FRANCHISE DISCLOSURE DOCUMENT

Shilo Inns, Franchise, LLC
An Oregon limited liability company
11707 NE Airport Way
Portland, Oregon 97220
Phone: (503) 641-6565
www.shiloinns.com

"AFFORDABLE EXCELLENCE"

We are ***Shilo Inns, Franchise, LLC***, an Oregon limited liability company. We offer franchises to qualified individuals and entities to own and operate specialized lodging and hospitality facilities under the ***"Shilo"*** ® names, logos, and Service Marks. Our franchisees use our Shilo systems and programs, and other systems, procedures, methods, and operating requirements (the "Method of Operation").

We anticipate the total investment necessary to begin operation of a new Shilo property, including development, construction, furnishings, fixtures, inventory, and working capital is approximately **$7,366,500 to $203,340,000** (plus the cost or acquiring or leasing land, see notes to Item 7 for details).

We anticipate the total investment necessary to convert an existing property to the Shilo system and to begin operation is approximately **$1,699,500 to $58,845,000** (plus improvements, furnishings, fixtures, equipment, insurance, employees, telephone service and utilities, see notes to Item 7 for details).

The total investment necessary for a franchise related to the purchase of a Company/Affiliate owned Shilo property is variable and depends upon a number of factors, but is less than the operation of a newly constructed or converted property and is estimated to be approximately **$20,500 to $2,205,000** (plus any additional insurance, signage, furniture, fixtures, equipment, employees, telephone service and utilities, and stationary and promotional materials, see notes to Item 7 for details)

You bear all costs to establish, develop, construct or convert and to operate your Shilo property. See Item 7 (Initial Investment) for more detailed information. The total investment estimates include the Initial Franchise Fee that must be paid to us:

The Initial Franchise Fee for a new or converted property is the greater of **$50,000** or **$500** per lodging room for a Shilo Inn Suites Hotel, the greater of **$45,000** or **$450** per lodging room for a Shilo Inn Hotel, the greater of **$35,000** or **$350** per lodging room for a Shilo Inn Suites, and the greater of **$25,000** or **$300** per lodging room for a Shilo Inn. The Initial Franchise Fee for an existing Shilo that is purchased by you from a Company/Affiliate, is the greater of **$25,000** or **$250** per lodging room for a Shilo Inn Suites Hotel, the greater of **$22,500** or **$225** per lodging room for a Shilo Inn Hotel, the greater of $**17,500** or **$175** per lodging room for a Shilo Inn Suites, and the greater of **$12,500** or **$150** per lodging room for a Shilo Inn hotel.

~~Refer to Items 5, 6 and 7 of this Disclosure Document for a full explanation regarding the Initial Franchise Fee, other Fees and the Total Investment.~~

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least **14** calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mark S. Hemstreet at 11707 NE Airport Way, Portland, OR 97220 and (503) 641-6565.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: April 30, 2023

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Shilo Hotel business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Shilo Hotel franchisee?	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit I.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Oregon. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Oregon than in your own state.

2. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

3. **Spousal Liability.** In community property states, Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin, franchisees must sign the franchise agreement or a guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The agreement or guaranty will place your and your spouse's marital and personal assets, perhaps even your house, at risk if your franchise fails.

4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

We are **Shilo Inns, Franchise, LLC.** In this Franchise Disclosure Document, Shilo Inns, Franchise, LLC is called “Shilo,” "we," “our,” and "us." Our predecessor is Shilo Inns Suites Hotels Franchise, LLC formed in 2009. Our affiliate is Shilo Franchise International, LLC, an Oregon limited liability company formed May 2001.

We were formed on November 22, 2021 as an Oregon Limited Liability Company. We do business under the names “**SHILO INN SUITES HOTEL**®, **SHILO INN HOTEL**®**, SHILO INN HOTELS & SUITES**, **SHILO INN & SUITES**, **SHILO INN SUITES**, **SHILO INN**, and **SHILO**"®. We do not intend to do business under any other names. In this Disclosure Document, "You" means the individual, partnership, corporation or other legal entity that buys a Shilo Franchise. The location for your franchised lodging facility is called the “Property” or the “Franchise.”

Our principal place of business is at 11707 NE Airport Way, Portland, Oregon 97220. Our registered agents for service of process are set forth in Exhibit I to this Disclosure Document.

Mark S. Hemstreet is the founder of the Shilo Inns hotel system. He started in 1974 when he acquired and opened the first Shilo Inns hotels. From that time, he and members of his family have opened and own Shilo Inns hotels throughout the western United States and Texas; each hotel is owned by a separate legal entity with Mark S. Hemstreet now owning each entity (each such entity referred to herein as a “Shilo Company Entity”, and collectively, the “Shilo Company Entities”). The hotels owned by the Shilo Company Entities have been jointly managed by Shilo Management Corporation since its inception in 1991. The hotels owned by the Shilo Company Entities are listed in Item 20, below. Shilo Management Corporation’s principal place of business is 11707 NE Airport Way, Portland Oregon 97220. Shilo Management Corporation has never offered franchises.

The Shilo Inns hotel system began to franchise in 2001 through our affiliate, Shilo Franchise International, LLC. It offered Shilo franchises in the United States from its inception in 2001 until June 2009, when our predecessor Shilo Inns Suites Hotels Franchise, LLC begin franchising until July 2018. Pursuant to relevant state franchise registrations Shilo Franchise International, LLC entered into franchise arrangements with the Shilo Company Entities in 2001 and is the Shilo franchisor for franchising and licensing outside of the United States. Our affiliate has not offered franchises in other lines of business. Shilo Franchise International, LLC has never owned or operated any properties of the type offered as franchises under this disclosure document. The principal place of business for Shilo Franchise International, LLC also is 11707 NE Airport Way, Portland Oregon 97220.

The Shilo Company Entities own and Shilo Management Corporation operates four different types and investment levels of Shilo Inn properties under the Service Marks and the Method of Operation. We do not own or operate any properties. Pursuant to this Disclosure Document, we offer each of these four different types and investment levels of franchises. From highest to lowest they are:

Shilo Inn Suites Hotels provide distinctive hospitality, superior lodging, meeting and banquet facilities, convention halls, and excellent restaurant services. We also offer additional facilities designed for the comfort and convenience of the guests, such as game rooms, gift shops, cocktail lounges, swimming pools, valet services, and hair styling salons as appropriate. Shilo Inn Suites Hotels are fine hotels, resorts, and conference centers comprised of at least 50% suites.

Shilo Inn Hotels provide the same level of service and conveniences as the Shilo Inn Suites Hotels described above, but with less than 50% suites, and are typically upscale full-service hotels, resorts and conference centers.

Shilo Inn Suites provide superior lodging facilities comprised of at least 30% suites. We are typically 3 stories or fewer, mid-scale to upscale limited-service properties. We frequently have limited meeting facilities in both the full and limited-service product lines.

Shilo Inns provide upper economy and mid-scale limited-service facilities in largely urban settings.

Each Shilo property operates pursuant to methods, systems and programs of operation (the "Method of Operation"). These relate to the establishment, development and operation of Shilo properties that offer distinctive high quality lodging services. The characteristics of the Method of Operation include exceptional decor, design, layout, and color scheme; exclusively designed signage, decorations, furnishings and materials; the Shilo Reservation System; hospitality service procedures and techniques; operating procedures for cleanliness and maintenance; other confidential operating procedures; methods and techniques for inventory and cost controls, record keeping and reporting; personnel management and training, purchasing, marketing, sales promotion and advertising.

We offer franchises for the establishment, development, construction or conversion, and operation of distinctive, high quality lodging facilities. We grant franchises to individuals or entities to establish, operate and maintain superior hotels, or to convert and upgrade existing hospitality facilities, and develop, establish, operate and maintain those facilities as Shilo properties. Pursuant to the Franchise Agreement, we will give you the right to use our service marks (the “Service Marks”) and Method of Operation for the establishment, development, and operation of your property (the "Property"). We conduct no other business activities.

The general market for the services offered by Shilo properties is well developed. Your customers may include individuals and businesspersons who are interested in, and place a premium on, comfort and service. There are no legal regulations that relate specifically to our industry apart from those that apply to all businesses and lodging facilities in general, including liquor licenses. Shilo properties compete with national and regional hotel, motel, inn, resort and lodging businesses that are rated at 3 to 5 diamonds by the American Automobile Association.

We have offered franchises to third-parties since 2022. Our predecessor started to offer franchises in September 2012. Neither we nor our predecessor nor our affiliate have ever offered franchises in other lines of business.

Your franchise will be subject to industry-specific laws and regulations affecting lodging and restaurant businesses generally. Your business will be subject to all of the laws, codes and regulations (referred to below generally as "laws") normally applicable to lodging, restaurant, and retail businesses. These include:

(1) Federal. Examples of federal laws are wage and hour, occupational health and safety, equal employment opportunity, hazardous materials communication to employees, hazardous waste and environmental, and the Americans with Disabilities Act.

(2) State. State laws may cover the same topics as federal laws. Examples of state laws include environmental, occupational health and safety, fire, health, and building and construction laws.

(3) Local. Local laws may cover the same topics as federal and state laws. Examples of local laws include health and sanitation, building codes, fire codes, and waste disposal and include, in most instances, city, county, parish, borough, municipality or other local laws.

*State regulations may govern the temperatures at which you store and serve food.

*Many local or state jurisdictions require lodging service and food service permits for those preparing and serving to the public. You and your employees may be required to pass a test or other certification process to obtain such a permit. There may also be local ordinances and regulations governing food and materials storage, preparation and serving.

*Your franchise may be subject to local health permits and inspection laws. Health laws are intended in part to reduce illnesses and may cover such issues as: requiring employees to take a test and obtain a license as a service worker, having accessible sinks, bathrooms for certain size establishments, inspections for cleanliness and compliance, equipment cleaning, storage and packaging, size of facilities, allowed foods, refrigeration, etc.

You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You should

investigate these and other laws applicable to your business with your own independent legal counsel before signing the Franchise Agreement and before opening for business. It is your responsibility to identify and comply with any and all laws applicable to your franchise, and we urge you to investigate these laws and regulations before becoming a franchisee. You must comply with all employment laws and regulations in respect to your employees and/or independent contractors.

~~**COVID-19**. Apart from full compliance with fluctuating and varied state and local rules related to Covid-19 shelter-in-place, business and essential services opening and operations restrictions, social distancing, disinfection, surface cleaning, hand washing, hand sanitation, and masking requirements, we have not made and do not intend to make any changes to our business model to adapt to governmental or consumer demands either during or post-COVID-19.~~

2. BUSINESS EXPERIENCE

The background and business experience of our officers and of our franchise sales agents and franchise operations executives includes:

Manager: MARK S. HEMSTREET

Mark Hemstreet founded Shilo Inns in 1974 with the acquisition of two hotel sites in Oregon. He has been the founder and executive officer of us, our Predecessor, and of our Affiliate since our respective inceptions in 2021, 2009, 1991, and 2001.

3. LITIGATION

Except as described below, no litigation is required to be disclosed in this Disclosure Document.

Each of the defendant individuals and entities below is either identified by name in Items 1 and 2 above, or is a Shilo Company Entity. Each of these litigations arise out of real estate or other type of commercial loans and reflects financial difficulties the defendant(s) had in paying the loan obligations as a result of the economic downturn that started in 2008 and later the effects of COVID-19 on the hospitality business. Each case that has been settled or dismissed or resolved has been through renegotiation of the loan obligation or sale of the involved hotel property to satisfy the obligation to the satisfaction of the mortgage holder.

Bank of America, N.A., plaintiff, v. Mark S. Hemstreet and Shilo Management Corporation, defendants, No. C01-3272CV, Circuit Court, Washington County, Oregon (2002) and a related case *Merrill Lynch Commercial Finance Corp., plaintiff, v. Mark S. Hemstreet, Shilo Management Corporation, JDCK, LLC, Troy Lodge, LLC and LSSR, LLC, defendants.* No. C11-5161CV, Circuit Court, Washington County, Oregon (2011). Litigation instituted by Bank of America, successor to Merrily Lynch Commercial Finance (a creditor to the defendants) to recover amounts owed on a defaulted revolving line of credit loan owed by Mark Hemstreet and Shilo Management Corporation (an entity owned by Mark S. Hemstreet). Bank of America obtained a judgment against Mark Hemstreet and Shilo Management Corporation in the litigation. The cases were settled with defendants paying an agreed upon settlement amount of $2,225,000, and dismissed in February 2016. JDCK, LLC, Troy Lodge, LLC and LSSR, LLC were entities that were previously owned by Mark S. Hemstreet and involved in businesses unrelated to the Shilo Inn hotels.

United Commercial Bank, plaintiff v. Shilo Inn, Ocean Shores, LLC, defendant. Case number WA 12-2-116-9 (Grays Harbor County), (Filed April 11, 2012). Litigation involving a loan owed by Shilo Inn, Ocean Shores, LLC to United Commercial Bank, which was a creditor of Shilo Inn, Ocean Shores, LLC. Shilo Inn, Ocean Shores, LLC initially defaulted on a loan owed to United Community Bank, and the Bank filed litigation to obtain the appointment of a receivership for the collateral property owned by Shilo Inn, Ocean Shores, LLC 707 Ocean Shores Blvd NW, Ocean Shores WA 98569. During the litigation, Shilo Inn, Ocean Shores, LLC made full reinstatement of the loan and the receivership and litigation was dismissed in June 2014 as a result of the reinstatement. Shilo Inn, Ocean Shores, LLC is a Shilo Company Entity and owns the Shilo hotel located at the address above, which hotel is operated by Shilo Management Corporation and as set forth in Section 20 below. Shilo Inn, Ocean Shores, LLC is owned by Mark S. Hemstreet.

VFS Financing, Inc., plaintiff, v. Shilo Management Corporation and Mark S. Hemstreet, defendants. Case No. C137477CV, Washington County, Oregon (2013) (filed November 14, 2013). VFS Financing, Inc. instituted litigation against Mark Hemstreet and Shilo Management Corporation to recover amounts owed on a defaulted loan which loan was originally for the acquisition of an aircraft used by Shilo Management Corporation and Mark Hemstreet. VFS Financing, Inc. was a creditor of Mark Hemstreet and Shilo Management Corporation. VFS Financing, Inc., obtained a judgment against Mark Hemstreet and Shilo Management Corporation for amounts owed on the loan and subsequently foreclosed upon the aircraft collateral. A settlement agreement was agreed to and the matter was resolved in 2018 with Mark S. Hemstreet and Shilo Management Corporation paying an agreed upon amount of $300,000. VFS Financing, Inc. was a creditor to Mark S. Hemstreet and Shilo Management Corporation.

