CHOICE HOTELS INTERNATIONAL INC /DE
Form DEF 14A
March 25, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Choice Hotels International, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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1) Amount previously paid:

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3) Filing Party:

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CHOICE HOTELS INTERNATIONAL, INC.

10750 COLUMBIA PIKE

SILVER SPRING, MARYLAND 20901

NOTICE OF ANNUAL MEETING

TO BE HELD APRIL 29, 2010

To the Shareholders of

CHOICE HOTELS INTERNATIONAL, INC.

You are cordially invited to attend the 2010 Annual Meeting of Shareholders of Choice Hotels International, Inc., a Delaware corporation (the Company), to be held in the Chesapeake Room at the Choice Hotels Learning Center, 10720 Columbia Pike, Silver Spring, Maryland on April 29, 2010, at 9:00 a.m. (EDT) for the following purposes:

1. To elect three Class I directors from the three nominees listed in the attached proxy statement to hold office for a three-year term ending at the 2013 Annual Meeting of Shareholders or until their successors are elected and qualified;

2. To approve the amendments to the Choice Hotels International, Inc. 2006 Long-Term Incentive Plan;

3. To approve the material terms for payment of chief executive officer incentive compensation;

4. To ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2010; and

5. To transact other business properly coming before the Annual Meeting.

Shareholders who owned Common Stock as of the close of business on the record date of March 12, 2010, are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof. In order to have your shares represented at the meeting, you can vote your shares of Common Stock through any one of the following methods: (i) properly execute and return the enclosed proxy card; (ii) vote online; or (iii) vote by telephone. A list of the Company s shareholders will be available for inspection at the office of the Company located at 10750 Columbia Pike, Silver Spring, Maryland, at least 10 days prior to the Annual Meeting.

By Order of the Board of Directors

CHOICE HOTELS INTERNATIONAL, INC.

Ron Parisotto

Assistant General Counsel and Assistant Secretary

March 26, 2010

Silver Spring, Maryland

PLEASE READ THIS ENTIRE PROXY STATEMENT CAREFULLY AND SUBMIT YOUR

PROXY BY COMPLETING AND MAILING THE ENCLOSED

PROXY CARD OR PROVIDE YOUR VOTING INSTRUCTIONS BY TELEPHONE OR INTERNET.

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CHOICE HOTELS INTERNATIONAL, INC.

10750 COLUMBIA PIKE

SILVER SPRING, MARYLAND 20901

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

April 29, 2010

GENERAL INFORMATION

The Board of Directors (the Board) is soliciting your proxy for the 2010 Annual Meeting of Shareholders (the Annual Meeting). As a shareholder of Choice Hotels International, Inc., you have a right to vote on certain matters affecting the Company. This proxy statement discusses the proposals on which you are voting this year. Please read it carefully because it contains important information for you to consider when deciding how to vote. *Your vote is important.*

In this proxy statement, we refer to Choice Hotels International, Inc., as Choice, Choice Hotels or the Company.

The Company s annual report on Form 10-K for the fiscal year ended December 31, 2009, is being mailed with this proxy statement. The annual report on Form 10-K is not part of the proxy solicitation material.

The Board of Directors is sending proxy material to you and all other shareholders on or about March 26, 2010. The Board is asking for you to vote your shares by completing and returning the proxy card, or by voting by telephone or Internet.

Shareholders who owned Common Stock as of the close of business on March 12, 2010 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof. At the close of business on March 12, 2010, there were 59,209,721 outstanding shares of Common Stock.

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QUESTIONS AND ANSWERS

Q. Who can vote at the Annual Meeting?

A. Shareholders who owned Common Stock as of the close of business on March 12, 2010, may attend and vote at the Annual Meeting. Each share of Common Stock is entitled to one vote. There were 59,209,721 shares of Common Stock outstanding on March 12, 2010.

Q. Why am I receiving this proxy statement?

A. This proxy statement describes proposals on which we would like you, as a shareholder, to vote. It also gives you information on these proposals, as well as other information, so that you can make an informed decision.

Q. What is the proxy card?

A. The proxy card enables you to vote whether or not you attend the meeting. Even if you plan to attend the meeting, we encourage you to complete and return your proxy card before the meeting date in case your plans change. By completing and returning the proxy card, you are authorizing Stephen P. Joyce (the Company s Chief Executive Officer) and Ervin R. Shames (the Company s lead independent director) to vote your shares of Common Stock at the meeting, as you have instructed them on the proxy card.

If a proposal is properly presented for a vote at the meeting that is not on the proxy card, Messrs. Joyce and Shames will vote your shares, under your proxy, according to their best judgment.

Q. On what issues am I voting?

A. We are asking you to vote on:

- Proposal 1 the election of three Class I directors from the three nominees named in this proxy statement.
- Proposal 2 approval of amendments to the Choice Hotels International, Inc. 2006 Long-Term Incentive Plan.
- Proposal 3 approval of the material terms for payment of chief executive officer incentive compensation.
- Proposal 4 the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2010.

Q. What is the difference between a record holder and a street name holder?

A. If your shares of Common Stock are registered directly in your name, you are considered the holder of record with respect to those shares. If your shares of Common Stock are held in a brokerage account or by a bank, trust or other nominee, then the broker, bank, trust or other nominee is considered to be the holder of record with respect to those shares, while you are considered the beneficial owner of those shares. In that case, your shares are said to be held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares using one of the methods described below.

Q. How do I vote?

A. If you are a record holder:

You may vote by mail: You may do this by completing and signing your proxy card and mailing it in the enclosed, prepaid and addressed envelope.

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If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

If you do not mark your voting instructions on the proxy card, your shares will be voted:

- *for* the election of the three named nominees for director,
- *for* the proposal to amend the Choice Hotels International, Inc. 2006 Long-Term Incentive Plan,
- *for* approval of the material terms for payment of chief executive officer incentive compensation,

and

- *for* the ratification of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2010.

You may vote by telephone: You may do this by calling toll-free **1-800-652-8683** on a touch-tone phone and following the instructions. You will need your proxy card available if you vote by telephone.

You may vote by Internet: You may do this by accessing ***www.envisionreports.com/chh*** and following the instructions. You will need your proxy card available if you vote by Internet.

You may vote in person at the meeting: We will pass out written ballots to anyone who wants to vote at the meeting. However, if you hold your shares in street name, you must request a proxy from your stockbroker in order to vote at the meeting.

If you are a street name holder:

If you hold your shares of Common Stock in street name, you must vote your shares through the procedures prescribed by your broker, bank, trust or other nominee. Your broker, bank, trust or other nominee has enclosed or otherwise provided a voting instruction card for you to use in directing the broker, bank, trust or other nominee how to vote your shares. In many cases, you may be permitted to submit your voting instructions by Internet or telephone.

Q. What does it mean if I receive more than one proxy card?

A. It means that you have multiple accounts at the transfer agent or with brokerage firms. Please complete and return all proxy cards you may receive, or otherwise vote your shares by telephone or by Internet as described herein, to ensure that all of your shares are voted.

Q. What if I change my mind after I vote?

A. If you are a holder of record, you may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by any of the following means:

- signing or submitting another proxy as provided herein with a later date,

- sending us a written notice of revocation, which must be received prior to the Annual Meeting at the following address: Corporate Secretary, Choice Hotels International, Inc., 10750 Columbia Pike, Silver Spring, Maryland 20901, or
- voting in person at the meeting.

If you are a street name holder, you may change your vote by complying with the procedures contained in the voting instructions provided to you by your broker, bank, trust or other nominee.

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Q. Will my shares be voted if I do not return my proxy card?

A. If you are a record holder your shares will not be voted. If you are a street name holder, your brokerage firm, under certain circumstances, may vote your shares.

Brokerage firms have authority under the New York Stock Exchange (NYSE) rules to vote customers shares on certain routine matters if the customer has not provided the brokerage firm with voting instructions within a certain period of time before the meeting. A brokerage firm cannot vote customers unvoted shares on non-routine matters. Only Proposal Four is considered a routine matter under the NYSE rules.

Accordingly, if you do not instruct your brokerage firm how to vote your shares, your brokerage firm may not vote your shares on Proposals One, Two or Three. Likewise, your brokerage firm may either:

- vote your shares on Proposal Four and other routine matters that are properly presented at the meeting, or
- leave your shares unvoted as to Proposal Four and other routine matters that are properly presented at the meeting.

When a brokerage firm votes its customers unvoted shares on routine matters, these shares are counted to determine if a quorum exists to conduct business at the meeting. When a brokerage firm does not vote a customer s unvoted shares, these shares are counted to determine if a quorum exists; however, they are not treated as voting on a matter.

We encourage you to provide instructions to your brokerage firm by giving your proxy. This ensures your shares will be voted at the meeting.

A purchasing agent under a retirement plan may be able to vote a participant s unvoted shares. If you are a participant in the Choice Hotels Retirement Savings and Investment Plan or the Non-Qualified Retirement Savings and Investment Plan, the plan s purchasing agent may vote the shares you hold under the plan if the purchasing agent does not receive voting instructions from you. The purchasing agent will vote your unvoted shares in the same proportion as all other plan participants vote their shares.

Q. How many shares must be present to hold the meeting?

A. To hold the meeting and conduct business, a majority of the Company s outstanding shares as of the close of business on March 12, 2010, must be present in person or represented by proxy at the meeting. This is called a quorum.

Shares are counted as present at the meeting if the shareholder either:

- is present and votes in person at the meeting, or
- has properly submitted a proxy card, or voted their shares by telephone or Internet.

Q. What are my voting choices when voting on the election of directors?

A. You may vote either for or withhold your vote for each nominee.

If you give your proxy without voting instructions, your shares will be counted as a vote ***for*** each nominee.

Q. How many votes must the nominees have to be elected as directors?

A. The three nominees receiving the highest number of votes for will be elected as directors.

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Q. What happens if a nominee is unable to stand for election?

A. The Board may reduce the number of directors or select a substitute nominee. In the latter case, if you have completed and returned your proxy card or voted by telephone or Internet, Stephen P. Joyce and Ervin R. Shames can vote your shares for a substitute nominee. They cannot vote for more than three nominees.

Q. What are my voting choices when voting on the approval of the amendments to the Company s 2006 Long-Term Incentive Plan?

A. You may vote either for or against the approval of amendments, or you may abstain from voting.
If you give your proxy without voting instructions, your shares will be voted ***for*** the approval of the amendments.

Q. How many votes are needed to approve the amendments to the Company s 2006 Long-Term Incentive Plan?

A. The vote of a majority of the shares present in person or represented by proxy and voting on the matter is required to approve the amendments. In addition, under NYSE rules, the total votes cast on this proposal (which includes for and against votes and abstentions, but excludes broker non-votes) must represent over 50 percent of the issued and outstanding shares of the Company s common stock.

Q. What are my voting choices when voting on the approval of the material terms for payment of chief executive officer incentive compensation?

A. You may vote either for or against the approval of the material terms, or you may abstain from voting.
If you give your proxy without voting instructions, your shares will be voted ***for*** the approval of the material terms.

Q. How many votes are needed to approve the material terms for payment of chief executive incentive compensation?

A. The vote of a majority of the shares present in person or represented by proxy and voting on the matter is required to approve the material terms.

Q. What are my voting choices when voting on the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2010?

A. You may vote either for or against the ratification, or you may abstain from voting.
If you give your proxy without voting instructions, your shares will be voted ***for*** the ratification.

Q. How many votes are needed to ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2010?

A. The vote of a majority of the shares present in person or by proxy and voting on the matter is required to ratify the appointment of PricewaterhouseCoopers LLP. Abstentions are not treated as voting on the matter.

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Q. Is my vote kept confidential?

A. Proxy cards, telephone and Internet voting reports, ballots and voting tabulations identifying shareholders are kept confidential and will not be disclosed to Choice Hotels except as required by law.

Q. Where do I find voting results of the meeting?

A. We will announce preliminary voting results at the meeting. We will publish the final results on Form 8-K after the Annual Meeting. We will file that report with the Securities and Exchange Commission (SEC), and you can get a copy by contacting our Investor Relations Department at (301) 592-5026 or the SEC at (202) 551-8090 for the location of its nearest public reference room. You can also get a copy on the Internet through the SEC s website at *www.sec.gov.*

Q. How can I review the Company s annual Form 10-K?

A. The annual report of Choice Hotels on Form 10-K, including the financial statements and the schedules thereto is being mailed to you together with this proxy statement. You may also view the Form 10-K, as well the Company s other proxy materials, on the website listed below. Click on the Investor Information link on the website. You may also view the Form 10-K through the SEC s website at *www.sec.gov.*

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON APRIL 29, 2010.

The Proxy Statement, the Company s Annual Report on Form 10-K and other proxy materials are available at *www.edocumentview.com/chh***.**

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PROPOSAL 1 ELECTION OF CLASS I DIRECTORS

Nomination

The Company s Certificate of Incorporation provides that the number of directors must be at least three but not more than 12, and must be divided into three classes as nearly equal in number as possible. The exact number of directors is determined from time to time by the Board of Directors and currently consists of nine members. The term of each class is three years, and the term of one class expires each year in rotation.

Three Class I directors are to be elected at the 2010 Annual Meeting, to hold office until the 2013 Annual Meeting of Shareholders, or until their successors are elected and qualified. The remaining directors will continue to serve the terms consistent with their class, as noted below.

The Board has nominated William L. Jews, John T. Schwieters and David C. Sullivan to serve as Class I directors for terms of three years, expiring at the 2013 Annual Meeting of Shareholders, or until their successors are elected and qualified. Each of the nominees is currently a member of our Board of Directors.

Family Relationships

The Chairman of the Board of Directors, Stewart Bainum, Jr., is the uncle of one of our directors, Scott A. Renschler. Other than the family relationship between Mr. Bainum and Dr. Renschler, there are no other familial relationships among our directors or executive officers.

