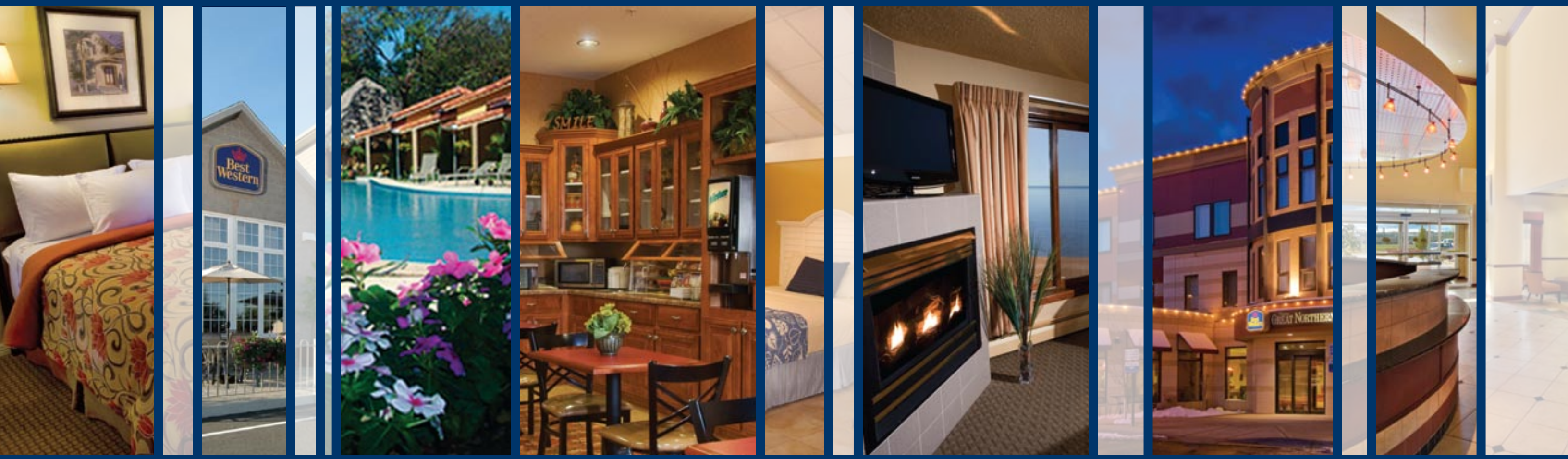
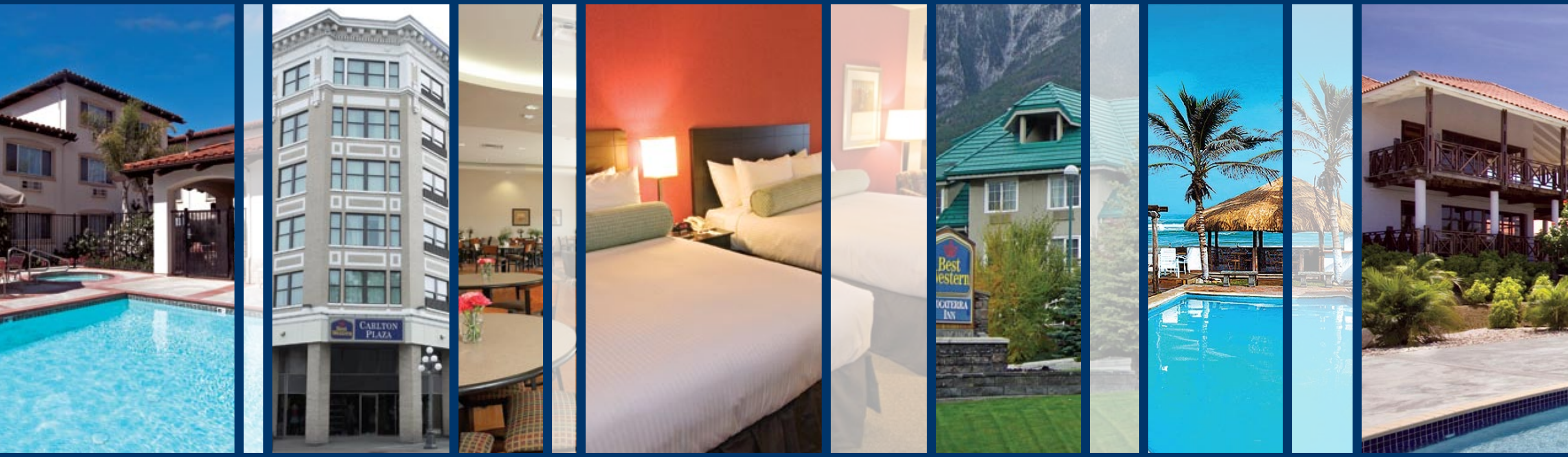


Best Western International, Inc.

2008 Annual Report



Each Best Western® hotel is independently owned and operated.

