

CHOICE HOTELS INTERNATIONAL INC /DE

Form 424B5

August 19, 2010

**Table of Contents**

**Filed Pursuant to Rule 424(b)(5)**

**Registration Nos. 333-168914 and 333-168914-01 through 333-168914-08**

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee(1)</b>
5.70% Senior Notes due 2020	\$250,000,000	\$17,825
Guarantee of 2020 Notes (2)		
Total	\$250,000,000	\$17,825

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

(2) Pursuant to Rule 457(n), no separate fee for the guarantee is payable.

**Table of Contents**

Prospectus Supplement to Prospectus dated August 18, 2010.

**\$250,000,000**

**Choice Hotels International, Inc.**

**5.70% Senior Notes due 2020**

The notes will mature on August 28, 2020. We will pay interest on the notes on February 28 and August 28 of each year. The first such payment will be made on February 28, 2011. The notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. We may redeem some or all of the notes in whole or in part at any time at the redemption prices set forth in this prospectus supplement. If a change in control triggering event occurs, we will be required to offer to purchase the notes from holders.

The notes will be our unsecured and unsubordinated obligations and will rank equally with our current and future unsecured and unsubordinated indebtedness. The notes will be fully and unconditionally guaranteed by certain of our domestic subsidiaries. Some or all of the guarantees of the notes may terminate in certain circumstances as described on page S-16. The notes will not be listed on any national securities exchange. Currently there is no public market for the notes.

*See Risk Factors , beginning on page S-5 of this prospectus supplement to read about important facts you should consider before buying the notes.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

	Per Note	Total
Initial public offering price <sup>1</sup>	99.743%	\$ 249,357,500
Underwriting discount	0.650%	\$ 1,625,000
Proceeds, before expenses, to Choice Hotels International, Inc. <sup>1</sup>	99.093%	\$ 247,732,500

<sup>1</sup> Plus accrued interest, if any, from August 25, 2010 if settlement occurs after that date.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company against payment in New York, New York on or about August 25, 2010.

*Joint Book-Running Managers*

**Goldman, Sachs & Co. J.P. Morgan Wells Fargo Securities**

**BofA Merrill Lynch SunTrust Robinson Humphrey**

Prospectus Supplement dated August 18, 2010.

## **Table of Contents**

### **TABLE OF CONTENTS**

#### Prospectus Supplement

	<b>Page</b>
<u>About This Prospectus Supplement</u>	S-1
<u>Summary of the Offering</u>	S-2
<u>Risk Factors</u>	S-5
<u>Forward-Looking Statements</u>	S-8
<u>Use of Proceeds</u>	S-9
<u>Ratio of Earnings to Fixed Charges</u>	S-9
<u>Description of Notes and Guarantees</u>	S-10
<u>United States Federal Income Tax Considerations</u>	S-17
<u>Underwriting</u>	S-21
<u>Conflicts of Interest</u>	S-24
<u>Validity of the Securities</u>	S-24

#### Prospectus

<u>About This Prospectus</u>	1
<u>Risk Factors</u>	2
<u>The Company</u>	2
<u>The Guarantors</u>	3
<u>Forward-Looking Statements</u>	3
<u>Use of Proceeds</u>	5
<u>Ratio of Earnings to Fixed Charges</u>	5
<u>Description of Capital Stock</u>	6
<u>Description of Debt Securities and Guarantees of Debt Securities</u>	9
<u>Book-Entry Securities</u>	19
<u>Validity of the Securities</u>	19
<u>Experts</u>	20
<u>Incorporation by Reference</u>	20
<u>Where You Can Find More Information</u>	21

**Table of Contents**

**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the notes that we are currently offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the notes that we are currently offering. Generally, the term prospectus refers to both parts combined.

You should read this prospectus supplement along with the accompanying prospectus and the documents incorporated by reference herein and therein. We have not, and the underwriters have not, authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of these documents. Our business, financial condition, results of operations, cash flows and prospects may have changed since those dates. The notes are being offered and sold only in jurisdictions where offers and sales are permitted.

If the information varies between this prospectus supplement, the accompanying prospectus, or any information incorporated therein by reference, the information in this prospectus supplement supersedes the information in the accompanying prospectus.

In this prospectus supplement, we, us, our, the Company and Choice refer to Choice Hotels International, Inc. and its direct and indirect subsidiaries, as the context requires.

## Table of Contents

### SUMMARY OF THE OFFERING

*The following summary may not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.*

Issuer	Choice Hotels International, Inc.
Securities offered	\$250,000,000 aggregate principal amount of 5.70% senior notes due 2020
Maturity date	August 28, 2020
Interest payment dates	Interest on the notes will be payable on February 28 and August 28 of each year, beginning on February 28, 2011. Interest will accrue from August 25, 2010.
Guarantees	The notes will be guaranteed on an unsecured basis by each of our subsidiaries that guarantees our senior unsecured revolving credit facility (or any replacement or refinancing thereof). Any subsidiary that provides, or will provide, guarantees of the notes will be released from such guarantees in the event that such subsidiary guarantor no longer guarantees our obligations under our senior unsecured revolving credit facility, or any replacement or refinancing thereof, or satisfaction and discharge of the notes has occurred pursuant to the indenture governing the notes (the "Indenture").
Ranking	<p>The notes will be our senior unsecured obligations and will:</p> <p>rank senior in right of payment to our future debt that is expressly subordinated in right of payment to the notes;</p> <p>rank equal in right of payment to all of our existing and future debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the notes;</p> <p>be effectively subordinated to all of our existing and future secured debt, to the extent of the value of the assets securing such debt, and be structurally subordinated to all obligations of each of our subsidiaries that do not guarantee the notes (including any guarantors that are released from the guarantees pursuant to the terms of the Indenture); and</p> <p>be effectively senior to any series of our existing and future senior unsecured notes that are not guaranteed by our subsidiaries to the extent of the assets of our subsidiaries that guarantee the notes offered hereby.</p>

Similarly, the guarantees of the notes offered hereby will be senior unsecured obligations of the guarantors and will:

rank senior in right of payment to all of the applicable guarantor's existing and future debt that is expressly subordinated in right of payment to the guarantee;

S-2

**Table of Contents**

rank equal in right of payment to all of the applicable guarantor's existing and future debt and other obligations that are not, by their terms, expressly subordinated in right of payment to the notes;

be effectively subordinated to all of the applicable guarantor's existing and future secured debt to the extent of the value of the assets securing such debt; and

be structurally subordinated to all obligations of any subsidiary of a guarantor if that subsidiary is not also a guarantor of the notes offered hereby.

Optional redemption

We may redeem the notes, in whole or in part, at any time prior to their maturity at the redemption price described in this prospectus supplement, which will include a make whole premium.

Change of control offer

If a change of control triggering event, as defined in the Indenture, occurs, we will be required to make an offer to purchase the notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase, as described under the heading "Description of Notes and Guarantees—Repurchase of Notes upon a Change of Control."

Further issuances

We will issue the notes under the Indenture. We may, without the consent of the existing holders, issue additional notes having the same terms so that the existing notes and the additional notes form a single series under the Indenture.

Use of proceeds

We intend to use the net proceeds of this offering, after deducting underwriting discounts and commissions and other offering expenses payable by us, to repay outstanding borrowings under our revolving credit facility, without a corresponding reduction in the commitment thereunder. We may reborrow the amount repaid at any time, subject to compliance with the credit agreement.

Trustee

The trustee under the Indenture is Wells Fargo Bank, National Association.



**Table of Contents**

Risk factors

See Risk Factors before considering an investment in the notes.

Conflicts of interest

Affiliates of J.P. Morgan Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and SunTrust Robinson Humphrey, Inc. are agents and/or lenders under our revolving credit facility. As described in Use of Proceeds, the net proceeds from this offering will be used to repay outstanding borrowings under our revolving credit facility, without a corresponding reduction in the commitment thereunder. As affiliates of J.P. Morgan Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and SunTrust Robinson Humphrey, Inc. will receive more than 5% of the proceeds of this offering, not including underwriting compensation, J.P. Morgan Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and SunTrust Robinson Humphrey, Inc. have a conflict of interest as defined in NASD Rule 2720 adopted by the Financial Industry Regulatory Authority. Consequently, this offering will be conducted in accordance with NASD Rule 2720. No underwriter having a conflict of interest will confirm sales to accounts over which discretionary authority is exercised without the prior written consent of the account holder. In accordance with NASD Rule 2720, a qualified independent underwriter is not required because the notes offered are investment grade rated, as that term is defined in NASD Rule 2720.

S-4

## **Table of Contents**

### **RISK FACTORS**

*You should carefully consider the risks described below together with the risk factors described in reports we file with the SEC and incorporated by reference into the accompanying prospectus, as well as all of the other information in, and incorporated by reference in, this prospectus supplement and the accompanying prospectus, including in our annual report on Form 10-K, before you decide to buy the notes. If any of the risks actually occur, our business, financial condition, results of operations, cash flows or prospects could suffer. In that event, we may be unable to meet our obligations under the notes and the guarantees and you may lose all or part of your investment.*

#### ***The notes are not secured by any of our assets and secured creditors would have a prior claim on our assets***

The notes are not secured by any of our assets. Furthermore, the terms of the Indenture governing the notes permit us to incur secured debt, subject to certain limits. If payment of our secured debt is accelerated, the lenders under our secured debt agreements will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to agreements governing that debt, and will have a prior claim on our assets securing the debt. In that event, because the notes are not secured by any of our assets, it is possible that there will be no assets remaining from which claims of the holders of notes can be satisfied or, if any assets remain, the remaining assets might be insufficient to satisfy those claims in full. As of August 18, 2010 we had no secured debt outstanding.

#### ***The notes do not restrict our ability to incur additional unsecured debt***

The Indenture governing the notes does not restrict the amount of unsecured debt that we or our subsidiaries may incur. If we or our subsidiaries incur additional debt, it may be more difficult for us to satisfy our obligations with respect to the notes. Furthermore, the incurrence of additional debt may cause a decline in the trading price of the notes and the credit rating of the notes may be lowered or withdrawn.

#### ***Changes in our credit ratings or the debt markets could adversely affect the price of the notes***

The price of the notes depends on many factors, including:

our credit ratings with major credit rating agencies;

the prevailing interest rates being paid by, or the market price for the notes issued by, other companies similar to us;

our financial condition, financial performance and future prospects; and

the overall condition of the financial markets.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the notes.

In addition, credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate our industry as a whole and may change their credit rating for us based on their overall view of our industry. A negative change in our rating could have an adverse effect on the price of the notes.