East West Bank, plaintiff v. Mark S. Hemstreet, defendant. Case No. BC530576, Los Angeles County Superior Court, California (2013) (filed December 18, 2013). East West Bank (a creditor) instituted litigation against Mark Hemstreet to collect against Mark Hemstreet's personal guaranty of a defaulted loan owed by Shilo Inn, Casper, LLC. The parties settled the litigation with the collateral going to the Bank and payment of an agreed upon amount of $150,000 and the litigation was dismissed in November 2015. Shilo Inn, Casper, LLC was a Shilo Company Entity, that at one time owned a Shilo hotel property located at 739 Luker Lane, Evansville, Wyoming, which it no longer owns, and the entity has been dissolved.

Shilo Inn, Twin Falls, LLC, Shilo Inn, Boise Airport, LLC, Shilo Inn, Nampa Blvd., LLC, Shilo Inn, Newberg, LLC, Shilo Inn, Seaside East, LLC, Shilo Inn, Moses Lake, LLC, and Shilo Inn, Rose Garden, LLC, plaintiffs, vs. California Bank & Trust, N. A., Lead Case No. 2:13-bk-21601-VZ, Adv. Case No. 2:14-ap-01224-VZ. Shilo Inn, Twin Falls, LLC, Shilo Inn, Boise Airport, LLC, Shilo Inn, Nampa Blvd., LLC, Shilo Inn, Newberg, LLC, Shilo Inn, Seaside East, LLC, Shilo Inn, Moses Lake, LLC, and Shilo Inn, Rose Garden, LLC, which were all Shilo Company Entities, filed bankruptcies as indicated in Section 4 below. During the bankruptcies, the Shilo Company Entities instituted an adversary proceeding against California Bank & Trust (their creditor) alleging that certain modifications to the loans owed by the Shilo Company Entities were fraudulent obligations subject to avoidance and disallowance under bankruptcy law. The adversary proceeding in the bankruptcy was settled and dismissed in June 2015, and those entities have been dissolved.

ZB, N.A. dba California Bank & Trust v. Shilo Inn, Boise Airport, LLC and Mark S. Hemstreet, United States District Court, District of Idaho Case No. 1:12-cv-00141-CWD (filed March 19, 2012). Shilo Inn, Boise Airport, LLC (a former Shilo Company Entity) owed a loan to California Bank & Trust (a creditor of defendants) which was secured by a Shilo hotel property owned by Shilo Inn, Boise Airport, LLC and located at 4111 S Broadway Ave, Boise, ID 83705. Shilo Inn, Boise Airport, LLC defaulted under the loan and California Bank & Trust instituted litigation to collect on the loan, appoint a receiver, and foreclose on the property. A receiver was appointed for the property in April, 2016. Pursuant to stipulation of the parties, the property was sold by Shilo Inn, Boise Airport, LLC to Unelma Ventures, LLC in October, 2016 with the Bank receiving the net sale proceeds of $4,553,710 in exchange for waiving any deficiency and dismissal of the action. Unelma Ventures, LLC operated the hotel as a Shilo branded hotel until July 3, 2017 when the franchise agreement was mutually terminated. The entity has been dissolved.

ZB, N.A. dba California Bank & Trust v. Shilo Inn, Twin Falls, LLC and Mark S. Hemstreet, United States District Court, District of Idaho Case No. 1:12-cv-00143-CWD (filed March 19, 2012). Shilo Inn, Twin Falls, LLC (a former Shilo Company Entity) owed a loan to California Bank & Trust (a creditor of defendants) which was secured by a Shilo hotel property owned by Shilo Inn, Twin Falls, LLC and located at 1586 Blue Lakes Blvd N, Twin Falls, ID 83301. Shilo Inn, Twin Falls, LLC defaulted under the loan and California Bank & Trust instituted litigation to collect on the loan, appoint a receiver and foreclose on the property. A receiver was appointed for the property in April, 2016. Pursuant to stipulation of the parties, the property was sold by Shilo Inn, Boise Airport, LLC to Duke Capital II, LLC in May, 2017 with the Bank receiving the net sale proceeds of $8,359,145 in exchange for waiving any deficiency and dismissal of the action. Duke Capital II, LLC operated the hotel as a Shilo branded hotel until December 18, 2018 when the franchise agreement was mutually terminated. The entity has been dissolved.

ZB, N.A. dba California Bank & Trust v. Shilo Inn, Seaside East, LLC, et al., United States District Court, District of Oregon Case No. 3:12-CV-506-HZ (filed March 21, 2012). Shilo Inn, Seaside East, LLC (a former

Shilo Company Entity) owed a loan to California Bank & Trust which was secured by a Shilo hotel property owned by Shilo Inn, Seaside East, LLC and located at 900 S Holladay Dr, Seaside, OR 97138. Shilo Inn, Seaside East, LLC defaulted under the loan and California Bank & Trust instituted litigation to collect on the loan, appoint a receiver, and foreclose on the property. A receiver was appointed for the property in April, 2016. Pursuant to stipulation of the parties, the property was sold by Shilo Inn, Seaside East, LLC to Seaside Param, LLC in June, 2016 with the Bank receiving the net sale proceeds of $3,455,760 in exchange for waiving any deficiency and dismissal of the action. Seaside Param, LLC operated the hotel as a Shilo branded hotel until June 15, 2018 when the franchise agreement was mutually terminated. The entity has been dissolved.

ZB, N.A. dba *California Bank & Trust v. Shilo Inn, Rose Garden, LLC, et al.*, United States District Court, District of Oregon Case No. 3:12-CV-509-HZ (filed March 21, 2012). Shilo Inn, Rose Garden, LLC (a former Shilo Company Entity) owed a loan to California Bank & Trust which was secured by a Shilo hotel property leased by Shilo Inn, Rose Garden, LLC and located at 1506 NE 2nd Ave, Portland, OR 97232. Shilo Inn, Rose Garden, LLC defaulted under the loan and California Bank & Trust instituted litigation to collect on the loan, appoint a receiver, and foreclose on the property. A receiver was appointed for the property in April, 2016. Pursuant to stipulation of the parties, the property was sold by Shilo Inn, Rose Garden, LLC to Param Rose Garden LLC in February, 2017 with the Bank receiving the net sale proceeds of $640,000 in exchange for waiving any deficiency and dismissal of the action. Param Rose Garden LLC continues to operate the hotel as a Shilo branded hotel as further set forth in Section 20. The entity has been dissolved.

ZB, N.A. dba California Bank & Trust v. Shilo Inn, Moses Lake, Inc., et al., United States District Court, Eastern District of Washington Case No. CV-12-161-LRS (filed March 20, 2012). Shilo Inn, Moses Lake, Inc. (a former Shilo Company Entity) owed a loan to California Bank & Trust which was secured by a Shilo hotel property leased by Shilo Inn, Moses Lake, Inc., and located at 1819 Kittelson Rd, Moses Lake, WA 98837. Shilo Inn, Moses Lake, Inc. defaulted under the loan and California Bank & Trust instituted litigation to collect on the loan, appoint a receiver, and foreclose on the property. A receiver was appointed for the property in April, 2016. Pursuant to stipulation of the parties, the property was sold by Shilo Inn, Moses Lake, Inc. to Somnath Motel, LLC in September 2016 with the Bank receiving the net sale proceeds of $2,545,435 in exchange for waiving any deficiency and dismissal of the action. Somnath Motel, LLC operated the hotel as a Shilo branded hotel until August 14, 2017 when the franchise agreement was terminated. The entity has been dissolved.

ZB, N.A. dba California Bank & Trust v. Mark S. Hemstreet, Superior Court of the State of California, Orange County, Case No. 30-2012-00554759 (filed March 16, 2012). California Bank & Trust (a creditor of Mark Hemstreet) instituted Litigation against Mark Hemstreet to collect against Mark Hemstreet's personal guaranty of defaulted loans owed by Shilo Inn, Twin Falls, LLC, Shilo Inn, Boise Airport, LLC, Shilo Inn, Nampa Blvd., LLC, Shilo Inn, Newberg, LLC, Shilo Inn, Seaside East, LLC, Shilo Inn, Moses Lake, LLC, and Shilo Inn, Rose Garden, LLC to California Bank & Trust. The Bank obtained a judgment against Mark Hemstreet on June 15, 2016. In 2018, a settlement agreement was agreed to with California Bank and Trust with Mark Hemstreet paying an agreed upon amount of $5,2000,000, and the matter was resolved in 2018 and the action dismissed.

Z.B., N.A. dba California Bank & Trust v. Mark S. Hemstreet, Circuit Court of the State of Oregon, Washington County, Case No. 16CV24290. Domestication of the judgment in the preceding case in Washington County, Oregon. The litigation was voluntarily dismissed in April, 2018 in connection with the settlement of the above Orange County action.

Cathay Bank v. Mark S. Hemstreet, Shilo Management Corp., and Cascade Hotel Corporation, U.S. District Court, District of Oregon, Case No. 3:20-cv-1024-MO (filed July 13, 2020). Cathay Bank (a creditor) instituted collection litigation against defendants to collect on a loan obligation. Cathay Bank obtained a judgment against the defendants and ~~. A forbearance agreement has been executed with Cathay Bank agreeing to forbear collection on the judgment in consideration of a payment plan agreed to by the parties which is currently ongoing~~litigation is ongoing concerning the judgment.

4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item, except as follows:

Each of the defendant entities below is or was an entity directly owned and/or managed by Shilo Management Corporation and Mark Hemstreet. These cases were terminated and dismissed either by the relevant bankruptcy court following a plan being confirmed by the bankruptcy court or stipulation of the parties accepted by court.

Affiliate	Principal Place of Business	Mailing Address (if different)	Date Filed	Date Terminated	Date Dismissed	Case Name; Court	Case No.
~~Shilo Inn Pomona Hilltop LLC~~	~~301 West Temple Avenue, Pomona, CA, 91768~~		~~4/14/2011~~	~~6/7/2012~~	~~4/3/2012 Property Sold to Third Party and matter dismissed as a result of settlement~~	~~In re: Shilo Inn, Pomona Hilltop, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division~~	~~2:11-bk-26270~~
~~Shilo Inn Seaside Oceanfront LLC~~	~~30 North Prom, Seaside, OR, 97138~~	~~11600 SW Shilo Lane, Portland, OR, 97225~~	~~6/7/2011~~	~~4/29/2013~~	~~4/10/2013 Plan Adopted~~	~~In re: Shilo Inn, Seaside Oceanfront, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division~~	~~2:11-bk-34669~~
~~Shilo Inn, Diamond Bar, LLC~~	~~3200 Temple Street, Pomona, CA, 91768~~		~~11/29/2010~~	~~4/20/20122~~	~~4/3/2012 Property Sold to Third Party~~	~~In re: Shilo Inn, Diamond Bar, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division~~	~~2:10-bk-60884~~
Shilo Inn, Newberg, LLC	501 Sitka Avenue, Newberg, OR, 97132	11600 SW Shilo Lane, Portland, OR, 97225	5/1/2013	Plan filed	6/5/2015 Property Sold to Third Party and matter dismissed as a result of settlement	In re. Shilo Inn, Newberg, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division	2:13-bk-21605
Shilo Inn, Boise Airport, LLC	4111 Broadway Avenue, Boise, ID, 83705	11600 SW Shilo Lane, Portland, OR, 97225	5/1/2013	Plan Filed	6/5/2015 Dismissed by Settlement	In re. Shilo Inn, Boise Airport, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division	2:13-bk-21603
~~Shilo Inn, Killeen, LLC~~	~~3701 S WS Young Drive, Killeen, TX, 76542~~	~~11600 SW Shilo Lane, Portland, OR, 97225~~	~~12/6/2010~~	~~3/21/2012~~	~~9/19/2011 Plan Adopted~~	~~In re: Shilo Inn, Killeen, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division~~	~~2:10-bk-62057~~
Shilo Inn, Seaside East, LLC	900 S Holladay, Seaside, OR, 97138	11600 SW Shilo Lane, Portland, OR, 97225	5/1/2013	Plan Filed	6/5/2015 Dismissed by Settlement	In re: Shilo Inn, Seaside East, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division	2:13-bk-21606
~~Shilo Inn, Casper, LLC~~	~~739 Luker Lane, Evansville, WY, 82636~~		~~6/29/2011~~	~~11/8/2012~~	~~Plan Adopted~~	~~In re: Shilo Inn, Casper, LLC; United States Bankruptcy Court for the District of Wyoming~~	~~2:11-bk-20720~~
Shilo Inn, Casper, LLC	739 Luker Lane, Evansville, WY, 82636		7/24/2013	5/8/2014	4/23/2014 Property Sold to Third Party and matter dismissed as a result of settlement	In re: Shilo Inn, Casper, LLC; United States Bankruptcy Court for the District of Wyoming	2:13-bk-20727
~~Shilo Inn, Palm Springs, LLC~~	~~1875 N. Palm Canyon Drive, Palm Springs, CA, 92262~~		~~4/13/2011~~	~~4/15/2011~~	~~Converted to join case number 2:11-bk-26501~~	~~In re: Shilo Inn, Palm Springs, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division~~	~~6:11-bk-22229~~
~~Shilo Inn, Palm Springs, LLC~~	~~1875 N. Palm Canyon Drive, Palm Springs, CA, 92262~~		~~4/13/2011~~	~~6/7/2012~~	~~4/3/2012 Property Sold to Third Party and~~	~~In re: Shilo Inn, Palm Springs, LLC; United States Bankruptcy Court, Central District of~~	~~2:11-bk-26501~~

Affiliate	Principal Place of Business	Mailing Address (if different)	Date Filed	Date Terminated	Date Dismissed	Case Name; Court	Case No.
					~~matter dismissed as a result of settlement~~	~~California – Los Angeles Division~~	
Shilo Inn, Moses Lake, Inc.	1819 E. Kittleson Road, Moses Lake, WA, 98837	11600 SW Shilo Lane, Portland, OR, 97225	5/1/2013	Plan Filed	6/5/2015 Property sold to third party and matter dismissed as a result of settlement	In re. Shilo Inn, Moses Lake, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division	2:13-bk-21607
Shilo Inn, Nampa Blvd, LLC	617 Northside Blvd, Nampa, ID, 83687	11600 SW Shilo Lane, Portland, OR, 97225	5/1/2013	Plan Filed	6/5/2015 Property sold to third party and matter dismissed as a result of settlement	In re. Shilo Inn, Nampa Blvd, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division	2:13-bk-21604
Shilo Inn, Twin Falls, LLC	1586 Blue Lakes Blvd N, Twin Falls, ID, 83301	11600 SW Shilo Lane, Portland, OR, 97225	5/1/2013	Plan Filed	6/5/2015 Dismissed by Settlement	In re. Shilo Inn, Twin Falls, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division	2:13-bk-21601
Shilo Inn, Rose Garden, LLC	11707 NE Airport Way, Portland, OR, 97220	11600 SW Shilo Lane, Portland, OR, 97225	5/1/2013	Plan Filed	6/5/2015 Dismissed by Settlement	In re. Shilo Inn, Rose Garden, LLC; United States Bankruptcy Court, Central District of California – Los Angeles Division	2:13-bk-21608
Shilo Inn, Nampa Suites, LLC	1401 Shilo Drive, Nampa, Idaho 83687	11707 NE Airport Way, Portland, OR, 97220	10/15/2020	On going	On going	In re: Shilo Inn, Nampa Suites, LLC; United States Bankruptcy Court, Western District of Washington-	20-42349
Shilo Inn, Ocean Shores, LLC	707 Ocean Shores Blvd NW, Ocean Shores, WA 98569	11707 NE Airport Way, Portland, OR, 97220	10/15/2020	On going	On going	In re: Shilo Inn, Ocean Shores, LLC; United States Bankruptcy Court, Western District of Washington	20-42348
Shilo Inn, Idaho Falls, LLC	780 Lindsay Blvd, Idaho Falls, ID 83402	11707 NE Airport Way, Portland, OR, 97220	11/2/2020	On going	On going	In re: Shilo Inn, Idaho Falls, LLC; United States Bankruptcy Court, Western District of Washington	20-42489
Shilo Inn, Bend, LLC	3105 O. B. Riley Rd, Bend, OR 97703	11707 NE Airport Way, Portland, OR, 97220	8/13/2021	On going	On going	In re: Shilo Inn, Bend, LLC; United States Bankruptcy Court, Western District of Washington	21-41340
Shilo Inn, Warrenton, LLC	1609 E Harbor Dr, Warrenton, OR 97146	11707 NE Airport Way, Portland, OR, 97220	8/13/2021	On going	On going	In re: Shilo Inn, Bend, LLC; United States Bankruptcy Court, Western District of Washington	21-41341
Shilo Inn, Portland/205, LLC	11707 NE Airport Way, Portland, OR 97220	11707 NE Airport Way, Portland, OR 97220	11/09/22	On-going	On-going	In re: Shilo Inn, Portland/205, LLC; United States Bankruptcy Court, Western District of Washington	22-41459

All bankruptcies were filed under Chapter 11 of the Bankruptcy Code.