2008 Best Western Annual Report

A Letter From Best Western

2008 was a year of economic challenges and opportunities. Building on the strong foundation of the brand, Best Western delivered a robust performance in many areas despite softening economic conditions.

At the beginning of 2008 we put in motion a proactive plan to support Members through an anticipated challenging year. At the brand level, we instituted a number of cost-saving measures to free up additional dollars for marketing and advertising. These steps allowed us to spend an unprecedented $42 million on advertising in 2008 when we typically spend about $30 million. No doubt this investment contributed to Lynx RevPAR growth of 3.6 percent in North America for the year, while the industry RevPAR declined by 1.1 percent.

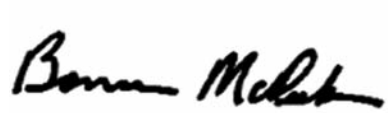
The renaming of our guest loyalty program to Best Western Rewards℠ repositioned the program to keep it relevant and competitive, and to help the brand acquire more market share. In 2008, Best Western Rewards℠ experienced dramatic growth in revenue and membership, with more than eight million members and a 21 percent increase in revenue.

We continue to work with other key influencers and travel intermediaries including our Preferred partner AAA/CAA. Bookings made through the AAA/CAA rate code generated over $200 million in revenue, an increase of 11 percent over 2007 (this figure does not include rooms booked through hotels directly).

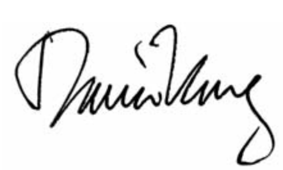
During difficult times, it's even more important to deliver superior customer care in order to build a fence around our customers and hold market share. We had tremendous success with the Best Western *I Care* program in its first year. In fact, the number of customer complaints decreased by more than 50 percent in 2008.

2008 brought exciting growth of Best Western internationally. We continue to expand in Asia, where we ended the year with more than 140 hotels with 81 already activated. Best Western is one of the fastest growing brands in the Middle East. In 2009 we will open several hotels in Dubai and other United Arab Emirates countries. The performance of Best Western international affiliates in 2008 was strong. Overall, international operations yielded a profit which allowed us to increase our advertising spend. For our Members, inbound business from countries outside of North America was $60.1 million in 2008, up from $51.7 million in 2007. The outlook for 2009 is positive, as we continue to build brand awareness and preference with high quality hotels in key international locations.

No doubt 2009 will be a difficult year. Most of our competitors will try to weather the storm and hope for the best. However, hope is not a strategy. Best Western has a multipronged plan at the brand and hotel levels to grow our business. While our competitors are focused on their stock prices, we are focused on our Members. This crisis presents an opportunity for us to take market share, and with our customer care efforts, we are building loyalty. When the economy rebounds, we will have a much larger customer base to grow from. We appreciate all that our Members do to advance Best Western.

Bonnie McPeake, CHA
Chairwoman of the Board

David Kong
President and Chief Executive Officer

Best Western International is THE WORLD'S LARGEST HOTEL CHAIN®, providing marketing, reservations and operational support to over 4,000* independently owned and operated member hotels in 80* countries and territories worldwide. An industry pioneer since 1946, Best Western has grown into an iconic brand that hosts 400,000* worldwide guests each night. Best Western's diverse property portfolio, its greatest strength, stems from a business model designed to give owners maximum flexibility to address market-specific needs. Equally committed to the business and leisure traveler, Best Western recently embarked on a five-year mission to lead the hotel industry in customer care. Since 2004, Best Western has served as the Official Hotel of NASCAR®. For more information or to make a reservation, please visit bestwestern.com.

**Numbers are approximate and can fluctuate.*

Table of Contents

Introduction – Best Western International, Inc. (the Company) is a membership organization incorporated as a non-profit corporation with headquarters in Phoenix, Arizona. As a membership organization, the Company's objective is to generate sufficient revenue to cover expenses and maintain financial stability.

Deficit of Revenues over Expenses – The Company reported net losses after taxes of $1.7 million in fiscal 2008 and $3.0 million in fiscal 2007. Deficits were budgeted to recover taxes paid in previous years.

Revenues – Revenues increased by $10.7 million, or 5%; the major changes from 2007 are explained below.

- ➢ Monthly fees: $2.5 million, or 3%, lower:
  - Fewer number of properties and room counts in 2008 due to a combination of new properties affiliating, but not yet in the system, and other properties leaving the membership as the Company re-emphasizes standards,
  - offset by a 3.2% increase in monthly fee rates from 2007.
- ➢ Special advertising assessment: $4.8 million, or 41%, higher:
  - The monthly per room assessment was increased by $2.69 to $7.63 in February 2008 for the purpose of funding additional advertising to drive revenues to properties.
- ➢ Higher frequent stay program revenue of $7.6 million:
  - BW Rewards program – $6.7 million: $217.4 million more revenue delivered to properties as program membership grows and usage increases.
  - Airline program – $0.9 million: change in fee to 5.5% of revenue in mid 2008 from $4.50 per stay in 2007.
- ➢ Lower travel card revenue of $1.1 million:
  - Lower breakage of $1.1 million due to increased usage of travel cards; partly offset by higher commission revenue of $0.6 million on higher sales.