Director Qualifications

The Board requires that its members possess the highest personal and professional integrity and be positioned to contribute to the Board s effectiveness through their experience. In February of 2010 the Board s Corporate Governance and Nominating Committee reviewed the experience, qualifications, attributes and skills of each of the Board s director nominees and continuing directors. The following is the Board s assessment of the qualifications of each Board member that led the Committee to conclude that each Board nominee and continuing director is qualified to serve as a member of the Company s Board:

Director Nominees

William L. Jews. Mr. Jews brings to the Board experience as the chief executive officer of large, service-oriented companies. The Board benefits from Mr. Jews unique ability to relate to and comprehend many of the operational issues before the Board. In addition, Mr. Jews executive experience was characterized by management of rapid company growth, which provides the Board with insight related to various strategic and growth and development plans.

John T. Schwieters. Mr. Schwieters possesses an extensive background in tax, accounting and financial matters. This experience positions Mr. Schwieters well to serve as the chair of the Board s Audit Committee as well as to generally provide the Board with opinions and advice related to the financial and risk-related components of various matters considered by the Board. The Board also values Mr. Schwieters continuing service on the audit committees of other publicly-traded companies as a means to provide comparative assessments of the Company s overall reporting, internal control and risk management functions.

David C. Sullivan. Mr. Sullivan s career of professional experience aligns with the Company s focus in the hospitality industry. Mr. Sullivan s service in a variety of executive roles with various hospitality and travel-related companies provides him with valuable experience concerning issues that are faced by our Company. In

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addition to his extensive experience in the hospitality industry, Mr. Sullivan s current role as an advisor to the Kemmons Wilson School of Hospitality and Resort Management exposes him to a variety of new ideas and best practices in the hospitality industry which can be shared with the Company s Board.

Continuing Directors

Stewart Bainum, Jr. Mr. Bainum s long-standing relationship serving the Company provides the Board with a valuable historical perspective on the Company s culture and direction that is important in the Board s decisions concerning the Company s future direction. In addition, his experience as the board chairman for a hospitality-based real estate development and management company allows Mr. Bainum to provide the Board with unique opinions and perspectives regarding development and operational issues that affect the Company s hotel brands. Mr. Bainum s previous service as Chairman of the Board of Manor Care, Inc. represents valuable, relevant experience in the duties of management and board leadership of a publicly-traded company.

Ervin R. Shames. Mr. Shames has expertise in management strategy that is valuable to the Board both as a resource for use in evaluating the management performance of the Company s executive team, as well as for developing and fostering management initiatives and incentives within the Company. Mr. Shames experience as an executive of consumer products-based companies aligns well with the Board s constant evaluation of the Company s hotel brand performance and plans for brand development and enhancement. Mr. Shames background as a lecturer at the Darden School of Business exposed him to a variety of ideas and strategies in the area of business management which is valuable to the Board as a basis for enhancing or refining the Company s management practices and corporate governance procedures.

Gordon A. Smith. Mr. Smith s specific experience as an executive in the consumer services industry provides the Board with insight into trends, operations, practices and ideas in industries and markets that have a significant indirect impact on the Company s core business of hotel franchising. The knowledge Mr. Smith gained during his tenure at American Express, where he played a vital role in managing a global brand and in developing partnerships and customer rewards programs, is valuable in helping the Board review advertising, branding and growth strategies.

Fiona P. Dias. Ms. Dias possesses extensive experience marketing and managing consumer and retail brands. Her experience with developing, implementing and assessing marketing plans and initiatives allows the Board to benefit from her marketing expertise when new marketing concepts designed to promote the Company s hotel brands are considered by the Board. In addition, Ms. Dias e-commerce and digital marketing experience with a broad spectrum of brands aligns well with the Board s need to review and assess the marketing strategies for each of the Company s hotel brands.

Stephen P. Joyce. Because Mr. Joyce serves as the Company s president and chief executive officer, he possesses unique insight and information related to both the Company s day-to-day operations and its long- and short-term needs. Mr. Joyce s immersion in all aspects of the Company s business and operations provides a perspective on operational and strategic proposals under consideration by the Board that other directors rely upon in reviewing and approving matters before the Board. In addition, the Board benefits from Mr. Joyce s insight into hotel development matters gained during his previous experience as an executive at Marriott International.

Scott A. Renschler, Psy.D. Dr. Renschler s 15 years of experience as a member of the board of directors of Realty Investment Company, Inc. historically and currently one of the Company s largest shareholders provides the Board with the unique perspective on Company matters of a large shareholder of the Company. In addition, because Realty s ownership interests focus on hospitality and real estate investments other than in the Company, Dr. Renschler has previously encountered, discussed and made decisions as a board member regarding many of the industry-related issues that the Board regularly considers.

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Vote Required

The accompanying proxy will be voted in favor of each nominee named in this proxy statement unless the shareholder indicates to the contrary on the proxy. Nominees for director are elected by a plurality of the votes cast in person or by proxy at the Annual Meeting. Management expects that each of the nominees will be available for election, but if any nominee is unable to serve at the time the election occurs, the proxy will be voted for the election of another nominee to be designated by the Board of Directors.

Board Recommendation

*The Board recommends a vote **FOR** each of these nominees.*

BOARD OF DIRECTORS

Nominees

Class I Terms Expiring 2010

William L. Jews, age 58, director from 2000 to 2005 and since March 2006. President and Chief Executive Officer of CareFirst, Inc. from January 1998 to December 2006. Previously, he served as President and Chief Executive Officer of CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc. and served as Chief Executive Officer of Blue Cross Blue Shield of Delaware. He was formerly President and Chief Executive Officer of Blue Cross Blue Shield of Maryland, Inc., from April 1993 until January 1998. Mr. Jews is Chairman of The Ryland Group, Inc., Fortress International Group, Inc. and Camden Learning Corporation. In the past five years, Mr. Jews has also served as a director of MBNA Corporation and Ecolab, Inc.

John T. Schwieters, age 70, director since 2005. Vice Chairman of Perseus LLC since April 2000; Managing Partner of Arthur Andersen s Mid-Atlantic region 1989 to 2000; head of Arthur Andersen s tax practice from 1974 to 1989. Mr. Schwieters is a director of the Danaher Corporation and Smithfield Foods, Inc. In the past five years, Mr. Schwieters has also served as a director of Manor Care, Inc. and Union Street Acquisition Corp.

David C. Sullivan, age 70, director since March 2006. Chairman of the advisory board for the Kemmons Wilson School of Hospitality and Resort Management at the University of Memphis since 2004; Director of Winston Hotels, Inc. from January 1998 until July 2007; Chairman of the Advisory Board of CoachQuote.com from June 2004 to 2005; Chairman, Chief Executive Officer and Co-founder of ResortQuest International from 1997 to November 2003; Executive Vice President and Chief Operating Officer for Promus Hotel Corporation from 1993 to 1997; Senior Vice President, Hotel Group, for Promus Companies, Inc., from 1990 to 1993; Chief Executive Officer, McNeill Sullivan Hospitality Corp. from 1985 to 1990. Prior to 1985 he held various management positions with Holiday Inns, Inc., and American Express Co. In the past five years, Mr. Sullivan has also served as a director of Winston Hotels, Inc. and John Q. Hammons Hotels, Inc.

Continuing Directors

Class II Terms Expiring in 2011

Stewart Bainum, Jr., age 64, director from 1977 to 1996 and since 1997. Chairman of the Board of Choice Hotels International, Inc., from March 1987 to November 1996 and since October 1997; Director of the Board of Realty Investment Company, Inc., a real estate management and investment company, since December 2005 and Chairman from December 2005 through June 2009; Director of the Board of Sunburst Hospitality Corporation, a real estate developer, owner and operator, since November 1996 and Chairman from November 1996 through June 2009. He was a director of Manor Care, Inc., from September 1998 to September 2002, serving as Chairman from September 1998 until September 2001. From March 1987 to September 1998, he was Chairman and Chief

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Executive Officer of Manor Care, Inc. He served as President of Manor Care of America, Inc., and Chief Executive Officer of ManorCare Health Services, Inc., from March 1987 to September 1998, and as Vice Chairman of Manor Care of America, Inc., from June 1982 to March 1987.

Ervin R. Shames, age 69, director since 2002. An independent management consultant to consumer goods and services companies, advising on management and marketing strategy, since January 1995 and lecturer at the University of Virginia s Darden Graduate School of Business from 1996 until 2008. From December 1993 to January 1995, Mr. Shames served as the Chief Executive Officer of Borden, Inc., and was President and Chief Operating Officer of Borden, Inc., from July 1993 until December 1993. He served as President and Chief Executive Officer of Stride Rite Corporation from 1990 to 1992, and then served as its Chairman, President and Chief Executive Officer until 1993. From 1967 to 1989, he served in various management positions with General Foods and Kraft Foods. Mr. Shames serves as a director of Online Resources Corporation and as the non-executive Chairman of the Board of Select Comfort Corporation.

Gordon A. Smith, age 51, director since 2004. Chief Executive Officer, Chase Card Services, JP Morgan Chase since 2007. President, Global Commercial Card Group for American Express Travel Related Services, Inc., from 2005 to 2007. President of Consumer Card Services Group for American Express Travel Related Services, Inc., from September 2001 to 2005 and Executive Vice President of U. S. Service Delivery from March 2000 to September 2001. Mr. Smith joined American Express in 1978 and held positions of increasing responsibility within the company. His prior positions include serving as Senior Vice President in charge of the American Express Service Center in Phoenix and Senior Vice President of Operations and Reengineering for the Latin America and Caribbean region, as well as senior positions in the U.S. Credit and Fraud operations, at Amex Life Insurance Company and in the international card and Travelers Cheque businesses.

Class III Terms Expiring 2012

Fiona P. Dias, age 44, Director since 2004. Executive Vice President, Strategy & Marketing, GSI Commerce, Inc., a provider of e-commerce and interactive marketing solutions, since February 2007. Executive Vice President and Chief Marketing Officer, Circuit City Stores, Inc., from May 2005 to August 2006. Senior Vice President positions at Circuit City from November 2000 to April 2005. Prior to 2000, Ms. Dias held senior marketing positions with PepsiCo, Inc., Pennzoil-Quaker State Company, and The Procter & Gamble Company. She serves as a director of Advance Auto Parts, Inc. In the past five years, Ms. Dias has also served as a director of Lifetime Brands, Inc.

Stephen P. Joyce, age 50, director since April 2008. President and Chief Executive Officer of Choice Hotels International, Inc. since June 2008 and President and Chief Operating Officer of Choice Hotels International, Inc., from May 2008 to June 2008. Prior to joining the Company, he was employed by Marriott International, Inc. as Executive Vice President, Global Development/Owner and Franchise Services, from 2005 until April 2008 and Executive Vice President, Owner and Franchise Services/North American Full Service Development from 2003 until 2005.

Scott A. Renschler, Psy.D., age 40, director since February 2008; clinical psychologist in private practice since July 2007. Since 1993, he has served as a member of the board of directors of the Commonweal Foundation, Inc. He is also a director, since 2000, of the Mental Wellness Foundation; President of the board of trustees of the Crisis Clinic since 2009 and Trustee of the Crisis Clinic since 2007. He served as a director of Realty Investment Company, Inc. from 1993 until 2008.

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CORPORATE GOVERNANCE

Board of Directors

The Board is responsible for overseeing the overall performance of the Company. Members of the Board are kept informed of the Company s business primarily through discussions with the Chairman, the Chief Executive Officer and other members of the Company s management, by reviewing materials provided to them and by participating in Board and committee meetings.

In 2009, the Board held four meetings and each director attended at least 75% of all meetings of the Board and the standing committees of the Board on which he or she served. The Company requires that all Board members attend the Annual Meeting. In 2009, all of the then current Board members attended the Annual Meeting. The non-management members of the Board are required to meet at least once a year in executive session without management. Mr. Shames, the lead independent director, chairs these meetings. Four such meetings were held in 2009.

The Board has adopted Corporate Governance Guidelines, a Corporate Ethics Policy, and charters for each of its standing committees, including the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Diversity Committee, each of which is discussed further below. As part of the Company s ongoing corporate governance process, the Board revised these documents in February 2009 to reflect best practices and required updates. Each of these documents is included in the investor relations section of the Company s website at *www.choicehotels.com*.

Board Leadership Structure

The Board is led by the Chairman, Mr. Bainum, who has served in this role for more than 20 years. The benefits of Mr. Bainum s leadership of the Board stem both from Mr. Bainum s long-standing relationship and involvement with the Company, which provides a unique understanding of the Company s culture and business, as well as his on-going role as the Board s primary day-to-day contact with the Company s senior management team, which ensures that a constant flow of Company-related information is available. This flow of communication enables Mr. Bainum to identify issues, proposals, strategies and other considerations for future Board discussions and to assume the lead in many of the resulting discussions during Board meetings.

The Company has elected to bifurcate the positions of Chairman (held by Mr. Bainum) and chief executive officer (held by Mr. Joyce). Although Mr. Joyce serves as a member of the Board, we believe that Mr. Bainum s status as Chairman provides for a meaningful division of leadership between the Company and the Board.

In addition to this division of leadership between Chairman and CEO, leadership is further divided within the Board based on the Board s annual election of a lead independent director. In light of the Company and Board leadership roles held by Mr. Bainum and Mr. Joyce, the Board believes that it is important to maintain a Board leadership position that is held by an independent director. Currently, Mr. Shames serves as the Board s lead independent director. In his role as lead independent director, Mr. Shames serves as chairman of executive session meetings in which Mr. Bainum and Mr. Joyce (as well as Dr. Renschler) do not participate. The goal and purpose of these meetings chaired by Mr. Shames is to permit the non-management and independent members of the Board to freely discuss issues or concerns related to Company and Board performance, including issues or concerns related to Company or Board leadership. The Board meets regularly in executive session. Four such meetings were held in 2009. In addition to chairing the executive sessions, the lead independent director manages the Board s review of the CEO s performance, coordinates activities of the independent directors and performs any other duties assigned by the Board.