5. INITIAL FEES

The Initial Franchise Fee for a new or converted property is the greater of **$50,000** or **$500** per lodging room for a Shilo Inn Suites Hotel, the greater of **$45,000** or **$450** per lodging room for a Shilo Inn Hotel, the greater of **$35,000** or **$350** per lodging room for a Shilo Inn Suites, and the greater of **$25,000** or **$300** per lodging room for a Shilo Inn. The Initial Franchise Fee for an existing Shilo that is purchased by you from a Company/Affiliate, is the greater of **$25,000** or **$250** per lodging room for a Shilo Inn Suites Hotel, the greater of **$22,500** or **$225** per lodging room for a Shilo Inn Hotel, the greater of **$17,500** or **$175** per lodging room for a Shilo Inn Suites, and the greater of **$12,500** or **$150** per lodging room for a Shilo Inn.

Five Thousand Dollars of the Initial Franchise Fee is paid when the Franchise Agreement is signed and is not refundable. For new or converted properties, 50% of the remaining amount is paid when we approve your construction or renovation plans, and the balance is paid at least 60 days prior to the scheduled opening of your Property. For properties purchased by from a Company/Affiliate, the balance is paid 30 days after the closing of the purchase. The Initial Franchise Fee are paid in consideration for the marketing analysis, capital improvement analysis and development services we will perform for you. It also is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs for the execution of the Franchise Agreements and the opening of the Property and for our lost or deferred opportunity to sell franchises in the Property's market area to others. The Initial Franchise Fee is uniform for all new franchise purchasers in the particular categories as set forth above.

Subject to applicable local laws, we may offer franchises at a reduced rate to prospective franchisees that, in our opinion, possess the knowledge and experience to conduct business with minimal assistance from us, who require few, if any, of our services, or who are purchasing multiple franchises or existing company/affiliate owned properties.

6. OTHER FEES

All recurring and isolated fees, at their current rates, include:

Name of Fee	Amount	Date Due	Remarks
Monthly Franchise Fee (For New Franchises)	The franchise fee is **5** percent of Gross Rooms Revenue for the first two years of franchise operation, **6** percent for the next two years, and **7** percent thereafter. During the franchise term, you will give us the right to use one standard double queen lodging room per year. We may use these complementary lodging rooms for our general corporate travel purposes (which may be unrelated to the franchisee business), for inspection purposes at the property, and for advertising and promotional purposes (which could include barter or trade to obtain advertising and promotional services). Franchisor will provide reasonable advance notice of its intent to use subject to availability at	Each Month by the 15th Day of the Following Month We will not use the rooms on peak holidays and local peak seasons when your occupancy levels historically average greater than **80** percent, pursuant to standards outlined in the Franchise Standards Manual.	"Gross Rooms Revenue" is what You receive for rental of guestrooms at the Property. It is not subject to any deductions except sales and room taxes, if any. It does not include food and beverage sales or meeting room rentals. The fee is for (i) the license granted to use the Shio Inn names (ii) furnishing reservation service to the Property and consult and give you advice in your Shilo operations, facilities, marketing, staffing and training; and (iii).at our discretion for costs associated with providing promotional services, advertising, national sales, telemarketing, marketing training, franchise system directories, promotion, publicity, market research, other marketing programs, and activities.

Name of Fee	Amount	Date Due	Remarks
	franchised location.		
Monthly Franchise Fee (Upon Sale to franchisee of Company/Affiliate owned properties)	The franchise fee is **3** percent of Gross Rooms Revenue for the first two years of franchise operation, **5** percent for the next two years, and **7** percent thereafter. During the franchise term, you will give us the right to use one standard double queen lodging room for an average of 365 days per year. We may use these complementary lodging rooms for our general corporate travel purposes (which may be unrelated to the franchise business), for inspection purposes at the property, for advertising and promotional purposes (which could include barter or trade to obtain advertising and promotional services). Franchisor will provide reasonable advance notice of its intent to use subject to availability at franchised location.	Each Month by the 15th Day of the Following Month We will not use the rooms on peak holidays and local peak seasons when your occupancy levels historically average greater than **80** percent, pursuant to standards outlined in the Franchise Standards Manual.	"Gross Rooms Revenue" is what You receive for rental of guestrooms at the Property. It is not subject to any deductions except sales and room taxes, if any. It does not include food and beverage sales or meeting room rentals. The fee is for (i) the license granted to use the Shio Inn names (ii) furnishing reservation service to the Property and consult and give you advice in your Shilo operations, facilities, marketing, staffing and training; and (iii).at our discretion for costs associated with providing promotional services, advertising, national sales, telemarketing, marketing training, franchise system directories, promotion, publicity, market research, other marketing programs, and activities We may use these complementary rooms for our corporate purposes, for barter or trade, and for advertising or promotional purposes.
Shilo Franchise System Components	As specified and billed to you by us	As Incurred	You will pay all amounts billed by us or our affiliates or subsidiaries, concerning any feature or component of the Shilo franchise system or concerning any future developments to the system as outlined in the Franchise Standards Manual. The current system components are described following this

Name of Fee	Amount	Date Due	Remarks
			table and in Item 11, below. They are further described in Section 2.4 of the Franchise Agreement to include features of the Shilo franchise system or in connection with any future developments to the system as outlined in the Franchise Standards Manual. These may include but are not limited to third party travel agents, frequent guest, airline mileage, third party reservation systems, airline reservation services, cooperative marketing programs, and similar programs described in the Franchise Standards Manual.
Transfer	Up to **$5,000** as outlined in the Franchise Standards Manual	Before Transfer	Paid when you sell your franchise to reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer.
Training Charges	Estimated $**100** to **200** per day for two days (meals and lodging expense). Additional charge for other attendees	As incurred	N/A
Renewal	None		
Franchise Convention	None	As Scheduled	There is no fee to attend a Franchise Convention but you must pay your travel, lodging and meal expenses.
Audit	Our reasonable costs for the audit if you understate contributions or operations or fail to deliver to us required reports on time	Immediately upon demand	
Relocation	You will reimburse us	Prior to relocation	

Name of Fee	Amount	Date Due	Remarks
	for our reasonable out-of-pocket costs concerning the relocation.		
Product Testing Costs	As specified and billed to you by us.	As incurred	You must reimburse us for our out-of-pocket expenses and costs we incur to test new products or sources you request for approval (See Item 8, Franchise Agreement Section 5.1).
Step-In Right Costs	As specified and billed to you by us.	As Incurred	You must reimburse us for our out-of-pocket expenses and costs we incur if we step-in to operate your franchise pursuant to Section 6.6 of Franchise Agreement.
Damages Pursuant to Section 6.5 (H) of the Franchise Agreement	Lesser of 36 times the average Monthly Royalty Fee (averaged over the preceding 12 months) or the average Monthly Royalty Fee times the number of months between the termination and the date that a comparably sized and configured replacement Shilo property opens in your territory. If less than 36 months are remaining on this Agreement, the average Monthly Royalty Fee will be multiplied by the number of months remaining, and if you have operated your franchise less than 12 months, an amount equal to 36 times the average Monthly Royalty Fee accrued.	As Incurred	If your Franchise Agreement is terminated by us for cause, we are entitled to and you will pay to us the described amounts.
Securities Offering Review	You must reimburse us for the costs and expenses associated with reviewing any public securities offering you propose to offer.	As Incurred	You must reimburse us for our out-of-pocket expenses and costs.

*All of these fees are imposed and collected by us, payable only to us, and are not refundable.

Local Advertising Contribution and Cooperative Advertising. You will make the expenditures directly, subject to our approval and direction. You will submit to us or our designated advertising agency, for prior approval, all billboard and promotional materials and advertising to be used by you, including, but not limited to, yellow pages, local telephone directory, newspaper, radio, and television advertising; website and social media pages, advertisements on travel or lodging booking engines or websites; specialty and novelty items; signs; boxes; bags; and wrapping papers. The submission of advertising to us for approval will not affect your right to set the prices at which you sell products.

Each quarter, you will furnish to us, in a manner we approve, an accurate accounting of your expenditures for local advertising and promotion during the previous calendar quarter.

Cooperative Advertising. From time to time, we may designate local or regional advertising coverage areas to develop cooperative local or regional advertising and promotional programs. You may participate in and contribute your share to the cooperative advertising and promotional programs in your advertising coverage area in addition to the local advertising contributions and expenditures required above.

We will have the right to expend all or any portion of the Franchise Fee for the following purposes:

1. for regional or local co-op advertising or promotional programs provided, however, that such programs will be available to all similarly situated franchisees; and
2. if in our sole judgment, you or any other franchisee is located in a geographic territory not adequately serviced by our national or regional advertising programs, we may rebate a portion of the Franchise Fee paid by that franchisee for use by that franchisee for local advertising. Expenditures by that franchisee will be in addition to the local advertising requirements set forth above.

At any time and from time to time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise property and each property we own and operate will be entitled to one vote at these meetings, including votes on establishing fees imposed by the cooperative. For the purpose of this subsection, each property we own will be deemed to be a franchise. We currently do not own any properties and do not currently have plans to do so.

"Advertising coverage area," means the area covered by a particular advertising medium (television, radio or other medium) as recognized in the industry. At the time a cooperative local or regional advertising or promotional program is developed, we will provide to you a list of all franchises of the Shilo franchise system that are operating within your advertising coverage area.

We may require and approve bylaws under which these cooperative advertising and promotional programs operate. We have the right to approve the advertising agencies that work on behalf of the cooperative advertising and promotional programs.

Late Charges. All payments that are not paid when due will bear a late charge. The late charge will equal 5 percent of the amount due. After 30 days, all past due amounts will bear an additional late charge of 18 percent per annum.

The Shilo Inns Star Rewards program is a loyalty program for core Shilo customers. The program provides rewards that are easy to earn for both the business and pleasure traveler. All rates qualify except non-revenue (comp) rooms, negotiated contract rates, trade-outs and reservations not made directly through Shilo Inns such as those booked through 3rd party websites (e.g. Expedia, Booking.com). Frequent guests earn

dollar for dollar points good towards special discounts on lodging. Your hotel will pay 6.5 cents for each actual point awarded to the Shilo Star Reward guest staying at your hotel to us. Rewards redeemed at franchise hotels will be reimbursed at the average daily rate of the franchise hotel for the night of the stay.

7. ESTIMATED INITIAL INVESTMENT

The following table outlines the estimated initial investment to establish a new or converted **SHILO INN SUITES HOTEL** franchise (typically on average from 100 to 300+ lodging rooms):

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
Initial Franchise Fee	$50,000 $500/room	$50,000 $500/room	$25,000 $250/room	$5,000 Down, 50% upon approval of construction/ renovation plans, balance 60 days before opening for new or converted. For former company/affiliate properties, $5,000 down and balance is paid 30 days after the closing of the purchase.	Upon Execution of Franchise Agreement	Us
Owned Real Estate	Not Determinable Due to Variables	Not Applicable	Not Applicable	As Negotiated	As Negotiated	Property Owners
Leased Real Estate	Not Determinable Due to Variables	Not Applicable	Not Applicable	As Negotiated	As Negotiated	Landlord Property Owners
Building Improvement (on owned or leased land)	$80,000 to $250,000 Guest Room (150 to 700 rooms)	$10,000 to $50,000 Guest Room (150 to 700 rooms)	Not Applicable	As Negotiated	As Negotiated	Contractors and Developers
Furniture, Fixtures and Equipment	$10,000 to $30,000 per Guest Room (150 to 700 rooms)	$1,000 to $30,000 per Guest Room (150 to 700 rooms)	Variable Depending Upon Status and Needs	As Negotiated	As Negotiated	Suppliers
Signage	$50,000 to	$50,000 to	Variable Depending Upon Status and	As Negotiated	As	Preferred

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
	$300,000	$300,000	Needs		Negotiated	Suppliers
Employee Travel, Lodging and Meals for Training	$0 to $5,000	$0 to $5,000	0 to $5,000	As Incurred	During Training	Suppliers
Marketing Collateral	$5,000 to $50,000	$5,000 to $50,000	$5,000 to $50,000	As Incurred	During Start-up Phase	Suppliers
Office Equipment, Software, Materials and Supplies	$50,000 to $250,000	$3,000 to $50,000	$3,000 to $50,000	As Incurred	Before Opening	Suppliers
Opening Inventory	$300 to $1,000 per Guest Room (150 to 700 rooms)	Not Applicable	Not Applicable	As Incurred	Before Opening	Suppliers
Employees	$100,000 to $350,000	Not Applicable	Not Applicable	As Incurred	Before Opening	Employees, Taxes and Benefit Suppliers
Telephone Service and Utilities	$10,000 to $30,000	Varies Depending on Property Size, Status, Needs and Prevailing Local Costs	Varies depending on status and needs	As Incurred	Before Opening	Utilities and Suppliers
Stationery and Promotional Materials	$4,000 to $25,000 (90-day supply)	$4,000 to $25,000 (90-day supply)	Varies depending on status and needs	As Incurred	Before Opening	Suppliers
Insurance	$10,000 to $30,000	Varies Depending Upon Location and Risks	Varies Depending Upon Location and Risks	As Incurred	Before Opening	Insurers
Miscellaneous Pre-Opening Costs	$3,000 to $4,500 per Guest Room (150 to 700	$0 to $500 per Guest Room (up to 700 rooms)	$0 to $250 per Guest Room (up to 700 rooms)	As Incurred	As Incurred	Suppliers, Utilities, etc.