Expenses – Expenses increased by $10.4 million, or 5%; the major changes from 2007 are explained below.

- ➢ Salaries, wages and commissions: $3.7 million, or 7%, higher:
  - $2.0 million due to merit increases and promotions and market adjustments in 2008,
  - Higher international salary costs due to change in exchange rate of the dollar,
  - Increased headcount mainly in support of increased Two-way installations, higher BW Supply gross drop ship program product sales, Regional Services training and support efforts and increased Asia development.
- ➢ Third Party Labor: $1.2 million, or 11%, lower:
  - Lower volume at Manila outsourced reservations center and
  - Lower cost of funding affiliate-managed reservations centers due to lower reservations revenue.
- ➢ Advertising and promotion: $11.6 million, or 24%, higher:
  - Strategic decision to increase advertising to drive revenues to properties, given a soft economy. Funded via corporate-wide savings initiatives and increased advertising assessment.
- ➢ Printing: $2.5 million, or 49%, lower:
  - Cost benefit decision to print Travel Guide in 2009 versus in 2008.
- ➢ Other expense: $2.6 million, or 15%, lower:
  - Aggregate of variances, mainly due to decrease of allowance for doubtful accounts of $1.7 million in 2008 versus an increase of $2.4 million in 2007.
- ➢ Higher frequent stay program awards of $1.2 million ($0.9 million for BW Rewards program and $0.3 million for Airline program) due to higher points and airline mile awards issued to program members.

Income tax expense / benefit – Planned 2008 net loss and carry-back to 2007, resulting in income tax benefit in 2008 and recovery of a portion of 2007 taxes paid.

Financial Position and Liquidity

The Company continues to be in a healthy financial position at November 30, 2008. Cash balances were $31.2 million, compared to $22.3 million last year. Net current assets and liabilities, those expected to generate cash within the next year, are $12.5 million, compared to $10.5 million last year.

Capital Resources

The Company expended $7.2 million and $7.9 million in fiscal 2008 and 2007, respectively, for capital projects. The major projects were computer software, including eCustomer contacts/web booking engine and telecommunications systems upgrades, building improvements and computer hardware upgrades, including infrastructure upgrades.

The Company anticipates that existing cash balances and cash flows from operations will be adequate to meet the Company's cash requirements for at least the next year.

MUKAI,
GREENLEE &
COMPANY, P.C.
Certified Public Accountants

2600 North Central Avenue
Suite 1820
Phoenix, Arizona 85004
Telephone (602) 279-2600
Fax (602) 279-5191

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Best Western International, Inc.

We have audited the accompanying consolidated statements of financial position of Best Western International, Inc. and Subsidiaries as of November 30, 2008 and 2007, and the related consolidated statements of revenues, expenses and net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Best Western International, Inc. and Subsidiaries as of November 30, 2008 and 2007, and the changes in its net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mukai, Greenlee & Company, P.C.

February 22, 2009

Consolidated Statements of Financial Position

	At November 30, 2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 31,182,432	$22,636,834
Accounts receivable, principally from members, net	33,284,618	30,428,263
Prepaid expenses and other current assets	12,334,886	11,898,883
Income taxes receivable	3,865,789	1,787,680
TOTAL CURRENT ASSETS	**80,667,725**	**66,751,660**
Property, equipment and computer software, net	22,175,727	21,736,548
Other assets	600,424	1,285,954
Non-current deferred income tax asset	827,000	-
TOTAL ASSETS	**$104,270,876**	**$89,774,162**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable, accrued liabilities and deferred compensation plans	$46,082,472	$34,827,192
Current frequent stay program liability	11,715,280	12,594,119
Deferred income tax liability	1,280,000	447,000
Deposits	9,056,399	8,385,545
TOTAL CURRENT LIABILITIES	**68,134,151**	**56,253,856**
Non-current deferred compensation plans liability	3,323,971	2,884,767
Non-current frequent stay program liability	21,521,017	17,582,815
Non-current deferred income tax liability	-	104,000
TOTAL LIABILITIES	**92,979,139**	**76,825,438**
NET ASSETS	11,291,737	12,948,724
TOTAL LIABILITIES AND NET ASSETS	**$104,270,876**	**$89,774,162**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Revenues, Expenses & Net Assets