#### ***Claims of noteholders will be structurally subordinated to claims of creditors of our non-guarantor subsidiaries***

As of the issue date, the notes will not be guaranteed by any of our subsidiaries who do not guarantee our senior unsecured revolving credit facility. Claims of holders of the notes will be

## **Table of Contents**

structurally subordinated to all of the liabilities of our subsidiaries that do not guarantee the notes. In the event of a bankruptcy, liquidation or dissolution of any of the non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment on their claims from assets of those subsidiaries before any assets are made available for distribution to us. As of June 30, 2010, our non-guarantor subsidiaries had \$7 million of liabilities (excluding inter-company liabilities). The Indenture governing the notes does not restrict the amount of unsecured debt or other obligations that any of our subsidiaries may incur.

### ***The guarantees of the notes by the subsidiary guarantors may be released upon the occurrence of certain events***

Any subsidiary of ours that provides, or will provide, guarantees of the notes will be released from such guarantees in the event that such subsidiary guarantor no longer guarantees our obligations under our senior unsecured revolving credit facility, or any replacement or refinancing thereof, or satisfaction and discharge of the notes has occurred pursuant to the Indenture. If any such subsidiary guarantee is released, no holder of the notes will have a claim as a creditor against any such subsidiary and the indebtedness and other liabilities of such subsidiary will be structurally senior to the claim of any holders of the notes. See Description of Notes and Guarantees Guarantees below.

### ***We may not be able to finance a change of control offer required by the Indenture***

Upon a change of control triggering event, as defined under the Indenture governing the notes, you will have the right to require us to offer to purchase all of the notes then outstanding at a price equal to 101% of the principal amount of the notes, plus accrued interest. In order to obtain sufficient funds to pay the purchase price of the outstanding notes, we expect that we would have to refinance the notes. We cannot assure you that we would be able to refinance the notes on reasonable terms, if at all. Our failure to offer to purchase all outstanding notes or to purchase all validly tendered notes would be an event of default under the Indenture. Such an event of default may cause the acceleration of our other debt. Our future debt also may contain restrictions on repayment requirements with respect to specified events or transactions that constitute a change of control under the Indenture.

### ***Federal and state statutes allow courts, under specific circumstances, to void the guarantees of the notes by our subsidiaries and require the holders of the notes to return payments received from the subsidiary guarantors***

Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, the subsidiary guarantees could be voided, or claims in respect of the subsidiary guarantees could be subordinated to all other debts of a subsidiary guarantor if, either, (i) the subsidiary guarantee was incurred with the intent to hinder, delay or defraud any present or future creditors of the subsidiary guarantor or (ii) the subsidiary guarantor, at the time it incurred the indebtedness evidenced by its subsidiary guarantee, received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness and the subsidiary guarantor either:

was insolvent or rendered insolvent by reason of such incurrence;

was engaged in a business or transaction for which such subsidiary guarantor's remaining assets constituted unreasonably small capital;  
or

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

If a subsidiary guarantee is voided, you will be unable to rely on the applicable subsidiary guarantor to satisfy your claim in the event that we fail to make one or more required payments due on

**Table of Contents**

the notes. In addition, any payment by such subsidiary guarantor pursuant to its subsidiary guarantee could be voided and required to be returned to such subsidiary guarantor, or to a fund for the benefit of creditors of such subsidiary guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a subsidiary guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets;

the present fair saleable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

There can be no assurance, however, as to what standard a court would apply in making such determinations or that a court would agree with our or the subsidiary guarantors' conclusions in this regard.

While the guarantees provided by our subsidiaries will be limited by their terms to the maximum amount they can pay without the guarantee being deemed a fraudulent conveyance, a court could find these limitations on the maximum amount of a guarantee to be ineffective or unenforceable and still apply federal and state fraudulent conveyance statutes to the guarantees to void the obligations under the guarantee or subordinate the guarantee to all other obligations of the guarantor.

***There is no established trading market for the notes and one may not develop***

We have no plans to list the notes on a securities exchange. Additionally, there is currently no established trading market for the notes and an active market may not develop. As a result, the notes could trade at a price lower than their initial offering price and you may not be able to resell your notes for an extended period of time, if at all.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

Some of the statements in this prospectus supplement and accompanying prospectus, or the documents incorporated by reference herein and therein, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as believes, expects, may, will, should, or anticipates or the negative thereof or other comparable terminology. All statements other than of historical facts are forward-looking statements. Forward-looking statements contained in this document include those regarding market trends, our financial position, business strategy, the outcome of pending litigation, projected plans and objectives of management for future operations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results or performance to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to, the following:

changes to general, domestic and foreign economic conditions;

operating risks common in the lodging and franchising industries;

risks associated with acquisitions and development of new brands;

changes to the desirability of our brands as viewed by hotel operators and customers;

changes to the terms or termination of our contracts with franchisees;

deterioration in the financial condition of our franchisees;

our ability to keep pace with improvements in technology utilized for reservations systems and other operating systems;

decreases in brand loyalty due to increasing use of internet reservation channels;

fluctuations in the supply and demand for hotel rooms; and

our ability to manage effectively our indebtedness.

We undertake no obligation to update such forward-looking statements, except as required by law. For additional information regarding risk factors, see Risk Factors in this prospectus supplement and the accompanying prospectus.

**Table of Contents****USE OF PROCEEDS**

The net proceeds of this offering are expected to be \$247,232,500 after deducting the underwriting discounts and commissions and other offering expenses payable by us. We intend to use the net proceeds we receive from the sale of the notes to repay outstanding borrowings under our revolving credit facility, without a corresponding reduction in the commitment thereunder. We may reborrow the amount repaid at any time, subject to compliance with the credit agreement. Upon completion of this offering, the remaining undrawn borrowing capacity under our revolving credit facility will be approximately \$337 million. As of June 30, 2010, we had \$291.1 million of debt outstanding under our revolving credit facility at a weighted average effective interest rate of 0.8% per year at that date with a maturity date of June 16, 2011.

**RATIO OF EARNINGS TO FIXED CHARGES**

	Six Months Ended June 30, 2010	December 31, 2009	December 31, 2008	Year Ended December 31, 2007	December 31, 2006	December 31, 2005
Ratio of earnings to fixed charges(1)	24.2x	22.7x	12.8x	11.6x	10.3x	7.8x
Pro forma ratio of earnings to fixed charges(2)	7.4x	8.5x				

- (1) For purposes of calculating the ratio of earnings to fixed charges, earnings represent earnings from continuing operations before income taxes and before income or loss from equity investments, *plus* (a) fixed charges, and (b) distributed income of equity investees. Fixed charges consist of interest expense and the interest component of rental expense.
- (2) For purposes of calculating the pro forma ratio of earnings to fixed charges, earnings represent earnings from continuing operations before income taxes and before income or loss from equity investments, *plus* (a) fixed charges, and (b) distributed income of equity investees. Fixed charges for purposes of the pro forma presentation consist of (a) interest expense adjusted and estimated as if the senior note offering and refinancing of existing debt had occurred on the first day of the period presented (based upon a rate of 6.125%, which reflects the estimated annualized interest rate including the interest on the notes, settlement of an interest rate swap, amortization of underwriting discounts, commissions and offering expenses), and (b) the interest component of rental expense.

**Table of Contents**

**DESCRIPTION OF NOTES AND GUARANTEES**

**General**

The following is a summary of the terms of the Indenture and the notes. The notes will be issued under an indenture (the "Original Indenture") to be entered into on or about August 25, 2010 between us and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended by a first supplemental indenture, to be entered into on or about August 25, 2010, among us, the subsidiary guarantors and the Trustee (together with the Original Indenture, the "Indenture"). The Indenture will be subject to and governed by the Trust Indenture Act of 1939, as amended (the "TIA"). The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the TIA. The following is a summary of the material terms and provisions of the notes. However, this summary does not purport to be a complete description of the notes and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Indenture, a copy of which is available from us upon request. We urge you to read the Indenture carefully because it, and not the following description, will govern your rights as a holder of the notes. References to "notes" shall include the guarantees described herein. For purposes of this section of the prospectus supplement, references to "Choice", "we", "us", "our", and similar terms refer only to Choice Hotels International, Inc. and not to any of its subsidiaries.

**Ranking**

The notes will be unsecured senior obligations of ours and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. The notes are guaranteed by the guarantors as described below under "Guarantees." The notes will be effectively subordinated to all indebtedness and other liabilities of our subsidiaries to the extent that such subsidiaries are not guarantors or are released from their guarantee obligations as described below under "Guarantees." Except as described in the accompanying prospectus under "Description of Debt Securities and Guarantees of Debt Securities Covenants," the Indenture does not restrict the amount of secured or unsecured indebtedness that we or our subsidiaries may incur.

**Maturity, Interest, Form and Denomination**

The notes will mature on August 28, 2020. The notes will not be subject to any sinking fund provision.

The notes will bear interest at the rate of 5.70% per year. We will pay interest semiannually on and of each year, commencing February 28, 2011. Interest on the notes will accrue from the most recent date on which interest has been paid or, if no interest has been paid, from the date of issuance. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

If any interest payment date, any redemption date, the maturity date or any other date on which the principal of or premium, if any, or interest on a note becomes due and payable falls on a day that is not a business day, the required payment shall be made on the next business day as if it were made on the date the payment was due, and no interest shall accrue on the amount so payable for the period from and after the interest payment date, redemption date, maturity date or other date, as the case may be.

The notes will be issued only in registered form without coupons, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Notices or demands to or upon us with respect to the notes and the Indenture may be served and, in the event that notes are issued in

## **Table of Contents**

definitive certificated form, notes may be surrendered for payment, registration of transfer or exchange, at the office or agency maintained by us for this purpose in the Borough of Manhattan, The City of New York, currently the office of the Trustee, located at 45 Broadway, 14<sup>th</sup> Floor, New York, New York 10006, Attention: Corporate Trust Services Administrator for Choice Hotels International, Inc. The notes will be issued in book-entry form, and beneficial holders will not receive certificates representing their ownership interests in the notes, except if the book entry system for the notes is discontinued.

### **Further Issuances**

We may, from time to time, without the consent of the existing holders of the notes, issue additional notes ( Additional Notes ) under the Indenture having the same terms as the notes in all respects, except for the issue date, the issue price, and in some cases, the initial interest payment date, but only if the Additional Notes are fungible with the notes for U.S. federal income tax purposes. Any such Additional Notes will be consolidated with and form a single series with the notes offered hereby for all purposes of the Indenture.

