

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this offering circular.

FRANCHISE AGREEMENT

PROVISIONS	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Term of the franchise	Section 3	Term is 20 years from the opening date. However, you have the right to terminate on any annual anniversary of the opening date by giving no less than 3 months prior written notice provided you have paid all fees and charges under the Franchise Agreement and any other related agreement at the time of the proposed termination and have been current at all times during the 3 month period preceding the termination date. We have the right to terminate on any annual anniversary of the opening date by giving no less than 6 months prior written notice.
b. Renewal or extension of the term	NONE  Section 6(r)(2)	No automatic renewal after 20-year term expires.  If new construction has not started within 12 months, we may grant a 3-month extension.
c. Requirements for you to renew or extend	Section 6(r)(2)	Before opening, whether new construction or conversion, if we agree to an extension, you must pay us \$5,000 for each 3-month extension.

PROVISIONS	SECTION IN FRANCHISE AGREEMENT	SUMMARY
d. Termination by you	Sections 3 and 10(a)	<p>You have the right to terminate on any annual anniversary of the opening date by giving no less than 3 months prior written notice provided you have paid all fees and charges under the Franchise Agreement and any other related agreement at the time of the proposed termination and have been current at all times during the 3 month period preceding the termination date.</p> <p>If we are in default of material obligations, you may terminate the franchise agreement, if after 30 days written notice (or 12 months if the default relates to the directory) we have failed to cure the default.</p>
e. Termination by us without cause	Section 3	On any annual anniversary of the opening date by giving 6 months written notice.
f. Termination by us with "cause"	Section 10(b)	We may terminate if you are in default and fail to cure within the applicable time period.
g. "Cause" defined - curable defaults	Sections 10(b)(1)(a)-(c)	You have 10 days to cure non-payment of fees and non-submission of reports and 30 days to cure any other breach of your obligations under the agreement.
h. "Cause" defined - defaults that cannot be cured	Section 10(b)(2)	<p>Non-curable defaults: threat of danger due to condition of hotel; abandonment; loss of possession; conviction of felony; unauthorized transfer; knowingly false statements on application, reports or books and records; failure to open hotel; you become insolvent or make a general assignment for the benefit of creditors; failure to maintain the required insurance coverage or we send you 2 notices of default for the same or similar cause in any consecutive 12 month-period, whether or not cured.</p>

PROVISIONS	SECTION IN FRANCHISE AGREEMENT	SUMMARY
i. Your obligations upon termination/non-renewal	Section 11	Obligations include complete deidentification; payment of all fees due; cancellation of any assumed name filing containing our Marks; return of all materials we provided for the operation of the property and payment of any damages as a result of enforcing Section 10.
j. Assignment of contract by us	Section 9(a)	No restrictions on our right to assign.
k. "Transfer" by you-defined	Section 9(b)	Includes transfer of contract or assets, or ownership change.
l. Our approval of transfer by you	Section 9(b)	We have the right to approve all transfers with certain exceptions.
m. Conditions for our approval of transfer	Section 9(b)	
n. Our right of first refusal to acquire your business	NONE	
o. Our option to purchase your business	NONE	
p. Your death or disability	Section 9(c)	Franchise must be assigned by estate to a remaining franchisee or to your heirs, which we approve, within 12 months.
q. Non-competition covenants during the term of the franchise	NONE	
r. Non-competition covenants after the franchise is terminated or expires	NONE	
s. Modification of the agreement	Section 20(h)	This agreement may only be modified in writing and signed by both parties.

PROVISIONS	SECTION IN FRANCHISE AGREEMENT	SUMMARY
t. Integration/merger clause	Section 20(h)	Only the terms of the franchise agreement are binding (subject to State law).
u. Dispute resolution by arbitration or mediation	Section 21	Except for certain claims, all disputes must be arbitrated.
v. Choice of forum (Note 1)	Section 21	Arbitration must be in Maryland.
w. Choice of law (Note 1)	Section 21	Maryland law applies.

