

CHOICE HOTELS INTERNATIONAL INC /DE  
Form DEF 14A  
March 28, 2016  
Table of Contents

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   
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))
- 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):

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:
  
  
- 5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- 1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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Table of Contents

CHOICE HOTELS INTERNATIONAL, INC.  
1 CHOICE HOTELS CIRCLE, SUITE 400  
ROCKVILLE, MARYLAND 20850

NOTICE OF ANNUAL MEETING  
TO BE HELD APRIL 22, 2016

To the shareholders of  
CHOICE HOTELS INTERNATIONAL, INC.

You are cordially invited to attend the 2016 Annual Meeting of Shareholders of Choice Hotels International, Inc., a Delaware corporation (the "Company"), to be held on April 22, 2016, at 9:00 a.m., Eastern Time at the Company's headquarters at 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850, for the following purposes:

- 1 To elect the ten director nominees listed in the attached proxy statement to hold office for a term of one year ending at the 2017 Annual Meeting of Shareholders or until their successors are elected and qualified;
- 2 To hold an advisory vote to approve executive compensation;
- 3 To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016; and
- 4 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 1, 2016, 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 Annual Meeting and at the office of the Company located at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, at least 10 days prior to the Annual Meeting.

By Order of the Board of Directors

CHOICE HOTELS INTERNATIONAL, INC.

Simone Wu  
Senior Vice President, General Counsel &  
Secretary

March 28, 2016  
Rockville, 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 ONLINE.

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Table of Contents

CHOICE HOTELS INTERNATIONAL, INC.  
1 CHOICE HOTELS CIRCLE, SUITE 400  
ROCKVILLE, MARYLAND 20850

PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS  
April 22, 2016

GENERAL INFORMATION

The Board of Directors (the “Board”) is soliciting your proxy for the 2016 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 being asked to vote 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, 2015 is being mailed with this proxy statement. The annual report on Form 10-K is not part of the proxy solicitation material.

The Board is sending proxy materials to you and all other shareholders on or about March 28, 2016. The Board is asking for you to vote your shares by completing and returning the proxy card, voting online or voting by telephone. Shareholders who owned Common Stock as of the close of business on March 1, 2016 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 1, 2016, there were 56,368,266 outstanding shares of Common Stock.

Driving Directions to Choice’s Corporate Headquarters in Rockville, Maryland

GPS

For GPS driving directions, please use 200 East Middle Lane, Rockville, Maryland, as our 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850 address is not updated in all navigation systems. Choice is located on the corner of East Middle Lane and Hungerford Drive in Rockville, MD.

From Washington, DC and points south

Take the George Washington Memorial Parkway north to I-495 ramp towards Maryland. Continue on the I-270-Spur north toward Rockville/Frederick. Take the MD-189 exit 5 to Falls Road North/Rockville/Town Center. Keep right at the fork. This becomes Maryland Avenue. Turn right onto East Middle Lane. Choice is located on the corner of East Middle Lane and Hungerford Drive.

From Frederick, MD and points north

Take I-270 South towards Rockville. Bear right at I-270 Local south and head towards Shady Grove Road/Local Lanes. Take the MD-28 west exit 6-A toward Rockville Town Center. Turn left on West Montgomery Ave. Continue onto West Jefferson St. Turn Left on Maryland Avenue. Turn Right onto East Middle Lane. Choice is located on the corner of East Middle Lane and Hungerford Drive.