### **Optional Redemption**

#### ***Definitions***

**Comparable Treasury Issue** means the United States Treasury security selected by the Quotation Agent that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

**Comparable Treasury Price** means, with respect to any redemption date and the notes to be redeemed (i) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations or (ii) if we obtain fewer than four Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations obtained.

**Primary Treasury Dealer** means an investment banking firm that is a primary government securities dealer in the United States.

**Quotation Agent** means one of the Reference Treasury Dealers selected by us.

**Reference Treasury Dealer** means (i) Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Banc of America Securities LLC or their respective successors or Affiliates that are Primary Treasury Dealers; *provided, however*, that if any of the foregoing shall cease to be a Primary Treasury Dealer, we shall substitute another Primary Treasury Dealer and (ii) any other Primary Treasury Dealer selected by us.

**Reference Treasury Dealer Quotations** means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding the date that a notice of redemption is given.

**Treasury Rate** means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third business day preceding the date that a notice of redemption is given.



## **Table of Contents**

### ***Redemption***

We may redeem the notes at our option, at any time in whole or from time to time in part in integral multiples of \$1,000 principal amount, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the notes to be redeemed, and

(2) as calculated by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest thereon on the notes being redeemed from the redemption date to the date of maturity (except for accrued but unpaid interest) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 45 basis points,

plus, in either case, accrued and unpaid interest on the notes to, but not including, the redemption date.

Notice of any redemption will be mailed by first class mail at least 30 days but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address.

In the case of a partial redemption, the Trustee will select notes for redemption as follows: if the notes are listed on any national securities exchange, in compliance with the requirements of the national securities exchange on which the Notes are listed, or if selection of the notes for redemption will be made on a pro rata basis, by lot or by such other method as the Trustee shall deem fair and appropriate.

If any note is to be redeemed in part only, the principal amount of the note that remains outstanding after the redemption in part shall be \$2,000 or a higher integral multiple of \$1,000. If any note is to be redeemed in part only, the notice of redemption that relates to the note will state the portion of the principal amount of the note to be redeemed. A new note in a principal amount equal to the unredeemed portion of the note will be issued in the name of the holder of the note upon cancellation of the original note.

Notes called for redemption become irrevocably due on the date fixed for redemption at the applicable redemption price, plus accrued and unpaid interest to the redemption date. Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

In the event that a note is called for redemption and the redemption date is subsequent to a regular record date with respect to any interest payment date and prior to such interest payment date, interest on the note will be paid upon presentation and surrender of the note. If a note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid on the redemption date to the Person in whose name such note was registered at the close of business on such record date. Upon surrender of a note that is redeemed in part, we shall execute and, upon our written request, the Trustee shall authenticate for the holder (at our expense) a new note of the same series and stated maturity equal in principal amount to the unredeemed portion of the note surrendered.

### **Repurchase of Notes upon a Change of Control**

#### ***Definitions***

Change of Control means (i) any Person or two or more Persons acting in concert (other than, in either case, a Permitted Holder) shall have acquired beneficial ownership, directly or indirectly, of, or

## **Table of Contents**

shall have acquired by contract or otherwise, our voting stock (or other securities convertible into such voting stock) representing 50% or more of the combined voting power of all of our voting stock, (ii) the direct or indirect sale, assignment, transfer, lease, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our and our Subsidiaries' properties or assets, taken as a whole, to any person (individually and as that term is used in Section 13(d)(3) and Section 14(d)(2) of the Exchange Act), other than us or one of our Subsidiaries, or (iii) Continuing Directors shall cease for any reason to constitute a majority of the members of our board of directors then in office. Notwithstanding the foregoing, a transaction effected to create a holding company for the Company will not, in and of itself, constitute a Change of Control if (i) pursuant to such transaction we become a direct or indirect wholly owned subsidiary of such holding company, and (ii) immediately following that transaction no Person (other than a Permitted Holder) is the beneficial owner, directly or indirectly, of voting stock of such holding company (or other securities convertible into such voting stock) representing 50% or more of the combined voting power of all voting stock of such holding company.

**Change of Control Triggering Event** means (i) the occurrence of a Change of Control and (ii) the notes cease to be rated Investment Grade by both Rating Agencies, or in the absence of such rating for the notes, the Company's corporate rating, in the case of S&P, or our corporate family rating, in the case of Moody's, for Dollar-denominated senior unsecured long-term debt ceases to be rated Investment Grade, by both Rating Agencies on any date during the Trigger Period. Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

**Continuing Directors** means, during any period of up to 24 consecutive months commencing after the date hereof, individuals who at the beginning of such 24 month period were on our board of directors (together with any new director whose election by our board of directors or whose nomination for election by our stockholders was approved by a vote of (i) at least a majority of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved or (ii) Permitted Holders representing not less than 50% of the combined voting power of all of our voting stock).

**Existing Stockholder** means any of our stockholders which, together with such stockholder's affiliates, owns more than 5% of the common stock of the Company as of August 25, 2010, so long as the Bainum Affiliates continue to own more common stock of the Company than such Existing Stockholder.

**Investment Grade** means a rating equal to or higher than Baa3 by Moody's (or its equivalent under any successor rating category of Moody's); a rating equal to or higher than BBB- by S&P (or its equivalent under any successor rating category of S&P); and an equivalent rating of any replacement agency, respectively.

**Moody's** means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

**Permitted Holder** means (A) (i) all lineal descendants of Stewart W. Bainum, and all spouses and adopted children of such descendants, (ii) all trusts for the benefit of any person described in clause (i) and trustees of such trusts; (iii) all legal representatives of any person or trust described in clauses (i) and (ii); and (iv) all partnerships, corporations, limited liability companies or other entities controlled by a person described in clauses (i), (ii) or (iii) (such persons referred to in this clause (A) collectively, "Bainum Affiliates"); or (B) any other Existing Stockholder.

## **Table of Contents**

Rating Agency means S&P and Moody's or if S&P or Moody's or both shall not make publicly available a rating of the notes or a rating of our corporate credit for Dollar-denominated senior unsecured long term debt generally, a nationally recognized statistical rating agency or agencies, as the case may be, selected by us which shall be substituted for S&P or Moody's or both, as the case may be.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

Trigger Period, with respect to a Change of Control Triggering Event, means the period commencing 60 days prior to our first public announcement of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which will be extended following the consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change).

### ***Repurchase of Notes***

If a Change of Control Triggering Event occurs, unless we have exercised our right to redeem the notes, holders of notes will have the right to require us to repurchase all or any part (equal to an integral multiple of \$1,000) of their notes pursuant to the offer described below (the "Change of Control Offer") on the terms set forth in the notes. In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest, if any, on the notes repurchased, to the date of purchase (the "Change of Control Payment"). If any note is to be repurchased in part, the principal amount of the note that remains outstanding after the repurchase in part shall be \$2,000 or a higher integral multiple of \$1,000. Within 30 days following any Change of Control Triggering Event or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we will send notice of such Change of Control Offer (the "Change of Control Offer Notice") by first-class mail, with a copy to the Trustee, to each holder of notes with the following information:

that the Change of Control Offer is being made pursuant to the provisions of the Indenture and that all notes properly tendered pursuant to such Change of Control Offer will be accepted for payment by us;

that a Change of Control Triggering Event has occurred and that such holder has the right to require the Company to repurchase all or a portion of such holder's notes at the Change of Control Payment;

the circumstances and relevant facts regarding such Change of Control Triggering Event;

the date, which will be no earlier than 30 days and no later than 60 days after the date the Change of Control Offer Notice is mailed, other than as may be required by law, by which we must purchase the notes (the "Change of Control Payment Date");

that holders electing to have any notes purchased pursuant to a Change of Control Offer will be required to surrender the notes, with the form entitled "Option of Holder to Elect Purchase" attached to the notes completed, to the paying agent at the address specified in the notice prior to the close of business on the third business day preceding the Change of Control Payment Date;

that any note not tendered will continue to accrue interest;

that, unless we default in the payment of the Change of Control Payment, all notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

**Table of Contents**

the procedures for surrendering notes for payment, consistent with the Indenture;

the procedures by which a holder may withdraw such a tender after it is given; and

that holders whose notes are being purchased only in part will be issued new notes equal in principal amount to the unpurchased portion of the notes surrendered, which unpurchased portion must be equal to \$2,000 in principal amount or an integral multiple of \$1,000 in excess thereof.

We must comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the purchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the notes, we will be required to comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control provisions of the notes by virtue of such compliance.

On the Change of Control Payment Date, we will be required, to the extent lawful, to:

accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

deliver or cause to be delivered to the Trustee the notes properly accepted and an Officers' Certificate stating the aggregate principal amount of notes or portions of notes being purchased by us.

A Change of Control Offer may be made in advance of a Change of Control, conditional upon the Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer. The Change of Control Offer, if mailed prior to the date of consummation of the Change of Control, will state that the offer is conditioned on the Change of Control being consummated on or prior to the purchase date with respect to such Change of Control Offer.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements of the Indenture and purchases all notes properly tendered and not withdrawn under such Change of Control Offer.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of us and our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase our notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of us and our subsidiaries taken as a whole to another person may be uncertain.

**Table of Contents**

**Events of Default**

The notes are subject to the events of default described under the section entitled "Description of Debt Securities and Guarantees of Debt Securities - Events of Default" in the accompanying prospectus, and the following additional Events of Default:

bankruptcy, insolvency or reorganization of a guarantor; and

any guarantee ceases to be in full force and effect or is declared in a judicial proceeding to be null and void, or any guarantor denies or disaffirms in writing its obligations pursuant to such guarantee.

**Guarantees**

The notes will be guaranteed on a joint and several senior unsecured basis by each of our subsidiaries that guarantees our senior unsecured revolving credit facility. On the issue date, the guarantors will consist of the following subsidiaries: Choice Capital Corp., Choice Hotels International Services Corp., Brentwood Boulevard Hotel Development, LLC, CSES, LLC, Dry Pocket Road Hotel Development, LLC, Park Lane Drive Hotel Development, LLC, Suburban Franchise Holding Company, Inc. and Suburban Franchise Systems, Inc. A guarantor will be released from all of its obligations to guarantee the notes if:

a guarantor of the notes ceases to be a guarantor under our senior unsecured revolving credit facility; or

a satisfaction and discharge of the Indenture occurs in accordance with the terms of the Indenture.

The obligations of a guarantor of the notes will be limited to the extent necessary to prevent the obligations from constituting a fraudulent conveyance or fraudulent transfer under federal or state law.

