

CHOICE HOTELS INTERNATIONAL INC /DE

Form S-3ASR

March 03, 2017

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As filed with the Securities and Exchange Commission on March 3, 2017

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM S-3**  
**Registration Statement**  
*under*  
*the Securities Act of 1933*

**CHOICE HOTELS INTERNATIONAL, INC.**  
**(Exact name of Registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**52-1209792**  
**(I.R.S. Employer**  
**Identification Number)**

**1 Choice Hotels Circle, Suite 400**

**Rockville, Maryland 20850**

**(301) 592-5000**

**(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)**

**Simone Wu**

**Senior Vice President, General Counsel, Corporate Secretary & External Affairs**

**Choice Hotels International, Inc.**

**1 Choice Hotels Circle, Suite 400**

**Rockville, Maryland 20850**

**(301) 592-5000**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copies to:*

**John B. Beckman, Esq.**

**C. Alex Bahn, Esq.**

**Hogan Lovells US LLP**

**Columbia Square**

**555 Thirteenth St., NW**

**Washington, DC 20004**

**(202) 637-5600**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

		<b>Proposed</b>	<b>Proposed</b>	
	<b>Amount</b>	<b>Maximum</b>	<b>Maximum</b>	
<b>Title of Each Class of</b>	<b>to be</b>	<b>Offering Price</b>	<b>Aggregate</b>	<b>Amount of</b>
<b>Securities to be Registered(1)(2)</b>	<b>Registered(1)(2)</b>	<b>Per Unit(1)(2)</b>	<b>Offering Price(1)(2)</b>	<b>Registration Fee(3)</b>
Common Stock (4)				
Preferred Stock (4)				
Debt Securities (4)				

(1) An indeterminate amount of each identified class of securities to be offered at indeterminate prices is being registered pursuant to this registration statement.

- (2) Omitted pursuant to General Instruction II.E. of Form S-3.
- (3) The registrant is deferring payment of the registration fee pursuant to Rule 456(b) and is omitting this information in reliance on Rule 456(b) and Rule 457(r). Any registration fees will be paid subsequently on a pay-as-you-go basis in accordance with Rule 457(r).
- (4) Also includes such indeterminate amount of debt securities, preferred stock or common stock as may be issued upon conversion of, or in exchange for, or upon exercise of, or pursuant to, convertible or exchangeable debt securities, or preferred stock that provides for exercise or conversion into or purchase of such securities of Choice Hotels International, Inc. Separate consideration may or may not be received for any debt securities or any shares of preferred stock or common stock so issued upon conversion, exchange or redemption.

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**PROSPECTUS**

**CHOICE HOTELS INTERNATIONAL, INC.**

**Common Stock**

**Preferred Stock**

**Debt Securities**

We may offer from time to time, in one or more offerings, common stock, preferred stock, debt securities or any combination thereof. The debt securities and preferred stock may be convertible into or exercisable or exchangeable for common or preferred stock or other securities of our company. In addition, this prospectus covers resales of shares of our common stock beneficially owned by one or more selling stockholders.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement which will describe the method and terms of the related offering. The specific terms of any securities to be offered for sale or resale, including the specific manner in which the securities will be offered and the identity of any selling stockholders, will be described in one or more supplements to this prospectus, one or more post-effective amendments to the registration statement of which this prospectus is a part or in documents incorporated by reference into this prospectus. We urge you to carefully read this prospectus and the applicable prospectus supplement or any related free writing prospectus, as well as the documents incorporated by reference herein or therein, before you make your investment decision.

We and any selling stockholders may sell the securities to or through one or more underwriters, through dealers or agents, or directly to purchasers, or through a combination of these methods on an immediate, continuous or delayed basis. If any underwriters, agents or dealers are involved in the sale of any securities, the applicable prospectus supplement will set forth their names, the specific terms of the plan of distribution, any option to purchase additional securities and any applicable commissions or discounts. For more detailed information, see **Plan of Distribution** on page 18. We will not receive any of the proceeds from the sale of common stock by any selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol **CHH**. Our executive offices are located at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, and our telephone number is (301) 592-5000.