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
	rooms)					
Additional Funds - 3 Months	$2,000 to $3,000 per Guest Room (150 to 700 rooms)	$0 to $2,500 per Guest Room (up to 700 rooms)	$0 to $2,500 per Guest Room (up to 700 rooms)	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
TOTAL	**$14,574,000 to $203,340,000** plus the cost of acquiring or leasing land.	**$1,762,000** to **$39,980,000**plus any additional insurance, improvement, furniture, fixtures, equipment, employees, telephone service and utilities.	**$33,000 to $2,205,000** plus any additional insurance, signage, furniture, fixtures, equipment, employees, telephone service and utilities, and stationary and promotional materials			

The following table outlines the estimated initial investment to establish a new or converted **SHILO INN HOTEL** franchise (typically on average from 100 to 200+ lodging rooms):

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
Initial Franchise Fee	$45,000 $450/room	$45,000 $450/room	$22,500 $225/room	$5,000 Down, 50% upon approval of construction/ renovation plans, balance 60 days before opening for new or converted. For former company/affiliate properties, $5,000 down and balance is paid 30 days after the closing of the purchase.	Upon Execution of Franchise Agreement	Us
Owned Real Estate	Not Determinable Due to Variables	Not Applicable	Not Applicable	As Negotiated	As Negotiated	Property Owners
Leased Real Estate	Not Determinable Due to Variables	Not Applicable	Not Applicable	As Negotiated	As Negotiated	Landlord Property Owners

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
Building Improvement (on owned or leased land)	$80,000 to $250,000 per Guest Room (150 to 700 rooms)	$10,000 to $50,000 Guest Room (150 to 700 rooms)	Not Applicable	As Negotiated	As Negotiated	Contractors and Developers
Furniture, Fixtures and Equipment	$10,000 to $30,000 per Guest Room (150 to 700 rooms)	$1,000 to $30,000 per Guest Room (150 to 700 rooms)	Variable Depending Upon Status and Needs	As Negotiated	As Negotiated	Suppliers
Signage	$50,000 to $300,000	$50,000 to $300,000	Variable Depending Upon Status and Needs	As Negotiated	As Negotiated	Preferred Suppliers
Employee Travel, Lodging and Meals for Training	$0 to $5,000	$0 to $5,000	0 to $5,000	As Incurred	During Training	Suppliers
Marketing Collateral	$5,000 to $50,000	$5,000 to $50,000	$5,000 to $50,000	As Incurred	During Start-up Phase	Suppliers
Office Equipment, Software, Materials and Supplies	$50,000 to $250,000	$3,000 to $50,000	$3,000 to $50,000	As Incurred	Before Opening	Suppliers
Opening Inventory	$300 to $1,000 per Guest Room (150 to 700 rooms)	Not Applicable	Not Applicable	As Incurred	Before Opening	Suppliers
Employees	$100,000 to $250,000	Not Applicable	Not Applicable	As Incurred	Before Opening	Employees, Taxes and Benefit Suppliers
Telephone Service and Utilities	$10,000 to $30,000	Varies Depending on Property Size, Status, Needs and Prevailing Local Costs	Varies depending on status and needs	As Incurred	Before Opening	Utilities and Suppliers
Stationery and Promotional	$4,000 to $25,000 (90-	$4,000 to $25,000 (90-	Varies depending on status and needs	As Incurred	Before Opening	Suppliers

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
Materials	day supply)	day supply)				
Insurance	$10,000 to $30,000	Varies Depending Upon Location and Risks	Varies Depending Upon Location and Risks	As Incurred	Before Opening	Insurers
Miscellaneous Pre-Opening Costs	$3,000 to $4,500 per Guest Room (150 to 700 rooms)	$0 to $500 per Guest Room (up to 700 rooms)	$0 to $250 per Guest Room (up to 700 rooms)	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds - 3 Months	$2,000 to $3,000 per Guest Room (150 to 700 rooms)	$0 to $2,500 per Guest Room (up to 700 rooms)	$0 to $2,500 per Guest Room (up to 700 rooms)	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
TOTAL	**$14,569,000** to **$203,205,000** plus the cost of acquiring or leasing land.	**$1,757,000** to **$58,845,000** plus any additional insurance, improvement, furniture, fixtures, equipment, employees, telephone service and utilities.	**$30,500 to $2,187,500** plus any additional insurance, signage, furniture, fixtures, equipment, employees, telephone service and utilities, and stationary and promotional materials			

The following table outlines the estimated initial investment to establish a new or converted **SHILO INN SUITES** franchise (typically on average from 50 to 120 lodging rooms):

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
Initial Franchise Fee	$35,000 $350/room	$35,000 $350/room	$17,500 $175/room	$5,000 Down, 50% upon approval of construction/ renovation plans, balance 60 days before opening for new or converted. For former company/affiliate properties, $5,000 down	Upon Execution of Franchise Agreement	Us

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
				and balance is paid 30 days after the closing of the purchase.		
Owned Real Estate	Not Determinable Due to Variables	Not Applicable	Not Applicable	As Negotiated	As Negotiated	Property Owners
Leased Real Estate	Not Determinable Due to Variables	Not Applicable	Not Applicable	As Negotiated	As Negotiated	Landlord Property Owners
Building Improvement (on owned or leased land)	$45,000 to $125,000 per Guest Room (150 to 700 rooms)	$10,000 to $50,000 Guest Room (150 to 700 rooms)	Not Applicable	As Negotiated	As Negotiated	Contractors and Developers
Furniture, Fixtures and Equipment	$7,500 to $10,000 per Guest Room (150 to 700 rooms)	$1,000 to $10,000 per Guest Room (150 to 700 rooms)	Variable Depending Upon Status and Needs	As Negotiated	As Negotiated	Suppliers
Signage	$50,000 to $125,000	$15,000 to $125,000	Variable Depending Upon Status and Needs	As Negotiated	As Negotiated	Preferred Suppliers
Employee Travel, Lodging and Meals for Training	$2,500 to $5,000	$2,500to $5,000	0 to $5,000	As Incurred	During Training	Suppliers
Marketing Collateral	$5,000 to $25,000	$5,000 to $25,000	$5,000 to $25,000	As Incurred	During Start-up Phase	Suppliers
Office Equipment, Software, Materials and Supplies	$50,000 to $250,000	$3,000 to $50,000	$3,000 to $50,000	As Incurred	Before Opening	Suppliers
Opening Inventory	$300 to $500 per Guest Room (150 to 700 rooms)	Not Applicable	Not Applicable	As Incurred	Before Opening	Suppliers
Employees	$50,000 to $200,000	Not Applicable	Not Applicable	As Incurred	Before Opening	Employees, Taxes and

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
						Benefit Suppliers
Telephone Service and Utilities	$5,000 to $20,000	Varies Depending on Property Size, Status, Needs and Prevailing Local Costs	Varies depending on status and needs	As Incurred	Before Opening	Utilities and Suppliers
Stationery and Promotional Materials	$4,000 to $25,000 (90-day supply)	$4,000 to $25,000 (90-day supply)	Varies depending on status and needs	As Incurred	Before Opening	Suppliers
Insurance	$10,000 to $30,000	Varies Depending Upon Location and Risks	Varies Depending Upon Location and Risks	As Incurred	Before Opening	Insurers
Miscellaneous Pre-Opening Costs	$500 to $1,000 per Guest Room (150 to 700 rooms)	$0 to $500 per Guest Room (up to 700 rooms)	$0 to $250 per Guest Room (up to 700 rooms)	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds - 3 Months	$1,000 to $1,500 per Guest Room (150 to 700 rooms)	$0 to $1,500 per Guest Room (up to 700 rooms)	$0 to $1,500 per Guest Room (up to 700 rooms)	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
TOTAL	**$8,356,500** to **$97,520,000** plus the cost of acquiring or leasing land.	**$1,714,500** to **$43,875,000** plus any additional insurance, improvement, furniture, fixtures, equipment, employees, telephone service and utilities.	**$25,500 to $1,427,500** plus any additional insurance, signage, furniture, fixtures, equipment, employees, telephone service and utilities, and stationary and promotional materials			

The following table outlines the estimated initial investment to establish a new or converted **SHILO INN** franchise (typically on average from 50 to 120 lodging rooms):

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
Initial Franchise Fee	$25,000 $300/room	$25,000 $300/room	$12,500 $150/room	$5,000 Down, 50% upon approval of construction/ renovation plans, balance 60 days before opening for new or converted. For former company/affiliate properties, $5,000 down and balance is paid 30 days after the closing of the purchase.	Upon Execution of Franchise Agreement	Us
Owned Real Estate	Not Determinable Due to Variables	Not Applicable	Not Applicable	As Negotiated	As Negotiated	Property Owners
Leased Real Estate	Not Determinable Due to Variables	Not Applicable	Not Applicable	As Negotiated	As Negotiated	Landlord Property Owners
Building Improvement (on owned or leased land)	$40,000 to $85,000 per Guest Room (150 to 700 rooms)	$10,000 to $50,000 Guest Room (150 to 700 rooms)	Not Applicable	As Negotiated	As Negotiated	Contractors and Developers
Furniture, Fixtures and Equipment	$6,500 to $8,000 per Guest Room (150 to 700 rooms)	$1,000 to $8,000 per Guest Room (150 to 700 rooms)	Variable Depending Upon Status and Needs	As Negotiated	As Negotiated	Suppliers
Signage	$30,000 to $125,000	$10,000 to $125,000	Variable Depending Upon Status and Needs	As Negotiated	As Negotiated	Preferred Suppliers
Employee Travel, Lodging and Meals for	$2,500 to $5,000	$2,500 to $5,000	0 to $5,000	As Incurred	During Training	Suppliers

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
Training						
Marketing Collateral	$5,000 to $25,000	$5,000 to $25,000	$5,000 to $25,000	As Incurred	During Start-up	Suppliers
Office Equipment, Software, Materials and Supplies	$50,000 to $250,000	$3,000 to $50,000	$3,000 to $50,000	As Incurred	Before Opening	Suppliers
Opening Inventory	$300 to $500 per Guest Room (150 to 700 rooms)	Not Applicable	Not Applicable	As Incurred	Before Opening	Suppliers
Employees	$50,000 to $200,000	Not Applicable	Not Applicable	As Incurred	Before Opening	Employees, Taxes and Benefit Suppliers
Telephone Service and Utilities	$5,000 to $20,000	Varies Depending on Property Size, Status, Needs and Prevailing Local Costs	Varies depending on status and needs	As Incurred	Before Opening	Utilities and Suppliers
Stationery and Promotional Materials	$4,000 to $25,000 (90-day supply)	$4,000 to $25,000 (90-day supply)	Varies depending on status and needs	As Incurred	Before Opening	Suppliers
Insurance	$10,000 to $30,000	Varies Depending Upon Location and Risks	Varies Depending Upon Location and Risks	As Incurred	Before Opening	Insurers
Miscellaneous Pre-Opening Costs	$100 to $300 per Guest Room (150 to 700 rooms)	$0 to $100 per Guest Room (up to 700 rooms)	$0 to $100 per Guest Room (up to 700 rooms)	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds - 3 Months	$1000 to $1,500 per Guest Room (150 to 700	$0 to $1,500 per Guest Room (up to 700 rooms)	$0 to $1,500 per Guest Room (up to 700 rooms)	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.

EXPENDITURE	NEW PROPERTY	CONVERTED PROPERTY	FORMER COMPANY/AFFILIATE PROPERTY	PAYMENT METHOD	WHEN DUE	TO WHOM
	rooms)					
TOTAL	**$7,366,500** to **$67,600,000** plus the cost of acquiring or leasing land.	**$1,699,500** to **$42,160,000** plus any additional insurance, improvement, furniture, fixtures, equipment, employees, telephone service and utilities.	**$20,500 to $1,305,000** plus any additional insurance, signage, furniture, fixtures, equipment, employees, telephone service and utilities, and stationary and promotional materials			

The total cost of a new or converted property, as well as a former company/affiliate property will vary, depending on size, land cost, construction costs, delays, contingencies, amenities, physical properties, furniture, fixtures, equipment, furnishings, signage and economic conditions. These estimated costs contemplate a Shilo property with the number of rooms appropriate to the type of facility described. As you can see, many of these costs and expenses may vary widely and are difficult to estimate accurately. We suggest that you review these carefully with your advisors, taking into consideration the reasonable requirements and constraints of your Property plans, configuration and staffing.

The requirements for completion and operation of your Shilo franchise are outlined in the Franchise Standards Manual.

TABLE NOTES

Initial Franchise Fee: These figures represent the range of the Initial Franchise Fees as described in Section 5 of this Disclosure Document. The Initial Franchise Fee is paid upon execution of the Franchise Agreement. It is used to defray our costs for processing your application, issuing a Franchise Agreement (including the cost of any plans and specifications), providing training, promotional assistance and materials, and other services we provide to you.

Real Estate: Land costs vary widely based upon location, size of parcel, competitive market conditions and type of interest being acquired. The typical amount of land required, depending on a number of factors, including restaurant and function space, is 140,000 to 160,000+ square feet. A franchisee for a converted property is expected to incur no cost for land as it is expected that the franchisee owns or leases the land. This land may be located in downtown, urban, suburban, rural, highway or any other setting appropriately zoned for hotel and lodging uses.

Building Improvement: The expense for the Property building will vary, based on location, number of rooms, size of banquet space, number of restaurant and lounge seats and other factors. Building expenses for a franchisee of a Converted property vary due to age, condition and size of the facility. We will inspect the property during the application process and determine what construction, improvements and additions will be required over the initial five years of the franchise relationship.

Furniture, Fixtures and Equipment: The furniture, fixtures and equipment necessary for the operation of a Shilo property are listed in the Franchise Standards Manual that is provided to prospective franchisees upon receipt of the Initial Franchise Fee and includes beds, chairs, tables, dressers, television sets, lobby furnishings, counters, restaurant furnishings, ice machines, and kitchen equipment. You may purchase or lease from any source, provided the products meet the specifications provided for in the Franchise Standards Manual. The cost of the equipment will depend on financing terms available, the size and layout of the Property, brands purchased, and other factors. Furniture, fixtures and equipment for a Converted property

will depend on your conversion and upgrade plans and on our property inspection to determine the necessary changes, if any, to conform to our standards.