## **Table of Contents**

### **UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following are the material U.S. federal income tax consequences of the purchase, ownership and disposition of the notes. This discussion applies only to notes that are:

purchased by those initial holders who purchase notes in this offering for cash at the issue price, which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money; and

held as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules, such as:

certain financial institutions;

insurance companies;

dealers in securities;

persons holding notes as part of a hedge, straddle, integrated transaction or similar transaction;

U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;

partnerships or other entities classified as partnerships for U.S. federal income tax purposes;

tax-exempt entities; or

persons subject to the alternative minimum tax.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding notes and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences to them of holding and disposing of the notes.

This summary is based on the Internal Revenue Code of 1986, as amended (the Code), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein, possibly with retroactive effect. Persons considering the purchase of notes are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any U.S. federal estate or gift tax laws, or any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction or under any applicable treaty.

#### ***Tax Consequences to U.S. Holders***

## Edgar Filing: CHOICE HOTELS INTERNATIONAL INC /DE - Form 424B5

As used herein, the term "U.S. Holder" means a beneficial owner of a note that is, for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or of any political subdivision thereof;

an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

S-17

## **Table of Contents**

a trust if a court within the United States can exercise primary supervision over its administration, and one or more United States persons have the authority to control all of the substantial decisions of that trust, or certain electing trusts that were in existence on August 20, 1996, and were treated as domestic trusts on the previous date.

The term "U.S. Holder" also includes certain former citizens and residents of the United States.

***Payments of interest.*** Interest paid on a note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

We may be required, in certain circumstances, to redeem all or part of the notes. The possibility of such redemption may implicate the provisions of the U.S. Treasury Regulations relating to contingent payment debt instruments. If the notes were deemed to be contingent payment debt instruments, U.S. Holders would be required to accrue interest income based upon a comparable yield, regardless of the holder's method of accounting. Such yield may be higher than the stated coupon on the notes. In addition, any gain on the sale, exchange, retirement or other taxable disposition of the notes would be recharacterized as ordinary income. We do not believe that the notes should be treated as contingent payment debt instruments, and we do not intend to treat them as such. However, there is no assurance that the IRS will not take a contrary position. U.S. Holders of the notes should consult their tax advisors regarding the possible application of the contingent payment debt instrument rules to the notes. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments.

***Sale, exchange, redemption or other disposition of the notes.*** Upon the sale, exchange, redemption or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the U.S. Holder's tax basis in the note. The U.S. Holder's adjusted tax basis in the note will generally equal the amount the U.S. Holder paid for the note. The amount realized by the U.S. Holder will include the amount of any cash and the fair market value of any other property received for the note. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest are treated as interest as described under "Payments of interest" above.

Gain or loss realized on the sale, exchange or other taxable disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange or other taxable disposition the note has been held by the U.S. Holder for more than one year. The deductibility of capital losses is subject to limitations under the Code.

***Backup withholding and information reporting.*** In certain circumstances, information returns will be filed with the Internal Revenue Service (the "IRS") in connection with amounts paid or accrued on or with respect to the notes and the proceeds from a sale or other disposition of the notes, and the amount of tax, if any, withheld from such payments. A U.S. Holder that is not an exempt recipient will be subject to U.S. backup withholding on these payments if (a) the U.S. Holder fails to provide its taxpayer identification number to the paying agent and fails to comply with certain certification procedures or otherwise establish an exemption from backup withholding, (b) the IRS or a broker has notified the paying agent that the U.S. Holder is subject to backup withholding as a result of the failure to properly report payments of interests or dividends or, (c) in certain circumstances, the U.S. Holder has failed to certify under penalty of perjury that it is not subject to backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.



## **Table of Contents**

### ***Tax Consequences to Non-U.S. Holders***

As used herein, the term **Non-U.S. Holder** means a beneficial owner of a note that is, for U.S. federal income tax purposes a nonresident alien individual, a foreign corporation, or a foreign estate or trust that is not a U.S. Holder.

Special rules may apply to certain Non-U.S. Holders (and owners of interests therein) such as controlled foreign corporations, passive foreign investment companies, and entities that are treated as partnerships for United States federal income tax purposes. Such holders are urged to consult their own tax advisors regarding the U.S. federal income tax consequences of the sale, exchange or other disposition of a note.

**Interest.** Payments of interest on the notes by us or any paying agent to any Non-U.S. Holder will generally not be subject to U.S. federal withholding tax under the portfolio interest exception, provided that,

the Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote;

the Non-U.S. Holder is not:

a controlled foreign corporation related, directly or indirectly, to us through stock ownership; or

a bank that received the note on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and

the Non-U.S. Holder certifies on Internal Revenue Service Form W-8BEN (or a suitable substitute), under penalties of perjury, that it is not a United States person.

Payments of interest to a Non-U.S. Holder that do not qualify for the portfolio interest exception and that are not effectively connected to a United States trade or business, as described below, will be subject to United States federal withholding tax at a rate of 30%, unless a United States income tax treaty applies to reduce or eliminate withholding.

***Sale, exchange, redemption or other disposition of the notes.*** Generally, a Non-U.S. Holder of a note will not be subject to U.S. federal income tax on gain realized on the sale, exchange or other disposition of such note, unless (a) such holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange, redemption or other disposition and certain other conditions are met, or (b) the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States, and if required by an applicable income tax treaty, attributable to a permanent establishment (or in the case of an individual, a fixed base) in the United States.

If the first exception applies, the Non-U.S. Holder generally will be subject to tax at a rate of 30% on the amount by which the United States-source capital gains exceed capital losses allocable to United States sources. If the second exception applies, generally the Non-U.S. Holder will be required to pay United States federal income tax on the net gain derived from the sale in the same manner as U.S. Holders, as described above. If a Non-U.S. Holder is eligible for the benefits of a tax treaty between the United States and its country of residence, any such gain will be subject to United States federal income tax in the manner specified by the treaty and generally will only be subject to such tax if such gain is attributable to a permanent establishment (or a fixed base in the case of an individual) maintained by the Non-U.S. Holder in the United States provided that the Non-U.S. Holder claims the benefit of the treaty by properly submitting an IRS Form W-8BEN (or suitable successor form). Additionally, Non-U.S. Holders that are treated for United States federal income tax purposes as corporations and that are engaged in a trade or business in the United States could be subject to a branch profits tax on such income at a 30% rate or a lower rate if so specified by an applicable income tax treaty.

## **Table of Contents**

***Backup withholding and information reporting.*** The relevant withholding agent will be required, in certain circumstances, to report to the IRS and to each Non-U.S. Holder amounts paid or accrued on or with respect to the notes, and the amount of tax, if any, withheld from such payments. Non-U.S. Holders who have provided the forms and certification mentioned above or who have otherwise established an exemption will generally not be subject to backup withholding tax if neither we nor our agent has actual knowledge or reason to know that any information in those forms and certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Payments of the proceeds from the sale of a note to or through a foreign office of a broker will not be subject to information reporting or backup withholding. However, additional information reporting, but not backup withholding, may apply to those payments if the broker is one of the following: (a) a United States person, (b) a controlled foreign corporation for United States tax purposes, (c) a foreign person 50 percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business, or (d) a foreign partnership with specified connections to the United States. Payment of the proceeds from a sale of a note to or through the United States office of a broker will be subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability, if any, and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

**Table of Contents****UNDERWRITING**

We and the underwriters for the offering named below have entered into an underwriting agreement with respect to the notes. Subject to certain conditions, each underwriter has severally agreed to purchase the principal amount of notes indicated in the following table.

<b>Underwriters</b>	<b>Principal Amount</b>
Goldman, Sachs & Co.	\$ 56,250,000
J.P. Morgan Securities Inc.	\$ 56,250,000
Wells Fargo Securities, LLC	\$ 56,250,000
Banc of America Securities LLC	\$ 56,250,000
SunTrust Robinson Humphrey, Inc.	\$ 25,000,000

Total	\$ 250,000,000
-------	----------------

The underwriters are committed to take and pay for all of the notes being offered, if any are taken.

Notes sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any notes sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to 0.400% of the principal amount of notes. Any such securities dealers may resell any notes purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to 0.250% of the principal amount of notes. If all the notes are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The offering of the notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The notes will not be listed on any national securities exchange. The notes are a new issue of securities with no established trading market. We have been advised by the underwriters that the underwriters intend to make a market in the notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes.

In connection with the offering, the underwriters may purchase and sell notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters, as well as other purchases by the underwriters for their own accounts, may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

	<b>Paid by Choice</b>
Per note.	0.650%

## **Table of Contents**

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$500,000.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this prospectus supplement, which will be the fifth business day following the date of the pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

## **Selling Restrictions**

### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of notes to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### *United Kingdom*

Each underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the



## **Table of Contents**

meaning of Section 21 of the Financial Services and Markets Act ( FSMA )) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

### *Hong Kong*

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### *Japan*

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### *Singapore*

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA ), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

**Table of Contents**

**CONFLICTS OF INTEREST**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of J.P. Morgan Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and SunTrust Robinson Humphrey, Inc. are agents and/or lenders under our unsecured revolving credit facility. As described in Use of Proceeds, the net proceeds from this offering will be used to repay outstanding borrowings under our revolving credit facility, without a corresponding reduction in the commitment thereunder. As affiliates of J.P. Morgan Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and SunTrust Robinson Humphrey, Inc. will receive more than 5% of the proceeds of this offering, not including underwriting compensation, J.P. Morgan Securities Inc., Wells Fargo Securities, LLC, Banc of America Securities LLC and SunTrust Robinson Humphrey, Inc. have a conflict of interest as defined in NASD Rule 2720 adopted by the Financial Industry Regulatory Authority. Consequently, this offering will be conducted in accordance with NASD Rule 2720. No underwriter having a conflict of interest will confirm sales to accounts over which discretionary authority is exercised without the prior written consent of the account holder. In accordance with NASD Rule 2720, a qualified independent underwriter is not required because the notes offered are investment grade rated, as that term is defined in NASD Rule 2720.

Additionally, Wells Fargo Bank, National Association, an affiliate of Wells Fargo Securities, LLC, will serve as trustee under the indenture governing the notes.

**VALIDITY OF THE SECURITIES**

Validity of the notes and the guarantees will be passed on for us by Hogan Lovells US LLP, Washington, D.C., and for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

**Table of Contents**

**PROSPECTUS**

**CHOICE HOTELS INTERNATIONAL, INC.**

**Common Stock**

**Preferred Stock**

**Debt Securities**

**Guarantees of Debt Securities**

We may offer from time to time, in one or more offerings, common stock, preferred stock, debt securities, or any combination thereof. The debt securities may be guaranteed by one or more of our domestic subsidiaries. The debt securities and preferred stock may be convertible into or exercisable or exchangeable for common or preferred stock or other securities of our company. We will provide the specific terms of any offering of these securities in a supplement to this prospectus.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement which will describe the method and terms of the related offering. The prospectus supplement will also describe the specific manner in which we will offer these securities and may also add to, update or change information contained in the prospectus. We urge you to carefully read this prospectus and the applicable prospectus supplement or any related free writing prospectus, as well as the documents incorporated by reference herein or therein, before you make your investment decision.