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

**securities.**

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

**The date of this prospectus is March 3, 2017.**

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**ABOUT THIS PROSPECTUS**

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

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

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

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

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

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

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**RISK FACTORS**

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

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

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**THE COMPANY**

We are one of the largest hotel franchisors in the world with 6,514 hotels open and 775 hotels under construction, awaiting conversion or approved for development as of December 31, 2016, representing 516,122 rooms open and 62,547 rooms under construction, awaiting conversion or approved for development in 50 states, the District of Columbia and over 40 countries and territories outside the United States. Choice franchises lodging properties under the following proprietary brand names: Comfort Inn<sup>®</sup>, Comfort Suites<sup>®</sup>, Quality<sup>®</sup>, Clarion<sup>®</sup>, Sleep Inn<sup>®</sup>, Econo Lodge<sup>®</sup>, Rodeway Inn<sup>®</sup>, MainStay Suites<sup>®</sup>, Suburban Extended Stay Hotel<sup>®</sup>, Cambria<sup>®</sup> hotels & suites and Ascend Hotel Collection<sup>®</sup>.

The Company's primary segment is the hotel franchising business, which represents over 99% of the Company's total revenues. The Company's domestic franchising operations are conducted through direct franchising relationships, while its international franchise operations are conducted through a combination of direct franchising and master franchising relationships. With a focus on hotel franchising instead of ownership, we benefit from the economies of scale inherent in the franchising business. The fee and cost structure of our business provides opportunities to improve operating results by increasing the number of franchised hotel rooms and effective royalty rates of our franchise contracts resulting in increased initial and relicensing fee revenue, ongoing royalty fees and procurement services revenues. In addition to these revenues, we also collect marketing and reservation system fees to provide support activities for the franchise system.

Choice was incorporated in 1980 in the State of Delaware. Our executive offices are located at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, and our telephone number is (301) 592-5000. Information about the Company is available on the internet at [www.choicehotels.com](http://www.choicehotels.com). We have not incorporated by reference into this prospectus the information on our website and it is not part of this prospectus.

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**FORWARD-LOOKING STATEMENTS**

Some of the statements in this prospectus, or the documents incorporated by reference herein, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as expect, estimate, believe, anticipate, should, will, forecast, plan, project, assume or similar words of futurity. All statements other than of historical facts are forward-looking statements. These forward-looking statements are based on management's current beliefs, assumptions and expectations regarding future events, which in turn are based on information currently available to management. Forward-looking statements contained in or incorporated by reference into this document include, among others, those related to projections of our revenue, earnings and other financial and operational measures, our debt levels, ability to repay outstanding indebtedness, payment of dividends, and future operations, among other matters. We caution you not to place undue reliance on any such forward-looking statements. Such forward-looking statements do not guarantee future performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results or performance to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements. Such risk factors include, but are not limited to, the following:

changes to general, domestic and foreign economic conditions;

changes in law and regulation applicable to the lodging and franchising industries;

foreign currency fluctuations;

operating risks common in the lodging and franchising industries;

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

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

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

the commercial acceptance of our SkyTouch division's products and services;

our ability to grow our franchise system;

exposures to risks relating to development activities;

fluctuations in the supply and demand for hotel rooms;

our ability to realize anticipated benefits of acquired businesses;

the level of acceptance of alternative growth strategies we may implement;

cyber security and data breach risks;

operating risks associated with our international operations;

the outcome of litigation; and

our ability to effectively manage our indebtedness.

We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. For additional information regarding risk factors, see **Risk Factors** in this prospectus.

Table of Contents**USE OF PROCEEDS**

Unless otherwise indicated in the applicable prospectus supplement or any related free writing prospectus, we anticipate that the net proceeds from the sale of the securities that we may offer under this prospectus and any applicable prospectus supplement or free writing prospectus will be used for general corporate purposes. We will have significant discretion in the use of any net proceeds from the sale of any securities offered by us. If we decide to use the net proceeds from a particular offering of securities offered by us for a specific purpose, we will describe that purpose in the applicable prospectus supplement and/or free writing prospectus. If net proceeds from a specific offering of securities offered by us will be used to repay indebtedness, the applicable prospectus supplement will describe the relevant terms of the debt to be repaid. We will not receive any proceeds from the sale of shares of our common stock by any selling stockholders.

**RATIO OF EARNINGS TO FIXED CHARGES**

	<b>Year Ended</b>				
	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Ratio of earnings to fixed charges (1)(2)	5.1x	4.9x	4.7x	4.2x	6.0x

- (1) For purposes of calculating the ratio of earnings to fixed charges, earnings represent earnings from continuing operations before income taxes and before income or loss from equity investments, *plus* (a) fixed charges, and (b) distributed income of equity investees. Fixed charges consist of interest expense and the interest component of rental expense.
- (2) We had no preferred stock outstanding in any of the periods presented. As a result, our ratio of earnings to combined fixed charges and preferred stock dividends for each period is identical to our ratio of earnings to fixed charges as indicated above.

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**DESCRIPTION OF CAPITAL STOCK**

**Common Stock**

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

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

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

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

**Preferred Stock**

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

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

the designation of such preferred shares;

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

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

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

the voting rights of the preferred shares;

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

stockholders.