Insurance: Insurance costs will vary widely according to numerous factors, including size and location of the Property. However, we estimate that your pre-opening insurance costs will range between $10,000 and $30,000. A conversion Franchisee is not expected to incur additional insurance costs unless existing coverage is less than required by the Franchise Agreement. The insurance will include, at a minimum, all insurance requirements of any lease or mortgage covering the Property and comprehensive or commercial general liability insurance, including products liability, completed operations, Dram Shop or host liquor liability (for alcoholic beverages served), property damage, contractual liability, independent contractors' liability, owned and non-owned automobile coverage, and personal injury coverage and Cyber Security. The insurance will have limits not less than $1,000,000 per occurrence and $1,000,000 aggregate for personal or bodily injuries, $1,000,000 per occurrence and aggregate for property damage, or a combined single limit per occurrence of $1,000,000. In the case of commercial general liability insurance policies, a minimum general aggregate limit of $2,000,000 is required. The insurance must include the coverages outlined in Section 8.2 of the Franchise Agreement.

Signage: Signage includes interior and exterior signs that bear the Service Marks. The cost of signage may vary depending on the type, size and location of the signs, and may also be affected by applicable municipal code restrictions. These estimates also include the cost for at least two billboard advertising signs or their equivalent.

Initial Working Capital: The amount of working capital projected as necessary to open and begin operating the Franchise is based on our experience with other Shilo properties. The amount does not include additional working capital that may be necessary to cover cash shortfalls until your Franchise reaches the point at which cash flow from franchise operations is sufficient to pay debt service and normal replacement of furniture, fixtures and equipment. Your additional working capital needs will vary depending on the way that you have financed the Property.

Opening Inventory: Opening inventory includes initial food and beverage inventories, housekeeping cleaning supplies, laundry cleaning chemicals, guest room disposable products and other consumable supplies (i.e., typically all non-logo paper items, etc.). Guestroom soap and guestroom amenity packages are part of the opening inventory. The initial inventory expenditure will vary according to anticipated sales volume, property size and current market prices for supplies. Minimum Par 3 inventory level required.

Pre-Opening Expenses: The amount of pre-opening costs will vary widely based on the size and complexity of the project and market conditions as the Property is being constructed or renovated. These expenses may include payments for office space, salaries of management, operations and sales personnel, advertising, public relations, brochures and sales collateral, training, travel and other out-of-pocket expenses. For conversions this cost includes advertising, public relations, brochures and identification collateral. It also includes expenses associated with an approved Grand Opening media plan and continuing Grand Opening expenses during the first 90 days of operation.

Franchisee's Initial Investment for a Converted Property: The cost of conforming an existing property to Shilo standards involves expenditures to effect a change in the identification of the property from its previous name to Shilo. This includes a changeover of signs on the building, purchase of computer equipment required for our Reservation System and changes to provide Shilo identification on operating supplies including brochures and paper items. Depending upon local ordinance requirements regarding signs on the building, and other factors, the cost of changes in order to identify the property as a Shilo property and to purchase computer equipment necessary for use of the Reservation System and our programs is described in the tables, above. In addition, costs may be incurred for the property, including guest rooms, public and exterior areas, to meet physical and appearance standards. Whether and to what extent these costs are to be incurred would depend upon the type of property, its age, condition, physical structure and quality and extent of furnishing. Because of the variables involved, no average cost can be given. This discussion of the cost to conform an existing property to our standards includes the Initial Franchise Fee and assumes that you presently own or lease the property premises and will make no expenditure for improvements to the building. If you are not presently the owner or lessee of the Property, additional costs will be incurred for the purchase or lease.

There are no other fees or costs to be paid by you to us to begin the Franchise. Any fees paid to us are not refundable except as outlined in Section 5 of this Disclosure Document. The refund-ability of amounts paid to any third party will depend upon the contracts, if any, between you and the third party.

We do not offer, either directly or indirectly, financing for any items.

This table and its notes estimate your initial startup expenses. These figures represent our estimates based upon our experience and the experience of our predecessor and our affiliates.

You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure.

8. RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

We will lend to you a copy of our Franchise Standards Manual once you have paid the Initial Franchise Fee, in full. We may amend the Franchise Standards Manual, including changes that may affect minimum requirements for your franchise. You will strictly follow the requirements of the Franchise Standards Manual as we amend it. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may designate minimum standards for Franchise operations and designate guidelines, as specified in the Franchise Standards Manual.

The Franchise Standards Manual contains standards, operating procedures, service guidelines, marketing programs, communications requirements, service and promotional techniques, program specifications, sales requirements, public relations guidelines, construction specifications, equipment lists, furnishing requirements, supply summaries and other rules that we may prescribe for the marketing and operation of the Franchise.

You will follow the Franchise Standards Manual and the Method of Operation and maintain standards of Franchise operation, guest services, customer feedback, product preparation, pricing, cleanliness, merchandising, delivery and service that we prescribe.

Your equipment, furnishings and supplies will meet the specifications provided for by our purchasing department or as otherwise outlined in the Franchise Standards Manual. You are required to obtain bathroom products and bottled water products from us or specific sources we approve. We will use our best judgment to set and modify specifications to maintain the integrity and quality of the Shilo system. We or our affiliates are not now but, in the future, may be designated as one of several preferred or approved suppliers for and, accordingly, may derive revenue from the sale of some equipment and supplies. These include china, glass, flatware, housekeeping and cleaning equipment, printed material, business forms, matches, food and beverage accessories, standard room amenities (scales, clocks, valet stand, etc.) and paper goods. We may, and on occasion do, negotiate purchase arrangements with suppliers (including price terms) for the benefit of our franchisees. We do not provide material benefits (for example renewal or granting additional franchises) to a franchisee based upon a franchisee's use of designated or preferred sources.

We may derive income as a result of providing goods and additional services to you or from consideration paid by suppliers we recommend. In the fiscal year that ended December 31, 2022, we did not earn any revenue from goods and services purchased from us or our preferred sources by our franchisees. We estimate that your purchases from us or our affiliates will be 0 percent of the total purchases you make to establish and to operate your franchise. We estimate that your purchases from vendors and sources we require will be from 0 to 20 percent of the total purchases you make to establish and to operate your franchise.

You will purchase all products, supplies and materials required for the Property from manufacturers, suppliers or distributors that meet our standards. All specifications that we require of you and lists of preferred and approved suppliers will be provided from time to time by our purchasing department. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the Shilo franchise system.

We develop minimum requirements for guest services, customer feedback, product preparation, merchandise, inventory, supplies, stationery, business forms, advertising, decor, plans and specifications, materials, fixtures, equipment and signs, among other things. These requirements are outlined in the Franchise Standards Manual. From time to time, we may amend the Franchise Standards Manual, including changes that may affect minimum requirements for your Franchise. You will strictly adhere to the requirements of the Franchise Standards Manual as we amend it from time to time. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services, items and goods, from time to time, as specified in the Franchise Standards Manual.

With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, taste, texture, composition, absorbency, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, systems and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently follow our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We may require execution of a confidentiality agreement as part of the process. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days after we receive all required information and agreements.

From time to time, we or our agents may inspect any approved manufacturer, supplier or distributor facilities and products to assure proper production, processing, packaging, storing and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we determine from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to You and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within thirty days, the manufacturer, supplier or distributor will no longer be approved.

There currently are no formal purchasing or distribution cooperatives for our franchise system. We reserve the right to create and augment the effectiveness of cooperatives for the purchase of materials and the provision of advertising, for the benefit of the Shilo franchise system. We have established and maintain a national reservation system (the "Reservation System"). You will participate in and comply with all terms and conditions of the Reservation System. You must accept and service all reservations you receive through the Reservation System; pay travel agents, airlines, and other sources of reservations any fees or other charges due for reservations generated on your behalf through the Reservation System; accept and service all reservations received from other Shilo properties; and transmit to the Reservation System each reservation that a customer requests you to place. You must give first priority on available rooms to all confirmed reservations referred to the Property through the Reservation System. The only reservation service or system or toll-free (800) number you will use for the Property and for reservations offered by and from the Property to other hotels will be the Reservation System. You will use other reservation systems only to the extent appropriate in the circumstances and only with our prior written approval. ~~We may allow other hotel systems to use various components of the Reservation System. We will charge these other hotel systems on a fair and equitable basis for the components they use.~~ Included in the Franchise Fee is remuneration to us for reservations we transmit to you, including reasonable and appropriate allocations for our overhead. You contribute toward the cost, maintenance and use of the Reservation System by paying the Franchise Fee.

9. FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition or lease	Franchise Agreement Sections 1.1, 1.2, 1.3, & 1.4	Items 6, 11, 12
b. Pre-opening purchases and leases	Franchise Agreement Sections 2.4, 4 & 5.1	Items 7 & 8
c. Site development and other pre-opening requirements	Franchise Agreement Sections 1.4, 2.4, 2.10, 3, 4, 5.1, 5.2, 5.10, 5.13 & 8.2	Items 7, 8 & 12
d. Initial and ongoing training	Franchise Agreement Section 3	Items 6 & 11
e. Opening	Franchise Agreement Sections 3, 4, 5.1	Item 11
f. Fees	Franchise Agreement Sections 2, 5.1, 5.12, 5.19 & 7.1	Items 5, 6 & 17
g. Compliance with standards & policies/ Franchise Standards Manual	Franchise Agreement Sections 5, 6.3 & 6.6	Items 11 & 17
h. Service Marks and proprietary information	Franchise Agreement Recitals & Sections 1.1, 5.1, 5.4, 5.5, 5.6, 5.7, 5.8, 5.14, 6.5, 9.7 & 9.9; Abandonment of Name form	Items 13, 14 & 17
i. Restrictions on products and services offered	Franchise Agreement Sections 1.4, 1.7, 5.1, 5.2, 5.3, 5.6, 5.7, 5.8, 5.9, 5.10, 5.13, 6.3 & 6.5	Items 8, 12, 13, 16 & 17
j. Warranty and customer service requirements	Franchise Agreement Sections, 5.1, 5.2, 5.5, 5.6	Item 11
k. Territorial development and sales quotas	Franchise Agreement Sections 1 & 5	Item 12
l. Ongoing product & service purchases	Franchise Agreement Sections 5.1, 5.2, 5.6, 5.9, 5.10, 5.13, & 8.2	Items 7 & 8
m. Maintenance, appearance and remodeling requirements	Franchise Agreement Sections 1.3, 1.4, 5.1, 5.2, 5.7, 5.9, 5.10, 5.13, 6.5 & 6.6	Items 11 & 17
n. Insurance	Franchise Agreement Section 8.2 & 8.5	Item 7
o. Advertising	Franchise Agreement Sections 2.3, 4.2, 5.1, 5.2, 5.3, 5.4, 5.14 & 6.5	Items 6 & 11
p. Indemnification	Franchise Agreement Section 8.1 & 9.12	Item 6
q. Owner's participation/ management/ staffing	Franchise Agreement Sections 1.4, 1.5, 2.4, 2.6, 2.10, 2.12, 3, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 5.12, 5.14, 6.2, 6.3, 6.5, 6.6, 7.1, 7.2, 8.1, 9.2, 9.6, 9.8, 9.9, 9.11, 9.12 & 9.14	Items 11, 15 & 17
r. Records and reports	Franchise Agreement Sections 2.4, 2.8, 2.9, 5.1, 5.2, 5.3, 5.6 & 5.13	Items 6, 11 & 17
s. Inspections and audits	Franchise Agreement Sections 1.4, 2.9, 5.1, 5.2, 5.3, 5.6,	Items 6, 11 & 17

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
	5.13, 6.3, & 6.6	
t. Transfer	Franchise Agreement Section 7	Item 17
u. Renewal	Franchise Agreement Section 6.1	Item 17
v. Post-termination obligations	Franchise Agreement Sections 5.14, 6.5, 9.9, 9.11 & 9.12	Item 17
w. Non-competition covenants	Franchise Agreement Sections 5.14, 9.9, & 9.12	Item 17
x. Dispute resolution	Franchise Agreement Sections 9.6, 9.7, 9.8 & 9.9	Item 17

10. FINANCING

We do not provide direct or indirect financing for anything. We do not assist in providing financing for you. We do not guarantee any notes or financial obligations you may incur in setting up and operating your franchise.

11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

Before you open your franchise, we will:

1. As outlined in Item 12, below, we will designate your franchise property location before any franchise-related documents are signed. (Franchise Agreement, Sections 1.1 & 1.2). We do not locate nor negotiate the purchase or lease of the franchise site for you. Before signing the Franchise Agreement, we will approve your site in our sole and absolute discretion. We will determine whether to accept or reject your proposed site after considering factors as we deem appropriate, including the general site and neighborhood, demographic information, traffic patterns, access, visibility, site of other lodging businesses, and size, condition, configuration, appearance and other physical characteristics of the site. Typically, we will approve or reject your site within 30 days of receiving your application. No Franchise Agreement will be entered into if site not approved.

2. Review your construction or renovation plans as applicable, and approve them if they meet our standards and requirements. (Franchise Agreement Section 1.4) You may not start construction or renovation until we have given our approval. You are responsible to conform the franchise premises to local ordinances and building codes, obtain required permits, and construct, remodel and decorate the premises for your Shilo franchise business.

3. Inspect the Property during construction. You must cooperate fully in these inspections, cause all architects, engineers, contractors and subcontractors to cooperate with us, provide samples of construction materials, test borings, corings, supplies, equipment and other materials and reports, and grant us access to the construction site.

4. Conditionally authorize the Property to operate while the required construction, renovation and upgrading work is being performed.

5. After you have paid the Initial Franchise Fee in full, give you a copy of the Franchise Standards Manual. It contains information on minimum standards and requirements for constructing, equipping, furnishing, supplying, operating, maintaining and marketing the Franchise. (Franchise Agreement Section 5.1). We do not purchase or lease equipment, signs, fixtures, inventory or supplies for you. The Franchise Standards Manual may identify you may use to obtain these things.

Time to Open

For a new development, we follow the following schedule:

Site Selection: Site selection is a function of the property owner/developer. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a Shilo property. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for the Property site. The owner/developer must ensure that the location complies with these requirements.

You select the location for your Franchise. We will grant or deny your application for a franchise rather than specifically granting or denying site approval. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a franchise site. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements. We are not responsible for the acquisition of any site or prospective Franchise location. As a part of the overall evaluation of your application, our representative may make a personal inspection of your proposed site and surrounding area. Such evaluation is for our exclusive benefit. Site selection is further described in Item 12 of this Disclosure Document.

Property Owner Requirements: You are responsible to construct, furnish, decorate and equip the Property in conformance with all applicable local, state, and federal laws and building codes, including ADA requirements; and the standards as set forth in the Franchise Standards Manual and the Franchise Agreement. Our failure to note deficiencies during the construction review process does not relieve you of the obligation to develop and operate the property to our standards.