	Years Ended November 30, 2008	2007
REVENUES:		
Monthly fees	$95,504,782	$98,007,064
Annual dues	8,658,879	8,946,151
Affiliation fees	8,628,750	8,070,956
Special advertising assessment	16,419,430	11,660,896
Special quality assurance assessment	1,341,053	1,416,310
International cost share fees	20,921,128	20,047,973
Member meetings revenue	3,877,469	3,517,969
Other revenue	11,297,149	10,496,962
Programs:		
Property direct relations	3,492,053	2,943,045
Frequent stay program	40,004,185	32,413,838
Travel card program	2,170,807	3,280,588
GDS and internet domestic reservations	6,877,261	7,548,870
BW Supply sales, mark-up and commissions	6,293,026	6,700,300
Other programs	6,152,384	5,860,444
TOTAL REVENUES	**231,638,356**	**220,911,366**
EXPENSES:		
Salaries, wages and commissions	60,684,759	56,952,811
Third party labor	9,435,730	10,634,250
Payroll taxes and employee benefits	15,441,845	14,476,467
Advertising and promotion	60,280,890	48,725,713
Telephone	6,121,072	6,101,789
Travel	7,124,021	6,971,276
Depreciation and amortization	6,716,947	6,717,513
Rentals - equipment, software and office space	4,360,345	4,330,439
Maintenance, utilities, property taxes	3,827,949	4,244,860
Legal fees	4,945,691	2,225,995
Other professional fees	6,125,413	8,704,998
Meetings related costs	4,530,566	4,150,587
Printing	2,605,069	5,076,596
Supplies, postage and freight	5,421,998	5,506,922
Interest	25,628	33,638
Other expenses	14,430,213	17,055,906
Programs:		
Frequent stay program awards	14,810,616	13,629,513
Third party GDS/Internet booking fees for North American properties	6,344,201	6,923,804
Other programs	730,390	1,008,998
TOTAL EXPENSES	**233,963,343**	**223,472,075**
Deficit of revenues over expenses before income taxes	**(2,324,987)**	**(2,560,709)**
Income Taxes	668,000	(422,688)
Deficit of revenues over expenses	**(1,656,987)**	**(2,983,397)**
NET ASSETS:		
Beginning of Year	12,948,724	15,932,121
END OF YEAR	**$11,291,737**	**$12,948,724**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Years Ended November 30, 2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficit of revenues over expenses	$(1,656,987)	$(2,983,397)
Adjustments to reconcile deficit of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	6,716,947	6,717,513
Provision for (adjustment to) doubtful accounts	(1,682,771)	2,457,941
(Benefit from) provision for deferred income taxes	(98,000)	1,172,000
Gain on sale of property and equipment and computer software	-	(6,644)
Changes in assets and liabilities:		
Accounts receivable	(1,173,584)	(3,085,495)
Prepaid expenses and other current assets	(436,003)	1,013,147
Income taxes receivables	(2,078,109)	(1,316,919)
Other assets	685,530	(145,967)
Accounts payable, accrued liabilities and deferred compensation plans	11,694,484	(1,769,644)
Frequent stay programs accrued awards	3,059,363	4,258,586
Income taxes payable	-	(39,700)
Deposits	670,854	335,355
NET CASH PROVIDED BY OPERATING ACTIVITIES	**15,701,724**	**6,606,776**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of investments	-	17,967,562
Purchase of property, equipment and computer software	(7,156,126)	(7,866,174)
Proceeds from sale of property and equipment	-	10,000
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	**(7,156,126)**	**10,111,388**
Net increase in cash and cash equivalents	8,545,598	16,718,164
Cash and cash equivalents at beginning of year	22,636,834	5,918,670
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$31,182,432**	**$22,636,834**
Supplemental disclosures of cash flow information:		
Cash paid for interest	$25,628	$33,638
Cash paid for income taxes	1,529,752	622,000

See accompanying notes to consolidated financial statements.

Years ended November 30, 2008 and 2007

(1) Organization and Summary Of Significant Accounting Policies

(a) *Nature of Business*
Best Western International, Inc., and subsidiaries (the Company) is a membership organization incorporated as a non-profit organization in the state of Arizona. The Company is an association of member hotels established solely to provide revenue generating opportunities and the leverage of purchasing power to benefit its members.

The Company's services and products are sold throughout the world, primarily in the United States and Canada.

(b) *Principles of Consolidation*
The consolidated financial statements include the accounts of Best Western International, Inc. and its wholly-owned subsidiaries consisting of B W Advertising Agency, Inc., B-W Insurance Agency, Inc., B-W Worldwide Reservations, Inc., B-W GCCI, Inc., Best Western International Limited, B-W Financial Services, Inc., BWI Latin America Reservations Co., BWI Latin America Service Co., BWI Asia, Inc., BWI Denmark, Inc., and B-W International Licensing, Inc.

BWI (Thailand) Co., LTD and Best Western (Hong Kong) Limited are wholly-owned subsidiaries of B-W International Licensing, Inc. The Company closed its Hong Kong office in 2005 and dissolved Best Western (Hong Kong) Limited in 2008. BWI Brazil Ltda. and BWI Argentina S.R.L. are wholly-owned subsidiaries of BWI Latin America Service Co. and BWI Latin America Reservations Co., BWI Denmark Inc. Arizona, Filial heraf is a branch of BWI Denmark, Inc.

All significant intercompany transactions and balances are eliminated in consolidation.