Table of Contents

TABLE OF CONTENTS	
<u>TABLE OF CONTENTS</u>	<u>2</u>
<u>PROXY SUMMARY</u>	<u>3</u>
<u>QUESTIONS AND ANSWERS</u>	<u>8</u>
<u>PROPOSAL 1—ELECTION OF TEN DIRECTORS</u>	<u>11</u>
<u>Nomination</u>	<u>11</u>
<u>Family Relationships</u>	<u>11</u>
<u>Director Qualifications</u>	<u>11</u>
<u>Board Recommendation</u>	<u>17</u>
<u>CORPORATE GOVERNANCE</u>	<u>18</u>
<u>Board of Directors</u>	<u>18</u>
<u>Board Leadership Structure</u>	<u>18</u>
<u>Board’s Role in Risk Oversight</u>	<u>18</u>
<u>Director Independence</u>	<u>19</u>
<u>Corporate Governance Guidelines</u>	<u>19</u>
<u>Corporate Ethics Policy</u>	<u>19</u>
<u>Committees of the Board</u>	<u>19</u>
<u>Contacting the Board of Directors</u>	<u>22</u>
<u>Consideration of Director Candidates</u>	<u>22</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>24</u>
<u>EXECUTIVE COMPENSATION</u>	<u>27</u>
<u>Compensation Discussion and Analysis</u>	<u>28</u>
<u>Executive Summary</u>	<u>28</u>
<u>Compensation Philosophy and Objectives</u>	<u>33</u>
<u>Compensation Competitive Analysis</u>	<u>34</u>
<u>Elements of Compensation</u>	<u>35</u>
<u>2015 Compensation</u>	<u>35</u>
<u>Short-Term Incentive Compensation</u>	<u>35</u>
<u>Long-Term Incentive Compensation</u>	<u>38</u>
<u>Other Benefit Programs and Policies</u>	<u>42</u>
<u>Compensation Decision-Making Process</u>	<u>45</u>
<u>Board Compensation and Management Development Committee Report on Executive Compensation</u>	<u>46</u>
<u>Summary Compensation Table</u>	<u>47</u>
<u>Grants of Plan-Based Awards</u>	<u>50</u>
<u>Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table</u>	<u>52</u>
<u>Outstanding Equity Awards at Year - End</u>	<u>54</u>
<u>Option Exercises and Stock Vested</u>	<u>56</u>
<u>Non-Qualified Deferred Compensation</u>	<u>57</u>
<u>Potential Payments upon Termination or Change in Control</u>	<u>59</u>
<u>Non-Executive Director Compensation</u>	<u>67</u>
<u>PROPOSAL 2—ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION</u>	<u>69</u>
<u>PROPOSAL 3—RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC</u>	<u>70</u>
<u>ACCOUNTING FIRM</u>	
<u>ADDITIONAL INFORMATION</u>	<u>71</u>
<u>Certain Relationships and Related Transactions</u>	<u>71</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>73</u>
<u>Audit Committee Report</u>	<u>74</u>
<u>Shareholder Proposals for 2017 Annual Meeting</u>	<u>75</u>

<u>Shareholders Sharing the Same Last Name and Address</u>	<u>75</u>
<u>Solicitation of Proxies</u>	<u>75</u>
<u>Other Matters to Come Before the Meeting</u>	<u>75</u>

Table of Contents

PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. For more complete information regarding the Company's 2015 performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

2016 Annual Meeting of Shareholders

Date and Time: April 22, 2016, 9:00 a.m. Eastern Time  
 Location: 1 Choice Hotels Circle, Rockville, MD 20850  
 Record Date: March 1, 2016

Shareholders as of the record date are entitled to vote by internet at [www.envisionreports.com/chh](http://www.envisionreports.com/chh); by telephone at 1-800-652-8683; by completing and returning their proxy card or voting instruction card; or in person at the Annual Meeting. If you hold your stock in street name, please see "Questions and Answers" for more information about voting.

Voting Matters and Board Recommendations

		Board Recommendation
Proposal 1	Election of Directors	FOR each nominee
Proposal 2	Advisory Approval of the Compensation of the Company's Named Executive Officers	FOR
Proposal 3	Ratification of Ernst & Young as the Company's Independent Registered Public Accounting Firm	FOR

Governance Highlights

The Company is committed to maintaining good corporate governance as a critical component of our success in driving sustained shareholder value. With a focus on serving the interests of shareholders, the Board of Directors collaborates with the Company's senior management and external advisors to remain abreast of and to evaluate corporate governance trends and best practices.

- ¶ Annual election of directors by majority vote
 

 ¶ Independent Board committees - The Compensation and Management Development Committee, Audit Committee and Corporate Governance and Nominating Committee are made up entirely of independent directors
- ¶ Separate positions for Chairman of the Board and Chief Executive Officer
 

 ¶ Annual report of succession planning and management development by Chief Executive Officer
- ¶ The independent directors of the Board meet regularly in executive session. Five independent director executive sessions were held in 2015
 

 ¶ Annual assessment of Board and committee effectiveness by the Corporate Governance and Nominating Committee
- ¶ Lead independent director - 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
 

 ¶ Hedging policy - The Company has a comprehensive insider trading policy and prohibits associates, including employees, directors and Section 16 officers, from engaging in hedging transactions without prior written approval of the Company's Legal Department

- ⌋ Stock ownership and holding requirements - Directors and executive officers have stock ownership and holding requirements
- ⌋ Clawback policy - Executives' incentives are subject to a clawback that applies in the event of certain financial restatements
- ⌋ Board governance training program
- ⌋ Pledging policy - The Company prohibits directors and Section 16 officers from pledging shares without prior written approval of the General Counsel
- ⌋ Global hotline and web portal to encourage employees to report financial, ethics and employee relations issues
- ⌋ Long-standing commitment to sustainability and environmentally friendly building and operating practices

Table of Contents

## Directors

You are being asked to vote for ten directors. Except for Mr. Bainum, Dr. Renschler and Mr. Joyce, all nominees meet the New York Stock Exchange (NYSE) listing standards for director independence.