Note 1: These states have statutes which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your license: CALIFORNIA [Bus. & Prof. Code Sections 20000 - 20043], CONNECTICUT [Gen. Stat. Section 42-133 *et seq.*], HAWAII [Rev. Stat. Section 482E-6], ILLINOIS [The Franchise Disclosure Act of 1987, 815 ILCS 705/19 and 705/20], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Title XX. Section 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of your license.

**choiceADVANTAGE® Software Terms of Use**

PROVISIONS	SECTION IN choiceADVANTAGE® Software Terms of Use	SUMMARY
a. Term of the agreement	TERMINATION	The agreement will begin when you accept the terms and will terminate if the Franchise Agreement terminates or expires or if you are in default of this agreement, the Franchise Agreement, the Rules and Regulations or any other related agreement.
b. Renewal or extension of the term	NONE	No automatic renewal.
c. Requirements for you to renew or extend	NONE	

PROVISIONS	SECTION IN choiceADVANTAGE® Software Terms of Use	SUMMARY
d. Termination by you	NONE	Contingent on the terms of the Franchise Agreement.
e. Termination by us without cause	TERMINATION	Upon expiration of the Franchise Agreement
f. Termination by us with "cause"	TERMINATION	We may terminate if you are in default.
g. "Cause" defined - curable defaults	NONE	See Franchise Agreement chart.
h. "Cause" defined - defaults that cannot be cured	TERMINATION	Breach of any of the Terms of Use; failure to make payments when due  See Franchise Agreement chart.
i. Your obligations upon termination/non-renewal	NONE	
j. Assignment of contract by us	NONE	
k. "Transfer" by you - defined	SOFTWARE USE AND SITE ACCESS	You may not assign without Choice's written permission to do so.
l. Our approval of transfer	NONE	
m. Conditions for our approval of transfer	NONE	
n. Our right of first refusal to acquire your business	NONE	
o. Our option to purchase your business	NONE	
p. Your death or disability	NONE	

PROVISIONS	SECTION IN choiceADVANTAGE® Software Terms of Use	SUMMARY
q. Non-competition covenants during the term of the franchise	NONE	
r. Non-competition covenants after the franchise is terminated or expires	NONE	
s. Modification of the agreement	PREAMBLE	We may modify, add or remove any terms and conditions without notice or liability to you. You accept and agree to any modifications, additions, or removals by your subsequent use of the Software.
t. Integration/merger clause	ENTIRE AGREEMENT	Only the terms of the Terms of Use are binding.
u. Dispute resolution by arbitration or mediation	NONE	
v. Choice of forum (Note 1-See State specific Addenda)	GOVERNING LAW	State of Maryland
w. Choice of law (Note 1-See State specific Addenda)	GOVERNING LAW	State of Maryland

**ITEM 18**

**PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

ITEM 19

EARNINGS CLAIMS

**TABLE 1: Statements of Operating Income & Expenses 2005**  
**for Limited-Service Chain-Affiliated Hotels (notes 1, 2 and 3)**

The following table shows the average ratio to sales represented by several categories of revenue, expenses, and charges, as well as the gross operating profits, for "limited service" chain-affiliated hotels in the United States for the year ending December 31, 2005:

