

CHOICE HOTELS INTERNATIONAL INC /DE

Form DEF 14A

March 26, 2013

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**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.

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1) Amount previously paid:

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**CHOICE HOTELS INTERNATIONAL, INC.**

**10750 COLUMBIA PIKE**

**SILVER SPRING, MARYLAND 20901**

**NOTICE OF ANNUAL MEETING**

**TO BE HELD APRIL 26, 2013**

To the shareholders of

CHOICE HOTELS INTERNATIONAL, INC.

You are cordially invited to attend the 2013 Annual Meeting of Shareholders of Choice Hotels International, Inc., a Delaware corporation (the Company), to be held on April 26, 2013, at 9:00 a.m., Eastern Time, for the following purposes:

1. To elect three Class I directors from the three nominees listed in the attached proxy statement to hold office for a three-year term ending at the 2016 Annual Meeting of Shareholders or until their successors are elected and qualified;
2. To approve an amendment to the Choice Hotels International, Inc. 2006 Long-Term Incentive Plan to increase the number of shares authorized for issuance;
3. To approve the material terms for payment of executive incentive compensation;
4. To adopt and approve an amendment to the Company's Restated Certificate of Incorporation to declassify the Board of Directors and provide for the annual election of directors;
5. To hold an advisory vote to approve executive compensation;
6. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2013;
7. To consider a shareholder proposal requesting a report on showerheads; and

8. 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 February 28, 2013, 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.

*Please note that, on or around April 5, 2013, the Company plans to relocate its corporate headquarters from the Silver Spring address listed above to a new address in Rockville, Maryland. The Company intends to hold the Annual Meeting at its new headquarters, located at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850.*

A list of the Company's shareholders will be available for inspection 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*

*& Chief Compliance Officer*

March 26, 2013

Silver Spring, 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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**CHOICE HOTELS INTERNATIONAL, INC.**

**10750 COLUMBIA PIKE**

**SILVER SPRING, MARYLAND 20901**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**APRIL 26, 2013**

**GENERAL INFORMATION**

The Board of Directors (the **Board**) is soliciting your proxy for the 2013 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, 2012, 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 material to you and all other shareholders on or about March 26, 2013. The Board is asking for you to vote your shares by completing and returning the proxy card, or by voting by telephone or online.

Shareholders who owned Common Stock as of the close of business on February 28, 2013 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 February 28, 2013, there were 58,104,437 outstanding shares of Common Stock.

*Please note that, on or around April 5, 2013, the Company plans to relocate its corporate headquarters from the Silver Spring address listed above to a new address in Rockville, Maryland. The Annual Meeting will be held at its new headquarters, located at 1 Choice Hotels Circle, Suite 400, Rockville, Maryland 20850.*

**Driving Directions to Choice's New Corporate Headquarters in Rockville, Maryland**

**GPS**

For GPS driving directions, please use 200 East Middle Lane, Rockville, Maryland until our 1 Choice Hotels Circle, Suite 400, Rockville, MD 20850 is updated in many navigation systems. Choice is located on the corner of East Middle Lane and Hungerford Drive in Rockville, MD.

**From Washington, DC, and points south**

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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.

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**QUESTIONS AND ANSWERS**

**Q. Who can vote at the Annual Meeting?**

- A. Shareholders who owned Common Stock as of the close of business on February 28, 2013, may attend and vote at the Annual Meeting. Each share of Common Stock is entitled to one vote. There were 58,104,437 shares of Common Stock outstanding on February 28, 2013.

**Q. Why am I receiving this proxy statement?**

- A. This proxy statement describes proposals on which we would like you, as a shareholder, to vote. It also 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?**

- A. 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, Stephen P. Joyce (the Company's Chief Executive Officer) and Ervin R. Shames (the Company's lead independent director), 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, Messrs. Joyce and Shames will vote your shares, under your proxy, at their discretion.