Board s Role in Risk Oversight

The Board administers its risk oversight function through two primary mechanisms: (1) through the adoption and enforcement of Board policies and procedures intended to require the full Board to discuss, address

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and approve or disapprove certain items determined by their nature to involve various risks requiring Board consideration, and (2) through the efforts of the Board s Audit Committee, which focuses on the particular risks to the Company that arise out of financial reporting.

The Board s primary role in risk oversight is to establish and maintain effective policies and procedures that serve to highlight or expose critical risks. The Board has adopted a set of Board policies applicable to various transactions involving the Company and its directors, officers and employees that the Board has determined are likely to involve a potentially high degree of risk, and therefore are appropriately reviewable by the full Board. For these transactions, the Company is required to obtain Board approval, which provides the Board with an opportunity to discuss the transaction and attendant risk, prior to becoming binding on the Company. These transactions requiring prior Board approval include transactions above certain limits, certain lending arrangements, litigation settlements, and related party transactions. In addition to the full Board s role in risk oversight, different committees of the Board play a role in overseeing risks attendant to the committee s particular area of focus. For instance, the Compensation Committee assumes primary responsibility for risk oversight as it relates specifically to the Company s compensation policies and practices, and the Corporate Governance and Nominating Committee and Diversity Committee are empowered to raise risks or potential risks brought to the Committee s attention to the full Board for discussion. In addition, as discussed below, the Board s Audit Committee has specific functions and responsibilities that generally relate to the risk oversight function.

The general functions of the Audit Committee are as set forth under the heading *Committees of the Board* Audit Committee . As a result of the Committee s performance of these functions, it is often provided with access to reports and analysis (either internally generated or created by the Company s independent accountants) relating to issues or concerns that, because of the potential for exposure to risk, the Committee determines to be proper for additional review and discussion. Often, these discussions may remain within the Audit Committee, if, after discussions with the Company s Chief Executive Officer, Chief Financial Officer, Controller, and other relevant Company employees, the result of the review is a determination by the Audit Committee that the identified potential for risk is being adequately addressed by the Company. In certain circumstances, the Audit Committee may determine (either initially after identification of the potential risk or after a preliminary review conducted by the Audit Committee) that certain risks or potential risks be referred to the full Board for discussion.

Director Independence

The Board currently has nine directors, a majority (six) of whom the Board has determined to be independent under the listing standards of the NYSE. The independent directors are Fiona P. Dias, William L. Jews, John T. Schwieters, Ervin R. Shames, Gordon A. Smith and David C. Sullivan.

In determining director independence, the Board applies the standards as set forth in the listing standards of the NYSE and additional independence standards adopted by our Board as follows:

- No director can be independent until five years following the termination or expiration of a director s employment with the Company, rather than three years as currently required under the NYSE rules;

- No director can be independent who is, or in the past five years has been, affiliated with or employed by a present or former outside auditor of the Company until five years after the end of either the affiliation or the auditing relationship, rather than three years as currently required under the NYSE rules; and

- No director can be independent if he or she in the past five years has been part of an interlocking directorate, rather than three years as currently required under the NYSE rules.

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Corporate Governance Guidelines

The Corporate Governance Guidelines, adopted by the Board of Directors, are a set of principles that provide a framework for the Company s corporate governance. The main tenets of the Guidelines are:

- Create value for shareholders by promoting their interests;
- Focus on the future, formulate and evaluate corporate strategies;
- Duty of loyalty to the Company by Directors;
- Annual Chief Executive Officer evaluation by independent directors;
- Annual approval of three-year strategic plan and one-year operating plan or as the Board deems necessary in the event there are no material changes to the strategic and operating plans then in effect;
- Annual assessment of Board and committee effectiveness by the Corporate Governance and Nominating Committee;
- Directors are required to reach and maintain ownership of $175,000 of Company stock;
- Directors attendance expectations; and
- Annual report of succession planning and management development by Chief Executive Officer.

Corporate Ethics Policy

The Board of Directors has established a Corporate Ethics Policy to aid each director, officer and employee of the Company (including the Chief Executive Officer, Chief Financial Officer and Controller) and its subsidiaries in making ethical and legal decisions in his or her daily work. The Company intends to post amendments to or waivers from the Corporate Ethics Policy (to the extent applicable to the Chief Executive Officer, Chief Financial Officer and Controller) on the Company s website.

Committees of the Board

The standing committees of the Board of Directors are the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Diversity Committee. The charters for each of these committees were revised in February 2009 and are included in the investor relations section of the Company s website at *www.choicehotels.com.* All of the current members of each of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee are independent, as required by the committee charters and the current listing standards of the NYSE and the rules of the SEC, as applicable.

The following provides a description of certain functions, current membership and meeting information for each of the Board committees for 2009.

Compensation Committee

Under the terms of its charter, the Compensation Committee discharges the Board s responsibilities relating to compensation of the Company s executives through the following functions, among others:

- Overseeing the administration of the Company s equity compensation plans and authorizing equity awards thereunder;
- Reviewing and approving the compensation of executive officers;
- Setting the compensation for the non-employee members of the Board of Directors;

- Reviewing bonus and incentive plans, pensions and retirement;
- Reviewing other employee benefit plans and programs;
- Reviewing the Company s succession plan and management development;
- Self-evaluating annually;
- Setting criteria and guidelines for performance of the Chief Executive Officer;
- Assessing performance of the Chief Executive Officer against objectives; and
- Overseeing and assisting the Company in preparing the Compensation Discussion and Analysis and producing the annual Committee report for the Company s proxy statement.

As part of its meeting in February of 2010, the Committee, with the assistance of our Human Resources department, reviewed the Company s compensation policies and practices with a focus on identifying any aspects or components of such policies and practices that may create risks that are reasonably likely to have a material adverse affect on the Company. Although this review focused largely on potential risks associated with executive level compensation programs and policies, the Committee also discussed the Company s compensation policies and practices for all employees. While discussing potential risks, the Committee also discussed the presence of risk mitigating factors such as the existence of internal controls and of counter-balancing compensation forms and programs. As a result of this review, the Committee has concluded that the Company s compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

During 2009, at the direction of the Chairman of the Compensation Committee, Mr. Joyce our President and Chief Executive Officer, together with Mr. Mirgon, our former Senior Vice President, Human Resources and Administration, prepared and distributed to Committee members meeting agenda, consultant-provided compensation related information and Company reports and data in preparation for Committee meetings. In addition, in conjunction with the Committee Chairman, these officers prepared and presented specific compensation proposals to the Committee, including Mr. Joyce s respective assessment of individual executive officer performance and recommended compensation amounts. See the Compensation Discussion and Analysis section below for more information on Mr. Joyce s role in recommending the compensation paid to our Named Executive Officers (as defined below in Compensation Discussion & Analysis) in 2009. None of our executive officers determined or recommended the amount or form of non-employee director compensation.

In accordance with its charter, the Committee has the authority to retain, terminate and approve professional arrangements for outside compensation consultants to assist the Committee. During 2009, the Compensation Committee retained the Semler Brossy Consulting Group LLC (Semler Brossy Consulting Group), Towers Watson & Co. (Towers Watson) and Mercer USA (Mercer) to provide various compensation-related services and assistance. Semler Brossy assisted the Committee by reviewing and commenting on the Company s Compensation Discussion and Analysis Disclosures for its 2009 proxy statement. Towers Watson provided reports for the Board s meetings in February and June updating executive compensation trends in light of the evolving economic environment and conducted a comprehensive review and analysis of the Company s executive retirement plans. Mercer conducted the comprehensive review and analysis of the Company s compensation plans as more fully described in the below titled Subsequent Modifications in Compensation for 2010 (the 2009 Comprehensive Compensation Review).

In July 2009, the Committee engaged Mercer (US) Inc. (Mercer) to serve as its compensation consultant as more fully described under Compensation Discussion and Analysis. During 2009, the Company paid Mercer $223,243 for compensation consulting services related to executive and director compensation. The majority of this amount was attributed to the 2009 Comprehensive Compensation Review.

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The determination to engage Mercer was made by the Compensation Committee after it had conducted an RFP (request for proposal) process involving numerous potential compensation consultants.

Three affiliates of Mercer, Marsh USA (Marsh), Seabury & Smith, Inc. (Seabury) and Kroll Associates, Inc. (Kroll) are currently engaged by the Company. Marsh has been the Company s insurance broker and risk advisor since September 2008; Seabury provides (and has, since August 2009 provided) the Company with administrative services relating to the Company s franchisees and Kroll has, from time to time, since 2005 provided the Company with various investigative and background reports. In 2009, the Company paid Marsh aggregate fees equal to $150,000, Seabury aggregate fees equal to $12,558 and Kroll aggregate fees equal to $33,979. When each of Marsh, Seabury and Kroll were initially retained by the Company to provide their respective services, the Company s General Counsel approved the engagement. Neither the Board nor any committee thereof was involved in the decision to engage Marsh, Seabury or Kroll, and prior to the decision to engage Mercer, the Compensation Committee was not advised of Marsh s, Seabury s or Kroll s relationship with Mercer, or asked to approve the Company s maintenance of its existing business relationship with Marsh, Seabury or Kroll.

In 2009, the Committee consisted of Ervin R. Shames, Chair, Gordon A. Smith, David C. Sullivan and William L. Jews. The Committee met five times during 2009.

While the charter authorizes the Committee to delegate its responsibilities to subcommittees, to date, the Committee has not delegated any of its responsibilities in this manner.

Audit Committee

Under the terms of its charter, the Audit Committee assists the Board to fulfill its oversight responsibilities with respect to the Company s auditing, accounting and financial reporting processes generally. The Committee discharges these duties through the following functions, among others:

- Conferring separately with the Company s independent accountants and internal auditors regarding their responsibilities;
- Reviewing reports of the Company s independent accountants and internal auditors and annual and quarterly reports for filing with the SEC;
- Reviewing reports of the Company s independent accountants concerning financial reporting processes and internal controls;
- Establishing and monitoring a complaints procedure regarding accounting and auditing matters;
- Pre-approving all audit and non-audit services provided by the Company s independent accountants;
- Self-evaluating annually;
- Determining the selection, compensation and appointment of the Company s independent accountants and overseeing their work;
- Reviewing the Company s policies with respect to risk management; and
- Reviewing with the Chief Executive Officer and Chief Financial Officer, the Company s disclosure controls and procedures.

In 2009, the Committee consisted of John T. Schwieters, Chair, Ervin R. Shames and David C. Sullivan. The Committee met eight times during 2009. The Board has determined that Mr. Schwieters is qualified as an audit committee financial expert within the meaning of SEC regulations. Furthermore, each member of the Committee has accounting and related financial management expertise within the meaning of the listing standards of the NYSE.

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Corporate Governance and Nominating Committee

Under the terms of its charter, the Corporate Governance and Nominating Committee assists the Board to determine the composition of the Board and its committees and oversee the Company s corporate governance through the following functions, among others:

- Recommending to the Board a set of Corporate Governance Guidelines;
- Determining the size and composition of the Board;
- Self-evaluating annually;
- Engaging search firms and recommending candidates to fill new positions or vacancies on the Board;
- Determining actions to be taken with respect to directors who are unable to perform their duties;
- Setting the Company s policies regarding the conduct of business between the Company and any other entity affiliated with a director; and
- Monitoring and making recommendations to the Board concerning matters of corporate governance.

In 2009, the Committee consisted of John T. Schwieters, Chair, Fiona P. Dias and Ervin R. Shames. The Committee met four times during 2009.

Diversity Committee

Under the terms of its charter, the Diversity Committee seeks to assist and oversee management in its development of a culture that values people and the diversity of thought and the differences they bring to the business and to further efforts to develop a workforce, franchise and vendor base that is reflective of the community in which the Company does business. The Committee seeks to achieve these goals through the following functions, among others:

- Overseeing management in programs and initiatives oriented toward assuring equality of opportunities in all facets of the Company s business; and
- Reviewing efforts by management to increase the diversity of the Company s workforce.

In 2009, the Committee consisted of Fiona P. Dias, Chair, Gordon A. Smith, William L. Jews and Scott A. Renschler. The Committee met twice during 2009.

Contacting the Board of Directors

Shareholders or other interested parties may contact an individual director, the lead independent director of the Board of Directors, or the independent directors as a group by the following means:

Mail:	Choice Hotels International, Inc. 10750 Columbia Pike Silver Spring, MD 20901 Attn: Board of Directors
E-Mail:	*board@choicehotels.com*

Each communication should specify the applicable addressee or addressees to be contacted, as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them to the addressee. The Company generally will not forward to the directors a shareholder communication that it determines to be primarily commercial in nature or relates to an improper or irrelevant topic, or that requests general information about the Company.

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Consideration of Director Candidates

The Corporate Governance and Nominating Committee administers the process for nominating candidates to serve on the Company s Board of Directors. The Committee recommends candidates for consideration by the Board as a whole, which is responsible for appointing candidates to fill any vacancy that may be created between meetings of the shareholders and for nominating candidates to be considered for election by shareholders at the Company s Annual Meeting.

The Board has established selection criteria to be applied by the Corporate Governance and Nominating Committee and by the full Board in evaluating candidates for election to the Board. These criteria include: (i) independence, (ii) integrity, (iii) experience and sound judgment in areas relevant to the Company s business, (iv) a proven record of accomplishment, (v) willingness to speak one s mind, (vi) the ability to commit sufficient time to Board responsibilities, (vii) the ability to challenge and stimulate management, and (viii) belief in and passion for the Company s mission and vision. The Committee also periodically reviews with the Board the appropriate skills and characteristics required of Board members in the context of the current membership of the Board. This assessment includes considerations such as diversity, age and functional skills in relation to the perceived needs of the Board from time to time.

The Corporate Governance and Nominating Committee uses a variety of methods to identify potential nominees for election to the Board, including consideration of candidates recommended by directors, officers or shareholders of the Company. When reviewing and recommending candidates to join the Board, the Corporate Governance and Nominating Committee considers how each prospective new member s unique background, experience and expertise will add to the Board s overall perspective and ability to govern the Company. While the Committee has not established any formal diversity policy to be used to identify director nominees, the Committee recognizes that a current strength of the Board stems from the diversity of perspective and understanding that arises from discussions involving individuals of diverse background and experience. When assessing a Board candidate s background and experience, the Committee takes into consideration all relevant components, including, but not limited to, a candidate s gender and cultural and ethnic status. The Committee may also use one or more professional search firms or other advisors to assist the Committee in identifying candidates for election to the Board.