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

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

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

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

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

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

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

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

**Registrar and Transfer Agent**

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

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**DESCRIPTION OF DEBT SECURITIES**

*The following description of the terms of Debt Securities sets forth certain general terms and provisions of the Debt Securities to which any prospectus supplement may relate. Unless we specify otherwise in the applicable prospectus supplement, Debt Securities are to be issued under an Indenture (the Indenture ), entered into on August 25, 2010 between Choice and Wells Fargo Bank, National Association, as trustee (the Trustee ), a copy of which has been filed with the SEC and is an exhibit to the registration statement of which this prospectus is a part. We will include in a prospectus supplement and/or in a free writing prospectus authorized by us, the specific terms of each series of Debt Securities being offered. The following summaries of certain provisions of the Indenture and the Debt Securities do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the Indenture (including any amendments or supplements we may enter into from time to time) and the Debt Securities. Capitalized terms are defined in the Indenture unless otherwise defined herein. Wherever particular provisions or defined terms of the Indenture are referred to, such provisions or defined terms are incorporated herein by reference.*

**General**

The Indenture does not limit the amount of Debt Securities which can be issued thereunder and provides that Debt Securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by us. The Debt Securities may be secured as and to the extent described in the applicable prospectus supplement. Where applicable, the prospectus supplement also will describe any material United States federal income tax considerations relating to the offering. For purpose of this section of the prospectus, references to Choice, we, us, ou, and similar terms refer only to Choice Hotels International, Inc. and not to any of its subsidiaries.

The prospectus supplement relating to any Debt Securities offered thereby will contain the specific the terms thereof, including where applicable:

the principal amount offered;

the title of the securities of the series;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the terms, if any, of the transfer, mortgage, pledge or assignment as security for the securities of the series of any properties, assets, moneys, proceeds, securities or other collateral, including whether any provisions of

the Trust Indenture Act of 1939, as amended, are applicable and any corresponding changes to provisions of the Indenture as then in effect;

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

if the securities of the series shall be issued in whole or in part in the form of a global note, the terms and conditions, if any, upon which such global note may be exchanged in whole or in part for other individual securities of the series, the Depositary for such global note and the form of any legend or legends to be borne by any such global note in addition to or in lieu of the global note legend;

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

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

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

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

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

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

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

any other terms of the securities (which terms shall not be inconsistent with the provisions of the Indenture). The Debt Securities may be issued in one or more series with the same or various maturities.

**Transfer and Exchange**

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

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

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

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

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



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

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

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

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**Definitions**

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

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

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

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

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

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

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

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

Lien means, with respect to any property or assets of any Person, any mortgage or deed of trust, pledge, hypothecation, assignment, security interest, lien, encumbrance, or other security arrangement of any kind or nature whatsoever on or with respect to such property or assets (including any conditional sale or other title retention

agreement having substantially the same economic effect as any of the foregoing).

Permitted Liens means:

- (a) Liens existing on the date of the Indenture;
- (b) Liens in favor of Choice or a Restricted Subsidiary;

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

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

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

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

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

which such Person or one or more of the Subsidiaries of that Person or a combination thereof has the power to control by contract or otherwise the board of directors or equivalent governing body or otherwise controls such entity.

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**Covenants**

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

***Limitations on Liens***

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

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

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

***Exempted Debt***

Notwithstanding the foregoing limitations on Liens and sale and leaseback transactions, Choice and its Restricted Subsidiaries may create, incur or otherwise cause to suffer to exist or become effective Liens without securing the Debt Securities or enter into a sale and leaseback transaction without retiring Funded Debt, or enter into a combination of such transactions, provided that, at the time of such event, and after giving effect thereto and to the retirement of any other such Indebtedness which is concurrently being repaid, the sum of (x) the principal amount of such Indebtedness secured by such Liens or the Attributable Indebtedness in respect of such sale and leaseback transaction, as the case may be, and (y) the principal amount of all other such Indebtedness secured by such Liens (not including Liens permitted under Limitations on Liens above) and all other Attributable Indebtedness in respect of sale and leaseback transactions then outstanding (not including sale and leaseback transactions permitted under Limitations on Sale and Leaseback Transactions above), measured, in each case, at the time any such Lien is incurred or any such sale and leaseback transaction is entered into, does not exceed the greater of (i) \$25 million or (ii) 15% of the Consolidated Net Assets of Choice and its consolidated Subsidiaries.



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***Merger and Consolidation***

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

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

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

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

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

a highly leveraged or similar transaction involving us;

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