**Q. On what issues am I voting?**

- A. We are asking you to vote on:

- Proposal 1 the election of three Class I directors from the three nominees named in this proxy statement.
- Proposal 2 approval of an amendment to the Choice Hotels International, Inc. 2006 Long-Term Incentive Plan to increase the number of shares authorized for issuance.
- Proposal 3 approval of the material terms for payment of executive incentive compensation.
- Proposal 4 adoption and approval of an amendment to the Company's Restated Certificate of Incorporation to declassify the Board of Directors and provide for the annual election of directors.
- Proposal 5 an advisory vote to approve executive compensation.

- Proposal 6 the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2013.
- Proposal 7 shareholder proposal requesting a report on showerheads.

**Q. What is the difference between a record holder and a street name holder?**

- A. 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.

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### **Q. How do I vote?**

A. 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:

- *for the election of the three named nominees for director,*
  
- *for the proposal to amend the Choice Hotels International, Inc. 2006 Long-Term Incentive Plan to increase the number of shares authorized for issuance,*
  
- *for the approval of the material terms for payment of executive incentive compensation,*
  
- *for the approval of an amendment to the Company's Restated Certificate of Incorporation to declassify the Board and provide for the annual election of directors,*
  
- *for the advisory vote to approve executive compensation,*
  
- *for the ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2013, and*
  
- *abstain for the shareholder proposal requesting a report on showerheads.*

*You may vote by telephone:* You may do this by calling toll-free **1-800-652-8683** on a touch-tone phone 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 proxy from your broker in order to vote at the meeting.

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?**

- A. It means that you have multiple accounts at the transfer agent or with brokerage firms. Please complete and return all proxy cards you may receive, or otherwise vote your shares online or by telephone as described herein, to ensure that all of your shares are voted.

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### **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 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 Six 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, Two, Three, Four, Five or Seven. Likewise, your brokerage firm may either:

- vote your shares on Proposal Six and other routine matters that are properly presented at the meeting, or
- leave your shares unvoted as to Proposal Six and 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.

A purchasing agent under a retirement plan may be able to vote a participant's unvoted shares. If you are a participant in the Choice Hotels Retirement Savings and Investment Plan or the Non-Qualified Retirement Savings and Investment Plan, the plan's purchasing agent may vote the shares you hold under the plan if the purchasing agent does not receive voting instructions from you. The purchasing agent will vote your unvoted shares in the same proportion as all other plan participants who vote their shares.

### **Q. How many shares must be present to hold the meeting?**

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- 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 February 28, 2013, must be present in person or represented by proxy at the meeting. This is called a quorum.

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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 withhold your vote for each nominee.  
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 plurality of votes cast in person or by proxy at the meeting. This means that the three nominees receiving the highest number of votes for will be elected as directors.

### **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, Stephen P. Joyce and Ervin R. Shames can vote your shares for a substitute nominee. They cannot vote for more than three nominees.

### **Q. What are my voting choices when voting on the approval of the amendment to the Company's 2006 Long-Term Incentive Plan?**

A. You may vote either for or against the approval of the amendment, or you may abstain from voting.  
If you give your proxy without voting instructions, your shares will be voted *for* the approval of the amendment.

### **Q. How many votes are needed to approve the amendment to the Company's 2006 Long-Term Incentive Plan?**

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 amendment to the Company's 2006 Long-Term Incentive Plan. In addition, under NYSE rules, the total votes cast on this proposal (which includes for and against votes and abstentions, but excludes broker non-votes) must represent over 50% of the issued and outstanding shares of Common Stock.

### **Q. What are my voting choices when voting on the approval of the materials terms for payment of executive incentive compensation?**



A. You may vote either for or against the approval of the material terms, or you may abstain from voting. If you give your proxy without voting instructions, your shares will be voted *for* the approval of the material terms.

**Q. How many votes are needed to approve the material terms for payment of executive incentive compensation?**

A. The vote of a majority of the shares present in person or by proxy and voting on the matter is required to approve the material terms for payment of executive compensation.

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**Q. What are my voting choices when voting on the adoption and approval of the amendment to the Company's Restated Certificate of Incorporation?**

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 the amendment.