The Corporate Governance and Nominating Committee will consider director candidates recommended by shareholders and evaluate them using the same criteria as applied to candidates identified through other means, as set forth above. Shareholders seeking to recommend a prospective candidate for the Committee s consideration should submit the candidate s name and qualifications, including the candidate s consent to serve as a director of the Company if nominated by the Committee and so elected by mail to: Corporate Secretary, Choice Hotels International, Inc., 10750 Columbia Pike, Silver Spring, Maryland 20901.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This table shows how much Company Common Stock is owned by (i) each director of the Company, (ii) the Company s Named Executive Officers (as defined below in Compensation Discussion & Analysis), (iii) all executive officers and directors of the Company as a group and (iv) all persons who are known to own beneficially more than 5% of the Company s Common Stock, as of February 28, 2010. Unless otherwise specified, the address for each of them is 10750 Columbia Pike, Silver Spring, Maryland 20901.

Name of Beneficial Owner	Common Stock Beneficially Owned[1]	Right to Acquire[2]	Unvested Restricted Stock[3]	Percentage of Shares Outstanding[4]
Stewart Bainum, Jr.	11,698,555[5][6]			19.65%[5][6]
Fiona P. Dias	18,866		6,830	*
William L. Jews	24,913		6,830	*
Stephen P. Joyce	104,626	102,064	91,036	*
Scott A. Renschler	209,511[7]		6,359	*
John T. Schwieters	20,127		6,830	*
Ervin R. Shames	38,847		6,830	*
Gordon A. Smith	20,837		6,830	*
David C. Sullivan	15,266		6,830	*
Bruce N. Haase	54,613	113,546	49,796	*
David A. Pepper	32,140	83,947	17,447	*
David L. White	25,207[8]	56,323	11,025	*
Mary Beth Knight	14,628	48,333	17,927	*
Thomas L. Mirgon	36,473	51,311	2,344	*
Sandra K. Michel	12,368	21,455	9,942	*
All Directors and Executive Officers as a Group (15 persons)	12,326,977	476,979	246,856	21.92%
Principal Stockholders				
Barbara J. Bainum	11,081,650[5][9]			18.61%
Bruce D. Bainum	12,620,349[5][10]			21.20%
Roberta D. Bainum	11,583,462[5][11]			19.46%
Stewart W. Bainum	15,597,425[5][12]			26.20%
Todd S. Renschler	7,178,114[5][13]			12.06%
Baron Capital Group, Inc.	4,844,550[14]			8.14%
Realty Investment Company, Inc.	7,135,738[5][15]			11.99%
T Rowe Price Associates, Inc.	3,596,200[16]			6.04%

* Less than 1%.

1 Includes shares: (i) for which the named person has sole voting and investment power, (ii) for which the named person has shared voting and investment power, and (iii) shares held in an account under the Choice Hotels Retirement Savings and Investment Plan (401(k) Plan) or the Choice Hotels Non-qualified Retirement Savings and Investment Plan. Does not include: (i) shares that may be acquired through stock option exercises within 60 days or (ii) unvested restricted stock holdings, each of which is set out in separate columns.

2 Shares that can be acquired through stock option exercises within 60 days of February 28, 2010.

3 Shares subject to a vesting schedule, forfeiture risk and other restrictions.

4 Percentages are based on 59,537,147 shares outstanding on February 28, 2010, plus, for each person, the shares which would be issued assuming that such person exercises all options it holds which are exercisable within 60 days.

5 Because of SEC reporting rules, shares held by Realty Investment Company, Inc. (Realty), a real estate management and investment company, and certain Bainum family entities are attributed to Realty and more than one of the Bainums included in this table because Realty and such named Bainums have shared voting or dispositive control. Realty and members of the Bainum family (including various partnerships,

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corporations and trusts established by members of the Bainum family) in the aggregate have the right to vote 30,708,792 shares, approximately 51.6% of the outstanding shares of Company common stock on February 28, 2010.

6 Includes 3,354,860 shares owned by the Stewart Bainum, Jr. Declaration of Trust of which Mr. Bainum, Jr. is the sole trustee and beneficiary. Also includes 7,135,738 shares owned by Realty in which Mr. Bainum, Jr. s trust owns voting stock and has shared voting authority; 1,200,000 shares owned by Mid Pines Associates Limited Partnership (Mid Pines), in which Mr. Bainum, Jr. s trust is managing general partner and has shared voting authority; also includes 7,957 shares, which Mr. Bainum, Jr. has the right to receive upon termination of his employment with the Company pursuant to the terms of the Company s retirement plans.

7 Includes 80,209 shares held directly by the Scott Renschler Declaration of Trust, of which Dr. Renschler is the sole trustee and beneficiary; and 120,849 shares owned by the BBB Trust J, a trust for the benefit of Dr. Renschler s cousins for which he serves as trustee; also includes 8,453 shares Dr. Renschler is entitled to under the Company s non-employee director plan. Also includes 36,742 shares that are held in a margin account subject to a pledge.

8 Includes 5,438 shares held in a cash management account which includes an overdraft feature.

9 Includes 2,467,840 shares owned by the Barbara Bainum Declaration of Trust of which Ms. Bainum is the sole trustee and beneficiary. Also includes 1,200,000 shares owned by Mid Pines, in which Ms. Bainum s trust is a general partner and has shared voting authority; and 7,135,738 shares owned by Realty, in which Ms. Bainum s trust owns voting stock and has shared voting authority. Also includes 278,072 shares owned by trusts for the benefit of Ms. Bainum s nephews of which Ms. Bainum is the sole trustee. Ms. Bainum s address is 8171 Maple Lawn Blvd., #375, Fulton, Maryland 20759.

10 Includes 3,322,721 shares owned by the Bruce Bainum Declaration of Trust of which Dr. Bainum is the sole trustee and beneficiary; and 800,000 shares owned by Posadas Holdings, LLC of which Dr. Bainum and Trusts for his benefit are the sole members. Also includes 1,200,000 shares owned by Mid Pines, in which Dr. Bainum s trust is a general partner and has shared voting authority; and 7,135,738 shares owned by Realty, in which Dr. Bainum s trust owns voting stock and has shared voting authority. Also includes 161,890 shares owned by trusts for the benefit of Dr. Bainum s adult children of which Mr. Bainum is the sole trustee. Dr. Bainum s address is 8171 Maple Lawn Blvd., #375, Fulton, Maryland 20759.

11 Includes 3,247,724 shares owned by the Roberta Bainum Declaration of Trust of which Ms. Bainum is the sole trustee and beneficiary. Also includes 1,200,000 shares owned by Mid Pines, in which Ms. Bainum s trust is a general partner and has shared voting authority; and 7,135,738 shares owned by Realty, in which Ms. Bainum s trust owns voting stock and has shared voting authority. Ms. Bainum s address is 8171 Maple Lawn Blvd., #375, Fulton, Maryland 20759.

12 Includes 3,706,286 shares held directly by the Stewart Bainum Declaration of Trust, of which Mr. Bainum is the sole trustee and beneficiary; 7,135,738 shares owned directly by Realty, in which Mr. Bainum and his wife s trusts own voting stock and have shared voting authority; 224,399 shares held by Cambridge Investment Co., LLC in which Mr. Bainum is the sole Class A member; and 60,000 shares owned by Dinwiddie Enterprises, Inc. (FKA Edelblut Associates, Inc.), a private investment company in which Mr. Bainum s trust owns all the stock. Also includes 4,471,002 shares held by the Jane L. Bainum Declaration of Trust, the sole trustee and beneficiary of which is Mr. Bainum s wife. Mr. Bainum s address is 8171 Maple Lawn Blvd., #375, Fulton, Maryland 20759.

13 Includes 42,376 shares owned by the Todd Renschler Declaration of Trust of which Dr. Renschler is the sole trustee and beneficiary. Also includes 7,135,738 shares owned by Realty for which Dr. Renschler serves as a Director and in which his trust owns stock. Dr. Renschler s address is 8171 Maple Lawn Blvd., #375, Fulton, Maryland 20759.

14 The Company is relying on the Schedule 13G, filed on February 12, 2009, by Baron Capital Group, Inc. (BCG), BAMCO, Inc., Baron Capital Management, Inc. (BCM), Ronald Baron and Baron Growth Fund (BGF). According to this filing, BCG beneficially owns 4,794,350 shares, BAMCO, Inc. beneficially owns 4,537,550 shares, BCM beneficially owns 276,800 shares, Ronald Baron beneficially owns 4,844,550 shares and BGF beneficially owns 3,000,000. These reporting persons disclaim beneficial ownership to the extent these shares are held by their investment advisory clients and not directly by the reporting persons. The address for the reporting persons is 767 Fifth Avenue, New York, New York 10153.

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15 Realty is controlled by members of the Bainum family, including Stewart Bainum, Jane Bainum, Stewart Bainum, Jr., Barbara Bainum, Bruce Bainum, Roberta Bainum and Todd Renschler. Realty s address is 8171 Maple Lawn Blvd., #375, Fulton, Maryland 20759.

16 The Company is relying on the Schedule 13G filed on February 12, 2010, by T. Rowe Price Associates, Inc. According to this filing, T. Rowe Price beneficially owns 3,596,200 shares. The address for the reporting persons is 100 E. Pratt Street, Baltimore, Maryland 21202.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Executive Compensation Program

The Company s executive compensation philosophy is to maintain a compensation program that is both fair and competitive in furtherance of the Company s ultimate goal to optimize shareholder value. This philosophy focuses on linking each executive s total compensation (cash and non-cash compensation) to corporate and individual performance. The Company s compensation program reflects a belief that executive talent is attracted to a company that recognizes and rewards performance, and that with strong performance the Company can deliver shareholder value. In selecting and rewarding executives, the Company intends to continue its practice of providing direct accountability for individual and organizational results for each executive, and ensuring the rewards are commensurate with the contributions and results delivered for shareholders.

For purposes of this Compensation Discussion and Analysis section and the compensation tables and narratives that follow, the Named Executive Officers (NEOs) for 2009 are: Stephen P. Joyce, President and Chief Executive Officer; David L. White, Senior Vice President, Chief Financial Officer and Treasurer; Bruce Haase, Executive Vice President, Global Brands, Marketing & Operations; David A. Pepper, Senior Vice President, Global Development; Mary Beth Knight, Senior Vice President, eCommerce and Global Distribution; Thomas L. Mirgon, former Senior Vice President, Human Resources and Administration; and Sandra K. Michel, former Senior Vice President, General Counsel and Secretary. As previously announced, Mr. Mirgon s employment with Choice terminated on September 26, 2009. Ms. Michel s employment with Choice terminated on November 27, 2009.

The following discussion relates to the Company s 2009 compensation programs and practices. During 2009, the Company adopted significant modifications to its compensation programs and plans that will take effect during 2010. An overview of these modifications and the basis for their implementation is presented at the conclusion of the 2009 discussion and analysis under the heading Subsequent Modifications in Compensation for 2010.

Compensation Objectives

Consistent with the philosophy noted above, the compensation program has been designed to achieve the following objectives:

- provide an attractive mix of salary and annual long-term incentive compensation at competitive levels, as appropriate for public companies of our size, to enable the recruitment and retention of highly qualified executives;
- link pay to corporate and individual performance to encourage and reward excellence and contributions that further the Company s success;
- align the interests of executives with those of our shareholders through grants of equity-based compensation that also provide opportunities for ongoing executive ownership; and
- foster long-term focus required for success in the hospitality industry through equity incentives that vest over time.

Basis for 2009 Compensation Decisions

As previously disclosed in the Compensation Discussion and Analysis for prior years, the Compensation Committee s recent practice has been to utilize comparative market information as part of the annual decision-making process for executive compensation matters. While comparative market information was not used to benchmark the amount of compensation paid to the NEOs (or to our executives generally), comparative market information was historically reviewed by the Committee as a general reference to assist in its compensation-related decision-making process. In 2009, unlike in previous years, the Committee did not review tailored comparative compensation-related data as part of its decision-making process. The Committee did review a report compiled specifically for the Company by Towers Perrin which presented an overview of select trends in executive compensation, as well as general information contained in a report issued by Watson Wyatt entitled Effect of the Economic Crisis on HR Programs ; however, these reports and the information they contained were considered by the Committee as general background information and were not a material part of the Committee s compensation-related decision-making process. Instead, and without reference to comparative market information, the Committee determined to freeze the base salaries of each of the Company s senior executives, including each of the NEOs, at the salary level applicable during 2008. Because other components of NEO compensation are linked to base salary, this determination had the effect of freezing or limiting increases in such other components and overall compensation. The Committee s decision to freeze the base salaries of the Company s senior executives was based on the continuing overall difficult economic climate and on management s limited visibility into the near-term prospects for improvement in the existing economic condition.

Implementation of Compensation Objectives

Role and Composition of Compensation Committee

The Compensation Committee of the Board sets the Company s compensation principles that guide the design of compensation plans and programs for executive management. The Committee is charged with establishing, implementing and continually monitoring the executive compensation program and in doing so endeavors to achieve and to maintain a comprehensive package that is both fair and competitive in furtherance of the Company s ultimate goal to optimize shareholder value.

Role of Management

At the direction of the Chairman of the Committee, management may prepare and distribute to Committee members agenda, meeting documents and Company data in preparation for Committee meetings. In addition, in conjunction with the Committee Chairman, management may prepare and present specific compensation proposals to the Committee, including the CEO s assessment of individual executive officer performance and any recommended compensation actions. For Committee matters and activities, management is typically represented by the Company s senior human resources executive. Through September 2009, this role was fulfilled by Mr. Mirgon, our former Senior Vice President, Human Resources and Administration. After Mr. Mirgon s departure from the Company, the primary management contact became Patrick Cimerola who assumed the title of Senior Vice President, Human Resources and Administration.