<b>Category</b> (Definitions appear immediately after the Notes)	<b>Ratio to Sales</b> (note 4)
<b>REVENUE</b>	
Rooms	96.7%
Food	0.0
Beverage	0.0
Other Food & Beverage	0.0
Telecommunications	0.7
Other Operated Departments	1.1
Rentals & Other Income	1.6
Cancellation Fee	0.0
<b>Total Revenue</b>	<b>100.0%</b>
<b>DEPARTMENTAL EXPENSES</b>	
Rooms	22.3%
Food & Beverage	0.0
Telecommunications	144.8
Other Operated Depts & Rentals	1.7
<b>Total Departmental Expenses</b>	<b>24.3%</b>
<b>Total Departmental Profit</b>	<b>75.7%</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>	
Administrative & General	8.7%
Marketing	5.1
Utility Costs	5.1
Property Operations & Maintenance	5.3
<b>Total Undistributed Operating Expenses</b>	<b>24.2%</b>
<b>GROSS OPERATING PROFIT</b>	<b>51.5%</b>
Franchise Fees (Royalty)	2.8
Management Fees	3.2
<b>INCOME BEFORE FIXED CHARGES</b>	<b>45.6%</b>
Selected Fixed Charges	
Property Taxes	4.1
Insurance	1.1
Reserve For Capital Replacement	1.4
<b>AMOUNT AVAILABLE FOR DEBT SERVICE &amp; OTHER FIXED CHARGES (note 5)</b>	<b>39.0%</b>

## Notes

Note 1: This table is reprinted from *The Hotel Operating Statistics ("HOST") Study 2005 for the Year 2004 ("The HOST Study")* with the permission of Smith-Travel Research, Inc. ("STR"). STR is an independent research firm servicing the travel industry. Since *The HOST Study* typically is released in the summer based on the previous calendar year data, this is the most current available information.

Note 2: *The HOST Study* is based on information assembled and compiled by STR from questionnaires completed by owners and operators of hotels. Data presentation in *The HOST Study* is based on the *Uniform System of Accounts for the Lodging Industry (Ninth Revised Edition)*. STR does not use questionnaires that are not in a consistent format or that do not provide sufficient detail in the analysis. In addition, STR applies error and reasonableness checks to ensure accuracy and identify outliers in the data. All values presented are based upon averages of individual property data.

Note 3: STR defines "limited service" hotels as "hotels with rooms-only operations (i.e., without food and beverage service) or hotels that offer a bedroom and bathroom for the night, but very few other services and amenities. These hotels are often in the budget or economy group and do not report food and beverage revenue." (*HOST Study*, p. 36.) We are presenting the information for the "Limited Service Chain-Affiliated Hotels" segment since that is the segment in which your RODEWAY brand hotel most likely falls.

Note 4: Ratio to Sales was calculated as a simple average of reporting hotels. In addition to "Ratio to Sales," STR calculated that the average property size (in rooms) of the hotels included in the sample was 116, the average occupancy was 72.3%, and the average daily rate was \$75.74. Expense Ratios for "DEPARTMENTAL EXPENSES" are based on their respective departmental revenues. Ratios to sales for all other items in the table are based on total revenue.

Note 5: "Other Fixed Charges" include Depreciation and Amortization, Interest, Rent, and Equipment Leases.

## End Notes

**Definitions:** STR used the following definitions in preparing Table 1 (*HOST Study*, p. 40)

### **Revenues**

**Rooms** – Revenues derived from the rental of sleeping rooms at the hotels, net of any rebates and discounts.

**Food** – Revenues derived from the sale of food, including coffee, milk, tea, and soft drinks.

**Beverage** – Revenues derived from the sale of beverages, including beer, wine and liquors. Also includes banquet beverage revenues.

**Other Food and Beverage** – Revenues derived from other sources such as meeting room rentals, cover or service charges, or revenues derived from the sale of goods or services made in connection with banquets, such as equipment rental, music, decorations and souvenirs. Also includes banquet service charges.

**Telecommunications** – Revenues derived from guest-use of telephones in the hotel, including local and long distance calls, service charges, and commissions received from pay phones.

**Other Operated Departments** – Revenues generated from garage and parking, guest laundry, golf and tennis, health club, spa, swimming pool, barber/beauty shop, gift shop, newsstand, etc., when operated by the hotel. Excludes casinos.

**Rentals and Other** – Income from rentals of space for business purposes, including concessions in any of the departments mentioned under other operated departments. Also includes income generated from sources not included elsewhere, but excludes investment income.

