is \$500 per room with a range of \$25,000 to \$60,000.

Choice Hotels International provides the following range of investments required to open your initial franchise. The range assumes that all items are paid for in cash. To the extent that you choose to finance any of these expense items, your front-end investment could be substantially reduced. Costs will vary depending on the brand chosen. The list below is not exhaustive as each brand has a separate list of required investments.

Item	Established Low Range	Established High Range
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Franchise Fee (\$500/ room, \$50,000 minimum)	\$25,000	\$60,000
Construction/Architecture	\$1,100,000	\$5,700,000
Furniture, Fixtures, Equipment, Signs	\$160,000	\$1,100,000
Hotel Internet Access	\$14,000	\$25,000
Insurance (Construction, General, Workers)	\$80,000	\$275,000
Opening Inventory	\$40,000	\$300,000
Pre-Opening Advertising	\$0	\$60,000
Real Estate	Not Determinable	Not Determinable
Salaries	\$40,000	\$100,000
Working Capital	\$119,517	\$275,000
Other Costs and Additional Funds (for 3 Months)	\$75,000	\$175,000
Total Investment	\$1,653,517	\$8,070,000
Total Cost Per Room	\$41,337	\$80,700

### **On-Going Expenses**

In general, Choice Hotels International franchisees pay a royalty fee starting at 3.5% of the preceding month's gross room revenue (GRR), a marketing fee starting at 1.25% of the preceding month's GRR, a reservation fee equal to 1.75% of the preceding month's GRR and a data communications fee of \$140 a month. Fees vary depending on brand. The Rodeway brand offers a flat per room, per month fee that combines the fees for royalties, marketing and reservations.

### **What You Get—Training and Support**

A staff of 300 franchise services professionals located throughout the country is dedicated to providing franchisees in their regions with all the support they need. Franchisees receive assistance with the design, construction, opening and operating of a hotel. A five-day orientation program provides the necessary skills for managing a hotel, as well as how to for-

multate a marketing program and familiarize oneself with Choice Hotels' extensive franchisee resources. Franchise Service Directors will visit hotels to train staff in guest satisfaction, reward programs, housekeeping, maintenance and front-desk management. After a hotel opens, they will continue to offer support and advice to improve revenue. Additional specialized training programs, regional training days and annual conventions are also conducted.

Choice Hotels International understands that revenue begins with attracting the attention of desired guests, and it accomplishes this through extensive national and local marketing, partnerships with other well-known brands and promotional opportunities. Advertisements appear on national TV and radio, in national consumer and trade publications and on major Internet sites. Marketing brochures can be customized for each franchisee's hotel, and franchisees receive assistance with press releases and graphic design. In 2004 alone, Choice Hotels International spent more than \$50 million on advertising.

**Territory**

Choice Hotels International does not grant exclusive territories.