Role of Compensation Consultant

In accordance with its charter, the Committee has the authority to retain, terminate and approve professional arrangements for outside compensation consultants to assist the Committee. From time to time, the Committee may request that management discuss with consultants certain proposed compensation-related initiatives. From 2005 through early 2009, the Committee retained Semler Brossy Consulting Group LLC (Semler Brossy) as a compensation consultant to provide advice and information with respect to the Committee s compensation decisions. Semler Brossy s consulting relationship with the Committee was terminated in 2009. Prior to termination, Semler Brossy provided the Committee with general support with respect to the Committee s 2009 compensation decisions made in February 2009. For the reasons discussed above, neither Semler Brossy nor any other compensation consultant was involved in providing comparative market information with respect to the Committee s 2009 compensation decisions. In July 2009, the Committee engaged Mercer (US) Inc. (Mercer) to serve as its compensation consultant. Mercer s work for the Committee in 2009 is described under the heading Subsequent Modifications in Compensation for

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2010. During 2009, the Committee engaged affiliates of Towers Watson & Co. for specific compensation-related projects, including an overview of compensation trending analysis and an analysis and review of the Company s executive retirement plans.

Elements of Named Executive Officer Compensation

During 2009, our executive compensation program consisted of four elements: base salary; annual incentive cash compensation; long-term equity incentives; and perquisites and other personal benefits. Rather than consulting market information to determine an allocation among these elements, the Committee determined to retain the allocation that was in place in 2008 (which allocation had been based upon review of general market information).

In 2009, as was the case in recent years, the largest component of total compensation for our Named Executive Officers, as well as our executive officers generally, was designed to be in the form of long-term equity incentive compensation. The Committee believes that tying the greatest portion of total compensation to long-term equity incentives furthers the objectives of aligning executives interests with those of shareholders and focusing executive attention on the Company s long-term prospects.

Base Salary

We believe the primary purpose of base salaries is to provide a level of competitive fixed compensation, in order to attract and retain executives. However, as noted above, in light of the uncertain economic conditions, the Committee determined to freeze the base salaries for all NEOs at the 2008 level. As such, base salaries for 2009 were as follows: Mr. Joyce, $775,000, Mr. White, $275,000, Mr. Haase, $360,000, Mr. Pepper, $300,000, Ms. Knight, $258,000, Mr. Mirgon, $336,000, and Ms. Michel, $350,000. During December 2009, the Committee approved an increase in Mr. White s base salary to $325,000, effective January 1, 2010.

Annual Incentive Cash Compensation

Each of the Named Executive Officers participates in a cash incentive plan that provides the opportunity to earn an annual cash bonus, primarily based upon achievement of a company-wide diluted earnings per share (EPS) goal established by the Committee at the start of each year. Because cash incentive compensation for each calendar year is tied to a final determination of the Company s EPS, the payments are typically finalized and paid in mid-February following the year in which the cash bonus was earned. As an example, the incentive cash compensation earned by each of the NEOs with respect to 2009 was finalized and paid during February 2010. Pursuant to his amended employment agreement, Mr. Mirgon remained eligible to receive bonus payments under the plan for calendar year 2009 following his termination. Additionally, Ms. Michel remained eligible to receive bonus payments under the plan for calendar year 2009 based on the terms of her written non-competition, non-solicitation and severance agreement.

Consistent with prior years, the Committee chose EPS as the objective performance measure for the Company s 2009 bonus plan in order to provide a direct link between company performance and shareholder value. EPS also provides an easily understood and clearly reported number that allows for clear comparison with internal as well as external performance metrics. The EPS target for the 2009 plan payout at 100% of target was $1.70, which was recommended to the Committee by Mr. Joyce based on the Company s Board-approved 2009 business plan.

Under the plan, each participating Named Executive Officer has a target bonus opportunity equal to a percentage of their respective base salary that is actually paid in the calendar year. For Messrs. Joyce and Mirgon, the exact percentage is set forth in their respective employment agreements. For the remaining NEOs, the exact percentage has been established by the Board based on recommendations within the comprehensive compensation design study performed for the Company by Semler Brossy in 2005 (the Comprehensive Compensation Study) that established percentages as target levels that are based on an executive s title,

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reporting status and scope of responsibilities. Based on the continuing uncertainty in the economy, Mr. Joyce recommended to the Committee that the target bonus opportunity not be changed for 2009 for each Named Executive Officer whose target was not already contractually established (i.e., for all NEOs other than Mr. Mirgon, Ms. Michel, and himself.) The target bonus levels for each of the Named Executive Officers for calendar year 2009 are presented below:

Named Executive Officer	2009 Target Bonus
Joyce	100% of Eligible Earnings
White	50% of Eligible Earnings
Haase	55% of Eligible Earnings
Pepper	50% of Eligible Earnings
Knight	45% of Eligible Earnings
Mirgon	50% of Eligible Earnings
Michel	50% of Eligible Earnings

Upon the recommendation of Mr. Joyce and due to the Committee s belief that the plan structure has been successful in incenting and rewarding the Named Executive Officers from year-to-year, in December 2008 the Committee approved the same annual incentive plan structure for calendar year 2009 as was in place in 2008 and prior years. The 2009 annual plan was structured to pay the target bonus level for each Named Executive Officer upon achievement of an established EPS goal, and to pay a varying percentage of the target for EPS performance above or below the annual goal as follows:

· no payment unless the Company achieves the minimum performance level, or 90% of the EPS goal ($1.53 per share);

· payment equal to 50% of the target award for achievement of 90% of the EPS goal ($1.53 per share);

· payment equal to 100% of the target award for achievement of the target performance level ($1.70 per share);

· payment equal to 200% of the target award for achievement of the maximum performance level, or 120% of the EPS goal ($2.04 per share); and

· payment is interpolated between these values depending on actual EPS results.

The level of achievement of the EPS target, combined with each NEO s established target bonus percentage, is the primary driver of each NEO s annual bonus payment for the year. However, for each participating Named Executive Officer, other than Mr. Joyce, the incentive plan payout determined by this formula under the annual plan may be further adjusted based on Mr. Joyce s assessment of each such officer s degree of achievement of certain pre-determined individual performance objectives for the year. These performance objectives, where applicable, are based in part upon a qualitative evaluation of performance, but can also include quantifiable measures such as franchisee/customer satisfaction and Revenue Per Available Room (RevPAR) improvement, in addition to other relevant measures, and incorporate each executive officer s accountability for the successful execution of key initiatives tied to the achievement of the Company s strategic plan. Individual performance may result in an adjustment of the bonus payout of up to 20% (increase or decrease). For 2009, other than Mr. Pepper, no Named Executive Officer s individual performance resulted in a material increase or decrease of his or her annual cash bonus amount. For 2009, Mr. Pepper s incentive cash compensation was decreased by 6% from the amount otherwise payable to him based on the Company s EPS due to a failure to meet a 2009 performance objective related to overall franchise sales.

The 2009 annual bonus for Mr. Joyce was based solely upon the level of attainment of the EPS goal because the Committee believes that the Chief Executive Officer s annual bonus, if any, should be directly tied to the EPS delivered to our shareholders. The Chief Executive Officer has the primary responsibility for this goal.

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The Company s GAAP EPS in 2009 was $1.63 per share. Pursuant to the annual incentive plan, EPS may be adjusted at the discretion of the Committee for certain non-recurring items. During December 2008, the Committee approved standard plan adjustments related to costs required to be accounted for in accordance with (i) Accounting Standards Codification (ASC) No. 712 Compensation Nonretirement Postemployment Benefits and (ii) ASC No. 420 Exit or Disposal Cost Obligations (the Standing Adjustment Items). As part of the Committee s 2008 approval, it determined that any future adjustments to EPS related to Standing Adjustment Items should be made by the Company without the need for additional Committee approval. For 2009, the adjustments to EPS attributable to the Standing Adjustment Items was $0.07. In addition to the Standing Adjustment Items, the Committee approved in February 2010 an additional adjustment to 2009 EPS in the amount of $0.01 related to unplanned charges resulting from the curtailment of the Company s Supplemental Executive Retirement Plan (SERP). Based on the Standing Adjustment Items as well as the exclusion of charges related to the curtailment of the SERP, EPS for 2009 bonus plan determination purposes was $1.71, which resulted in a bonus payout at 100% of the target.

The actual payout amounts to the participating Named Executive Officers under the 2009 annual incentive plan are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Long-Term Equity Incentives

2009 Equity Awards

The Committee believes that annual awards of long-term equity are imperative to foster the long-term focus of the Company s executives required for success in the hospitality industry. Similar to 2008 and prior years, and based upon the recommendation of Mr. Joyce, the aggregate annual equity awards granted in 2009 to each of Messrs. White, Haase, Pepper, Mirgon and Mses. Knight and Michel was based on a combination of stock options and service-based restricted stock (SBRS), with stock options targeted at approximately 75% of the long-term incentive opportunity and SBRS targeted as the remaining approximately 25% of the award. The allocation of Mr. Joyce s initial equity awards was based upon employment negotiations. Since 2006, the Company generally has granted performance vested restricted stock units, or PVRSUs, in lieu of SBRS to our senior executives (including the Named Executive Officers) to further align compensation and the cumulative contribution of these executives to increasing the Company s performance, as they are the executives most responsible for this performance. In 2008, Mr. Joyce was awarded performance based restricted stock units, or PBRSUs, which differ from PVRSUs only in that they vest over a five year period rather than a three year period, and are not subject to any leveraging, meaning that if the performance conditions are met, a specific number of shares will vest, and if the conditions are not met, no shares will vest. During 2009, each of Messrs. Haase, Pepper and Mirgon had previously granted PVRSUs that lapsed. These PVRSUs were granted in 2006, with a 3-year EPS target set at $4.67. The Company s actual EPS during the 2006-2008 performance period was $5.00, which was 107% above the applicable EPS target. Based on the actual EPS performance, the 2006-2008 PVRSUs vested at 135% of the target share award, resulting in Mr. Haase receiving 2,095 shares, Mr. Pepper receiving 2,994 shares and Mr. Mirgon receiving 2,514 shares.

In 2009, the Board approved a one-time exception to its standard practice of granting PVRSUs and approved awards of SBRS as opposed to PVRSUs. This decision was based primarily on the uncertainties in the economy and the hospitality sector, which made it difficult for the Committee to determine meaningful performance goals to attach to PVRSUs. Lacking the ability to establish meaningful goals, the Committee determined to utilize SBRS awards rather than PVRSUs, as an acknowledgment both to the uncertain economic climate and the need to provide incentives for retaining the employment of the NEOs through a service, rather than performance, based vesting schedule. As has historically been the Company s practice, the annual equity award is weighted more heavily towards stock options than PVRSUs or SBRS because the value of stock options only increases if the market price of the Company s common stock increases, which we believe provides a direct incentive for the Company s executives to seek to increase shareholder value. The overall combination of stock options and restricted stock (whether in the form of PVRSUs or SBRS) is intended to focus the executives on long-term performance while also serving as a retention tool.

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In order to determine the 2009 actual equity award value for each participating Named Executive Officer other than Mr. Joyce, consistent with prior years, each officer generally receives an equity value based upon a multiplier of the officer s base salary for the prior year. Each officer s multiplier is established based on guidelines contained in the Comprehensive Compensation Study that take into account an executive s title, reporting status and scope of responsibilities. Mr. Joyce, with the assistance of Mr. Mirgon, provided a range of potential values to the Committee at its meeting in February 2009 for each officer s potential stock option and restricted stock awards, with low, target and high values set forth for each officer. The ranges were determined based on the low and high ranges contained within the survey information discussed above. For Mr. Joyce the grant date fair value of his annual equity awards are required to be at least $1,550,000, which is based on a formula of two times the Chief Executive Officer s salary level, as designated in his employment agreement.

Mr. Joyce recommended each participating Named Executive Officer receive 2009 equity awards valued at the target/midpoint level of the range for each type of award except Mr. Pepper and Ms. Knight. He recommended that Mr. Pepper and Ms. Knight receive 2009 equity awards valued at the high end of the range, to recognize extraordinary performance during the difficult economic conditions in 2008 and in recognition of the fact that both of their responsibilities were increased for 2009. The Committee accepted all of Mr. Joyce s recommendations.

As discussed in the preamble to the Grants of Plan-Based Awards Table, the number of shares subject to the stock option portion of the equity award granted to each officer is based on the Black Scholes option-pricing model. See the preamble to the Grants of Plan-Based Awards Table for more information on how the Company determines the actual number of shares subject to each type of equity award.

The following table sets forth the equity award value targets for each applicable Named Executive Officer in 2009:

Named Executive Officer	2008 Base Salary ($)	Target Award Value as a Percentage of Salary (%)	Aggregate Annual Equity Award Value at Target ($)
Joyce	775,000	200	1,550,000
White	275,000	100	275,000
Haase	360,000	125	450,000
Pepper(1)	300,000	100	300,000
Knight(2)	258,000	60	154,000

(1) Mr. Pepper received 46,063 stock options and 4,185 shares of restricted stock, having an aggregate market value of $449,997 at the time of grant. This award was based upon a formula of approximately 1.5 times Mr. Pepper s salary and was intended to be a long-term retention tool.

(2) Ms. Knight received 31,361 stock options, 2,849 shares of restricted stock, and a special grant award of 9,301 shares of restricted stock having an aggregate market value of $556,374 at the time of grant. This award was based upon a formula of approximately 2.61 times Ms. Knight s salary and was intended to be a long-term retention tool.

For the actual equity awards made to each applicable Named Executive Officer in 2009, see the Grants of Plan-Based Awards Table.

Equity Grant Practices

Annual equity awards to the Named Executive Officers are typically granted at the February Committee meeting (except for Mr. Joyce, whose awards are typically granted at the February Board meeting which is usually held the day following the February Committee meeting). Regular meetings of the Board and the Committee are generally scheduled at least a year in advance. Prior to 2008, the exercise price of stock options was determined based on the average of the high and low stock price on the date of grant. Beginning in 2008, the exercise price of each stock option awarded to the Company s executives was the closing market price of the

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Company s stock on the date of grant. This change in practice was made because the Company believes it represents market practice with respect to the stock option grant process. The Company prohibits the repricing of stock options.