(c) *Reclassifications*
Certain 2007 amounts have been reclassified to conform to the 2008 financial statement presentation.

(d) *Cash and Cash Equivalents*
Cash and cash equivalents include highly liquid money market instruments that have original maturities of three months or less at the date of purchase.

(e) *Property, Equipment and Computer Software*
Property, equipment and computer software are recorded at cost. Depreciation on land improvements, buildings, furniture and equipment is computed using straight-line and accelerated methods over estimated useful lives ranging from 3 to 39 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the related lease term or the estimated useful lives of the assets. Purchased software license fees and related implementation costs and costs to develop software for internal use are deferred and amortized on a straight-line basis over a three-year period. Repair and maintenance costs are charged to operating expenses as incurred.

(f) *Income Taxes*
The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has elected to defer the adoption of Financial Interpretation No. 48 (FIN 48) "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" as required adoption has been deferred for non-public companies to fiscal years beginning after December 15, 2008. FIN 48 requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in its tax return. The Company believes the tax positions taken on its income tax returns and benefits recognized in its financial statements are fairly stated. To the extent that the Company's assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made.

Years ended November 30, 2008 and 2007

(g) *Impairment or Disposal of Long-Lived Assets*
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(h) *Revenue Recognition*
Fees, dues and assessments are established by the Board of Directors to cover costs of providing services to its Members. Fees and assessments are billed monthly and recognized as revenue in the same month as the service they are designated to cover are provided. Annual dues are established, billed and payable each year for continuing membership during the succeeding year. Annual dues are recognized as revenue in the year to which this continuing membership applies. All other revenue sources, such as program fees, are recognized as earned in the month that the product or service is provided. Revenues, including rebates from vendors, and associated costs of product sold to Members where the Company does not assume the risks and rewards of ownership of the product are reported as net revenue.

(i) *Significant Estimates and Assumptions*
Management of the Company has made certain estimates and assumptions relating to the reporting of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

The following is a description of the estimate used for the Best Western Rewards (BWR) frequent travelers program. The frequent stay program's estimated total liability is $33,236,297 and $30,176,934 as of November 30, 2008 and 2007, respectively. It represents management's estimate of the future obligation of awards for points earned but not yet redeemed by participants. The liability is calculated by multiplying the outstanding point balance, reduced by the points in accounts of inactive members, by an estimate of the redemption rate; the result of that calculation is multiplied by the average cost to redeem a point. Should the actual redemption rate be higher or lower than what is estimated, it could have a material effect on the future results of the operations of the Company.

The portion of this liability expected to be redeemed within the next 12 months, based on the historical trend of points redeemed, is $11,715,280 and $12,594,119 as of November 30, 2008 and 2007 respectively.

(j) *Concentration of Credit Risk*
Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable, principally from members.

The Company has concentrated its credit risk for cash by maintaining deposits in Wells Fargo Bank, N.A. and other financial institutions which exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC) or by the U.S Department of the Treasury under its Temporary Guarantee Program for Money Market Funds announced on September 29, 2008 and extending through April 30, 2009. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Accounts receivable, principally from members, are primarily from member fees, member services and product sales. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of members and affiliates, located throughout the world, comprising the Company's customer base. The Company does not require collateral, within credit limits established. In those instances where a member requests product in excess of the credit limit allowed by Company policy, the Company requests a letter of credit or prepayment to secure the collection of accounts receivable. The Company performs ongoing evaluations of its member receivables, non-payment can lead to termination of affiliation.

Years ended November 30, 2008 and 2007

(k) *Foreign Currency*
The Company enters into transactions in Canadian dollars with its Canadian members and others. The Company also has several non-U.S. offices and subsidiaries for which the U.S. dollar is the functional currency.

Non-U.S. dollar assets and liabilities are translated at year-end exchange rates; income and expense items are translated at average exchange rates prevailing during the year. Exchange rate gains and losses are included in earnings in Other Expenses.

(2) Accounts Receivable, net of Allowance for Doubtful Accounts

The following is a breakdown of the allowance for doubtful accounts:

Allowance for Doubtful Accounts	2008	2007
Beginning Balance	$ 5,239,049	$ 4,028,339
Recoveries	965,195	721,865
Provision / (adjustments)	(1,682,771)	2,457,941
Write Offs	(2,008,351)	(1,969,096)
Ending Balance	$ 2,513,122	$ 5,239,049

(3) Income Taxes

Income tax expense (benefit) for the years ended November 30, 2008 and 2007 consisted of the following:

2008	Current	Deferred	Total
Federal	$ (680,000)	$ (79,000)	$(759,000)
State	110,000	(19,000)	91,000
	$ (570,000)	$ (98,000)	$(668,000)

2007	Current	Deferred	Total
Federal	$ (626,844)	$ 943,000	$ 316,156
State	(122,468)	229,000	106,532
	$ (749,312)	$1,172,000	$ 422,688

The actual tax expense differs from the "expected" tax expense computed by applying the applicable U.S. federal corporate tax rate of 34% and the composite state tax rate of 8.25% to the deficit of revenues over expenses before income tax expense for the years ended November 30, 2008 and 2007. This is principally due to an increase in the book to tax basis of depreciable assets, utilization of a portion of the Company's net operating loss to offset taxable income, payment of an assessment for prior year taxes, state income tax expense and adjustments to prior year provisions. Also contributing to the difference are various income and expense items which are not deductible for tax purposes, including trademark, and certain meal and entertainment deductions.