Building Site: The site location must be approved by Shilo. We will ensure it is not encroaching on other Shilo licensees' territorial agreements and that it is in a location that will enhance the overall Shilo system.

Equipment, Signs, Fixtures, Inventory, Supplies. We provide assistance with selection of equipment, signs, fixtures, opening inventory, and supplies through knowledge of our staff and our long-term hotel operational experience, and through lists of approved vendors, as applicable. We do not deliver or install any items. We do not purchase or lease equipment, signs, fixtures, inventory or supplies for you. The Franchise Standards Manual may identify vendors you may use to obtain these things.

Preplanning/Reviews: The review of plans and other data is to determine that our minimum standards are being met or exceeded. Comments should not be considered as approval of the safety, suitability or compliance with any regulations or rules pertaining to engineering, zoning requirements, safety matters or any other matter of consequence except meeting our standards.

Review Schedule: The Plan review will be conducted in five phases plus Grand Opening as outlined below:

1st Review: This meeting will be to establish our role in the project; to assist in locating financing if needed; setting a date for initial ground breaking; and reviewing brand requirements. It must be completed within **30** days of execution of the franchise agreement. A preliminary plan showing buildings, streets, parking, easements, sign locations, floor plans, exterior elevations, specifications and landscaping must be presented at this stage.

2nd Review: Within **90** days of execution of the Franchise Agreement but at least **30** days prior to ground breaking, you must present two sets of final drawings and specifications. These must include changes that were mandated at the First Review. All permits including signage must be presented at this meeting. Upon acceptance and approval one set of plans will be stamped by us and returned to you. You must keep these plans on site for our use during subsequent inspections.

3rd Review: Conducted by the Regional Manager after the property has been roughed-in with plumbing and electricity and the roof is complete. Property will be inspected to determine if approved plans are being followed. At this time franchisee must present the property FF&E plan and specifications for approval. We will return Interior Design Plans, with approval and / or changes, to you within 10 business days.

4th Review: Approximately **90** days prior to opening, we will verify compliance with the approved plan ensuring that all FF&E has been ordered in accordance with approved Interior Design plan and determining status of on-premise signage. At this point staffing recruitment should begin and a grand-opening date should be determined and coordinated with our Sales & Marketing Department so that tentative sales can begin, a grand opening event can be scheduled and an advertising plan can be initiated. You should submit a reservation rate form and a proposed advertising plan at this time.

5th Review: To be completed after all FF& E is on site and set-up. This inspection will be the final walk-through prior to opening for business. A standard Quality Assurance inspection will be conducted and property must score Satisfactory or higher before the business can open.

Grand Opening: Approximately 2 weeks after property has opened for business, our Sales & Marketing Department in conjunction with you, will conduct a Grand Opening event. The Grand Opening is designed to acquaint you and your management and sales staff with local leaders of government and industry as well as other potential business-producing clients and for them to tour and learn about the new Shilo property. You must anticipate expenses associated with an approved Grand Opening media plan and continuing Grand Opening expenses during the first 90 days.

For a conversion, renewal or change of ownership, you must upgrade the Property to meet our current Shilo standards. The length of time between the signing of the Franchise Agreement and the completion of the upgrading depends upon the size of the project, local building conditions and other construction variables.

Other factors that affect the time frame for the opening of your franchise include arranging for construction and business permit requirements, obtaining financing, preparation of the franchise site and your personal needs. If you do not fulfill your obligations to start operation, we may terminate the Franchise Agreement and retain all of the Initial Franchise Fee (Franchise Agreement, Section 4.1).

Obligations After Opening

During the term of your franchise, we will:

1. Develop new products and programs and provide ongoing supervision for the Shilo franchise system. (Franchise Agreement, Section 5.1).

2. Provide ongoing assistance for your employee training, form use, program development, advertising and sales assistance, and use of the Franchise Standards Manual. We will bear our expenses for this assistance. (Franchise Agreement, Section 3.2)

3. Provide the training courses described above for new general managers, directors of sales/marketing and other executives you hire for the Franchise and provide refresher training programs, conferences or seminars, periodically. We may require that your personnel attend and complete them to our satisfaction. The refresher programs and seminars will be held at locations we designate. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. (Franchise Agreement, Section 3.2).

4. Furnish the Reservation System to you. (Franchise Agreement, Section 5.19). The Reservation System allows the Property to communicate room and rate availability to our central reservations Office and to retrieve reservation records by printout and entry into the Property's computer system.

5. Consult and advise you concerning operations, facilities, marketing, staffing and training. (Franchise Agreement, Sections 5.1 & 5.6).

6. You must give us access to the hotel and to business records in order to conduct quality assurance inspections and to verify and reconcile accounting submissions.

7. Review all advertising materials to be used by you in local and regional marketing programs. (Franchise Agreement, Section 2.3).

8. Administer and use portions of the Franchise Fee exclusively at our discretion for costs associated with providing the Reservation System and local, regional, national, international or cooperative advertising, national sales, telemarketing, marketing training, Shilo directories, promotion, publicity, market research, and other marketing programs and related activities. (Franchise Agreement, Section 2.3). Our advertising and promotions include point of sale and in room materials; direct mail, subscription periodicals, yellow page and travel agent advertising; and toll-free telephone access to our reservation system. The monthly Franchise Fee described in Item 6, above covers the cost of advertising. (Franchise Agreement, Section 2.4). We generally do not issue summaries of our advertising and promotional expenditures and do not audit them. We will provide a summary to you upon written request. We do not spend material amounts of the Franchise Fee for the solicitation of sales of franchises, although we may place announcements concerning franchise availability in system promotional materials and advertisements. Amounts not spent in the year they accrue are carried to the next year. In 2022, we have not received any advertising fees. We have placed for Production 0%, Media Placement 0%, Administration 0% and Other 0%. Other than for administrative costs, neither we nor our affiliates receive payment for providing goods or services from the Franchise Fee.

9. Supply updates to the Franchise Standards Manual. (Franchise Agreement, Section 5.6).

Other than as mentioned in this Disclosure Document, we are not bound by the Franchise Agreement or any related agreement to provide supervision, assistance or services to you before opening or during operation of the franchised business.

Advertising

We use Franchise Fees to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and the Shilo franchise system. We are not required to spend any part of the Franchise Fee you pay in your market area.

We use in-house departments and regional and national advertising agencies for our advertising and promotional efforts. We will supply to you a Franchise Standards Manual that contains samples of advertisements we approve. You may use only the advertising materials contained in the Franchise Standards Manual, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Franchise Standards Manual. You must advertise the Franchise in a dignified manner to enhance the Shilo franchise system's reputation for quality and integrity. We may require you to submit to us advertising copy and promotional materials you use in your advertising programs. If, after review of any material, we, in good faith, believe that it is not in keeping with our franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the Shilo franchise system, we will promptly notify you. You will immediately cease using any material we designate.

As of the date of this disclosure document we have not received any fee contributions towards marketing and have not incurred any related advertising expenses. Any advertising funds contributed during the year that are not expended during the year will be held for use in the subsequent year.

Summary of Marketing Fee Contributions and Expenses for Fiscal Year 2022

Expenses:	Corporate overhead	$0	0%
	Production of commercials market research	$0	0%
	Market level advertising	$0	100%
Total expenses:		**$0**	**100%**
Franchise Fee contributions:		$0	100%
Excess of expenses over contributions:		$	0%

Upon request, we furnish to our current and prospective franchisees for review the most recent annual accountings of our advertising fund receipts and expenditures. These accountings are not audited.

Although not required by the Franchise Agreement or any other related agreement, we may provide you with newsletters, promotional materials and updates to Shilo programs. Though not obligated to do so, we may provide you with a supply of Shilo directories to assist you in fulfilling your obligation to encourage the use of Shilo facilities by the public. We may from time to time provide you with directories that you must prominently display at the front desk in an attractive manner.

Advertising Cooperatives

There currently are no formal franchisee advertising councils or advertising cooperatives for our franchise system. We reserve the right to create and augment the effectiveness of franchisee advertising councils and of cooperatives for the purchase of materials and the provision of advertising, for the benefit of the Shilo franchise system. You must participate in and comply with all terms and conditions of the Reservation System. Additional information about advertising is in Items 6, 7, 8 and 9.

While all franchises in the Shilo franchise system contribute, the properties that are operated by our affiliates may contribute to the cost of national marketing and to the cost of the Reservation System on a different basis than our franchisees according to individual management agreements between our affiliates and the respective owners.

Other Marketing Programs

Our Comment Card and Guest Complaints Program is described in the Franchise Standards Manual. Each Shilo property must maintain a database of comments provided by guests on comment cards and forms we configure.

The Shilo Inns Star Rewards program is a loyalty program for core Shilo customers. The program provides rewards that are easy to earn for both the business and pleasure traveler. All rate types qualify for reward points except for non-revenue (comp) rooms, Opaque Web sites, trade-outs, other booking arrangements involving customized arrangements by contract and employee discounts. Frequent guests earn dollar for dollar points good towards special discounts on dining, lodging and airfare. As outlined in Item 6, above, your hotel will pay 6.5 cents for each actual point awarded to the Shilo Star Reward guest staying at your hotel to us. Rewards redeemed at franchise hotels will be reimbursed at the average daily rate of the franchise hotel for the night of the stay.

Airline Frequent Traveler Programs may be a part of our overall marketing strategy. Fees or contributions imposed by the airlines in exchange for participation in their frequent traveler programs will be passed through directly to property locations where use occurs.

If you choose to conduct local and regional marketing programs and related activities in addition to those we conduct, you may do so at your expense and subject to our prior approval.

Operations Manual Table of Contents

The Franchise Standards Manual contains information on minimum standards and requirements for constructing, equipping, furnishing, supplying, operating, maintaining and marketing the Franchise. (Franchise Agreement Section 5.1). We may modify the Franchise Standards Manual, but the modifications will not alter your basic status and rights under the Franchise Agreement. The revisions may include

advancements and developments in standards, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise (Franchise Agreement, Section 5.1). The current Table of Contents is as follows:

Section	Number of Pages
Introduction	5
Front Desk Operations	11
Public Areas	6
Guest Rooms	13
Information Technology PMS	6
Marketing	3
Insurance Requirements	2
Administrative Management	3
Shilo Construction Standards:	4

Training

We do not hire employees for you. We provide a mandatory training course for one general manager, one director of sales, one senior room division executive, (or front office manager) and one reservations manager of the Property. The training occurs at a location we designate. Currently the training is at our Reservation Facility offices in Portland, Oregon. This training course covers all aspects of the franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. Your personnel must complete the course before the franchise opens for business. You must ask us to schedule a training session for you at least **30** days before the session is to start. Your general manager and director of sales must complete this mandatory training program to our exclusive satisfaction or we may terminate the Franchise Agreement. We will not be liable for any costs or expenses you incur if we terminate the Agreement because your personnel fail to satisfactorily complete the mandatory training course.

We pay the direct cost of this training. You will pay all costs of transportation, lodging, meals, and other related expenses. The training course will be at least two days long.

Each general manager, director of sales, senior room division executive (or front office manager) and reservations manager who you hire must successfully complete the mandatory training program within **90** days after being hired. We will furnish the training without a training fee once in each 12-month period. (Franchise Agreement, Section 3.1). Your manager must attend refresher training programs that we may put on from time to time. You will bear all costs of the training, including a reasonable training fee at our then-current rates.

The current training schedule includes:

Subject	Hours of Class Room Time	Hours of On-the-Job Training	Location
Shilo Orientation	2 Hours	2 Hours	Portland, Oregon
Reservation System	2 Hours	1 Hour	Portland, Oregon
Operating Standards	4 Hours	2 Hours	Portland, Oregon
Marketing Program	2 Hours	1 Hour	Portland, Oregon

The relevant background of our training supervisor, **Mark Hemstreet** is disclosed in Item 2, above. We may also use experienced franchise representatives and other qualified trainers to assist in the initial training program under the direction and supervision of our management staff.

The training materials are the Franchise Standards Manual (which includes Operating, Advertising, and Reservation Center requirements among other things) and Audit Forms.

Computer Systems

You are currently required to use the SkyTouch Hotel Property Management System (or other PMS systems we designate). You are required to pay all PMS and CRS onboarding, maintenance fees and booking fees which vary based upon the nature, size, and configuration of your hotel property and office management systems.

Each property is required to have two or more fully-functioning workstations that conform to our computer and Reservation System requirements and specifications that meet our current standards. (Franchise Agreement, Section 5.16). We must approve these reservations, cash register, accounting and inventory control computer systems. We may provide written specifications for these systems to you before you execute the Franchise Agreement. You purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, our proprietary Reservation System software, computer terminals, and cash registers). These must be totally compatible with and strictly conform to all requirements, standards and specifications we set in the future. You must have these systems in operation at the Property prior to opening for business. We have no obligation to maintain, repair, upgrade or update your computer hardware or software.

The cost of this computer software and hardware and related equipment and costs is included within Item 7, above and is estimated to range from $3,000 to $250,000. Each Property is required to have two or more fully functioning work stations with specifications that meet our most current standards that we may update from time to time and that interface with our computers systems. You are also required to have connectivity to our Reservation System and property management software that we subscribe to. All of the hardware items may be purchased from and maintained by any supplier you select. As of the date of this Disclosure Document, there are no initial costs or maintenance fees for our software used by these computer systems. We have no obligation to continue to update the software. We remain the owner of all software and reserve the right to require you to return the software to us upon demand.

We may have independent access to your computer systems for reporting purposes. The required software for the Reservation System has been in continuous use by us and our predecessor since 2013, and our predecessor and affiliates have used the property management systems since 2017. You are required to upgrade the computer systems to keep pace with technological advances, as expressed in updates to the Franchise Standards Manual. There are no contractual limits on the frequency or cost of these upgrades. The computer systems and software are used to generate receipts and reservations for the customer, and daily sales and reservation reports for you. The computer system collects and generates sales, reservations and availability, rate, and operating information and data. You are solely responsible for protecting yourself and guests from computer system failures, including internet related matters. There are no contractual limits on our access to the information and data stored in your computer systems.

More information about our obligations after you open your franchise may be found in Items 6, 8 and 9.

12. TERRITORY

Your Franchise Agreement will be for a specific site only and for the development of one Shilo property. The Property location is described in the Franchise Agreement. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. So long as the Franchise Agreement is in force, and you are not in default in any material provision, neither we nor our affiliates will establish or allow others to establish an identically branded Shilo property as you are operating (**SHILO INN SUITES HOTEL**, **SHILO INN HOTEL, SHILO INN SUITES,** or **SHILO INNS**) within the area described in an Exhibit attached to the Franchise

Agreement (the "Franchise Territory"). (By way of example, the foregoing territory restriction would not prohibit us from placing a Shilo Inn within the same Franchise Territory as a Shilo Inn Suites.) Subject to the foregoing restriction, we also reserve the right to establish company-owned or franchised operations using our method of operation, trade names or trademarks that will compete with you, at any location we select.