We may sell the securities to or through one or more underwriters, through dealers or agents, or through a combination of these methods on an immediate, continuous or delayed basis. If any underwriters, agents or dealers are involved in the sale of any securities, the applicable prospectus supplement will set forth their names, the specific terms of the plan of distribution, any over-allotment option and any applicable commissions or discounts.

*See **Risk Factors** on page 2 of this prospectus and any risk factors section contained in the applicable prospectus supplement or any related free writing prospectus and under similar headings in the documents we incorporate by reference herein and therein to read about risks you should consider before investing in these securities.*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

**The date of this prospectus is August 18, 2010.**



**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>About This Prospectus</u>	1
<u>Risk Factors</u>	2
<u>The Company</u>	2
<u>The Guarantors</u>	3
<u>Forward-Looking Statements</u>	3
<u>Use of Proceeds</u>	5
<u>Ratio of Earnings to Fixed Charges</u>	5
<u>Description of Capital Stock</u>	6
<u>Description of Debt Securities and Guarantees of Debt Securities</u>	9
<u>Book-Entry Securities</u>	19
<u>Validity of the Securities</u>	19
<u>Experts</u>	20
<u>Incorporation by Reference</u>	20
<u>Where You Can Find More Information</u>	21

**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings at any time and from time to time.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add to, update or change information contained in the prospectus and, accordingly, to the extent inconsistent, information in this prospectus is superseded by the information in that prospectus supplement.

The prospectus supplement to be attached to the front of this prospectus may describe, as applicable, the terms of the securities offered, the initial public offering price, the price paid for the securities, net proceeds and the other specific terms related to the offering of these securities.

We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus, any prospectus supplement or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

You should not assume that the information in this prospectus or any prospectus supplement or free writing prospectus is accurate as of any date other than the date on the cover of the applicable document and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations, cash flows and prospects may have changed since that date.

The terms the Company, we, us, our and Choice as used in this prospectus refer to Choice Hotels International, Inc. and its subsidiaries. The phrase this prospectus refers to this prospectus and any applicable prospectus supplement, unless the context otherwise requires.

**Table of Contents**

**RISK FACTORS**

An investment in our securities involves a high degree of risk. We urge you to consider carefully the risks incorporated by reference into this prospectus and, if applicable, into any accompanying prospectus supplement or any free writing prospectus used in connection with an offering of securities, before making an investment decision, including those risks identified under **Risk Factors** in our most recent annual report on Form 10-K, which is incorporated by reference into this prospectus and which may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future. Additional risks, including those that relate to any particular securities we offer, may be included in the applicable prospectus supplement or any related free writing prospectus, or be incorporated by reference into this prospectus or such prospectus supplement or free writing prospectus.

Our business, financial condition, results of operations, cash flows and prospects could be materially adversely affected by any of these risks. The market or trading price of our securities could decline due to any of these risks. In addition, please read **Forward-Looking Statements** in this prospectus, where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference into this prospectus or into any prospectus supplement or any related free writing prospectus used in connection with an offering of securities. Additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations or cause the price of our securities to decline.

**THE COMPANY**

Choice is one of the largest hotel franchisors in the world with 6,074 hotels open and 683 hotels under construction, awaiting conversion or approved for development as of June 30, 2010, representing 490,483 rooms open and 55,782 rooms under construction, awaiting conversion or approved for development in 49 states, the District of Columbia and over 40 countries and territories outside the United States. Choice franchises lodging properties under the following proprietary brand names: Comfort Inn®, Comfort Suites®, Quality®, Clarion®, Sleep Inn®, Econo Lodge®, Rodeway Inn®, MainStay Suites®, Suburban Extended Stay Hotel®, Cambria Suites® and Ascend Collection® (collectively, the Choice brands ). We operate in a single reportable segment encompassing our franchising business.

Choice was incorporated in 1980 in the State of Delaware. Our executive offices are located at 10750 Columbia Pike, Silver Spring, Maryland 20901, and our telephone number is (301) 592-5000. Information about the Company is available on the internet at [www.choicehotels.com](http://www.choicehotels.com). We have not incorporated by reference into this prospectus the information on our website and it is not part of this prospectus.

**Table of Contents****THE GUARANTORS**

The debt securities offered by a particular prospectus supplement may be guaranteed by some or all of the existing and future direct and indirect domestic subsidiaries of Choice Hotels International, Inc., which we refer to as the guarantors. The current guarantors, along with brief descriptions of their business activities, are listed below.

<b>Guarantor</b>	<b>Description</b>
Brentwood Boulevard Hotel Development, LLC	Owner of Brentwood, TN Mainstay Hotel
Choice Capital Corp.	Provides franchisee financing
Choice Hotels International Services Corp.	Provides management services to Choice Hotels International, Inc.
CSES, LLC	Formed for the purchase of land in El Segundo, CA
Dry Pocket Road Hotel Development, LLC	Owner of Greenville, SC Mainstay Hotel
Park Lane Drive Hotel Development, LLC	Owner of Pittsburgh, PA Mainstay Hotel
Suburban Franchise Holding Company, Inc.	Owner of Suburban Franchise Systems, Inc.
Suburban Franchise Systems, Inc.	Owner of Suburban franchise agreements and trademarks

The relevant prospectus supplement will specify, if applicable, whether the debt securities offered thereby are guaranteed by some or all of the guarantors.

**FORWARD-LOOKING STATEMENTS**

Some of the statements in this prospectus or the documents incorporated by reference herein, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as believes, expects, may, will, should, or anticipates or the negative thereof or other comparable terminology. All statements other than of historical facts are forward-looking statements. Forward-looking statements contained in or incorporated by reference into this document include those regarding market trends, our financial position, business strategy, the outcome of pending litigation, projected plans and objectives of management for future operations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results or performance to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to, the following:

changes to general, domestic and foreign economic conditions;

operating risks common in the lodging and franchising industries;

risks associated with acquisitions and development of new brands;

changes to the desirability of our brands as viewed by hotel operators and customers;

changes to the terms or termination of our contracts with franchisees;

deterioration in the financial condition of our franchisees;



**Table of Contents**

our ability to keep pace with improvements in technology utilized for reservations systems and other operating systems;

decreases in brand loyalty due to increasing use of internet reservation channels;

fluctuations in the supply and demand for hotel rooms; and

our ability to manage effectively our indebtedness.

We undertake no obligation to update such forward-looking statements, except as required by law. For additional information regarding risk factors, see **Risk Factors** in this prospectus.

**Table of Contents****USE OF PROCEEDS**

Unless otherwise indicated in the applicable prospectus supplement or any related free writing prospectus, we anticipate that the net proceeds from the sale of the securities that we may offer under this prospectus and any applicable prospectus supplement or free writing prospectus will be used for general corporate purposes. We will have significant discretion in the use of any net proceeds. If we decide to use the net proceeds from a particular offering of securities for a specific purpose, we will describe that purpose in the applicable prospectus supplement and/or free writing prospectus.

**RATIO OF EARNINGS TO FIXED CHARGES**

	Six Months Ended June 30, 2010	December 31, 2009	December 31, 2008	Year Ended December 31, 2007	December 31, 2006	December 31, 2005
Ratio of earnings to fixed charges(1)	24.2x	22.7x	12.8x	11.6x	10.3x	7.8x

- (1) For purposes of calculating the ratio of earnings to fixed charges, earnings represent earnings from continuing operations before income taxes and before income or loss from equity investments, *plus* (a) fixed charges, and (b) distributed income of equity investees. Fixed charges consist of interest expense and the interest component of rental expense.

**Table of Contents**

**DESCRIPTION OF CAPITAL STOCK**

**Common Stock**

Our Restated Certificate of Incorporation (the "Certificate") authorizes common stock consisting of 160,000,000 shares, par value \$0.01 per share. We may issue additional shares of common stock without further stockholder approval, up to the maximum authorized number of shares, except as may be otherwise required by applicable law or stock exchange regulations.

**Dividend Rights.** Holders of common stock are entitled to receive, subject to preferences that may be applicable from time to time with respect to any outstanding Preferred Stock, such dividends as are declared by the board of directors of Choice.

**Voting Rights.** Each holder of our common stock is entitled to one vote for each share of common stock held of record on the applicable record date on all matters submitted to a vote of stockholders. Holders of our common stock do not have cumulative voting rights.

**Rights upon Liquidation or Dissolution.** In the event of liquidation or dissolution, each share of common stock is entitled to share pro rata in any distribution of our assets after payment or providing for the payment of liabilities and the liquidation preference of any outstanding preferred stock. Holders of our common stock have no preferential, preemptive, conversion, sinking fund or redemption rights.

**Preferred Stock**

The Certificate authorizes preferred stock consisting of 5,000,000 shares, par value \$0.01 per share. Of the authorized preferred shares, 1,000,000 are designated Series A Junior Participating Preferred Stock. No preferred shares currently are outstanding. Under our Certificate, our board of directors may from time to time establish and issue preferred shares. Our board of directors may determine the designation, preference, limitations and relative rights of each series of preferred shares so issued, all in accordance with Delaware law.

The prospectus supplement relating to any preferred shares offered thereby will contain the specific terms thereof, including, without limitation:

the designation of such preferred shares;

the number of such preferred shares offered, the liquidation preference per share and the offering price of such preferred shares;

the dividend rate, period and/or payment date or method of calculation thereof applicable to such preferred shares;

the date from which dividends on such preferred shares will accumulate, if applicable;

the voting rights of the preferred shares;

the provision for a sinking fund, if any, for such preferred shares;

the provision for redemption, if applicable, of such preferred shares;

the terms and conditions, if applicable, upon which such preferred shares will be convertible into our common shares, including the conversion price (or manner of calculation thereof);



any other specific preferences, limitations and relative rights of such preferred shares;

## **Table of Contents**

a discussion of federal income tax considerations applicable to such preferred shares;

the relative ranking and preferences of such preferred shares as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;

any limitations on issuance of any series of preferred shares ranking senior to or on a parity with such series of preferred shares as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs; and

whether interests in such preferred shares will be represented by depositary shares.

Because our board of directors has the power to establish the preference, limitations and relative rights of each series of preferred shares, it may afford the holders of any series of preferred shares preference, limitations and relative rights, voting or otherwise, senior to the rights of holders of common stock.