### **Departmental Expenses**

**Rooms** – Rooms departmental expenses include labor costs such as salaries and wages for front desk, housekeeping, reservations, bell staff, and laundry, plus employee benefits. Other operating expenses

in the rooms department include linen, cleaning supplies, guest supplies, uniforms, central or franchise reservation fees, equipment leases, and travel agent commissions.

**Food and Beverage (F&B)** – Food and Beverage departmental expenses include the cost of goods sold (food and beverages), labor and related benefits, and other operating expenses. Labor costs include departmental management, cooks and kitchen personnel, service staff, banquet staff, and bartenders. Other operating expenses include china, silverware, linens, restaurant and kitchen supplies, menus and printing, and special promotions.

**Telecommunications** – Telephone departmental expenses include costs of calls, labor costs of operators, and other related expenses, but excludes capital lease payments.

**Other Operated Depts & Rentals** – Other departmental expenses would comprise those expenses (labor and other) which offset the revenue generated by other operated departments such as garage, guest laundry, athletic facilities, and gift shop, as well as rental activity.

### ***Undistributed Operating Expenses***

**Administrative and General (A&G)** – Included in this category are the payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller, and accounting staff. Other A&G expenses include office supplies, computer services, accounting and legal fees, cash overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest) and travel and entertainment.

**Marketing** – Marketing expenses include payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff, and civic and community projects. Includes *national advertising fee or assessment* paid to franchise company plus cost of frequent guest stay programs.

**Utility Costs** – Utility expenses typically include electricity, fuel (oil, gas, and coal), purchased steam, and water. Includes central plant and energy management systems.

**Property Operations and Maintenance** – This category includes payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture and equipment, the grounds, and the removal of waste matter.

**Management Fees** – Fees charged by management organizations for management services or supervision. Includes *both* base and incentive fees.

**Franchise Fee** – Includes only the royalty fees charged by franchise companies.

### ***Fixed Charges***

**Property Taxes** – Typically include taxes on real estate, business and occupation, personal property, utilities, and other municipal taxes.

**Insurance** – Cost of insuring the hotel building and contents against fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, or other perils such as terrorism. Includes all insurance except workers' compensation.

**Reserve for Capital Replacement** – Amount set aside for replacement of furniture, fixtures, and equipment (as may be required by loan, franchise or management agreement).

**Land and Building Rent** – Includes charges for lease of land and/or building.

**Equipment Rental** – Includes capital leases for rental of data processing equipment, telephone equipment and other major items.

**Interest** – Includes all interest expenses on any obligations such as mortgages, notes payable, bonds, debentures, taxes in arrears, or any other indebtedness on which interest is charged.

**Depreciation and Amortization** – Deductions on the building, leaseholds and leasehold improvements, furnishings and equipment, and assets held under capital leases.

**Other Fixed Charges** – Includes any other expenses that relate to the ownership of the hotel and gains or losses from any sale of assets.

**TABLE 2: Average Occupancy Rate,  
Average Daily Room Rate, and RevPAR**

	<b>For Year Ended December 31, 2006</b>
Average Occupancy Rate	52.2%
Average Daily Room Rate	\$50.12
RevPAR	\$26.18

As of December 31, 2006, there were 233 open and operating RODEWAY INN hotels in the System. Of these 233 hotels, 70 were Stabilized Comparable RODEWAY INN Properties.\* The data presented in the above table are based on the 70 Stabilized Comparable RODEWAY INN Properties. For the 70 hotels that were included in the sample, 38.6% met or exceeded the average occupancy rate; 52.9% achieved or surpassed the average daily room rate; and 45.7% met or exceeded the RevPAR presented.

In the table above, we used the following definitions: "Average Occupancy Rate" is the average of occupied rooms reported for each hotel divided by its total number of available rooms. "Average Daily Rate" is the average of each hotel's gross room revenue reported divided by its total number of occupied rooms reported. "RevPAR" is the average of each hotel's gross room revenues reported divided by its number of available rooms.