## Nominees

Name	Age	Director Since	Occupation	Independent	A	CMD	CGN	D
Barbara T. Alexander	67	2012	Independent Consultant, Former Senior Advisor for UBS	X		CH		M
Stewart W. Bainum, Jr.	69	1977, except 1996-1997	Chairman of the Board, Investor					
William L. Jews	64	2000, except 2005-2006	Former President and Chief Executive Officer, CareFirst, Inc.	X		M	CH	M
Stephen P. Joyce	56	2008	President and Chief Executive Officer					
Monte J. M. Koch	52	2014	Partner, BDT & Company; Co- Founder, Auction.com	X		M		M
Liza K. Landsman	46	2014	Chief Customer Officer, Jet.com	X		M		M
Scott A. Renschler, Psy.D.	46	2008	Clinical Psychologist in Private Practice					M
Ervin R. Shames	75	2002	Lead Independent Director, Management Consultant, Former Chief Executive Officer of Borden, Inc.	X		M	CH	M
Gordon A. Smith	57	2004	Chief Executive Officer, Chase Consumer and Community Banking, JP Morgan Chase	X			M	CH
John P. Tague	53	2012	President and Chief Executive Officer, Hertz Global Holdings, Inc.	X			M	

\*A= Audit Committee, CMD = Compensation and Management Development Committee, CGN = Corporate Governance and Nominating Committee, D = Diversity Committee, CH = Chair, M = Member

## 2015 Business Performance Highlights

Hotel Development and Hotel Experience	Total Shareholder Return and Financial	Operational
The Company's domestic pipeline of hotels awaiting conversion, under construction or approved for	Diluted EPS from continuing operations in 2015 totaled \$2.22, an increase of 7% from 2014.	Domestic system-wide revenue per available room (RevPAR) increased 6.5% in 2015 as occupancy and average daily

development as of December 31, 2015 increased 19% from December 31, 2014.

The Company executed 630 new domestic hotel franchise contracts in 2015, an increase of 11% over 2014. Total revenues in 2015 was \$859.9 million, an increase of 13% from 2014.

Guests' Likelihood to Recommend (LTR) scores remained strong at 8.43, 2 basis points over 2014, driven in part by improvements in Sleep Inn and Comfort branded properties as a result of strategic investments and reinventions of those brands.

During 2015, the Company paid \$45 million in cash dividends to shareholders and purchased \$66.4 million, or 1.3 million shares, of common stock under its repurchase program.

rates increased 160 basis points and 3.7% respectively over 2014.

Operating income in 2015 was \$225.3 million, a 5% increase over 2014.

Domestic royalty fees in 2015 totaled \$281.3 million, an increase of 7% over 2014 and franchising revenues in 2015 totaled \$366.7 million, an increase of \$21.9 million or 6% over 2014.

Table of Contents

## Stock Performance Graph

This graph shows the cumulative total shareholder return for Choice's common stock in each of the five years from December 31, 2010 to December 31, 2015. The graph also compares the cumulative total returns for the same five-year period with the S&P 500 Index and our performance peer group of companies, weighted according to the respective peer's stock market capitalization at the beginning of each annual period. The comparison assumes \$100 was invested on December 31, 2010, in Choice stock, the S&P 500 Index and Choice's performance peer group and assumes that all dividends were reinvested.