### **Certain Anti-takeover Matters**

Our Certificate and by-laws contain provisions that may make it more difficult for a potential acquirer to acquire us by means of a transaction that is not negotiated with our board of directors. These provisions and the General Corporation Law of the State of Delaware (the "DGCL") could delay or prevent entirely a merger or acquisition that our stockholders consider favorable. These provisions may also discourage acquisition proposals or have the effect of delaying or preventing entirely a change in control, which could harm our stock price. Our board of directors is not aware of any current effort to accumulate shares of our common stock or to otherwise obtain control of our Company and does not currently contemplate adopting or recommending the approval of any other action that might have the effect of delaying, deterring or preventing a change in control of our Company.

Following is a description of the anti-takeover effects of certain provisions of our Certificate and by-laws.

***No stockholder action by written consent.*** The DGCL provides that stockholders of a Delaware corporation can act by written consent instead of by vote at a stockholder meeting, unless the corporation's certificate of incorporation provides otherwise. Our Certificate provides that stockholders may not act by written consent.

***No cumulative voting.*** The DGCL provides that stockholders of a Delaware corporation are not entitled to the right to cumulate votes in the election of directors, unless its certificate of incorporation provides otherwise. Our Certificate does not provide for cumulative voting.

***Calling of special meetings of stockholders.*** Our by-laws provide that to properly bring business before a special meeting of our stockholders, the business must be specified in a notice of meeting (or any supplement thereto) given by or at the direction of the board of directors or otherwise properly brought before the meeting by or at the direction of the board of directors.

***Advance notice requirements for stockholder proposals and director nominations.*** Our by-laws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to our corporate secretary.

Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 60 days nor more than 90 days prior to the first anniversary of the previous year's annual meeting. Our by-laws also specify requirements as to the form and content of a stockholder's notice. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders.

## **Table of Contents**

***Classified Board of Directors.*** Our board of directors is divided into three classes of directors, each class constituting approximately one-third of the total number of directors, with the classes serving staggered terms. At each annual meeting of stockholders, the class of directors to be elected at the meeting will be elected for a three-year term and the directors in the other two classes will continue in office. Under the DGCL, directors on a classified board can only be removed for cause.

### **Limitations on Liability and Indemnification of Officers and Directors**

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our Certificate includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty in such capacity, except for liability:

for any breach of the director's duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

under Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions); or

for any transaction from which the director derived any improper personal benefit, except to the extent any such exemption from liability or limitation thereof is not permitted under the DGCL.

Our certificate of incorporation and bylaws also provide for the indemnification of our directors and officers, past and present, to the fullest extent authorized by the DGCL against expenses and liabilities (including, but not limited to, counsel fees) reasonably incurred by or imposed upon such persons in connection with any proceeding to which they may be made a party or in which they may become involved as a result of being or having been directors or officers. We have the power to purchase and maintain insurance on behalf of our past and present directors and officers, or those who are or were serving at our request as directors or officers of another corporation, partnership, joint venture, trust or other business, against any liability asserted against those persons or incurred by those persons in any of these capacities, or arising out of their status as such, whether or not we would have the power to indemnify those persons against such liability under our certificate of incorporation.

The limitation of liability and indemnification provisions in our Certificate and the by-laws may discourage our stockholders from bringing a lawsuit against directors and officers for breach of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, the stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

### **Registrar and Transfer Agent**

The registrar and transfer agent for our common stock is Computershare Investor Services.

## **Table of Contents**

### **DESCRIPTION OF DEBT SECURITIES AND GUARANTEES OF DEBT SECURITIES**

*The following description of the terms of Debt Securities sets forth certain general terms and provisions of the Debt Securities to which any prospectus supplement may relate. The Debt Securities are to be issued under an Indenture (the "Indenture"), to be entered into between Choice and Wells Fargo Bank, National Association, as trustee (the "Trustee"), a copy of which has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part. We will include in a supplement to this prospectus and/or in a free writing prospectus authorized by us, the specific terms of each series of Debt Securities being offered. The following summaries of certain provisions of the Indenture and the Debt Securities do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the Indenture (including any amendments or supplements we may enter into from time to time) and the Debt Securities. Capitalized terms are defined in the Indenture unless otherwise defined herein. Wherever particular provisions or defined terms of the Indenture are referred to, such provisions or defined terms are incorporated herein by reference.*

#### **General**

The Indenture does not limit the amount of Debt Securities which can be issued thereunder and provides that Debt Securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by us. The obligations of Choice under Debt Securities that it offers for sale from time to time may be guaranteed by some or all of Choice's domestic subsidiaries. The terms of such subsidiary guarantees, if any, will be described in the applicable prospectus supplement. The Debt Securities and the related guarantees, if any, may be secured as and to the extent described in the applicable prospectus supplement. Where applicable, the prospectus supplement also will describe any material United States federal income tax considerations relating to the offering. For purpose of this section of the prospectus, references to "Choice", "we", "us", "our", and similar terms refer only to Choice Hotels International, Inc. and not to any of its subsidiaries.

Reference is hereby made to the prospectus supplement relating to the applicable series of Debt Securities for the terms of such Debt Securities, including where applicable:

the principal amount offered;

the title of the securities of the series;

any limit upon the aggregate principal amount of the securities of the series which may be authenticated and delivered under the Indenture;

the date or dates on which the principal of the securities of the series is payable;

the rate or rates at which the securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable and the regular record date for the interest payable on any interest payment date;

the currency or currencies in which the securities of the series shall be denominated (if other than U.S. Dollars);

the place or places where the principal of (and premium, if any) and interest on securities of the series shall be payable;

whether securities of the series are to be issued in registered form or bearer form or both, and if in bearer form, whether coupons will be attached to them and whether securities of the series in bearer form may be exchanged for securities of the series issued in registered form, and the circumstances under which and the places at which any such exchanges, if permitted, may be made;



**Table of Contents**

if the securities of the series are to be issued in bearer form or as one or more global notes representing securities of the series in bearer form, whether certain provisions for the payment of additional interest or tax redemptions shall apply; whether interest with respect to any portion of temporary securities of the series in bearer form payable with respect to any interest payment date prior to the exchange of such temporary securities in bearer form for definitive securities of a series in bearer form shall be paid to any clearing organization with respect to the portion of such temporary securities in bearer form held for its account and, in such event, the terms and conditions (including any certification requirements) upon which any such interest payment received by a clearing organization will be credited to the persons entitled to interest payable on such interest payment date; and the terms upon which a temporary securities in bearer form may be exchanged for one or more definitive securities of the series in bearer form;

the obligation, if any, of Choice to redeem, purchase or repay the securities of the series pursuant to any sinking fund or analogous provisions or at the option of a holder, and the price or prices at which, the period or periods within which, and the terms and conditions upon which, securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligations;

the terms, if any, upon which the securities of the series may be convertible into or exchanged for any of Choice's common stock, preferred stock, other debt securities or other securities;

if other than denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof, the denominations in which securities of the series shall be issuable;

if the amount of principal, premium or interest with respect to the securities of the series may be determined with reference to an index or pursuant to a formula, the manner in which such amounts will be determined;

if the principal amount payable at the stated maturity of securities of the series will not be determinable as of any one or more dates prior to such stated maturity, the amount that will be deemed to be such principal amount as of any such date for any purpose, including the principal amount thereof which will be due and payable upon any maturity other than the stated maturity and which will be deemed to be outstanding as of any such date (or, in any such case, the manner in which such deemed principal amount is to be determined), and if necessary, the manner of determining the equivalent thereof in Dollars;

any changes or additions to legal defeasance, covenant defeasance and satisfaction and discharge;

if other than the principal amount thereof, the portion of the principal amount of securities of the series which shall be payable upon declaration of acceleration of the maturity thereof pursuant to the Indenture;

the terms, if any, of the transfer, mortgage, pledge or assignment as security for the securities of the series of any properties, assets, moneys, proceeds, securities or other collateral, including whether any provisions of the Trust Indenture Act of 1939, as amended are applicable and any corresponding changes to provisions of the Indenture as then in effect;

any addition to or change in the Events of Default which applies to the securities of the series and any change in the right of the Trustee or the requisite holders of such securities to declare the principal amount of, premium, if any, and interest on such securities due and payable;

if the securities of the series shall be issued in whole or in part in the form of a global note, the terms and conditions, if any, upon which such global note may be exchanged in whole or in part for other individual securities of the series, the Depositary for such

Edgar Filing: CHOICE HOTELS INTERNATIONAL INC /DE - Form 424B5

global note and the form of any legend or legends to be borne by any such global note in addition to or in lieu of the global note legend;

## **Table of Contents**

any Trustee, authenticating agent, agent accepting securities of the series and issuing payments, agent accepting service of notices and demands to or upon us with respect to the securities of the series, or agent registering transfers or exchanges of securities of the series;

the applicability of, and any addition to or change in, the covenants (and the related definitions) which applies to securities of the series;

with regard to securities of the series that do not bear interest, the dates for certain required reports to the Trustee;

the intended United States Federal income tax consequences of the securities;

the terms applicable to original issue discount securities, including the rate or rates at which original issue discount will accrue;

whether and the extent to which the securities of the series will be guaranteed by the guarantors, the ranking of any such guarantee, the manner in which such guarantees may be terminated and the form of any such guarantee;

whether the securities of the series will be secured, and if so, the property covered by the security interest, the priority of the security interest, the method of perfecting the security interest and any escrow arrangements related to the security interest; and

any other terms of the securities (which terms shall not be inconsistent with the provisions of the Indenture).

The Debt Securities may be issued in one or more series with the same or various maturities.

## **Transfer and Exchange**

The Debt Securities of a series may be issued in either registered form ( Registered Securities ) or global form. See Book-Entry Securities.

Registered Securities may be separated into smaller denominations or combined into larger denominations, as long as the total principal amount is not changed. This is called an exchange.

You may transfer Registered Securities and you may exchange Registered Securities at the office of the Trustee. The Trustee will act as our agent for registering Registered Securities in the names of holders and transferring Debt Securities issued as Registered Securities. We may designate someone else to perform this function. Whoever maintains the list of registered holders is called the Registrar.

You will not be required to pay a service charge to transfer or exchange Debt Securities, but you may be required to pay us for any transfer tax or other governmental charge payable upon the exchange or transfer. The transfer or exchange will be made only if the Registrar is satisfied with your proof of ownership.

If we designate additional Registrars, we will name them in the accompanying prospectus supplement. We may cancel the designation of any particular Registrar. We may also approve a change in the office through which any Registrar acts.