**Table 3: Net Reservations Contribution**

	<b>For Year Ended December 31, 2006</b>
Net Reservations Contribution	29.7%

For the one-year period ending December 31, 2006, reservations generated through the Choice Central Reservations System ("CRS") represented an average of 29.7% of gross room revenue for the 69 Stabilized Comparable RODEWAY INN Properties for which we had reservations data. For the 69 hotels that were included in the sample, 46.4% met or exceeded the Net Reservations Contribution presented in the table above. "Net Reservations Contribution" is the average of each hotel's revenue generated through the CRS, excluding cancelled reservations, divided by that hotel's gross room revenues.

\* \* \* \* \*

\* "Stabilized Comparable RODEWAY INN Properties" are all properties that were open and operating as of December 31, 2006, and that were franchised by Choice on or before December 1, 2005, except for properties that: (1) were repositioned from one Choice brand to RODEWAY INN since December 1, 2005; (2) had reservations suspended by Choice during the year ending December 31, 2006; and/or (3) experienced an interruption in operations (e.g., due to renovation, natural disaster, etc.) of more than 30 days during the year ending December 31, 2006.

THE EARNINGS CLAIMS FIGURES IN TABLES 2 AND 3 DO NOT REFLECT THE COSTS OF SALES, OPERATING EXPENSES OR OTHER COSTS OR EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS REVENUE, OR GROSS SALES FIGURES TO OBTAIN YOUR NET INCOME OR PROFIT. YOU SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE COSTS AND EXPENSES YOU WILL INCUR IN OPERATING YOUR RODEWAY INN HOTEL. FRANCHISEES OR FORMER FRANCHISEES, LISTED IN THE OFFERING CIRCULAR, MAY BE ONE SOURCE OF THIS INFORMATION.

The data presented in Table 1 represent averages from reporting hotels (as calculated by STR), and those presented in Tables 2 and 3 above represent System averages. We do not claim that you can expect to achieve the same results. Actual results vary from hotel to hotel and depend on the specific size, location, and seasonality of your hotel, and on factors such as your real estate and construction costs, financing terms and arrangements, the length of time that your hotel has been open and operating, the efficiency with which you operate your hotel, and the competitive factors affecting demand for your hotel. We cannot, therefore, estimate the results of any particular location. Typically, a new hotel requires at least one year of operating experience to reach a stabilized performance.

The data presented in the Table 1 averages are based on information that hotel owners and operators provided to STR, and the data presented in Tables 2 and 3 are based on information that individual RODEWAY INN brand franchise owners provided to us and verified as accurate. We have not audited or otherwise verified the accuracy of the information in Table 1 or that which the franchisees provided to us.

Substantiation of the data used in preparing the statement shown above will be made available to you on reasonable request.

THE INFORMATION ABOVE REFLECTS THE EXPERIENCE OF SPECIFIC HOTEL OWNERS DURING A LIMITED TIME PERIOD AND SHOULD NOT BE CONSIDERED TO BE THE ACTUAL OR PROBABLE RATIO TO SALES, OCCUPANCY, AVERAGE DAILY RATE OR REVPAR THAT YOU WILL ACHIEVE OR NET RESERVATIONS CONTRIBUTION THAT YOUR HOTEL WILL RECEIVE. THE RESULTS FOR YOUR RODEWAY INN HOTEL MAY DIFFER SUBSTANTIALLY FROM THE SYSTEM AVERAGES STATED ABOVE. CHOICE DOES NOT REPRESENT THAT YOU WILL ATTAIN COMPARABLE RATIO TO SALES, OCCUPANCY, AVERAGE DAILY RATE OR REVPAR OR RECEIVE COMPARABLE LEVELS OF NET RESERVATIONS CONTRIBUTION.

Except as stated in this Item 19, we do not furnish to you or authorize our salespersons to furnish to you any oral or written information or representation on the actual or potential sales, costs, income or profits of a RODEWAY INN hotel franchise.