

Choice Hotels Balance Sheet to Be Strengthened by Proposed Restructuring of \$136 Million Sunburst Note Receivable

Choice to Receive Approximately \$76 Million Cash Payment And \$60 Million in New Senior Subordinated Note

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Choice Hotels International, Inc. announced today that it has reached agreement on the terms of a proposed restructuring of a \$136 million note receivable with Sunburst Hospitality Corporation. This represents the remainder of a note receivable that Choice received as part of its spin-off from Sunburst in 1997.

Choice and Sunburst have agreed that, contingent on the closing of the Sunburst recapitalization announced today, Choice will receive a cash payment of approximately \$76 million plus additional interest accruing from the date of the agreement until closing. In addition, Choice will receive a newly issued 11-3/8% seven-year senior subordinated note in the amount of \$60 million, which will contain standard and customary high-yield loan terms and conditions. This new note will contain, among other things, a cash pay interest feature that begins 18 months from issuance.

Noting that the Sunburst note receivable has been a source of concern for the company's lenders, Wall Street and the investing community, Charles A. Ledsinger, Jr., president and chief executive officer of Choice Hotels, said, "The restructuring of this receivable will greatly enhance the strength of our balance sheet and provide us with greater flexibility to continue to pursue our strategic goals. Currently, our intention is to use the proceeds to repurchase shares within the limits of our financing capabilities and other restrictions, to pursue our existing business strategy and to repay existing bank indebtedness."

Choice Hotels International is the second largest hotel franchiser in the world with 4,303 hotels open, representing 343,511 rooms, and another 685 hotels under development, representing 58,191 rooms, in 39 countries as of June 30, 2000. Its Comfort, Quality, Clarion, Sleep Inn, Econo Lodge, Rodeway Inn and MainStay Suites brands serve guests worldwide.

Certain matters discussed in this press release may constitute forward-looking statements within the meaning of the federal securities law. Such statements are based on management's beliefs, assumptions and expectations, which in turn are based on information currently available to management. Actual performance and results could differ from those expressed or contemplated by the forward-looking statements due to a number of risks, uncertainties and other factors, many of which are beyond Choice's ability to predict or control. For further information on factors that could impact Choice and the statements contained therein, we refer you to the filings made by Choice with the Securities and Exchange Commission, including its registration statement on Form S-4 and report on Form 10-Q for the period ended June 30, 1999.

Additional corporate information may be found on the Choice Hotels' Internet site, which may be accessed at <http://www.choicehotels.com/>. Comfort, Quality, Clarion, Sleep Inn, Econo Lodge, Rodeway Inn, MainStay Suites and ChoiceBuys.com are registered trademarks and service marks of Choice Hotels International, Inc.

SOURCE: Choice Hotels International

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