If we redeem less than all of the Debt Securities of a redeemable series, we may block the transfer or exchange of Registered Securities during the period beginning 15 days before the day of mailing of a notice of redemption of such Registered Securities and ending on the day of such mailing. We may also decline to register transfers or exchanges of Debt Securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any Debt Security being partially redeemed.





## **Table of Contents**

If the offered Debt Securities are redeemable, we will describe the procedures for redemption in the accompanying prospectus supplement.

*In this Transfer and Exchange section of this prospectus, you means direct holders and not indirect holders of Debt Securities.*

### **Definitions**

Attributable Indebtedness with respect to any sale and leaseback transaction that is subject to the restrictions described under Covenants Limitations on Sale and Leaseback Transactions means:

if such sale and leaseback transaction is a Capitalized Lease Obligation, the amount of Indebtedness represented thereby according to the definition of Capitalized Lease Obligations, and

in all other instances, the present value of the total obligations of the lessee for rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended) determined in accordance with GAAP, discounted at a rate that at the inception of the lease the lessee would have incurred to borrow over a similar term the funds necessary to purchase the leased assets.

Capitalized Lease Obligations of any Person means the obligations of such Person to pay rent or other amounts under a lease that is accounted for as a capital lease, and the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

Consolidated Net Assets means the consolidated total assets of Choice and its Subsidiaries, after deducting therefrom all current liabilities of Choice and its Subsidiaries (other than the current portion of long-term Indebtedness of Choice and its Subsidiaries and Capitalized Lease Obligations of Choice and its Subsidiaries), all as set forth on the latest consolidated balance sheet of Choice prepared in accordance with GAAP.

Funded Debt means all Indebtedness of Choice and its Subsidiaries with a maturity date more than one year after, or which is renewable or extendable at the option of Choice for a period ending more than one year after, the date as of which Funded Debt is being determined.

GAAP means generally accepted accounting principles in the United States of America as in effect on the date of the Indenture, including those principles set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Securities Exchange Act of 1934, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

Indebtedness means, with respect to any Person, indebtedness of, or guaranteed or assumed by, the Person for borrowed money, including indebtedness evidenced by bonds, debentures, notes, or other similar instruments and reimbursement and cash collateralization of letters of credit, bankers acceptances, interest rate hedge and currency hedge agreements, if any such indebtedness would appear as a liability upon a consolidated balance sheet of the Person and its Subsidiaries prepared in accordance with GAAP (not including contingent liabilities that appear only in a footnote to such balance sheet).

## **Table of Contents**

**Lien** means, with respect to any property or assets of any Person, any mortgage or deed of trust, pledge, hypothecation, assignment, security interest, lien, encumbrance, or other security arrangement of any kind or nature whatsoever on or with respect to such property or assets (including any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

**Permitted Liens** means:

- (a) Liens existing on the date of the Indenture;
- (b) Liens in favor of Choice or a Restricted Subsidiary;
- (c) Liens on any property existing at the time of the acquisition thereof;
- (d) Liens on any property of a Person or its Subsidiaries existing at the time such Person is consolidated with or merged into Choice or a Restricted Subsidiary, or Liens on any property of a Person existing at the time such Person becomes a Restricted Subsidiary;
- (e) Liens to secure all or part of the cost of acquisition (including Liens created as a result of an acquisition by way of Capitalized Lease Obligations), construction, development or improvement of the underlying property, or to secure Indebtedness incurred to provide funds for any such purposes; *provided*, that the commitment of the creditor to extend the credit secured by any such Lien shall have been obtained not later than 18 months after the later of (A) the completion of the acquisition, construction, development or improvement of such property and (B) the placing in operation of such property or of such property as so constructed, developed or improved;
- (f) Liens securing industrial revenue, pollution control or similar bonds; and
- (g) any extension, renewal or replacement (including successive extensions, renewals and replacements), in whole or in part, of any Lien referred to in any of clauses (a) through (f) of this definition of Permitted Liens that would not otherwise be permitted pursuant to any of clauses (a) through (f) of this definition of Permitted Liens, to the extent that (A) the principal amount of Indebtedness secured thereby and not otherwise permitted to be secured pursuant to any of clauses (a) through (f) of this definition of Permitted Liens does not exceed the principal amount of Indebtedness, plus any premium or fee payable in connection with any such extension, renewal or replacement, so secured at the time of any such extension, renewal or replacement, except that where (1) the Indebtedness so secured at the time of any such extension, renewal or replacement was incurred for the sole purpose of financing a specific project and (2) additional Indebtedness is to be incurred in connection with such extension, renewal or replacement solely to finance the completion of the same project, the additional Indebtedness may also be secured by such Lien; and (B) the property that is subject to the Lien serving as an extension, renewal or replacement is limited to some or all of the Property that was subject to the Lien so extended, renewed or replaced.

**Person** means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**Principal Property** means (i) a parcel of improved or unimproved real estate or other physical facility or depreciable asset of Choice or a consolidated Subsidiary of Choice, the net book value of which on the date of determination exceeds 7.5% of Consolidated Net Assets and (ii) any group of parcels of real estate, other physical facilities, and/or depreciable assets of Choice and/or its consolidated Subsidiaries, the net book value of which, when sold in one or a series of related sale and leaseback transactions or securing Indebtedness issued in respect of such Principal Properties, on the date of determination exceeds 7.5% of the Consolidated Net Assets. For purposes of the foregoing, **related sale and leaseback transactions** refers to any two or more such contemporaneous transactions which are on substantially similar terms with substantially the same parties. As of the date of this prospectus, we and our consolidated Subsidiaries had no Principal Properties.

## **Table of Contents**

**Restricted Subsidiary** means any Subsidiary of Choice that owns, operates or leases one or more Principal Properties. As of the date of this prospectus, we had no Restricted Subsidiaries.

**Subsidiary** in respect of any Person, means (i) any Person of which more than 50% of the total voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more of the Subsidiaries of that Person or a combination thereof, and (ii) any partnership, joint venture or other Person in which such Person or one or more of the Subsidiaries of that Person or a combination thereof has the power to control by contract or otherwise the board of directors or equivalent governing body or otherwise controls such entity.

## **Covenants**

The Indenture does not limit the amount of Indebtedness or other obligations that may be incurred by the Company and its Subsidiaries. The Indenture does contain the following covenants, among others:

### ***Limitations on Liens***

The Indenture provides that Choice will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or otherwise cause or suffer to exist or become effective any Liens of any kind upon any Principal Property or any capital stock of any Restricted Subsidiary which owns or leases Principal Property (whether such Principal Property or capital stock are now owned or hereafter acquired), or any interest therein or any increase or profits therefrom, unless all payments due under the Indenture and the Debt Securities are secured on an equal and ratable basis with (or prior to) the obligations so secured until such time as such obligation is no longer secured by a Lien, except in the case of Permitted Liens or as provided under **Exempted Debt** below. As of the date of this prospectus, there are no Principal Properties or Restricted Subsidiaries.

### ***Limitations on Sale and Leaseback Transactions***

The Indenture provides that, except as provided under **Exempted Debt** below, Choice will not, and will not permit any of its Restricted Subsidiaries to, enter into any arrangement with any Person (other than the Company or any Subsidiary of the Company) providing for the leasing by Choice or a Restricted Subsidiary of any Principal Property owned by Choice or such Restricted Subsidiary (except for leases for a term of not more than three years), which property has been or is to be sold or transferred by Choice or such Restricted Subsidiary to such Person on the security of such Principal Property more than 365 days after the acquisition thereof or the completion of construction and commencement of full operation thereof unless either (a) Choice or such Restricted Subsidiary would be entitled, pursuant to the provisions of the Indenture, to incur Indebtedness secured by a Lien on the Property to be leased in an amount equal to the Attributable Indebtedness with respect to such transaction without equally and ratably securing the Debt Securities, or (b) Choice, within 180 days after the effective date of such transaction, applies to the voluntary retirement of its Funded Debt an amount equal to the value of such transaction, defined as the greater of the net proceeds of the sale of the Principal Property leased in such transaction or the fair value, in the opinion of Choice's board of directors, of the leased Principal Property at the time such transaction was entered into. As of the date of this prospectus, there are no Principal Properties or Restricted Subsidiaries.

### ***Exempted Debt***

Notwithstanding the foregoing limitations on Liens and sale and leaseback transactions, Choice and its Restricted Subsidiaries may create, incur or otherwise cause to suffer to exist or become effective Liens without securing the Debt Securities or enter into a sale and leaseback transaction without retiring Funded Debt, or enter into a combination of such transactions, provided that, at the

## **Table of Contents**

time of such event, and after giving effect thereto and to the retirement of any other such Indebtedness which is concurrently being repaid, the sum of (x) the principal amount of such Indebtedness secured by such Liens or the Attributable Indebtedness in respect of such sale and leaseback transaction, as the case may be, and (y) the principal amount of all other such Indebtedness secured by such Liens (not including Liens permitted under Limitations on Liens above) and all other Attributable Indebtedness in respect of sale and leaseback transactions then outstanding (not including sale and leaseback transactions permitted under Limitations on Sale and Leaseback Transactions above), measured, in each case, at the time any such Lien is incurred or any such sale and leaseback transaction is entered into, does not exceed the greater of (i) \$25 million or (ii) 15% of the Consolidated Net Assets of Choice and its consolidated Subsidiaries.

### ***Merger and Consolidation***

We covenant that we will not consolidate with or merge into any Person or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our and our Subsidiaries' properties and assets as an entirety unless, among other things:

the successor Person is Choice or another entity organized and existing under the laws of the United States, any state or territory thereof or the District of Columbia that assumes our obligations on the Debt Securities and under the Indenture,

immediately after giving effect to such transaction, Choice or the successor Person would not be in default under the Indenture, and

Choice shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the terms of the Indenture and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

Except as described above or as set forth in the applicable prospectus supplement, the Indenture does not contain any provisions that would afford holders of the Debt Securities protection in the event of:

a highly leveraged or similar transaction involving us;

a change in our control or a change in our management; or

a reorganization, restructuring, merger or similar transaction involving us that may adversely affect the holders of the Debt Securities. In addition, subject to the limitations set forth above, we may, in the future, enter into certain transactions such as the sale of our properties and assets substantially as an entirety or a merger or consolidation with another entity that could increase the amount of our Indebtedness or the Indebtedness of our Subsidiaries or otherwise adversely affect our financial condition or results of operations, which may have an adverse effect on our ability to service our Indebtedness, including the Debt Securities. We have no present intention of engaging in a highly leveraged or similar transaction involving us.