Years ended November 30, 2008 and 2007

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at November 30, 2008 and 2007 are presented below:

	2008	2007
CURRENT DEFERRED TAX ASSETS:		
Allowance for doubtful accounts	$1,062,000	$2,213,000
Prepaid Insurance	35,000	-
Compensated absences	1,076,000	1,034,000
Deferred compensation plans	200,000	177,000
Acquisition of new logo	100,000	53,000
Free night voucher liability	105,000	-
Total current deferred tax assets	2,578,000	3,477,000
CURRENT DEFERRED TAX LIABILITY:		
Prepaid expenses deferred	3,858,000	3,924,000
Net current deferred tax (liability)	(1,280,000)	(447,000)
NON-CURRENT DEFERRED TAX ASSETS:		
Deferred compensation plans	1,404,000	1,219,000
Acquisition of new logo	943,000	119,000
Unrealized loss on life insurance policies	220,000	-
Contributions not tax deductible	9,000	-
Net operating loss	277,000	156,000
Total non-current deferred tax assets	2,853,000	1,494,000
NON-CURRENT DEFERRED TAX LIABILITY:		
Depreciation and amortization	2,026,000	1,598,000
Net non-current deferred tax asset (liability)	827,000	(104,000)
NET DEFERRED TAX (LIABILITY)	$ (453,000)	$ (551,000)

The Company has income tax refunds receivable of $3,865,789. This amount is comprised of refunds expected from the federal government, income tax deposits with federal and state governments and the expected benefit of a net operating loss for the year 2008.

Pending refunds of $2,350,153 are related to net operating tax loss for 2005 and 2004; the Company amended its federal tax returns for 2003 and 2002 and applied these losses against the taxable income originally reported for those years.

Deposits with federal and state governments of $481,638 resulting from the making of estimated tax payments in 2007 that were more than the actual tax liability incurred for that year.

Benefit of $1,034,000 resulting from the net operating loss generated for the year 2008; the Company plans to amend its federal tax return for 2007, and apply these losses against taxable income reported for that year to recover a portion of the income taxes paid in 2007.

The Company's net operating tax loss for 2008, 2005 and 2004 could not be carried back for state income tax purposes. The Company plans to apply these net operating losses, in the amount of $2,322,592, against future state taxable income. The benefit of these net operating losses is included in the Company's deferred tax asset accounts and expire in two to 20 years.

As the management of the Company considers it more likely than not that the gross deferred tax assets will be realized, a valuation allowance has not been applied.

Years ended November 30, 2008 and 2007

(4) Property, Equipment and Computer Software

Property, equipment and computer software consist of the following:

	2008	2007
Property, equipment and computer software, at cost:		
Land	$ 2,335,018	$ 2,335,018
Land improvements	771,494	737,598
Buildings	17,483,559	15,767,713
Leasehold improvements	127,602	127,602
Furniture and equipment	29,419,177	25,806,231
Computer software costs	30,357,751	28,564,313
	80,494,601	73,338,475
Less accumulated depreciation and amortization	(58,318,874)	(51,601,927)
Property, equipment and computer software, net	$ 22,175,727	$ 21,736,548

(5) Line of Credit

The Company has a $6,750,000 unsecured line of credit available for current working capital needs at November 30, 2008 and 2007. The line of credit expires on May 31, 2009, and provides for interest at either the prime rate, as defined by Wells Fargo Bank, or the LIBOR rate plus 137.5 basis points.

(6) Accounts Payable, Accrued Liabilities and Deferred Compensation Plans

The major components of accounts payable and accrued liabilities at November 30, 2008 and 2007 are as follows:

	2008	2007
Accounts payable	$ 31,355,805	$ 21,232,375
Accrued liabilities and current portion of deferred compensation plans	14,726,667	13,594,817
Total	$ 46,082,472	$ 34,827,192

(7) Contingencies

The Company is involved in legal proceedings in the normal course of business. While the results cannot be predicted with certainty, as of November 30, 2008, there were no actions that, in the opinion of management, if adversely decided, would have a material effect on the Company's financial position, results of operations or cash flows. In June 2006 the Company filed a lawsuit against general categories of John Doe defendants to try to learn the identity of persons operating an anonymous internet weblog or "blog". Subsequently, two Best Western members, H. James Dial and Loren Unruh, and one blogger, Nidrah Dial, were named as defendants. H. James Dial brought counterclaims against the Company and the Board of Directors. Discovery is complete and the Judge has ruled on a number of motions resulting in Orders reducing the case to four claims that will be tried in March 2009. The remaining claims are (1) the Company's claim that the defendant-members each breached their membership agreements with the Company when they posted on the blog using Best Western licensed marks, (2) the Company's claim that the Dials each posted defamatory statements on the blog, (3) Dial's counterclaim that Director Roman Jaworowicz breached his fiduciary duty when he voted supporting the litigation, and (4) Dial's counterclaim that the Company intentionally interfered with a contractual expectancy when a hotel owned by a company in which he has a financial interest was not visible in the reservation system for a few days due to an inadvertent act by a Company employee. The Company believes it has meritorious defenses against the counterclaims. The Defendants have threatened seeking reimbursement of attorneys fees and expenses after the trial.