A typical Franchise Territory will encompass from 20,000 to 60,000 persons. The exact conformation of a Franchise Territory will depend upon the demographics, population and business densities and economic structure, of the area. These factors and the population count will be based upon reasonably available data from recent census reports, local demographics sources and local chambers of commerce. Each Franchise Territory will be identified in the Exhibit to the Franchise Agreement by geographic or political boundaries as appropriate.

You may not establish or operate any other Shilo establishment without executing a separate Franchise Agreement for that facility.

Factors that affect the grant and continuation of a protected market area include:

a) demographics of your Property location;
b) proximity of the location to travel centers;
c) proximity of the location to other Shilo properties;
d) proximity of the location to other hotels; and
e) other relevant factors.

Except with our prior written permission, you will not do business, operate or place advertisements using our trade names or Service Marks in or originating from any place other than your Franchise Territory. All issues among several Shilo properties and multiple hotel programs and promotional efforts will be addressed and resolved by the Shilo properties in the involved local areas, subject to our right to give reasonable direction and oversight.

The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce. You may not use the word Shilo or any of our trade names or trademarks without our express written permission.

We have not established but may establish, in the future, other franchises or company-owned operations selling similar products or services under a different trade name or trademark. We reserve the right to use and license any part or all of the concept and system of Shilo lodging facilities under any trademarks, service marks and commercial symbols through similar or dissimilar concepts for transient lodging facilities (including so-called "downgrade," "upgrade" or "segmented" hotel concepts) and pursuant to the terms and conditions that we deem appropriate. We reserve the right to use our Service Marks, names, logos and products at any location and for other product and service distribution methods. We will use some of the revenue we receive from these products to promote sales for all Shilo operations.

Continuation of your Franchise, and protected market area if one is given, is not dependent upon you attaining a minimum level of market share, penetration or quota. However, you may terminate the Franchise and re-identify your Property according to Section 17 below.

You do not receive the right to acquire additional franchises or to grant sub franchises.

You may not establish or operate any other Shilo operation without executing a separate Franchise Agreement for that operation.

You must give us notice as to any proposed taking by eminent domain. If the proposed condemnation is probable (in our opinion) we may allow you to transfer the franchise to a nearby location selected by you within 12 months after the taking. If we accept the new Franchise location and authorize the transfer, the Franchise must be opened at the new location within 2 years after the closing of the old location. We may terminate the Franchise Agreement upon notice to you if the new Property fails to fulfill all of our requirements for any reason (Franchise Agreement, Section 8.3).

13. TRADEMARKS

We give you the right to operate your Franchise under the name "**SHILO**®."

Our affiliate, Mark Hemstreet originally registered the following service marks with the U.S. Patent and Trademark Office on the Principal Register. These registrations are current and relevant affidavits of use have been filed.

Service Mark:	**SHILO INNS**
Registration Number:	1,331,396
Registration Date:	April 16, 1985

Service Mark:	**AFFORDABLE EXCELLENCE**
Registration Number:	1,719,168
Registration Date:	September 22, 1992

Service Mark:	**SHILO INNS**
Registration Number:	2,575,920
Registration Date:	June 4, 2002

Service Mark:	**SHILO**
Registration Number:	2,787,018,
Registration Date	November 25, 2003

Service Mark:	**SHILO INNS SUITES HOTELS AFFORDABLE EXCELLENCE**
Registration Number:	2,738,281
Registration Date	July 15, 2003

Service Mark:	**SHILO INN**
Registration Number:	2,738,283
Registration Date	July 15, 2003

Service Mark:	**SHILO INN HOTEL**
Registration Number:	2,738,285
Registration Date	July 15, 2003

Service Mark:	**SHILO INN SUITES HOTEL**
Registration Number:	2,738,282
Registration Date	July 15, 2003

Service Mark:	**SHILO INN SUITES**
Registration Number:	2,738,284
Registration Date	July 15, 2003

Service Mark:	**SHILO FRANCHISE INTERNATIONAL**
Registration Number:	2,738,286
Registration Date	July 15, 2003

Mark Hemstreet transferred to Shilo Franchise International, LLC all rights, title and interest to these marks and associated registrations and applications in July 2001. Shilo Franchise International, LLC assigned to Shilo Inns Suites Hotels Franchise, LLC these marks and associated registrations and application in July 2009, and it subsequently assigned to us these marks and associated registrations and application in December, 2021. We registered the assignment with the United States Patent and Trademark Office December, 2021. At the same time, we licensed to Shilo Franchise International, LLC the right to use these marks in conjunction with the Shilo franchises owned or operated by Shilo Management Corporation and for franchising and licensing outside of the United States.

We refer to all of these commercial symbols as the "Service Marks." Pursuant to the Franchise Agreement, you may use the Service Marks in your Franchise business.

There are no state registrations for these or any other marks. We claim common law rights to the Service Marks and associated logos and commercial symbols used in interstate commerce in the United States. We will allow you to use all other trade names, trademarks, service marks, and logos we now own or may in the future develop for the Shilo franchise system. Further, we have rights to use the Service Marks outside the United States.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks. We will have sole discretion to take or not to take action, as we deem appropriate. The Franchise Agreement does not require that we participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a mark we license to you, or if the proceeding is resolved unfavorably to you. You must follow our rules when you use the Service Marks. You may not use the Service Marks in any manner we have not authorized in writing. You cannot use the Service Marks as part of the name of your business entity or with modifying words, designs or symbols except as we authorize in writing. You may not use the Service Marks for the sale of any unauthorized product or service. You must comply within a reasonable time if we notify you that the use of any Service Mark is to be discontinued or modified. You may not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases.

All goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law.

We may change or modify any part of the Service Marks at our sole discretion. You will accept, use and protect, for the purposes of the Franchise, all changes and modifications as if they were a part of the Service Marks at the time the Franchise Agreement is executed. You will bear all costs and expenses that may be reasonably necessary as a result of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses or detriments from these changes or modifications.

Based on information and belief, there are no currently effective material determinations of the Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of any state or any court; any pending infringement, opposition or cancellation proceeding; or any pending material litigation involving the Service Marks in any State.

There are no agreements currently in effect that limit our rights to use or license the use of the Service Marks in the United States. We know of no infringing uses that could materially affect your use of the Service Marks in the United States.

To preserve the validity and integrity of the Service Marks and our copyrighted material and to assure that you are properly employing them in the Franchise, we or our agents may enter and inspect the Property and its premises at all reasonable times. In addition, we or our agents may observe how lodging and hospitality services are rendered and operations are conducted. We may confer with Your employees and customers, and inspect food and non-food products, beverages, and other items, materials and supplies for evaluation purposes to make certain that the Property and hospitality services, products, materials, equipment and operations are satisfactory and meet our quality control provisions and performance standards.

14. PATENTS, COPYRIGHT & PROPRIETARY INFORMATION

We intend to affix a statutory notice of copyright to our Franchise Standards Manual, to most of our advertising materials, and to the Shilo Service Marks and logos and to all modifications and additions to them. There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights. You have no rights to the copyrighted material. You must use the copyrighted items in your Franchise business. Our right to use and license the copyrighted items is not materially limited by any agreement or known infringing use.

The Franchise Standards Manual is described in Item 11. Although we have not filed applications for copyright registration, all copyrighted materials are our property. Item 11 describes limits on use of the copyrighted materials and other proprietary information by you and your employees. You must contact us

immediately if you learn of any unauthorized use of our proprietary information. You must also agree to not contest our rights to and interest in our copyrights and other proprietary information. Your knowledge of the operation of a Shilo property and the specifications, standards and operating procedures of the Property, is derived from information we disclose to you. Some of this information is proprietary, confidential and our trade secret. You will maintain the absolute confidentiality of all our proprietary information during and after the term of the Franchise Agreement and will not use any of our information in any other business or in any manner not specifically authorized or approved in writing by us. You may not make copies of the Franchise Standards Manual or any other Shilo manuals or distribute the Franchise Standards Manual to any person or entity.

We have no patents material to your Franchise.

15. OBLIGATION TO PARTICIPATE IN ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We recommend, but do not require, that you, or one of your owners if you are a corporation or partnership, participate fully in the on-premises, day to day operation of the franchise business. We do not limit whom you may hire as on premises supervisors. Your managers and all of your owners must agree to be bound by the confidentiality and non-compete provisions of the Franchise Agreement. Your managers do not have to have an ownership interest in you if you are a corporation, partnership or other form of business entity. Your general manager, director of sales, senior rooms division executive (or front office manager) and reservations manager must successfully complete our training program.

Each of your owners must assume and agree to discharge all of your obligations under the Franchise Agreement. If you contract for a management company to supervise the operation of the Property or any part of it, our prior approval of the management agreement and management company is required. Our approval will be based on three primary factors:

1. the quantity of the management company's previous experience;
2. the quality of the management company's previous experience; and
3. the management company's financial stability.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you offer and sell only those services, goods and programs that we approve in writing. You must offer all products, goods and services that we designate as required by our franchisees. We reserve the right, without limitation, to modify and add to the authorized programs, products, goods and services.

There are no limitations as to the customers to whom you may sell goods or services. You must maintain your Property in the manner and in strict accordance with the standards that we prescribe in the Franchise Standards Manual or otherwise. You must also comply with our reasonable requirements to protect the Method of Operation and the Franchise from unreliable sources of supply.

You must ensure that no part of the Property or the Method of Operation is used to promote a competing business.

17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	**Section in Franchise Agreement**	**Summary**
a. Length of Franchise Term	Section 1.1	**10** years or to match relevant real-estate leases
b. Renewal/ Extension of		If you are in good standing, you may renew for periods of **5**

Provision	Section in Franchise Agreement	Summary
Term	Section 6.1	years or to match relevant real-estate leases, under the terms of our then current franchise agreement forms.
c. Requirements for Franchisee to Renew or Extend	Section 6.1	Give notice at least **12** and not more than **18** months before expiration of the initial term and sign new agreement. The new franchise agreement may materially differ from the terms of the original.
d. Termination by You	Section 6.2	**Occupancy below 50%:** If after the first two years of your operating with a fully executed agreement participating in all mandatory national and regional marketing programs, successfully completing all required training courses, maintaining Quality Assurance Ratings of Satisfactory or above, remaining current on fees due us, and your cumulative occupancy for the prior two consecutive years is below 50 percent, then either you or we **may terminate** this Agreement upon **30** days prior written notice. **Occupancy between 50.0% and 59.9%:** If after the first two years of your operating with a fully executed agreement, participating in all mandatory national and regional marketing programs, successfully completing all required training courses, maintaining Quality Assurance Ratings of Satisfactory or above, and remaining current on fees due to us, and your average occupancy for the prior calendar year is equal to or above 50 percent and below 60 percent, you **may terminate** this Agreement upon one years prior written notice of intent to terminate or upon the payment of an amount equal to the prior **12** months of Royalty Fees plus any other fees and costs required to be paid pursuant to this Agreement , notwithstanding the provisions of the "Service Marks, Franchise Standards Manual, and Method of Operation Are Our Exclusive Property" section above. In addition, you will, at your sole cost and expense, comply with the de-identification provisions of this Agreement. **Occupancy between 60.0% and 69.99%**: If after the first two years of your operating with a fully executed agreement, participating in all mandatory national and regional marketing programs, successfully completing all required training courses, maintaining Quality Assurance Ratings of Satisfactory or above, remaining current on fees due to us, and your average occupancy for the prior calendar year is equal to or above 60 percent and below 70 percent, **you may terminate** this Agreement upon two years' prior written notice or upon the payment of an amount equal to the prior 24 months' Royalty Fees plus any other fees and costs required to be paid pursuant to this Agreement. In addition, you will, at your sole cost and expense, comply with the de-identification provisions of this Agreement. **Occupancy above 70.0%**: If after the first three years of your operating with a fully executed agreement, participating in all mandatory national and regional marketing programs, successfully completing all required training courses, maintaining Quality Assurance Ratings of Satisfactory or above, remaining current on fees due to us, and your average occupancy for the prior calendar year is equal to or above 70 percent, you **may terminate** this Agreement upon three years prior written notice or upon the payment of an amount equal to the prior 36 months Royalty Fees plus any other fees and costs

Provision	Section in Franchise Agreement	Summary
		required to be paid pursuant to this Agreement. In addition, you will at your sole cost and expense, comply with the de-identification provisions of this Agreement.
e. Termination by Us Without Cause	None	None
f. Termination by Us with Cause	Section 6.3	We can terminate if you default or fail to maintain at least 50% occupancy after the first two years of operation, or for "Cause."
g. "Cause" Defined – Curable Defaults	Section 6.3	You have **30** days to cure any default not listed in Section 6.3 (B).
h. "Cause" Defined – Non-curable Defaults	Section 6.3	Bankruptcy *(may not be enforceable under 11 U.S.C. Section 101 et seq.)* and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, nonpayment of fees, public safety, and wrongful disclosure of information.
i. Your Duties and Obligations on Termination or Nonrenewal.	Section 6.5	De-identification, return of manuals, release of phone numbers, payment of sums owed, and confidentiality. If the Franchise Agreement is terminated by us for cause, we are entitled to and you will pay to us an amount equal to the lesser of 36 times the average monthly royalty fee (averaged over the preceding 12 months) or the average royalty fee times the number of months between the termination and the date that a comparably sized and configured replacement Shilo property opens in your territory. If less than 36 months are remaining on the Franchise Agreement, the average monthly royalty fee will be multiplied by the number of months remaining, and if you have operated your franchise less than 12 months, an amount equal to 36 times the average royalty accrued.
j. Assignment of Contract By Us	Section 7.1	There are no restrictions on our right to transfer.
k. "Transfer" by You - Definition	Section 7.1	Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: the Franchise Agreement, substantial assets of the Property, or ownership or control of You.
l. Our Approval of Your Transfer	Section 7.1	We have the right to approve all transfers.
m. Conditions for Our Approval of Transfer	Section 7.1	The transferee must qualify as a franchisee, he must assume your obligations, you may not be in default, the transferee must successfully complete the mandatory training, the transfer fee is **50**% of the then current Initial Franchise Fee, the transferee must sign a new franchise agreement on our then current terms, and you must release us from claims.
n. Our Right of First Refusal to Acquire Your Business	None	

Provision	Section in Franchise Agreement	Summary
o. Our Option to Purchase Your Business	Section 7.3	You will give us not less than 30 days' notice of intent to sell. We have 30 business days after receipt to exercise option.
p. Your Death or Disability	Section 7.2	If you are a natural person, ownership will pass to your estate, as long as reasonable management arrangements are made. With our reasonable approval, your estate may transfer to a close relative if such assumes your obligations in writing and makes reasonable management arrangements. Equity interests owned by natural persons may pass on to his or her estate, upon death, if reasonable management arrangements are made. With our reasonable approval, that estate may transfer to a close relative if such assumes franchise obligations in writing and makes reasonable management arrangements. Equity interests may also be transferred to non-related third parties, created or eliminated, with our consent, subject to certain limitations.
q. Non-Competition Covenants During the Term of the Franchise	Section 5.14	You may not disclose confidential information.
r. Non-Competition Covenants After the Franchise is Terminated or Expires	Section 5.14	You will assure that you and your owners, directors, officers, partners, shareholders, employees, consultants, and agents, do not disclose Our confidential information or for two years after expiration or termination of the Agreement, will not divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing system.
s. Modification of the Agreement	Sections 5.5 and 9.7	Modifications require the signed written agreement of the parties. We may modify the Franchise Standards Manual.
t. Integration/Merger Clause	Sections 5.1, 5.5 and 9.7	Subject to relevant state laws, only the terms of the franchise agreement are binding. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute Resolution by Arbitration or Mediation	Section 9.8	There are no arbitration provisions in the Franchise Agreement. All disputes are subject to at least **8** hours of mediation under the rules of the American Arbitration Association or similar organization. The Parties share the costs of mediation.
v. Choice of Forum	Section 9.8	Subject to relevant state laws, forum is in the county in which our headquarters is then located (currently **Portland**, **Oregon**) except to the extent governed by the United States Trademark Act.
w. Choice of Law	Section 9.8	Subject to relevant state laws, **Oregon** law applies except to the extent governed by the United States Trademark Act.