### **Events of Default**

An Event of Default with respect to a series of the Debt Securities is defined in the Indenture as being:

(i) default in the payment of any principal or premium (if any) of the series of Debt Securities;

## **Table of Contents**

(ii) default for 30 days in the payment of any installment of interest on the series of Debt Securities;

(iii) default by Choice in the performance of any other covenants or agreements in the Indenture contained therein for the benefit of the series of Debt Securities which shall not have been remedied for a period of 90 days after written notice of such default to Choice by the Trustee or to Choice and the Trustee by the holders of at least 25% in aggregate principal amount of the series of Debt Securities;

(iv) default by Choice or any Subsidiary under any Indebtedness (except non-recourse indebtedness) having an aggregate principal amount of \$25 million or 15% of Consolidated Net Assets (whichever amount is greater), or under any mortgage, indenture or other instrument under which there may be issued or by which there may be secured any Indebtedness for money borrowed by Choice or any Subsidiary having an aggregate principal amount of \$25 million or 15% of Consolidated Net Assets (whichever amount is greater), for failure to pay a portion of the principal when due (after any grace period has passed) or as a result of Indebtedness being declared due before it otherwise would have been due, and this repayment obligation has not been rescinded or annulled within ten days of written notice to Choice (sent by either the Trustee or by the holders of at least 25% of the outstanding principal amount of the series of Debt Securities to Choice and the Trustee) or remedied, cured or waived before a declaration of acceleration of the series of Debt Securities;

(v) certain events of bankruptcy, insolvency or reorganization of Choice or a significant subsidiary of Choice; or

(vi) any other Event of Default specified for the series in the applicable prospectus supplement.

The Indenture provides that if an Event of Default under clause (i), (ii), (iii), (iv) or (vi) above shall have occurred and be continuing, either the Trustee or the holders of not less than 25% in principal amount of the series of Debt Securities may declare the principal of all the Debt Securities of that series, together with any accrued interest and premium (if any), to be due and payable immediately.

If an Event of Default under clause (v) above shall have occurred and be continuing, then the principal of all the Debt Securities, together with any accrued interest and premium (if any), will be due and payable immediately without any declaration or other act on the part of the Trustee or any holder of a Debt Security. Upon certain conditions such declaration (including a declaration caused by a default in the payment of principal or interest, the payment for which has subsequently been provided) may be annulled by the holders of a majority in principal amount of the series of Debt Securities.

In addition, past defaults may be waived by the holders of a majority in principal amount of the series of Debt Securities, except a default in the payment of principal of or interest and premium (if any) on any Debt Security, a default arising from failure to redeem or purchase a Debt Security when required by the Indenture, or a default in respect of a covenant or provision of the Indenture which cannot be modified or amended without the approval of the holder of each Debt Security affected.

The Indenture contains a provision entitling the Trustee, subject to the duty of the Trustee during default to act with the required standard of care, to be indemnified by the holders of Debt Securities issued thereunder before proceeding to exercise any right or power under the Indenture at the request of the holders of such Debt Securities.

The Indenture also provides that the holders of a majority in principal amount of the outstanding Debt Securities of a particular series issued thereunder and affected (each series voting as a separate class) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Debt Securities of such series.

## **Table of Contents**

The Indenture contains a covenant that Choice will file annually with the Trustee a certificate as to the absence of any default or specifying any default that exists.

### **Satisfaction and Discharge**

The Indenture will cease to be of further effect as to a series of Debt Securities (except as to surviving rights of registration of transfer or exchange of Debt Securities, as expressly provided for in the Indenture) when either:

all Debt Securities of the series theretofore authenticated (except lost, stolen or destroyed Debt Securities that have been replaced or paid) have been delivered to the Trustee for cancellation, or

with respect to all Debt Securities of a series due and payable within one year not theretofore delivered to the Trustee for cancellation,

Choice has deposited or caused to be deposited with the Trustee funds or government securities (as defined in the Indenture), or any combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the Debt Securities of the series not theretofore delivered to the Trustee for cancellation, for unpaid principal and interest to maturity;

Choice has paid all other sums payable by it with respect to the Debt Securities of the series under the Indenture; and

Choice has delivered to the Trustee an officers' certificate and an opinion of counsel each stating that all conditions precedent under the Indenture to the satisfaction and discharge of the Indenture with respect to the series of Debt Securities have been complied with.

### **Covenant and Legal Defeasance**

The Indenture provides that Choice need not comply with certain restrictive covenants of the Indenture (including those described under Covenants above) or it will be deemed to have been discharged from its obligations with respect to a series of Debt Securities under the Indenture if:

Choice deposits in trust with the Trustee money or government securities, which through the payment of interest thereon and principal thereof in accordance with their terms will provide money, in an amount sufficient, in the opinion of a nationally recognized firm of certified public accountants, to pay all the principal of and interest and premium (if any) on the Debt Securities of the series when due;

Choice shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the defeasance have been complied with;

no default or Event of Default with respect to that series of debt securities shall have occurred and be continuing under subsection (v) of Events of Default above at any time in the period ending on the 91st day after the date of deposit; and

Choice delivers to the Trustee an opinion of counsel to the effect that the holders of Debt Securities of the series will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such defeasance had not occurred.





## **Table of Contents**

### **Modification and Waiver**

Without the consent of any holder of the Debt Securities, Choice and the Trustee may modify or amend the Indenture to clarify or to make certain other changes that would not materially adversely affect the legal rights of any holder.

With the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Debt Securities of the particular series affected, Choice and the Trustee may modify or amend the Indenture; *provided, however*, that no such modification or amendment may, without the consent of the holder of each Debt Security affected:

change the stated maturity of the principal of, or any installment of interest on, any Debt Security or reduce the principal amount thereof or the rate of interest thereon, or change the coin or currency in which any Debt Security or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the stated maturity thereof;

reduce the amount payable upon the redemption of any Debt Security or change the time at which such Debt Security may be redeemed;

waive a default or Event of Default in the payment of principal of or premium, if any, or interest on the Debt Securities (except a rescission of acceleration of the Debt Securities by the holders of not less than a majority in aggregate principal amount of the then outstanding Debt Securities and a waiver of the payment default that resulted from such acceleration);

waive a redemption payment with respect to any Debt Security;

reduce the principal amount of Debt Securities of a series whose holders must consent to a modification or waiver, or make any change in the Indenture relating to waivers of past defaults or the rights of holders of Debt Securities of a series to receive payments of principal of, or premium, if any, or interest on the Debt Securities; or

modify any of the provisions relating to supplemental indentures requiring the consent of holders or relating to the waiver of past defaults, except to increase the percentage of outstanding Debt Securities required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Debt Security.

### **Guarantees**

The applicable prospectus supplement may provide that one or more subsidiaries of Choice, including those subsidiaries identified in this prospectus, will fully, unconditionally and irrevocably guarantee, on a joint and several basis, the full and punctual payment of the principal of, premium, if any, and interest on Debt Securities issued under the Indenture and all other obligations of Choice under the Indenture. The terms of such guarantees, if any, including the ranking and termination provisions thereof, will be described in the applicable prospectus supplement.

### **Concerning our Relationship with the Trustee**

We and our Subsidiaries maintain ordinary banking relationships and revolving credit facilities with affiliates of Wells Fargo Bank, National Association.

**Table of Contents**

**BOOK-ENTRY SECURITIES**

The securities offered by means of this prospectus and any related prospectus supplement may be issued in whole or in part in book-entry form, meaning that beneficial owners of the securities would not receive certificates representing their ownership interests in the securities, except in the event the book-entry system for the securities is discontinued. Securities issued in book-entry form will be evidenced by one or more global securities that will be deposited with, or on behalf of, a depositary identified in the applicable prospectus supplement relating to the securities. Unless and until it is exchanged in whole or in part for the individual securities represented thereby, a global security may not be transferred except as a whole by the depositary for the global security to a nominee of such depositary or by a nominee of such depositary to such depositary or another nominee of such depositary or by the depositary or any nominee of such depositary to a successor depositary or a nominee of such successor. Global securities may be issued in either registered or bearer form and in either temporary or permanent form. The specific terms of the depositary arrangement with respect to a class or series of securities that differ from the terms described here will be described in the applicable prospectus supplement.

**VALIDITY OF THE SECURITIES**

In connection with offerings of particular securities in the future, and if stated in the appropriate prospectus supplement, the validity of the securities offered pursuant to this prospectus and any prospectus supplement will be passed upon for us by Hogan Lovells US LLP.

## **Table of Contents**

### **EXPERTS**

The financial statements incorporated in this Prospectus by reference to Choice Hotels International, Inc.'s Current Report on Form 8-K dated August 18, 2010 and the financial statement schedule and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in the Prospectus by reference to the Annual Report on Form 10-K of Choice Hotels International, Inc., for the fiscal year ended December 31, 2009 have so been incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

### **INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede information included or previously incorporated by reference into this prospectus from the date we file the document containing such information. Except to the extent furnished and not filed with the SEC, or as otherwise permitted by the SEC rules, we incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, from the date of this prospectus until the completion of the offering in the relevant prospectus supplement to which this prospectus relates or this offering is terminated.

The documents we incorporate by reference into this prospectus are:

1. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed on March 1, 2010 (including the portions of the proxy statement for our 2010 annual meeting of stockholders, filed on March 25, 2010 and incorporated by reference therein);
2. Our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2010 and June 30, 2010, filed on May 3, 2010 and August 9, 2010, respectively;
3. Our Current Reports on Form 8-K filed on February 16, 2010, May 3, 2010 and August 18, 2010; and
4. The description of our Common Stock contained in Form 10-12B, filed on September 19, 1997.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Choice Hotels International, Inc.

10750 Columbia Pike

Silver Spring, Maryland 20901

(301) 592-5000

Attention: Corporate Secretary

**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the informational requirements of the Securities Exchange Act of 1934. We therefore file periodic reports, current reports, proxy statements and other information with the SEC. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operations of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Our Internet address is [www.choicehotels.com](http://www.choicehotels.com) (which is not intended to be an active hyperlink in this prospectus). We make available, free of charge, through our Internet website copies of our recent filings with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Information contained on our website is not incorporated by reference in this prospectus.

Table of Contents

**\$250,000,000**

**CHOICE HOTELS INTERNATIONAL, INC.**

**5.70% Senior Notes Due 2020**

**PROSPECTUS SUPPLEMENT**

**Goldman, Sachs & Co.**

**J.P. Morgan**

**Wells Fargo Securities**

**BofA Merrill Lynch**

**SunTrust Robinson Humphrey**

August 18, 2010