Years ended November 30, 2008 and 2007

(8) Leases

The Company leases certain office space, equipment and software under various operating leases, which expire on various dates through September 2011. Rental expense for all operating leases for the years ended November 30, 2008 and 2007 was $989,987 and $1,247,545, respectively. Minimum future rentals on non-cancelable operating leases having a remaining term in excess of one year at November 30, 2008 are as follows:

Years ending November 30,	Equipment and Software	Office Space	Total Minimum Rentals
2009	$489,620	$492,309	$981,929
2010	142,720	288,685	431,405
2011	-	61,043	61,043
	$632,340	$842,037	$1,474,377

(9) Employee Retirement Savings Plans

The Company sponsors a 401(k) investment plan which is available to all U.S. employees on the first day of service, and a Canadian RRSP Plan which is available to all Canadian employees on the first day of service. Under the plans, employees may contribute a percentage of their eligible wages to the plans, subject to maximum statutory regulations. The Company contributes 3% of the annual salary to all eligible employees. The Company may also contribute a discretionary amount, as determined by the Board of Directors, to be allocated in proportion to the first 6% of employees' contributions provided an employee has worked 1,000 hours during the plan year and is employed on the last day of the plan year.

The Company's contribution to the 401(k) investment plan was $3,072,740 and $2,693,817 for the years ended November 30, 2008 and 2007, respectively, and the Company's contribution to the RRSP Plan was $97,792 and $84,252 for the years ended November 30, 2008 and 2007, respectively, and is included in payroll taxes and employee benefits in the accompanying consolidated statements of revenues, expenses and net assets.

(10) Deferred Compensation Plans

The Company has a deferred compensation plan in which key management employees of the Company, as determined by the Board of Directors, are selected to participate. This plan was initiated on June 1, 1997 and is a defined contribution plan. Participating employees may defer a percentage of their annual salaries and a percentage of any incentive compensation into the plan. The Company contributes based on a formula designed to restore benefits otherwise lost to participating employees due to statutory limits in the 401(k) investment plan and by an amount equal to the rate of the old age survivors and disability insurance tax under IRS code section 3101 multiplied by participant's compensation in excess of the social security tax base. The Company's expense related to this plan was $349,073 and $535,358 for the years ended November 30, 2008 and 2007, respectively, and is included in payroll taxes and employee benefits in the accompanying statements of revenues, expenses and net assets. The Company's liability for this deferred compensation plan was $2,857,608 and $2,311,767 at November 30, 2008 and 2007, respectively.

Years ended November 30, 2008 and 2007

In July 2007, the Company established a long-term incentive plan for key executives. Amounts awarded under the plan for each performance period are payable to each key executive in March of the third year after the performance period ends. The key executive must be employed by the Company on the payment date. The plan allows for proration of the accrued benefit for key executives because of death, disability or retirement. The Company records expense for this plan over a three year period. The Company's expense related to this plan was $367,000 and $993,000 for the years ended November 30, 2008 and 2007, respectively, and is included in payroll taxes and employee benefits in the accompanying statements of revenues, expenses and net assets. The Company's liability for this long-term incentive plan was $939,633 and $993,000 at November 30, 2008 and 2007, respectively.

(11) Pending Accounting Standards

In September 2006, The Financial Accounting Standards Board issued SFAS No. 157 (SFAS 157), "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. However, for some entities, the application of SFAS 157 will change current practice. The Company has not yet adopted SFAS 157, as required adoption has been deferred to fiscal years beginning after November 15, 2008.

(12) Membership Annual Dues

During fiscal years 2008 and 2007 members remitted funds of $8,286,679 and $8,364,005, respectively, in payment of annual dues for the subsequent year. Such funds were held in a bank trust escrow account. These funds were not available to the Company until December 1st of the following fiscal year, and therefore are not recorded in the financial statements at November 30, 2008 and 2007.

Director, Governor and Advisory Committee Expenses

The Company has seven members on its Board of Directors. These Directors are elected by the association's members for a three-year term and may serve no more than two terms. Directors attend board meetings, member meetings, international conferences with Affiliate organizations and perform other services for the Company throughout the year. They are paid a fee of $400 per day of service and are reimbursed for travel expenses.

