



Reform Lodging

---

May 17, 2020

Mr. Patrick Pacious  
President and Chief Executive Officer  
Choice Hotels International, Inc.  
1 Choice Hotels Circle, Ste 400  
Rockville, Maryland 20850

**Re: Choice Hotels Commitment to Clean Initiative**

Dear Mr. Pacious,

We would like to extend our gratitude to you and the executive team for your leadership navigating the company through this ongoing Covid-19 pandemic. These are unprecedented times with uncertainties, the likes of which no one has quite experienced before. To date, Choice's relief efforts have helped owners at the property level to some extent – but more assistance is desperately needed.

While state and local economies across the United States have started reopening for business, we will find ourselves operating our hotels amidst a dramatically altered landscape. The very amenities that we took pride in offering to our guests such as breakfast buffets, communal lobby workspaces, and meeting rooms will have new operating protocols, or will cease to exist altogether. To completely ensure guest safety and confidence in our products, robust cleaning regimens and disinfection programs will be vital initiatives. However, a more thorough cleanliness standard will come at a cost – adding further layers of complexity to most franchisees' already precarious financial positions.

Mr. Dominic Dragisich, Choice's Chief Financial Officer, stated in your recent quarterly earnings call that even in the current environment, Choice has improved its current liquidity position which “now includes \$725 million in cash and available borrowing capacity through our revolving credit facility.” Because franchisor's such as Choice maintain an “asset-light” model, having ample liquidity is great for your operating model and shareholders, but certainly not for your franchisees, who own the bricks and mortar that fly the Choice brand flags. We do not have the luxury of being asset-light or having millions in liquidity and are struggling to steer **our** companies through this time. PPP and EIDL loans can only get us so far and provide only short-term relief – unfortunately, these programs are evolving but as they stand, loan forgiveness is only extended to a very specific expense criteria. Furthermore, we were exiting slow winter months, in anticipation of the busier spring and summer season. With our peak season expected to pass us by, how will we manage to get through this upcoming fall and winter, without further financial distress, or worse, insolvency?



# Reform Lodging

We are looking forward to the Choice Commitment to Clean Covid-19 enhancements, as they are a much needed measure. Competing brands have followed suit, and industry stakeholders such as the American Hotel and Lodging Association have introduced programs such as “Safe Stay” to let the public know that we are vested in their safety.

As Choice’s new cleanliness initiative continues to evolve, we have one request that can ease a tremendous burden on our recovery efforts: ***In a show of unity and partnership, can you ensure that the new trainings, tools, and cleaning supplies will be offered to franchisees without costs incurred by them?*** Historically speaking, when new initiatives are introduced, franchisees are mandated to work with approved vendors in procuring products. With rebates provided back to brands such as Choice, vendor mandates become a profit center in themselves. It is our sincere hope that in light of this devastating pandemic, the franchisee’s financial condition is taken into consideration.

The recent public statements suggest that Choice is in a fiscally sound position. Making an investment into your franchisees’ recovery with the necessary complimentary training, tools, and products to commit to a safe stay for our guests, will be a true “torchbearer” worthy effort. It will provide relief to franchisees who are saddled with accrued expenses and additional debts. Assurance of compliance with Choice’s new cleaning standards will be an added benefit by this act of generosity.

We look forward to your thoughts on this relief request and welcome a conversation with you and your leadership team.

Yours in Hospitality,

A handwritten signature in blue ink, appearing to read 'Sagar' followed by a long horizontal flourish.

Sagar V. Shah  
President  
Reform Lodging  
M: (201) 819-4033  
E: [sagar@yatracapitalgroup.com](mailto:sagar@yatracapitalgroup.com)

A handwritten signature in black ink, appearing to read 'Rich Gandhi' followed by a horizontal flourish.

Rich Gandhi  
Chairman  
Reform Lodging  
M: (973) 420-5318  
E: [rich.gandhi@ghmproperties.com](mailto:rich.gandhi@ghmproperties.com)