Five Years Ended December 31, 2015 (\$)

	Initial	2011	2012	2013	2014	2015
Choice Hotels International, Inc.	100.00	101.55	121.87	181.09	209.69	191.49
NYSE Composite	100.00	96.16	111.53	140.85	150.35	144.21
S&P Hotels, Resorts & Cruise Lines	100.00	80.74	101.07	130.53	161.93	168.19
Performance Peer Index (2015 Peer Group)	100.00	95.47	129.32	174.16	207.02	196.72

Performance Peer Index - Boyd Gaming Corp., Brinker International Inc., Dunkin Brands Group Inc., Expedia Inc., Host Hotels & Resorts Inc., Hyatt Hotels Corp., Intercontinental Hotels Group PLC, Marriott Vacations Worldwide Corp., Orbitz Worldwide Inc., Pinnacle Entertainment Inc., Starwood Hotels Resorts Worldwide Inc., Strategic Hotels & Resorts Inc. and Wyndham Worldwide Corp. Data for Orbitz Worldwide Inc. and Strategic Hotels & Resorts Inc. included up to the month prior to their respective acquisitions.

Table of Contents

Compensation Highlights

Choice's executive compensation program links a substantial portion of each executive's total compensation opportunity to achievement of performance metrics we believe drive shareholder value. Our performance measurement framework and key 2015 pay actions for our NEOs are summarized below.

\*Mr. Pepper's short-term incentive may be leveraged up or down by the Company's actual operating income achievement.

Our executive compensation programs are designed to align pay with performance and to align the economic interests of executives and shareholders. The charts below show the mix of targeted total direct compensation ("TDC") (base salary, target annual incentive and target long-term incentive) for the CEO and other NEOs in 2015. Consistent with our pay-for-performance philosophy, the largest portion of compensation (approximately 81% for our CEO and on average 68% for our other NEOs) is variable or performance-based annual and long-term incentives.

Table of Contents

## 2015 Executive Compensation Summary

Set forth below is the 2015 compensation for our current Named Executive Officers:

Name and Principal Position	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Stephen P. Joyce President and Chief Executive Officer	998,462	249,970	1,600,078	1,600,007	1,065,000	35,227	158,083	5,706,827
David L. White Senior Vice President, Chief Financial Officer and Treasurer	468,462	45,013	362,540	362,507	306,675	38,421	88,379	1,671,997
David A. Pepper Chief Development Officer	432,231	32,992	1,250,124	250,005	275,295	133,061	53,908	2,427,616
Patrick S. Pacious Chief Operating Officer	549,142	67,498	577,578	577,510	450,984	7,433	136,186	2,366,331
Simone Wu Senior Vice President, General Counsel and Secretary	389,038	32,992	200,058	200,012	211,088	—	64,049	1,097,237

\*See all Summary Compensation Table footnotes on page 47.

## Response to the 2015 Say on Pay Vote

We conduct an annual advisory vote on executive compensation "Say on Pay". In 2015, 98% of votes cast were in favor of this proposal. The Compensation and Management Development Committee considers the results of the advisory vote during its annual review of the total compensation provided to our NEOs and other executives. Given the significant level of shareholder support, the Committee concluded that our shareholders agree that our compensation program continues to provide a competitive pay-for-performance alignment that effectively incentivizes our named executive officers to maximize shareholder value and encourages long-term retention. Accordingly, the Committee determined not to make significant changes in 2015 to the executive compensation program other than reinstating PVRsUs as 25% of the long-term incentive, decreasing the stock option portion of the long-term incentive from 66.6% to 50% and reducing the restricted stock portion of the long-term incentive from 33.3% to 25%. The Committee engages in outreach with its largest shareholders each year regarding compensation as well as governance matters. The Committee will continue to consider the outcome of our say-on-pay votes and our shareholder views when making future compensation decisions.

Important Dates for 2017 Annual Meeting of Shareholders

Shareholder proposals submitted for inclusion in our 2017 proxy statement pursuant to SEC Rule 14a-8 must be received by November 28, 2016.

Notice of shareholder proposals to nominate a person for election as a director or to introduce an item of business at the 2017 Annual Meeting of Shareholders outside Rule 14a-8 must be received no earlier than January 22, 2017 and no later than February 21, 2017.