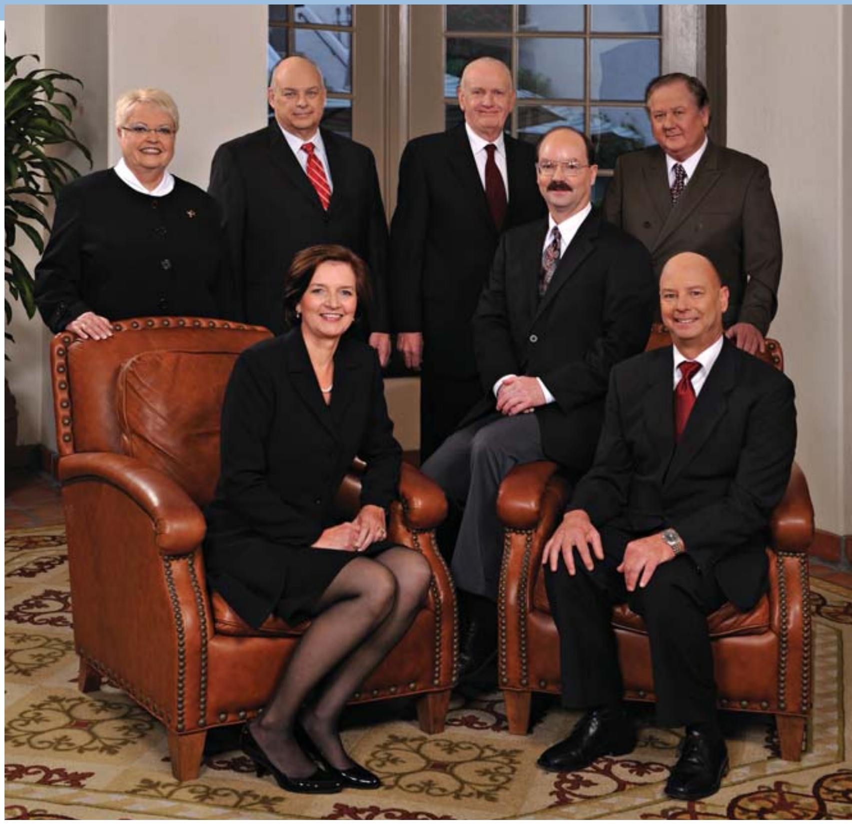
Directors appoint Governors to assist them in membership matters within their districts, including property inspections. Governors are reimbursed for their travel expenses on such trips and are compensated $250 when visiting an applicant hotel or site.

In addition, Directors appoint members to serve on various Advisory Committees. These Advisory Committees meet, review programs, and make recommendations to the Board of Directors. Members of these committees are reimbursed for their travel expenses when they meet.

The expenses related to Directors, Governors and the Advisory Committees are presented below:

	2008				2007			
	Director	Governor	Advisory Committee	Total	Director	Governor	Advisory Committee	Total
EXPENSES								
Fees	$ 408,000	$54,250	$ -	$ 462,250	$ 514,800	$57,000	$ -	$ 571,800
Other expenses	791,432	33,998	81,817	907,247	783,664	41,986	131,591	957,241
Total	$1,199,432	$88,248	$ 81,817	$1,369,497	$1,298,464	$98,986	$131,591	$1,529,041

Board of Directors



Best Western International's Board of Directors, clockwise from far left, rear:

Beth Campbell, representing District II;
Roman J. Jaworowicz, representing District III;
Raymond Johnston, representing District VI;
Charles Helm, representing District V;
P.G. West, representing District I;
David Francis, representing District VII;
Bonnie McPeake, representing District IV.

2009 Best Western Board of Directors

Bonnie McPeake, CHA
Chairwoman
Representing District IV
Best Western Pinehurst Inn
Southern Pines (Pinehurst), North Carolina

P.G. West, CHA
Vice-Chairman
Representing District I
Best Western Turquoise Inn & Suites
Cortez, Colorado

Beth Campbell
Secretary/Treasurer
Representing District II
Best Western Inn at Penticton
Penticton, British Columbia

David Francis, CHA
Representing District VII
Best Western of Lynchburg
Lynchburg, Virginia

Charles Helm, CHA
Representing District V
Best Western Crown Colony Inn & Suites
Lufkin, Texas
Best Western Monica Royale Inn & Suites
Greenville, Texas

Roman J. Jaworowicz, CHA
Representing District III
Best Western Highland Inn & Conference Centre
Midland, Ontario, Canada
Best Western Campbellsville Inn
Campbellsville, Kentucky

Raymond Johnston
Representing District VI
Best Western Las Brisas Hotel
Palm Springs, California
Best Western Las Brisas Hotel
Tucson, Arizona

Corporate Officers

David T. Kong
President and Chief Executive Officer

Mark Straszynski
Chief Financial Officer

Executive Offices

6201 North 24th Parkway
Phoenix, Arizona 85016-2023, USA
(602) 957-4200

Independent Auditors

Mukai, Greenlee & Company, P.C.
Phoenix, Arizona