Share Ownership Guidelines

Consistent with our compensation objectives, the Company believes that its executive officers individually, and as a group, should have a significant ownership stake in the Company. Thus, in December 2003, the Board of Directors established executive share ownership guidelines that became effective on January 1, 2004. The guidelines require that the Chief Executive Officer own common stock of the Company valued at five times base salary. Each officer who reports directly to the Chief Executive Officer is required to hold common stock valued at three times base salary. Each executive s guideline will be recalculated annually, using base salary as of each January 1st and the average stock closing price for the prior year.

These ownership targets must be met within five years of becoming subject to the guidelines. When ownership guidelines increase as a result of a change in title, the five-year period commences on the January 1st following the change of title. Stock ownership counting towards satisfaction of the guidelines includes:

- shares owned outright by the executive or his or her immediate family members residing in the same household;
- stock held in the 401(k) plan or the non-qualified deferred compensation plan;
- stock held in the Choice employee stock purchase plan;
- restricted stock, whether or not vested, and stock acquired upon the reinvestment of dividends on such shares;
- shares acquired upon stock option exercises, which are then held by the employee;
- shares held in trust (subject to specific approval); and
- vested PVRSUs and/or PBRSUs.

The applicable Named Executive Officers must meet specified exemption criteria or obtain permission before selling stock during any time they fail to be in compliance with their target share ownership levels. As of December 2009, Messrs. Haase and Pepper are in compliance with the guidelines, even though Mr. Pepper is still within his respective five-year window. Messrs. Joyce and White are still within their respective five-year windows for acquiring shares sufficient to satisfy their current respective ownership guidelines. Ms. Knight is not subject to executive share ownership guidelines since she does not report directly to the Chief Executive Officer. As a result of their termination of employment, neither Mr. Mirgon nor Ms. Michel is subject to executive share ownership guidelines.

Perquisites and Other Personal Benefits

Flexible Perquisites Plan. Executive officers, including each of the Named Executive Officers, are eligible to receive certain benefits not available to other full-time employees. In 2000, the Company established a Flexible Perquisites Plan in connection with our efforts to recruit and retain certain key executives at that time. The plan design and covered expenses were based on our review at that time of competitive market information and how the Committee believed other companies structured their flexible perquisites program.

Pursuant to the Company s Flexible Perquisites Plan, each Named Executive Officer is entitled to receive an aggregate amount of reimbursement that may be used by the executive officers for any of the following personal benefits: financial and estate planning, legal services, supplemental life insurance premiums, club membership dues, certain health care and child care expenses. The reimbursement amount for each NEO is based on the executive s title, reporting status and scope of responsibilities, and the amounts applicable to each category of executive has not increased under the Plan since 2003. These reimbursements represent taxable income to the executive; however, pursuant to the plan, the Company pays any associated tax. In the event that an executive incurs reimbursable costs that are less than the aggregate reimbursable amount, the difference is not paid to the executive or carried forward to the next year. We believe the cost to the Company to provide this plan, and any associated tax gross up expense, is minimal compared to the goodwill and retention benefits the program offers.

In 2009, the aggregate amount of reimbursement available to each Named Executive Officer under the Flexible Perquisites Plan was as set forth below. The level of benefits available under the Flexible Perquisites Plan were below those provided by other companies, as evidenced by the competitive market information reviewed at the time.

Officer	2009 Eligible Reimbursement ($)
Joyce	31,800
White	15,000
Haase	15,000
Pepper	15,000
Knight	8,000[(1)]
Michel	15,000
Mirgon	15,000

(1) Ms. Knight s aggregate reimbursement was increased to $15,000 in February 2010.

For actual amounts reimbursed to each officer under the Flexible Perquisites plan during 2009, see the Summary Compensation Table.

Other Personal Benefits. In addition to the Flexible Perquisites Plan, the Company offers our senior executives the Company s Stay at Choice program which provides reimbursements for nightly room charges to these executives when staying at the Company s franchised properties for non-business related travel. The Company grosses up any associated taxes to an executive incurred from utilizing this program. Through the Stay at Choice program, the Company seeks to encourage our senior executives to use our hotels when traveling on personal matters as they are the best source of input and feedback as to the value and consistency of our product. There is no limit on an executive s use of this plan during the year, for the reasons set forth above.

In addition to participation in the Flexible Perquisites Plan, Mr. Joyce s employment agreement provides for an annual car allowance, initial and annual fees at a dining and/or recreational club of his choosing, and personal use of the aircraft leased by the Company for up to 25 flight hours per year. Mr. Joyce s employment agreement provides that the Company is required to gross up any associated taxes to Mr. Joyce in connection with these benefits. Mr. Joyce s specific perquisites were based on recruitment negotiations with the Committee giving due consideration to market terms at the time.

Each of the remaining applicable Named Executive Officers are also given an annual car allowance. For the aggregate cost to the Company for each of the perquisites or other personal benefits described above, see the All Other Compensation column of the Summary Compensation Table below.

Retirement Plans

The Company offers our senior executives, including each of the Named Executive Officers, a retirement package, comprised of various non-qualified retirement plans which are not offered to our other employees. We believe the combination of these retirement plans is reasonable and competitive, and that these plans encourage retention of our executives and reward them for long, continued service to the Company. We provide the non-qualified plans due to the regulatory limits on the amount of compensation that can be contributed to qualified retirement plans in any given year. We believe these limits leave higher-paid executives without competitive retirement income replacement. Accordingly, we believe the non-qualified plans are a vital part of an executive s financial planning to bridge the divide between Social Security and retirement income.

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For more information on these plans, see the Change in Pension Value and All Other Compensation columns of the Summary Compensation Table below, as well as the Pension Benefits and Non-Qualified Deferred Compensation Tables and accompanying narratives below.

Severance and Change in Control Arrangements

Each of the Named Executive Officers other than Mr. Mirgon and Ms. Michel are entitled to receive various payments and continued benefits upon various triggering events. These arrangements are set forth in an employment agreement with Mr. Joyce, and a non-competition, non-solicitation and severance agreement (hereinafter referred to as a Severance Agreement) for Mr. Haase and Ms. Knight. For each of Messrs. White and Pepper, these arrangements are prescribed by the Choice Hotels International Severance Benefit Plan which is applicable to all of the Company s employees who do not otherwise have an employment agreement or Severance Agreement with the Company. The terms of the severance provisions and benefits in each of these agreements and the Choice Severance Benefit Plan were based on what the Committee believed was competitive with market at the time of adoption. In addition, the agreement of Mr. Joyce was based on recruitment negotiations with the Committee giving due consideration to market terms at the time.

During 2007, the Compensation Committee reviewed the overall severance and termination/change in control arrangements applicable to the Named Executive Officers. The Committee requested a review at this time due to the departure of three key executives. While the Company s succession plans allowed the Company to absorb these departures, the Committee felt it was important to enter into severance related agreements with certain senior executives as an important retention tool.

Based on data provided by the Semler Brossy Consulting Group in 2007, the Compensation Committee approved a form of executive Severance Agreement to be offered to certain senior executives (the Standard Executive Form of Severance Agreement). The Standard Executive Form of Severance Agreement provides for 18 months of severance and termination benefits in the event of termination without cause or constructive termination. The Standard Executive Form of Severance Agreement also provides, upon certain termination events, for a non-compete and non-solicitation period following termination. The Committee felt that these new severance, non-competition and non-solicitation provisions were typical within our industry and were reasonable and enforceable. In addition, the Standard Form of Severance Agreement approved by the Committee provides for severance payments upon termination of an executive following a change in control (i.e., a double trigger) equal to a lump sum payment of 200% of his or her base salary and annual bonus. At the time of the Committee s approval of the double trigger , 200% was chosen as it was consistent with other executives employment agreements and the Committee desired to treat all senior vice presidents equally.

The provisions granting severance payments upon termination following a change in control were adopted to ensure that its executives will not be tempted to act in their own interests rather than the interests of the Company s shareholders in the event the Company is considering a change in control transaction. These executives may lose their ability to influence the Company s performance after a change in control and may not be in a position to earn incentive awards or vest in equity awards, and thus might be biased against such a transaction. These provisions are designed to make any transaction neutral to the executives economic interests. With respect to the severance payments and continuation of benefits upon a constructive termination or termination without cause, outside of a change in control, the Committee believed these provisions ensure executives who are unexpectedly terminated for reasons outside of their control are appropriately compensated and provided for during a limited period of time following termination.

In 2007, the Company entered into a Severance Agreement with Mr. Haase, and in 2008 entered into a Severance Agreement with Ms. Knight. Each of these agreements contained terms consistent with the Standard Executive Form of Severance Agreement. In 2008, Mr. Mirgon s existing employment agreement was amended to incorporate terms consistent with the Standard Executive Form of Severance Agreement. The Company entered into a Standard Executive Form of Severance Agreement with Ms. Michel upon the commencement of her employment in 2008 (Michel Severance Agreement).

The Choice Severance Benefit Plan applicable to Messrs. White and Pepper represents the Company s severance policy for all employees not otherwise covered by a specific employment or severance contract. This Plan provides for severance compensation in certain events, but does not include non-competition or non-solicitation restrictions. The Plan is periodically reviewed by the Committee in light of changing market conditions. In December 2009, the Committee with the assistance of Mercer undertook such a review and approved and implemented a number of changes which took effect immediately for all covered employees including Messrs. White and Pepper.

In connection with the management succession process that was completed during 2008, the Company entered into an employment agreement with Mr. Joyce on March 20, 2008, which was subsequently amended on April 30, 2008, the terms of which were based upon arms-length negotiations. Mr. Joyce s employment agreement contains severance benefits following constructive termination and termination following a change in control.

Prior to his termination on September 26, 2009, the Company entered into an Agreement and Release with Mr. Mirgon dated September 11, 2009. Pursuant to his existing amended employment agreement, upon his involuntary termination, the Company agreed to the continued payment of his salary, benefits, and his participation in the Company s annual incentive compensation plan, with a target bonus equal to 50% of his base salary during the severance period. Mr. Mirgon s severance period is 18 months, from September 27, 2009 to March 26, 2011. The Agreement and Release reaffirmed our obligation to continue these payments and benefits through the term of his severance period and provided for certain additional severance benefits. The Company also executed the Agreement and Release with Mr. Mirgon in order to obtain a non-disparagement agreement from Mr. Mirgon, as well as to receive a general release in favor of the Company

In connection with her termination of employment with the Company, the Company entered into an Agreement and Release with Ms. Michel dated December 28, 2009. Pursuant to the Michel Severance Agreement, upon her involuntary termination, the Company agreed to the continued payment of her salary, benefits, and her participation in the Company s annual incentive compensation plan, with a target bonus equal to 50% of her base salary during the severance period. Ms. Michel s severance period is 18 months, from November 28, 2009 to May 27, 2011. The Agreement and Release reaffirmed our obligation to continue these payments and benefits through the term of her severance agreement. The Company also executed the Agreement and Release with Ms. Michel in order to obtain a non-disparagement agreement from Ms. Michel, as well as to receive a general release in favor of the Company and to waive the non-competition restrictions contained in the Michel Severance Agreement.

For a more detailed discussion of the arrangement applicable to each Named Executive Officer, including an estimated quantification of the benefits payable to each officer assuming a termination event as of December 31, 2009, see the Potential Payments upon Termination or Change in Control section below.

Tax Deductibility of Compensation

Section 162(m) of the Code imposes a $1 million ceiling on tax-deductible compensation paid to the Chief Executive Officer and the next three most highly compensated executive officers (other than the Chief Financial Officer) who are employed as of the end of the year. Certain types of compensation are only deductible if performance criteria are set and shareholders have approved the compensation arrangements. The Company believes that while it is generally in the best interest of shareholders to structure compensation plans so that compensation is deductible under Section 162(m), there may be times when the benefit of the deduction would be outweighed by other corporate objectives, such as the need for flexibility.

SBRS awards are generally not tax deductible under Section 162(m); however, our PVRSUs and PBRSUs are fully deductible for Section 162(m) purposes and thus all equity awards to our Named Executive Officers in 2008 and 2009, other than the restricted stock awards, are fully deductible under Section 162(m).

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Subsequent Modifications in Compensation for 2010

In July 2009, the Committee conducted a search process to select a compensation consultant to conduct a comprehensive comparative market review of the Company s executive s compensation. The Committee believed that the 2005 Comprehensive Compensation Study, even with annual updates, was losing relevance in light of the changes in the economy and standard compensation practices. As a result of this process, the Committee retained Mercer to provide this comparative review.

After reviewing Mercer s completed review, the Committee, working with Mercer, made a number of changes affecting the Company s compensation philosophy generally and the particular compensation plans and policies applicable to the NEOs and other senior management s total compensation package. Since these changes took effect on January 1, 2010, they did not impact 2009 compensation as set forth above. Several of the significant changes are described below:

· *Adjustments to Total Remuneration Mix.* Target total remuneration (which consists of all forms of compensation, benefits and perquisites) will be adjusted to increase the percentage of total remuneration tied to total direct compensation and decrease the percentage of total remuneration tied to benefits. Target total direct compensation (which consists of base compensation, cash bonus, and long-term equity incentives) will be adjusted to increase the portion of overall compensation that is tied to Company and employee performance.

· *Pay Positioning and Peer Group.* While, consistent with recent practice, comparative market information will not be used to benchmark the amount of total remuneration for the NEOs (or for our executives generally), comparative market information will continue to be reviewed by the Committee as a general reference and guide to assist the Committee with its decisions related to total remuneration. For certain of our senior executives whose titles and functional roles are widely identified and utilized, including Messrs. Joyce, White and Haase, and other executives that may from time to time be identified by the Committee, the Company will define its competitive market using a combination of a proxy peer group of similarly-sized or situated organizations in the hospitality and franchise industries. Effective for 2010 total remuneration decisions, the Company has selected a peer group consisting of: Ameristar, Carrolls Restaurant, CKE Restaurants, DineEquity, Gaylord, Great Wolf, Interstate, Morgans Hotel, Panera Bread, Pinnacle, Red Robin, Sonic, Vail Resorts and Wendy s/Arby s. For other executives (including NEOs) whose titles and functional roles do not have reasonably comparable titles and roles across the peer group of companies, the comparative market information reviewed by the Committee will be nationally published compensation survey data from the broad hospitality industry.