Table of Contents

QUESTIONS AND ANSWERS

- Q. Who can vote at the Annual Meeting?  
Shareholders who owned Common Stock as of the close of business on March 1, 2016 may attend and vote at the Annual Meeting. Each share of Common Stock is entitled to one vote. There were 56,368,266 shares of Common Stock outstanding on March 1, 2016.
- A. Why am I receiving this proxy statement?  
This proxy statement describes proposals which are being submitted to shareholders. It 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?  
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 the designated proxies, David L. White (the Company's Chief Financial Officer and Treasurer) and Simone Wu (the Company's General Counsel and Corporate Secretary) to vote your shares of Common Stock at the meeting, as you have instructed them on the proxy card, or in the absence of such instructions, in accordance with the recommendations of the Board of Directors. If a proposal is properly presented for a vote at the meeting that is not on the proxy card, Mr. White and Ms. Wu will vote your shares, under your proxy, at their discretion.
- A. On what issues am I voting?  
We are asking you to vote on:  
Proposal 1 - the election of the ten director nominees named in this proxy statement.  
Proposal 2 - an advisory vote to approve executive compensation.  
Proposal 3 - the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016.
- Q. What is the difference between a record holder and a "street name" holder?  
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.
- A. How do I vote?  
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.  
If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.  
If you sign, but do not mark your voting instructions on the proxy card, your shares will be voted in accordance with the Board's recommendations.  
You may vote by telephone: You may do this by calling toll-free 1-800-652-8683 and following the instructions. You will need your proxy card available if you vote by telephone.  
You may vote online: You may do this by accessing [www.envisionreports.com/chh](http://www.envisionreports.com/chh) and following the instructions. You will need your proxy card available if you vote online.  
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 legal proxy from your broker in order to vote at the meeting.

Table of Contents

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 online or by telephone.

Q. What does it mean if I receive more than one proxy card or voting instruction form?

A. It means that you have multiple accounts at the transfer agent or with brokerage firms. Please complete and return all proxy cards or voting instruction forms you may receive, or otherwise vote your shares online or by telephone as described herein or on the voting instruction form, 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 by any of the following means:  
signing or submitting another proxy before the Annual Meeting 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., 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850, 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.

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 Three 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 or Two. Likewise, your brokerage firm may either:

vote your shares on Proposal Three and any other routine matters that are properly presented at the meeting, or

leave your shares unvoted as to Proposal Three and any 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. This ensures your shares will be voted at the meeting.

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 of Common Stock as of the close of business on March 1, 2016, 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 online.

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

A. You may vote either “for” or “against” each nominee, or you may “abstain” from voting.



Table of Contents

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. Directors are elected by a majority of votes cast in person or by proxy at the meeting. Abstentions and broker non-votes are treated as not voting on the matter.
- Q. What happens if a nominee is unable to stand for election?  
A. The Board expects that each of the nominees will be available for election and willing to serve. If any nominee is unable to serve at the time the election occurs, 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 online, David L. White and Simone Wu can vote your shares for a substitute nominee. They cannot vote for more than ten nominees.
- Q. What are my voting choices when voting to approve the advisory vote to approve executive compensation?  
A. You may vote either “for” or “against” the approval of the proposal, or you may “abstain” from voting. If you give your proxy without voting instructions, your shares will be voted for approval of executive compensation.
- Q. How many votes are needed to approve the advisory vote to approve executive 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 proposal on executive compensation. The proposal is an advisory vote, which means that it is nonbinding on the Company. However, the Compensation and Management Development Committee of the Board will take into account the outcome of the vote when considering future executive compensation decisions. Abstentions and broker non-votes are treated as not voting on the matter.
- Q. What are my voting choices when voting on the ratification of the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2016?  
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 Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2016?  
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 Ernst & Young LLP. Abstentions and broker non-votes are treated as not voting on the matter.
- Q. Is my vote kept confidential?  
A. Proxy cards, telephone and online voting reports, ballots and voting tabulations identifying shareholders are kept confidential and will not be disclosed by 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 Annual Meeting. We will publish the final results in a Form 8-K to be filed with the Securities and Exchange Commission (“SEC”) after the Annual Meeting.
- Q. How can I review the Company’s annual report on 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 as 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](http://www.sec.gov). You may also obtain a copy of the Form 10-K free of charge by contacting the Company at (301) 592-5026.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDERS MEETING TO BE HELD ON APRIL 22, 2016.**

The proxy statement and the Company’s annual report on Form 10-K are available at [www.envisionreports.com/chh](http://www.envisionreports.com/chh).

Table of Contents

PROPOSAL 1—ELECTION OF TEN DIRECTORS

Nomination

Ten directors are to be elected at the 2016 Annual Meeting, to hold office until the 2017 Annual Meeting of Shareholders, or until their successors are elected and qualified.

The Company's Restated Certificate of Incorporation, as amended April 30, 2013, provides that the number of directors must be at least three but not more than 12. The exact number of directors within that range is determined from time to time by the Board and as of October 28, 2014 consists of ten members. At the 2013 Annual Meeting, the Company's shareholders approved the elimination of the classification of the Board of Directors over a three-year period. On April 24, 2015, the Board of Directors of the Company unanimously approved an amendment to the Company's Bylaws, changing the voting standard for the election of nominees to the Board of Directors from a plurality vote to a majority vote, except in the case of a contested election, in which case directors will be elected by a plurality vote. Classification has been eliminated and all directors are now elected annually.

