

## **Choice Hotels International and CHE Hotel Group Sign Agreement Transferring Franchising Operation in Europe to Choice**

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SILVER SPRING, Md.

Choice Hotels International, Inc. and CHE Hotel Group, PLC today announced the execution of a definitive sale and purchase agreement to transfer the franchising operations now conducted by CHE Hotel Group in France, Belgium, Portugal, Spain, and portions of Switzerland to Choice. Concurrent with the signing of the sale and purchase agreement, the master franchise agreement between Choice and CHE for these countries was also terminated, and all of CHE's employees and infrastructure involved in its franchising business were transferred to Choice. As a result, Choice will directly operate the franchise in these countries now consisting of 139 properties from the existing headquarters in Bretigny sur Orge, France.

The transaction is a follow up to the announcement Choice and CHE Hotel Group made on October 30, 2006, regarding the execution of a similar transaction, in which the franchising operations previously conducted by CHE Hotel Group in the central European countries of Austria, Germany, Italy, the Czech Republic, and portions of Switzerland were transferred to Choice. Concurrent with the signing of that sale and purchase agreement, the master franchise agreement between Choice and CHE covering these countries was also terminated, and all of CHE's employees and infrastructure involved in its franchising business were transferred to Choice and continue to work from the existing Munich offices.

The Choice franchise in continental Europe currently consists of 71 Comfort, Quality, and Clarion branded hotels. Of these properties, CHE continues to operate eight hotels in Germany, as well as eight hotels in France and Belgium as a franchisee of Choice.

"We are pleased with the mutual benefits that these two transactions provide Choice and CHE," said Joseph Squeri, president and chief operating officer of Choice. "By transferring the franchise operations from CHE to Choice, we are able to more closely direct the growth of our branded properties in Europe, while maintaining a strong relationship with CHE Hotel Group as a major franchisee of Choice."

Peter Cashman, director of asset management and European operations for CHE, added, "We look forward to our continued strong relationship with Choice as a franchisee of properties in Germany, France, and Belgium, as well as the master franchisor for Choice properties in the United Kingdom and Ireland."

For 2007, incremental revenues expected as a result of transitioning from a master franchising to direct franchising business model will be substantially offset by direct franchising costs associated with the acquired businesses. In addition, these acquisitions do not result in incremental international franchise system units or rooms on-line.

### About Choice Hotels

Choice Hotels International franchises more than 5,300 hotels, representing more than 430,000 rooms, in the United States and more than 40 countries and territories. As of September 30, 2006, 736 hotels are under development in the United States, representing 57,117 rooms, and an additional 72 hotels, representing 6,462 rooms, are under development in more than 20 countries and territories. The company's Cambria Suites,

Comfort Inn, Comfort Suites, Quality, Clarion, Sleep Inn, Econo Lodge, Rodeway Inn, MainStay Suites and Suburban Extended Stay Hotel brands serve guests worldwide.

#### About CHE Hotel Group PLC

CHE Hotel Group operates 60 owned, leased or managed hotels in the UK, France, Germany and Belgium, and holds the Master Franchise for Choice's brands for the UK and Ireland, which includes 121 properties. Choice brands in Europe include Comfort, Quality, Clarion Hotel and Sleep Inn. CHE also operates the New Connaught Rooms conference and banqueting suite close to London's Covent Garden, as well as hotels under their own Stop Inn brand. A placing and open offer raised 18.6m pounds Sterling net of cost in January 2006, which is being invested in upgrading CHE's hotels and accelerating the development of Sleep Inn, its premier limited service brand in the UK.

The CHE management team includes Michael Prager, Chief Executive Officer; Paul Mitchell, Finance Director; and Peter Cashman, Director of Asset Management and European Operations.

Cambria Suites, Comfort Inn, Comfort Suites, Quality, Clarion, Sleep Inn, MainStay Suites, Suburban Extended Stay Hotel, Econo Lodge, and Rodeway Inn are proprietary trademarks and service marks of Choice Hotels International, Inc.

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