· *Severance Agreements.* The Company will no longer enter into Severance Agreements. Except for executives who have an existing Severance Agreement, and for existing or future executives who negotiate a written employment agreement that contains a severance provision, severance will be determined in accordance with the Choice Severance Benefit Plan that is generally applicable to all employees of the Company. Effective in 2010, the plan s severance benefit level for executives will be 5 weeks of severance pay for each year of service, with a minimum of 6 months and capped at 70 weeks (or 14 years of service).

· *Retirement Plans.* Effective December 31, 2009, all participation, benefit accruals and vesting in the Company s Supplemental Executive Retirement Plan has been suspended. Additionally, for each participating NEO under the Executive Deferred Compensation Plan, the Moody s Plus Rate of Return, which guaranteed return is equal to the annual yield of the Moody s Average Corporate Bond Rate Yield Index plus 300 basis points, has been eliminated as an investment option for deferrals of compensation earned after December 31, 2009.

THE FOLLOWING COMPENSATION COMMITTEE REPORT SHALL NOT BE DEEMED TO BE SOLICITING MATERIAL OR TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934 OR INCORPORATED BY REFERENCE IN ANY DOCUMENT SO FILED.

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BOARD COMPENSATION COMMITTEE REPORT

ON EXECUTIVE COMPENSATION

Recommendation

The Compensation Committee of the Company has reviewed and discussed the following Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based upon such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company s Proxy Statement.

THE COMPENSATION COMMITTEE

Ervin R. Shames, Chairman

Gordon A. Smith

David C. Sullivan

William L. Jews

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SUMMARY COMPENSATION TABLE

The following table summarizes total compensation paid or earned by each of the Named Executive Officers for the year ended December 31, 2009:

Name and Principal Position	Year	Salary(1) ($)	Stock Awards(2) ($)	Option Awards(2) ($)	Non-Equity Incentive Plan Compensation(3) ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings(4)(5) ($)	All Other Compensation(6) ($)	Total ($)
Stephen P. Joyce	2009	775,000	387,502	1,162,502	775,000	144,474	264,309	3,508,787
President,	2008	491,346	4,310,935	2,881,916	585,280	1,535,897	119,159	9,924,533
Chief Executive Officer								
David L. White	2009	275,000	68,759	206,248	137,500	48,695	62,244	798,446
Senior Vice President,	2008	285,769	68,839	148,922	107,163	134,228	59,963	804,884
Chief Financial Officer &	2007	247,115	102,575	190,360	138,385		31,636	710,071
Treasurer								
Bruce N. Haase	2009	360,000	112,493	337,504	199,980	218,878	78,402	1,307,257
Executive Vice President,	2008	362,192	1,088,721	192,717	146,155	133,864	78,528	2,002,177
Global Brands,	2007	284,892	61,340	444,274	199,425	129,814	64,308	1,184,053
Marketing & Operations								
David A. Pepper	2009	300,000	112,493	337,504	141,000	127,651	65,531	1,084,179
Senior Vice President,	2008	308,654	85,181	182,208	118,060	68,489	59,996	822,588
Global Development	2007	273,846	372,348	190,944	203,194	85,857	63,460	1,189,649
Mary Beth Knight	2009	258,000	326,592	229,782	121,905	67,381	11,556	1,015,216
Senior Vice President,								
eCommerce								
Thomas L. Mirgon	2009	277,846	84,000	251,998	168,000		244,236	1,026,080
Senior Vice President,	2008	347,654	81,608	175,204	136,889	130,450	110,240	982,045
Human Resources &	2007	323,962	73,854	149,760	226,773	147,232	72,260	993,841
Administration(7)								
Sandra K. Michel	2009	339,231	87,494	262,497	175,000		246,413	1,110,635
Senior Vice President,								
General Counsel &								
Secretary(8)								

(1) Values reflect base salary actually received by each Named Executive Officer in the years presented, which depending on the position of pay periods within a calendar year, may not equal an Named Executive Officer s stated annual salary. For example, calendar year 2008 contained one more pay period than did 2009.

(2) For certain Named Executive Officers indicated below, amounts shown in the Stock Awards column for 2008 and 2007 include the grant date fair values for PVRSUs based on the probable outcome of the performance goals (100% of the performance target), computed in accordance with FASB ASC Topic 718. Assumptions used to calculate fair value for 2009 are discussed in Note 19 to Choice audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009. The actual value realized by each individual with respect to PVRSU awards will depend on the Company s actual performance relative to the performance goals, with vesting options for actual shares ranging from 0% to 200% based on actual performance against the performance target established at the time of grant.

The grant date fair value based on the probable outcome for the 2008 PVRSU awards was $68,839 for Mr. White, $88,721 for Mr. Haase, $85,181 for Mr. Pepper, and $81,608 for Mr. Mirgon. The grant date fair value based on the maximum outcome for the 2008 PVRSU awards was $137,678 for Mr. White, $177,442 for Mr. Haase, $170,362 for Mr. Pepper, and $163,216 for Mr. Mirgon.

The grant date fair value based on the probable outcome for the 2007 PVRSU awards was $61,340 for Mr. Haase, $82,060 for Mr. Pepper, and $73,854 for Mr. Mirgon. The grant date fair value based on the maximum outcome for the 2007 PVRSU awards was $122,680 for Mr. Haase, $164,120 for Mr. Pepper, and $147,708 for Mr. Mirgon. The 2007 PVRSU awards vested in February 2010 with an actual outcome at 70% of the performance target.

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The amount shown in Mr. Joyce s Stock Award column for 2008 includes the grant date fair value of PBRSUs based on the probable outcome of the performance goal (100% of the performance target), which amounts to a grant date fair value of $2,000,016. Mr. Joyce s PBRSU award has no threshold or maximum payout. Accordingly, if the performance goal is met or exceeded, vesting will occur at 100% of target, and if the performance goal is not met, no portion of the award will vest.

(3) Values reflect the cash awards to each of the Named Executive Officers under the Management Incentive Plan. For a discussion of the performance targets under the 2009 Management Incentive Plan, see the Annual Incentive Cash Compensation above. For a discussion of the potential amounts payable to each Named Executive Officer under the 2009 Management Incentive Plan, see the Grants of Plan-Based Awards Table below.

(4) For 2009, the following table reflects the change in pension value and preferential earnings on non-qualified deferred compensation under the Executive Deferred Compensation Plan (EDCP) and the Supplemental Executive Retirement Plan (SERP). Mr. Mirgon s change in pension value is negative due to his termination of employment, effective September 26, 2009. In prior year s reporting he was assumed to retire at age 55 with unreduced benefits, however, he is not entitled to benefits until age 65, thereby decreasing the present value of his benefit. Ms. Michel s change in pension value is also negative due to her termination of employment, effective November 27, 2009 and the fact that Ms. Michel s benefits under the SERP at the time of her termination were unvested. Pursuant to the terms of his employment agreement, Mr. Joyce will be credited with an additional ten years of service upon attaining age 55. The change in pension value amount reflects an appropriate accrual.

Named Executive Officer	Change in Pension Value (SERP) ($)	Preferential Earnings (EDCP) ($)
Joyce	135,973	8,501
White	35,895	12,800
Haase	115,187	103,691
Pepper	74,516	53,135
Knight	67,381	0
Mirgon	(252,276)	23,517
Michel	(27,801)	8,672

(5) As discussed in more detail in the Non-Qualified Deferred Compensation Table and accompanying narrative below, one of the investment options available for each participating Named Executive Officer under the EDCP is the Moody s Plus Rate of Return, which return is equal to the annual yield of the Moody s Average Corporate Bond Rate Yield Index plus 300 basis points. The guaranteed portion of the earnings, or the 300 basis points, are reflected in this column, while the aggregate earnings for each participating Named Executive Officer under the EDCP during 2009 are included in the Non-Qualified Deferred Compensation Table below.

(6) See the All Other Compensation Table below for additional information on the amounts included for each Named Executive Officer in the 2009 All Other Compensation column.

(7) As previously announced, on September 26, 2009, Mr. Mirgon s employment as Senior Vice President, Human Resources & Administration terminated.

(8) On November 27, 2009, Ms. Michel s employment as Senior Vice President, General Counsel & Secretary terminated.

ALL OTHER COMPENSATION

The following table further illustrates the components of the 2009 All Other Compensation column in the Summary Compensation Table above:

	Company EDCP/Non-Qualified Match ($)	Company 401(k) Match ($)	Tax Payments ($)(a)	Other Benefits ($)(b)	Severance Payments ($)(c)	Total ($)
Joyce	48,325	9,800	86,960	119,224	0	264,309
White	10,825	9,800	8,861	32,758	0	62,244
Haase	24,120	2,880	13,733	37,669	0	78,402
Pepper	12,700	9,800	10,057	32,974	0	65,531
Knight	0	0	478	11,078	0	11,556
Mirgon	30,563	9,800	10,077	103,334	90,462	244,236
Michel	18,658	6,785	12,400	174,916	33,656	246,413

(a) Represents amounts reimbursed for payment of taxes with respect to certain perquisites paid during 2009 pursuant to our Flexible Perquisite Program, including certain financial and estate planning and legal services, supplemental life insurance premiums, club membership dues, and certain health care and child and elder care. This column also includes amounts reimbursed for payment of taxes with respect to amounts reimbursed under the Choice Stay at Choice program which provides reimbursements to senior executives when staying at Choice hotels properties for purposes other than business. Mr. Joyce also receives reimbursement for payment of taxes attributable to initiation and annual club fees, auto allowance and the amounts properly included in W-2 wages for airplane use.

(b) Benefits included in this column include the following amounts or types of compensation:

· reimbursement for stay during 2009 under our Stay at Choice program, which was $2,591 for Mr. Joyce; $3,657 for Mr. White; $7,152 for Mr. Haase; $3,398 for Mr. Pepper; $3,111 for Mr. Mirgon; and $4,372 for Ms. Michel;

· reimbursement of club dues incurred in 2009 under the Flexible Perquisites Program, which was $18,430 for Mr. Joyce; $7,383 for Mr. White; and $3,765 for Mr. Haase;

· reimbursement of financial and tax planning services and legal expenses incurred during 2009 under the Flexible Perquisites Program, which were $9,201 for Mr. Joyce; $3,800 for Mr. Haase; and $7,626 for Mr. Mirgon;

· reimbursement of health care expenses incurred during 2009 under the Flexible Perquisites Program, which were $7,977 for Mr. Haase and $14,900 for Ms. Michel;

· reimbursement of child care expenses incurred during 2009 under the Flexible Perquisites Program, which were $6,417 for Mr. White; $15,000 for Mr. Pepper; and $6,785 for Mr. Mirgon;

· a car allowance for each officer, as follows: $13,200 for Mr. Joyce; $12,000 for Mr. White; $12,000 for Mr. Haase; $12,000 for Mr. Pepper; $10,200 for Knight; $12,000 for Mr. Mirgon; and $11,077 for Ms. Michel;

· group term life insurance premiums paid by Choice on behalf of each Named Executive Officer;

- the aggregate incremental cost to the Company for Mr. Joyce s personal use of the Company s aircraft during 2009 was $72,913;

- payment of $50,000 for outplacement services for Mr. Mirgon as required pursuant to his Release Agreement dated September 11, 2009;

- reimbursement of legal expenses, which were $15,000 for Mr. Mirgon and $5,000 for Ms. Michel;

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- reimbursement for temporary housing release obligation, which was $4,723 for Ms. Michel; and

- reimbursement of taxable relocation expense, which was $114,100 for Ms. Michel.

Choice calculates the aggregate incremental cost of the personal use of the Company s aircraft by summing actual direct and direct variable costs associated with the use of the aircraft. These costs include fuel, crew travel expenses, landing fees, flight plans, catering, and incremental cost associated with the aircraft lease. Per Mr. Joyce s employment agreement, he is entitled to use the Company s aircraft for personal use for up to 25 hours per year. Periodically, Mr. Joyce s spouse and/or children may accompany him on business or personal trips on the aircraft; however, the aggregate incremental cost to the Company of their use of the aircraft is minimal, if any.

(c) Severance payments include certain amounts shown in the Potential Payments Upon Termination or Change in Control for Mr. Mirgon and Ms. Michel.

Other than as described above, none of the other benefits for any Named Executive Officer exceeded $25,000 or 10% of the total amount of benefits provided to the officer.

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GRANTS OF PLAN-BASED AWARDS FOR 2009

As discussed in Compensation Discussion and Analysis Long-Term Equity Incentives above, the aggregate equity value to be awarded to each Named Executive Officer annually, including for 2009, is determined by the Committee. For each Named Executive Officer s aggregate annual equity value, approximately 75% is awarded as stock options and 25% is awarded as service-based restricted stock (SBRS). For each Named Executive Officer, the value of the aggregate equity grant to be delivered as options is divided by the Black Scholes value on the date of grant to determine the number of shares to be granted. For example, as discussed in the Compensation Discussion and Analysis, Mr. Joyce s long-term equity grant value in 2009 was 200% of his base salary, or $1,550,000. Seventy-five percent of this value, or $1,162,500, was granted as stock options. The Black-Scholes value was $7.327. Thus, the number of shares subject to his option grant on February 8, 2009 was determined as follows: $1,162,500/$7.327 = 158,660 shares. The value of the aggregate equity grant to be delivered as SBRS was divided by the closing price of Choice s Common Stock on the most recent business day before the date of grant. Thus, Mr. Joyce s service-based restricted stock grant was determined as follows: $387,500 (25% of the aggregate equity award value for 2009)/$ 26.88 = 14,416 SBRS. As discussed in the Compensation Discussion and Analysis, the Black-Scholes assumptions used for determining option awards grant size differ from the assumptions used for accounting purposes by reflecting the maximum term versus the expected life.