The Board has nominated ten individuals to serve as directors for terms of one year, expiring at the 2017 Annual Meeting of Shareholders, or until their successors are elected and qualified. The ten individuals consist of Barbara T. Alexander, Stewart W. Bainum, Jr., William L. Jews, Stephen P. Joyce, Monte J. M. Koch, Liza K. Landsman, Scott A. Renschler, Ervin R. Shames, Gordon A. Smith and John P. Tague. Each of the nominees is currently a member of our Board of Directors.

Family Relationships

The Chairman of the Board, 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 Nominee Information and 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. The Board's Corporate Governance and Nominating Committee regularly reviews the experience, qualifications, attributes and skills of each of the Board's director nominees.

The names of Choice's proposed director nominees, their respective ages, their positions with Choice, and other biographical information as of March 17, 2016, are set forth below. The Committee's assessment of the qualifications of each Board member is also included below.

Table of Contents

12

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Table of Contents

13

---

Table of Contents

14

---

Table of Contents

15

---

Table of Contents

16

---

Table of Contents

Board Recommendation

The Board recommends a vote FOR each of the director nominees.

17

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## Table of Contents

### 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 2015, the Board held five 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. In 2015, all of the then current Board members attended the Annual Meeting. As stated in the Company's Corporate Governance Guidelines, the Company expects all directors to attend the Annual Meeting. The independent, 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. Five such meetings were held in 2015.

The Board has adopted Corporate Governance Guidelines, a Corporate Ethics Policy and charters for each of its standing committees, including the Audit Committee, Compensation and Management Development Committee, Corporate Governance and Nominating Committee, and Diversity Committee, each of which is discussed further below. The Corporate Governance Guidelines and Corporate Ethics Policy were updated in 2014 and 2015 respectively. Each of these documents is included in the investor relations section of the Company's website at [www.choicehotels.com](http://www.choicehotels.com).

#### Board Leadership Structure

The Board is led by the Chairman, Mr. Bainum, who has served in this role for more than 25 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 to the Board as a whole. This flow of communication enables Mr. Bainum to identify issues, proposals, strategies and other considerations for future Board discussions and informs his role as leader in many of the resulting discussions during Board meetings. Mr. Bainum also brings the perspective of a major shareholder to the Board.

The Company has elected to separate 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 management and the Board.

In addition to this division of leadership between Chairman and Chief Executive Officer, leadership is further enhanced on 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. Five such meetings were held in 2015. 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 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 and other pertinent areas.

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 higher degree of risk than ordinary course transactions 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 the transaction becoming binding on the Company. Those transactions requiring prior Board approval include transactions above certain limits, certain lending arrangements, certain litigation settlements, and certain 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 and Management Development 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 such 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.

## Table of Contents

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 Audit 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 auditors) 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 ten directors, a majority (seven) of whom the Board has determined to be “independent” under the listing standards of the NYSE. The independent directors are Barbara T. Alexander, William L. Jews, Monte J. M. Koch, Liza K. Landsman, Ervin R. Shames, Gordon A. Smith and John P. Tague.

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.

### 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 \$300,000 of Company stock within five years of election to the Board;

• Directors attendance expectations; and

• Annual report of succession planning and management development by Chief Executive Officer.

### Corporate Ethics Policy

The Board 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 Corporate Ethics Policy was updated in the first quarter of 2015. To the extent approved or granted, the Company will 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 are the Audit Committee, the Compensation and Management Development Committee, the Corporate Governance and Nominating Committee and the Diversity Committee. The charters for each of these committees are included in the investor relations section of the Company’s website at [www.choicehotels.com](http://www.choicehotels.com). All of the current members of each of the Audit Committee, Compensation and Management

Development 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 2015.

Compensation and Management Development Committee

Under the terms of its charter, the Compensation and Management Development Committee (“Compensation Committee”) discharges the Board’s responsibilities relating to compensation of the Company’s executives through the following functions, among others:

Table of Contents

- Overseeing the administration of the Company’s equity compensation plans and authorizing equity awards thereunder;
- Establishing and updating the “peer group” used to compare the Company’s compensation practices;
- Reviewing and approving the compensation of executive officers, in light of shareholder “Say on Pay” results and other relevant factors;
- 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 performance objectives; and
- Reviewing and discussing the Company’s Compensation Discussion and Analysis and producing the annual Compensation Committee report for the Company’s proxy statement.