**Q. How many votes are needed to approve the amendment to the Restated Certificate of Incorporation?**

A. The vote of a majority of the outstanding shares of Common Stock is required to approve the amendment.

**Q. What are my voting choices when voting on 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 are not treated as voting on the matter.

**Q. What are my voting choices when voting on the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2013?**

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 PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2013?**

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 PricewaterhouseCoopers LLP. Abstentions are not treated as voting on the matter.

**Q. What are my voting choices when voting on the shareholder proposal requesting a report on showerheads?**

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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 *abstain* for the shareholder proposal requesting a report on showerheads.

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**Q. How many votes are needed to approve the shareholder proposal requesting a report on showerheads?**

- 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 shareholder proposal requesting a report on showerheads. Abstentions are not treated as 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 26, 2013.**

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

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### **PROPOSAL 1 ELECTION OF CLASS I DIRECTORS**

#### *Nomination*

The Company's Restated Certificate of Incorporation provides that the number of directors must be at least three but not more than 12, and is divided into three classes as nearly equal in number as possible. The exact number of directors within that range is determined from time to time by the Board and currently consists of nine members. The term of each class of directors is three years, and the term of one class expires each year in rotation.

Three Class I directors are to be elected at the 2013 Annual Meeting, to hold office until the 2016 Annual Meeting of Shareholders, or until their successors are elected and qualified. The remaining directors will continue to serve the terms consistent with their class, as noted below.

The Board has nominated William L. Jews, John T. Schwieters and John P. Tague to serve as Class I directors for terms of three years, expiring at the 2016 Annual Meeting of Shareholders, or until their successors are elected and qualified. Each of the nominees is currently a member of our Board of Directors. Mr. Tague was appointed to the Board in February 2012 as a Class I director and is standing for election for the first time. Mr. Tague was initially referred to the Board as a potential Board member by one of the Company's third party consulting firms.

Please note that Proposal 4, which shareholders are being asked to approve at the 2013 Annual Meeting, will not directly impact the election of directors pursuant to this Proposal 1. If Proposal 4 is approved by the Company's shareholders, the annual election or declassification of the Board will be phased in such that directors elected by the shareholders at the 2013 Annual Meeting as Class I directors will serve for a three-year term ending at the 2016 Annual Meeting, and thereafter be subject to re-election on an annual basis. See Proposal 4 below for additional information.

#### *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 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 and continuing directors. The following is the Board's assessment of the qualifications of each Board member that led the Committee to conclude that each Board nominee and continuing director is qualified to serve as a member of the Company's Board:

#### Director Nominees

**William L. Jews.** Mr. Jews brings to the Board experience as the chief executive officer of large, service-oriented companies. The Board benefits from Mr. Jews' unique ability to relate to and comprehend many of the operational issues before the Board. In addition, Mr. Jews' executive experience was characterized by management of rapid company growth, which provides the Board with insight related to various strategic growth and development plans.

**John T. Schwieters.** Mr. Schwieters possesses an extensive background in tax, accounting and financial matters. This experience positions Mr. Schwieters well to serve as the chair of the Board's Audit Committee as well as to generally provide the Board with opinions and advice related to the financial and risk-related

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components of various matters considered by the Board. The Board also values Mr. Schwieters' continuing service on the audit committees of other publicly-traded companies as a means to provide comparative assessments of the Company's overall reporting, internal control and risk management functions.

**John P. Tague.** Mr. Tague's extensive experience in the airline industry enables him to provide the Board with input and suggestion relevant to the travel industry. Because Mr. Tague's industry experience is not hotel-based, he provides the Board with unique opinions and assessments about the sector of the travel/hospitality industry in which the Company operates. In addition to his overall industry experience, Mr. Tague's specific experience managing revenue matters in the airline industry provides the Board with a subject matter expert in distribution, eCommerce and marketing strategies, which is an area in which the Company (and the hospitality industry) is becoming increasingly involved.

## Continuing Directors

**Barbara T. Alexander.** Ms. Alexander's experience and expertise in corporate finance provides the full Board generally, and the Audit Committee specifically, with valuable opinion and adv