		Estimated Future Payouts Under Non-Equity(1) Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards(2)						
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	All Other Option Awards: Number of Securities Underlying Options (#)(4)	Exercise Price of Option Awards ($)(5)	Grant Date Fair Value of Stock and Option Awards ($)
Joyce		387,500	775,000	1,550,000							
	2/8/2009								158,660	26.88	1,162,502
	2/8/2009							14,416			387,502
White		68,750	137,500	275,000							
	2/8/2009								28,149	26.88	206,248
	2/8/2009							2,558			68,759
Haase		99,000	198,000	450,000							
	2/8/2009								46,063	26.88	337,504
	2/8/2009							4,185			112,493
Pepper		75,000	150,000	300,000							
	2/8/2009								46,063	26.88	337,504
	2/8/2009							4,185			112,493
Knight		58,050	116,100	232,200							
	2/8/2009								31,361	26.88	229,782
	2/8/2009							2,849			76,581
	2/8/2009							9,301(6)			250,011
Mirgon		84,000	168,000	336,000							
	2/8/2009								34,393	26.88	251,998
	2/8/2009							3,125			84,000
Michel		87,500	175,000	350,000							
	2/8/2009								35,826	26.88	262,497
	2/8/2009							3,255			87,494

(1) Threshold amount reflects the threshold payment level under the Company s 2009 Management Incentive Plan, which is 50% of the target amount. Maximum amount reflects 200% of the target amount. The threshold amount is paid if 90% of the performance goal is attained. The maximum amount is paid upon attaining 120% of the performance goal. For a discussion of the performance targets under the 2009 Management Incentive Plan, see Annual Incentive Cash Compensation above. For the actual payments made to each Named Executive Officer pursuant to the 2009 Management Incentive Plan, see the 2009 Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above.

(2) No PVRSU/PBRSUs awards were granted during 2009.

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(3) Represents grants of SBRS to the applicable Named Executive Officers. Except as described in note 6, these awards vest in equal installments on the anniversary of the grant date over a four-year period based on the continued employment of the officer. Dividends are paid on the restricted stock, if and at the same rate as dividends are paid on our outstanding Common Stock.

(4) Represents grants of stock options to each Named Executive Officer. These awards vest in equal installments on the anniversary of the grant date over a four-year period, based on the continued employment of the officer.

(5) The exercise price of an option is equal to the closing price of Choice Common Stock on the date of grant. Fair market value was established by the Committee as the closing price reported on the New York Stock Exchange on the date of the grant. If no shares were traded on the grant date, the Committee determines the fair market value. The Committee directed that the closing price reported on February 6, 2009 be the fair market value for the grants awarded on Sunday, February 8, 2009.

(6) Represents a special grant made for long-term retention purposes. This award vests in its entirety at the completion of a four-year period conditioned on Ms. Knight s continued employment through such period.

NARRATIVE TO THE SUMMARY COMPENSATION TABLE AND

GRANTS OF PLAN-BASED AWARDS TABLE

Employment Agreements

Choice has entered into employment agreements with each of Mr. Joyce and Mr. Mirgon, and Choice has entered into a Severance Agreement with Mr. Haase, Ms. Knight and Ms. Michel.

Mr. Joyce

On March 21, 2008, Choice entered into an employment agreement with Mr. Joyce, effective May 1, 2008, as amended April 30, 2008 (as amended, the Joyce Employment Agreement). The term of the Joyce Employment Agreement is five years. The Joyce Employment Agreement provides that, for the first six months of the agreement term, Mr. Joyce would be President and Chief Operating Officer and, thereafter, he would transition to President and Chief Executive Officer. As previously disclosed, this schedule was accelerated and Mr. Joyce assumed the role of President and Chief Executive Officer on June 26, 2008. The Joyce Employment Agreement also provides that Mr. Joyce was to be nominated for election to the Board of Directors as a Class III director. Mr. Joyce was appointed to the Board of Directors, effective April 30, 2008.

Pursuant to the Joyce Employment Agreement, Mr. Joyce was to receive an initial annual base salary of $675,000 as Chief Operating Officer, which was to be increased to $775,000 annually upon his becoming Chief Executive Officer. In addition, on the effective date of his employment, Mr. Joyce received (i) such number of restricted shares of Choice Common Stock with a fair market value on the effective date of $2,310,918, vesting of which is to occur in four equal annual installments beginning one year from the effective date, (ii) such number of options to purchase Choice Common Stock with a Black-Scholes valuation on the effective date of $2,881,921, vesting of which was to occur in four equal annual installments beginning one year from the effective date, and (iii) such number of PBRSUs with a fair market value on the effective date of $2,000,000, vesting of which is to occur five years from the effective date, subject to the satisfaction of certain performance targets.

In addition, Mr. Joyce is eligible, beginning in fiscal year 2008 and continuing throughout the term of the Joyce Employment Agreement, to earn a target bonus of 100% per year of his base salary. Pursuant to the Joyce Employment Agreement, Mr. Joyce s fiscal year 2008 bonus was based on a full year of service. Commencing with the 2009 annual equity awards, Mr. Joyce will be eligible to receive annual awards of options to purchase Choice Common Stock and/or restricted stock, with the value of such annual awards to be based on a multiple of his base salary, as determined in the discretion of the Compensation Committee, but in no event are such annual awards to have a value of less than $1,550,000 on the date of grant. Mr. Joyce is also eligible to participate in the Choice Supplemental Executive Retirement Plan (SERP) and Executive Deferred Compensation Plan (EDCP). As applied to Mr. Joyce under the SERP, upon attaining age 55, his years of service will be deemed to be his actual years of service plus ten years. As applied to Mr. Joyce under the EDCP, upon attaining age 55, his years of service will be deemed to be ten years.

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The Joyce Employment Agreement further provides that Choice will provide Mr. Joyce with (i) an allowance for automobile expenses of $1,100 a month, (ii) an appropriate corporate membership, including initial and annual fees, at a dining and/or recreational club of his choice (iii) upon becoming Chief Executive Officer, use of the aircraft utilized by the Company for personal use for up to 25 flight hours per year consistent with Company policy, (iv) reimbursement for all reasonable expenses incurred by him in the performance of services under the agreement, including all travel and living expenses while away from home on business or at the request of and in the service of Choice in accordance with Company policy, (v) participation in all other retirement, health, welfare and fringe benefit plans and policies as generally afforded to the most senior executives of the Company, as are in effect from time to time, and (vi) additional payments on a fully grossed up basis to cover certain applicable federal, state and local income and excise taxes, if any, with respect to the provision of the automobile allowance, club membership and aircraft usage.

Mr. Haase

Mr. Haase, the Company s Executive Vice President, Global Brands, Marketing & Operations, entered into a Severance Agreement with the Company effective January 25, 2008. The Severance Agreement provides for certain benefits upon specified termination events. These benefits and the termination events that trigger them are described under Potential Payments upon Termination or Change in Control below. Pursuant to Company action and policies, he currently receives a base salary of $360,000 per year, may participate in our annual incentive bonus plan with a target bonus equal to 55% of his base salary, and he will be eligible to receive annual awards to purchase Choice Common Stock and/or restricted stock, with the value of such annual awards to be determined by the Compensation Committee at its discretion. In addition, Mr. Haase is entitled to receive a monthly automobile allowance and to participate in all other fringe benefits afforded Choice employees of similar status.

Ms. Knight

Ms. Knight, the Company s Senior Vice President, E-Commerce and Global Distribution, entered into a Severance Agreement with the Company effective January 28, 2008. The Severance Agreement provides for certain benefits upon specified termination events. These benefits and the termination events that trigger them are described under Potential Payments upon Termination or Change in Control below. Pursuant to Company action and policies, she currently receives a base salary of $258,000 per year, may participate in our annual incentive bonus plan with a target bonus equal to 45% of her base salary, and she will be eligible to receive annual awards to purchase Choice Common Stock and/or restricted stock, with the value of such annual awards to be determined by the Compensation Committee at its discretion. In addition, Ms. Knight is entitled to receive a monthly automobile allowance and to participate in all other fringe benefits afforded Choice employees of similar status.

Mr. Mirgon

As previously announced, Mr. Mirgon s employment with the Company terminated on September 26, 2009. Prior to such termination, Mr. Mirgon was employed as Senior Vice President, Human Resources and Administration pursuant to an amended and restated employment agreement dated April 13, 1999, as further amended on January 23, 2008. The employment agreement provides for certain benefits upon specified termination events. In connection with his termination, Mr. Mirgon and Choice entered into a Release Agreement dated September 11, 2009, which provided for certain severance benefits in addition to those under his employment agreement. The additional benefits of both agreements are described under Potential Payments upon Termination or Change in Control .

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Ms. Michel

Ms. Michel s employment with the Company terminated on November 27, 2009. Ms. Michel entered into a Severance Agreement with the Company effective March 31, 2008. The Severance Agreement provides for certain benefits upon specified termination events. These benefits and the termination events that trigger them are described under Potential Payments upon Termination or Change in Control below. Pursuant to Company action and policies, she received a base salary of $350,000 per year, participated in our annual incentive bonus plan with a target bonus equal to 50% of her base salary, and she was eligible to receive annual awards to purchase Choice Common Stock and/or restricted stock, with the value of such annual awards to be determined by the Compensation Committee at its discretion. In addition, Ms. Michel was entitled to receive a monthly automobile allowance and to participate in all other fringe benefits afforded Choice employees of similar status.

Please see the Potential Payments Upon Termination or Change in Control section below for a more detailed discussion on the termination and severance provisions set forth in each employment agreement described above, as well as the severance and termination provisions and arrangements applicable to our other Named Executive Officers.

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OUTSTANDING EQUITY AWARDS AT YEAR-END 2009

The following table provides information on the current holdings of stock options and stock awards by the Named Executive Officers. This table includes unexercised and unvested stock option awards, unvested restricted stock awards and unvested PVRSUs with performance conditions that have not yet been satisfied. The market value of the restricted stock and PVRSU awards is based on the closing market price of Choice s stock as of December 31, 2009, which was $31.66. Because the PVRSUs will be earned, if at all, based on our three-year cumulative EPS performance as compared to the target EPS goal for the respective period (except for Mr. Joyce s 2008 PBRSUs that will be earned, if at all, based upon our five-year cumulative average EPS growth rate) the market value of the PVRSUs and PBRSUs shown in the table is based on achievement of the target level of performance under the awards.

		Option Awards[1]				Stock Awards[2]			
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)[3]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Joyce	05/01/2008	62,400	187,203	34.98	05/01/2015				
	05/01/2008					49,548	1,568,690		
	05/01/2008							57,176	1,810,192
	02/08/2009		158,660	26.88	02/08/2016				
	02/08/2009					14,416	456,411		
White	12/20/2002	18,250		11.71	12/20/2012				
	02/10/2003	1,500		10.1975	02/10/2013				
	02/14/2005	8,000	2,000	29.92	02/14/2015				
	02/12/2006					693	21,940		
	09/13/2006					750	23,745		
	02/11/2007					1,250	39,575		
	12/11/2007	10,000	10,000	36.42	12/11/2014				
	02/10/2008	4,768	14,305	33.08	02/10/2015				
	02/10/2008							2,081	65,884
	02/08/2009		28,149	26.88	02/08/2016				
	02/08/2009					2,558	80,986		
Haase	02/07/2002	14,700		10.5825	02/07/2012				
	02/10/2003	19,600		10.1975	02/10/2013				
	02/14/2005	18,560	4,640	29.92	02/14/2015				
	02/12/2006	7,711	2,571	48.75	02/12/2013				
	02/11/2007	6,272	6,272	41.03	02/11/2014				
	02/11/2007							1,495	47,332
	05/25/2007	12,500	12,500	38.7050	05/25/2014				
	02/10/2008	6,170	18,512	33.08	02/10/2015				
	02/10/2008							2,682	84,912
	03/21/2008					30,553	967,308		
	02/08/2009		46,063	26.88	02/08/2016				
	02/08/2009					4,185	132,497		
Pepper	02/10/2003	18,750		10.1975	02/10/2013				
	01/01/2005					2,000	63,320		
	02/14/2005	13,600	3,400	29.92	02/14/2015				
	02/12/2006	10,154	3,385	48.75	02/12/2013				
	02/11/2007	7,650	7,650	41.03	02/11/2014				
	02/11/2007							2,000	63,320
	05/25/2007					3,750	118,725		
	02/10/2008	5,834	17,502	33.08	02/10/2015				
	02/10/2008							2,575	81,525
	02/08/2009		46,063	26.88	02/08/2016				

02/08/2009	4,189	132,624

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		Option Awards[1]				Stock Awards[2]			
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)[3]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Knight	02/25/2002	12,000		10.4575	02/25/2012				
	02/10/2003	13,296		10.1975	02/10/2013				
	02/14/2005					528	16,716		
	02/12/2006					618	19,566		
	02/11/2007	2,011	2,012	41.03	02/11/2014				
	02/11/2007							567	17,951
	05/01/2007	5,000	5,000	37.625	05/01/2014				
	02/10/2008	3,589	10,772	33.08	02/10/2015				
	02/10/2008							1,609	50,941
	02/08/2009		31,361	26.88	02/08/2016				
	02/08/2009					12,150	384,669		
Mirgon	02/14/2005	19,200	4,800	29.92	02/14/2015				
	02/12/2006	8,304	2,769	48.75	02/12/2013				
	02/11/2007	6,000	6,000	41.03	02/11/2014				
	02/11/2007							1,800	56,988
	02/10/2008	5,609	16,830	33.08	02/10/2015				
	02/10/2008							2,467	78,105
	02/08/2009		34,393	26.88	02/08/2016				
	02/08/2009					3,125	98,938		
Michel	03/31/2008	6,249	18,751	34.11	03/31/2015				
	03/31/2008							2,500	79,150
	03/31/2008					7,500	237,450		