The Compensation Committee discharges its responsibilities relating to executive management, talent development and succession planning of the Company’s executives by reviewing and discussing the Company’s management succession plan for the CEO and other key senior executives and by reviewing and discussing management development for key executives as part of the Company’s annual talent review process.

During 2015, at the direction of Mr. Shames, the Chairman of the Compensation Committee, Mr. Joyce – our President and Chief Executive Officer – assisted by Patrick Cimerola – our Chief Human Resources Officer – prepared and distributed to Committee members meeting agendas, consultant-provided compensation related information, and Company reports and data in preparation for Committee meetings. In addition, in conjunction with the Compensation Committee Chairman, Messrs. Joyce and Cimerola prepared and presented specific compensation proposals to the Compensation Committee, including Mr. Joyce’s assessment of individual executive officer performance and recommended compensation amounts for each officer other than himself. 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 and Analysis) in 2015. None of our executive officers determined or recommended the amount or form of non-employee director compensation.

The Compensation Committee has delegated limited authority to our Stock Compensation Committee, currently consisting of our Chief Executive Officer, to make equity awards to employees at the vice president level or lower solely for the purpose of promotion, retention, or new hire. No individual award may exceed \$250,000 in value. In accordance with its charter, the Compensation Committee has the authority to retain, terminate and approve professional arrangements for outside compensation consultants to assist the Committee.

During 2015, the Compensation Committee retained Mercer (US) Inc. (“Mercer”) to provide various compensation-related services and assistance. Mercer performed the following functions and services:

- Attended Committee meetings;
- Provided independent advice to the Committee on current trends and best practices in compensation design and program alternatives and advised on plans or practices that may improve effectiveness of our compensation program;
- Provided and discussed peer group and various survey data; and, based on this information, offered independent recommendations on CEO and NEO compensation;

• Reviewed the CD&A, compensation tables and other compensation-related disclosures in our proxy statements;

• Offered recommendations, insights and perspectives on compensation related matters;

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Evaluated and advised the Committee regarding enterprise and related risks associated with executive compensation components, plans and structures; and

Supported the Committee to ensure executive compensation programs are competitive and align the interests of our executives with those of our shareholders.

In 2015, Mercer attended all Committee meetings in person or by telephone, including executive sessions as requested, and consulted frequently with the Committee Chair between meetings. Mercer reviewed the CD&A and the executive compensation tables contained in this proxy statement.

The Company paid Mercer \$214,359 in 2015 for services related to its engagement by the Compensation Committee. See Compensation Discussion and Analysis below for additional information related to the role of Mercer in the Company's 2015 executive compensation decisions.

## Table of Contents

The Committee has analyzed whether the work of Mercer as a compensation consultant has raised any conflict of interest, taking into consideration the following factors: (i) the provision of other services to the Company by Mercer; (ii) the amount of fees the Company paid to Mercer as a percentage of Mercer's total revenue; (iii) Mercer's policies and procedures that are designed to prevent conflicts of interest; (iv) any business or personal relationship of Mercer or the individual compensation advisors employed by the firm with an executive officer of the Company; (v) any business or personal relationship of the individual compensation advisors with any member of the Committee; and (vi) any stock of the Company owned by Mercer or the individual compensation advisors whom it employs. The Committee has determined, based on its analysis of the above factors, that the work of Mercer and the individual compensation advisors employed by Mercer as compensation consultants to the Company has not created any conflict of interest.

In 2015, the Compensation Committee met four times. The Chair of the Compensation Committee was Ervin R. Shames and the other members were William L. Jews, Gordon A. Smith and John P. Tague. The Board determined that each member of the Compensation Committee was independent under the listing standards of the NYSE applicable to Compensation Committee members.

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

### Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee is an officer, former officer, or employee of the Company. During 2015, no member of the Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. During 2015, no interlocking relationship existed between any of our executive officers or Compensation Committee members, on the one hand, and the executive officers or Compensation Committee members of any other entity, on the other hand.

### 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 an anonymous complaint hotline and other complaints procedures 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;
- Reviewing with the Chief Executive Officer and Chief Financial Officer, the Company's disclosure controls and procedures; and
- Overseeing the Company's cyber security and data security practices and procedures.

In 2015, the Audit Committee met eight times. Barbara T. Alexander served as Chair of the Committee. The other members of the Committee in 2015 were Ervin R. Shames, Monte J. M. Koch and Liza K. Landsman. The Board has determined that Ms. Alexander is qualified as an audit committee financial expert within the meaning of the SEC's regulations. Furthermore, each member of the Committee has accounting and related financial management expertise within the meaning of the listing standards of the NYSE. In addition, the Board also determined that each member of

the Audit Committee was independent under SEC rules and the listing standards of the NYSE applicable to Audit Committee members. The Committee had 100% member attendance.

Corporate Governance and Nominating Committee

Under the terms of its charter, the Corporate Governance and Nominating Committee identifies individuals qualified to become members of the Board; selects, or recommends that the Board selects, the director nominees for election or to fill vacancies; develops and recommends to the Board a set of Corporate Governance Guidelines applicable to the Company; and oversees the evaluation of the Board. The Committee also has the following functions, among others:

• Establishing criteria for Board membership;

• Conducting the appropriate and necessary inquiries into the backgrounds and qualifications of proposed Board candidates;

## Table of Contents

Reviewing and making recommendations to the Board on the size and composition of the Board and its committees;  
Reviewing and making recommendations to the Board with respect to directors, if any, who are unable to perform their duties;

Reviewing and making recommendations to the Board with respect to the retirement of directors;

Reviewing and making recommendations to the Board with respect to the Company's policies regarding director or senior executive conflict of interest matters;

Monitoring and making recommendations to the Board concerning matters of corporate governance; and

Reviewing the outside board service by senior executives.

In 2015, the Committee met three times. William L. Jews was the Chair of the Committee and the other members of the Committee were Ervin R. Shames and Monte J. M. Koch. The Committee had 100% member attendance.

### Diversity Committee

Under the terms of its charter, the Diversity Committee seeks to assist and advise management in developing a workplace culture that values working with diverse groups of people, offering diversity of thought and perspective.

The Committee seeks to achieve its goals through the following functions, among others:

Review and evaluate diversity efforts in workforce development, franchise development, vendor relations, marketing and philanthropy;

Review the efforts by management to increase the diversity of the Company's workforce, including at management levels; and

Reporting to the Board on diversity matters.

In 2015, the Committee met two times. Gordon Smith was the Chair of the Committee and the other members of the Committee were Barbara T. Alexander, William L. Jews, Scott A. Renschler and Liza K. Landsman. The Committee had 100% member attendance.

### Contacting the Board of Directors

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

Mail: Choice Hotels International, Inc.  
1 Choice Hotels Circle, Suite 400  
Rockville, Maryland 20850  
Attn: Board of Directors

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.

### Consideration of Director Candidates

The Corporate Governance and Nominating Committee administers the process for nominating candidates to serve on the Company's Board. 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

22

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Table of Contents

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., 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850.

Table of Contents

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This table shows how much Common Stock is beneficially owned by (i) each director of the Company, (ii) each of the Company's Named Executive Officers (each a "NEO" and collectively, the "NEOs"), (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 March 1, 2016 (unless otherwise noted). Unless otherwise specified, the address for each such person as of March 1, 2016, was 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850.

Name of Beneficial Owner	Common Stock Beneficially Owned <sup>(1)</sup>		Right to Acquire <sup>(2)</sup>	Unvested Restricted Stock <sup>(3)</sup>	Percentage of Shares Outstanding <sup>(4)</sup>	
Stewart Bainum, Jr.	10,414,740	<sup>(5)(6)</sup>	—	—	18.5	% <sup>(5)(6)</sup>
Barbara T. Alexander	13,564		—	4,370	*	
William L. Jews	25,768		—	4,370	*	
Stephen P. Joyce	128,556	<sup>(15)</sup>	505,483	46,837	1.2	%
Monte J. M. Koch	832		—	3,559	*	
Liza K. Landsman	—		—	1,915	*	
Scott A. Renschler	356,776	<sup>(5)(7)</sup>	—	4,370	*	
Ervin R. Shames	60,278		—	4,370	*	
Gordon A. Smith	52,097		—	4,370	*	
John P. Tague	11,935		—	4,370	*	
Patrick S. Pacious	87,416		135,152	37,292	*	
David A. Pepper	59,548		90,162	7,659	*	
David L. White	112,645		121,878	10,426	*	
Simone Wu	9,037		46,449	16,259	*	