See State Law Addendum for state-specific disclosures. Refer to the State Law Addendum for specific state law requirements related to jurisdiction, venue, governing law, termination, renewal, and required changes to the Franchise Agreement.

18. PUBLIC FIGURES

No public figure is involved in our franchise program.

19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may only be given if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mark S. Hemstreet, 11707 NE Airport Way, Portland, Oregon 97220, (503) 641-6565, the Federal Trade Commission, and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEM WIDE OUTLET SUMMARY
For 2020, 2021, and 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised[+]	2020	5	5	0
	2021	5	6	+1
	2022	6	6	0
Company or Affiliate Owned*	2020	15	14	-1
	2021	14	12	-2
	2022	12	12	0
Total Outlets	**2020**	**20**	**19**	**-1**
	2021	**19**	**18**	**-1**
	2022	**18**	**18**	**0**

* We do not own or operate any businesses of the type we are offering to you. The above table includes (i) franchises owned by Hemstreet Entities and operated by **Shilo Management Corporation** (for which our affiliate, **Shilo Franchise International, LLC**, is the franchisor) as described in Item 1 above, and (ii) franchises not owned and operated by non-affiliated third parties:

[+]Our affiliate, Shilo Franchise International, LLC, was the franchisor for the entire Shilo franchise system and offered Shilo franchises from its inception in 2001 and was registered to do so in various states at different times including California, Kentucky, Michigan, Nebraska, Texas, Utah, and Washington until our predecessor's inception in June 2009 which continued. In 2001, pursuant to any applicable state registration requirements, it entered into franchise arrangements with and is currently the franchisor for the Shilo Company Entities and operated by Shilo Management Corporation, as listed in this Item 20. It is also the current Shilo franchisor offering franchising and licensing outside of the United States. We are not responsible for and do not function as franchisor for any Shilo Company Entities' location in existence unless and until it is sold to or taken over by an operator/franchisee other than the Shilo Company Entity or Shilo Management Corporation at which time we will function as franchisor in the place of Shilo Franchise International, LLC.

Table No. 2
TRANSFERS FROM FRANCHISEES TO NEW OWNERS (other than the Franchisor)
For Years 2020, 2021, and 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
California	2020	0
	2021	0
	2022	0
Oregon	2020	0
	2021	0
	2022	0
Idaho	2020	0
	2021	0
	2022	0
Washington	2020	0
	2021	0
	2022	0
Total	**2020**	**0**
	2021	**0**
	2022	**0**

Table No. 3
STATUS OF FRANCHISED OUTLETS
Franchised Outlets Owned and Operated by Third Parties not Affiliated with Franchisor
For 2020, 2021, and 2022

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of Year
California	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Idaho	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Montana	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Oregon	2020	3	1	0	0	0	0	4
	2021	4	1	0	1	0	0	4
	2022	4	0	0	0	0	0	4
Washington	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	**2020**	**5**	**1**	**0**	**1**	**0**	**0**	**5**
	2021	**5**	**2**	**0**	**1**	**0**	**0**	**6**
	2022	**6**	**0**	**0**	**0**	**0**	**0**	**6**

Table No. 4
STATUS OF AFFILIATE AND COMPANY-OWNED OUTLETS
For 2020, 2021, and 2022

Shilo Company Entities own and our predecessor operates businesses of the type we are offering to you as follows. Our affiliate, **Shilo Franchise International, LLC**, is the franchisor for these operations as described in Item 1 and the notes to Item 20, table 1, above.

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed*	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of Year
Arizona	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
California	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Idaho	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Montana	2020	1	0	0	0	0	1
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
Nevada	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Oregon	2020	8	0	0	0	1	7
	2021	7	0	0	0	1	6
	2022	6	0	0	0	0	6
Texas	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Washington	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Total	**2020**	**15**	**0**	**0**	**0**	**1**	**14**
	2021	**14**	**0**	**0**	**0**	**2**	**12**
	2022	**12**	**0**	**0**	**0**	**0**	**12**

Table No. 5
PROJECTED OPENINGS AS OF December 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
California	0	0	0
Idaho	0	0	0
Montana	0	0	0
Oregon	0	0	0
Washington	0	0	0
TOTALS	**0**	**0**	**0**

The following is a complete listing of all of our franchisees and their principal addresses and telephone numbers (followed by a list of the operations of our predecessor and affiliates) as of **December 31, 2022**:

SHILO PROPERTIES OPERATED BY THE THIRD-PARTY ENTITIES:

760 934-4500 **SHILO INN SUITES – MAMMOTH LAKES**
2963 Main Street, Mammoth Lakes, CA 93546
Mailing: PO Box 2179, Mammoth Lakes, CA 93546-2179
Mammoth Lakes Hospitality, LLC
2963 Main Street
Mammoth Lakes, California 93546
(760) 934-4500
Attn: Girish Patel

406-442-0320 **SHILO INN – HELENA**
2020 Prospect Avenue, Helena, Mt 59601
Sai Hotels LLC
1809 West Crystal Falls Avenue
Nampa, Idaho 83651
Attn: Parimal Naik (parimal92802@gmail.com) 208-559-6607

503-736-6300 **SHILO INN – PORTLAND ROSE GARDEN**
1506 NE 2nd Avenue, Portland, OR 97232
Param Rose Garden LLC
415 SW Montgomery Street
Portland, Oregon 97201
Attn: Ganesh Sonpatki (gsonpatki@me.com) 503-888-8018

503-581-4001 **SHILO INN SUITES– SALEM**
3304 Market Street NE, Salem, OR 97301
Param Salem, LLC
415 SW Montgomery Street
Portland, Oregon 97201
Attn: Ganesh Sonpatki (gsonpatki@me.com) 503-888-8018

541-298-5502 **SHILO INN SUITES HOTEL – THE DALLES**
3223 Bret Clodfelter Way, The Dalles, OR 97058
Videni Concepts, LLC
13455 SW Tualatin Valley Hwy Ste 108
Beaverton, Oregon 97005
Attn: Jitesh Desai (jd@mkmhotels.com) 503-352-0037

503 842-7971 **SHILO INN SUITES HOTEL – TILLAMOOK**
2515 N. Main, Tillamook, OR 97141
Param Aloha, LLC
415 SW Montgomery Street
Portland, Oregon 97201
Attn: Ganesh Sonpatki (gsonpatki@me.com) 503-888-8018

SHILO PROPERTIES OWNED BY SHILO COMPANY ENTITIES AND OPERATED BY OUR PREDECESSOR:

520 782-9511 **SHILO INN HOTEL – YUMA**
1550 S. Castle Dome Avenue, Yuma, AZ 85365-1702

208 523-0088 **SHILO INN SUITES HOTEL – IDAHO FALLS**
780 Lindsay Boulevard, Idaho Falls, ID 83402-1822

208 465-3250 **SHILO INN SUITES HOTEL – NAMPA**
1401 Shilo Drive, Nampa, ID 83687-3065

775 738-5522 **SHILO INN SUITES – ELKO**
2401 Mountain City Hwy / Elko, NV 89801-4496

541 389-9600 **SHILO INN SUITES HOTEL – BEND**
3105 O.B. Riley Road / Bend, OR 97701-7527

541 885-7980 **SHILO INN SUITES HOTEL – KLAMATH FALLS**
2500 Almond Street, Klamath Falls, OR 97601-1119

541 265-7701 **SHILO INN SUITES OCEANFRONT HOTEL – NEWPORT**
536 SW Elizabeth, Newport, OR 97365-5098

503 252-7500 **SHILO INN SUITES HOTEL – PORTLAND AIRPORT**
11707 NE Airport Way, Portland, OR 97220-1075

503 738-9571 **SHILO INN SUITES OCEANFRONT HOTEL – SEASIDE**
30 North Prom, Seaside, OR 97138-5823

503 861-2181 **SHILO INN SUITES HOTEL – WARRENTON / ASTORIA**
1609 East Harbor Drive, Warrenton, OR 97146-9689

254 699-0999 **SHILO INN SUITES HOTEL – KILLEEN**
3701 S WS Young Drive, Killeen, TX 76540

360 289-4600 **SHILO INN SUITES HOTEL – OCEAN SHORES**
707 Ocean Shores Blvd NW, Ocean Shores WA 98569-9593

The following is a list of the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone numbers) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year (or shortly thereafter) or who has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system: **NONE**

~~**SHILO INN HOTEL - PORTLAND / BEAVERTON (No longer in system - September 20, 2021)**~~
~~9900 SW Canyon Road, Portland, OR 97225-2996~~
~~**Param Canyon LLC**~~
~~415 SW Montgomery Street~~
~~Portland, Oregon 97201~~
~~Attn: Ganesh Sonpatki (gsonpatki@me.com) 503-888-8018~~

During the last three fiscal years, we have not signed confidentiality clauses with any of our current or former franchisees which restrict such franchisees from communicating with prospective franchisees concerning their experience in the franchise system. However, we sign agreements with current and former franchisees that include confidentiality clauses that protect our intellectual property and our proprietary information. The confidentiality clauses in these agreements may also relate to specific negotiated franchise agreement terms and conditions.

The following is a list, to the extent known by us, of the names, addresses, telephone numbers, email address and Web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed: **NONE**

The following is a list of any independent franchisee organizations that have asked to be included in this disclosure document: **NONE**

21. FINANCIAL STATEMENTS

Attached are our ~~inception~~ audited financial statements as of December 31, 2022 and 2021. Our fiscal year end is December 31. We were formed in November 2021 and therefore do not have three years of audited financial statements.

22. CONTRACTS

Attached are examples of the Franchise Agreement, the State Law Addendum, and all other related agreements you may have to sign when you purchase your Franchise:

Proposed Franchise Agreement
Proposed Conditional Release of Telephone Number
Proposed Abandonment, Relinquishment, and Termination of Assumed Business Name
State Law Addendum
Confirmation of Additional Representations and Terms by Prospective Franchisees

23. RECEIPTS

Attached as the last pages to this Disclosure Document are two Acknowledgment of Receipt pages. They evidence your receipt of this Disclosure Document - one is to be retained by you, the other by us.

EXHIBIT A

TO

SHILO INNS, FRANCHISE, LLC

DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

SHILO INNS, FRANCHISE, LLC

Financial Statements

With Independent Auditor's Report

December 31, 2022 and 2021

SHILO INNS, FRANCHISE, LLC

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KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

Independent Auditor's Report

To the Member
SHILO INNS, FRANCHISE, LLC
Portland, OR

Opinion

We have audited the accompanying financial statements of SHILO INNS, FRANCHISE, LLC, which comprise the balance sheet as of December 31, 2022 and 2021, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SHILO INNS, FRANCHISE, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

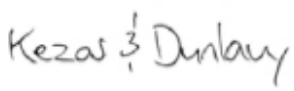
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



St. George, Utah
March 30, 2023

SHILO INNS, FRANCHISE, LLC
Balance Sheets
As of December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 47	$ 22,069
Accounts receivable	33,688	23,080
Total current assets	33,735	45,149
Total assets	$ 33,735	$ 45,149
Liabilities and Member's equity		
Member's equity	$ 33,735	$ 45,149
Total liabilities and member's equity	$ 33,735	$ 45,149

The accompanying notes to the financial statements are integral part of these financial statements

SHILO INNS, FRANCHISE, LLC
Statements of Operations
For the years ended December 31, 2022 and 2021

	2022	2021
Royalty revenue	$ 255,799	$ 23,080
Total revenue	255,799	23,080
Operating expenses		
Marketing expense	14,057	-
General and administrative expense	3,193	-
Professional fees	11,060	-
Total operating expense	28,310	-
Net income	$ 227,489	$ 23,080

The accompanying notes to the financial statements are integral part of these financial statements

SHILO INNS, FRANCHISE, LLC
Statements of Member's Equity
For the years ended December 31, 2022 and 2021

	Member's Equity
Balance at November 22, 2021	$ -
Member contributions	22,069
Net income	23,080
Balance at December 31, 2021	$ 45,149
Member distributions	(238,903)
Net income	227,489
Balance at December 31, 2022	$ 33,735

The accompanying notes to the financial statements are integral part of these financial statements

SHILO INNS, FRANCHISE, LLC
Statement of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net income	$ 227,489	$ 23,080
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(10,608)	(23,080)
Net cash provided by operating activities	216,881	-
Cash flows from financing activities		
Member contributions	-	22,069
Member distributions	(238,903)	-
Net cash provided by financing activities	(238,903)	22,069
Net change in cash and cash equivalents	(22,022)	-
Cash and cash equivalents at beginning of period	22,069	22,069
Cash and cash equivalents at end of period	$ 47	$ 22,069
Supplemental disclosures of cash flow		
Cash paid for interest and taxes	$ -	$ -

The accompanying notes to the financial statements are integral part of these financial statements

SHILO INNS, FRANCHISE, LLC
Notes to the Financial Statements
December 31, 2022 and 2021

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

SHILO INNS, FRANCHISE, LLC (the "Company") was formed on November 22, 2021, in the state of Oregon as a Limited Liability Company. The Company was formed for the principal purpose of conducting franchise sales, marketing, and management of the "Shilo Inns" hotel franchise system under a Trademark Assignment Agreement with Shilo Inns Suites Hotels Franchise, LLC (a related party through common ownership). Under that agreement, Shilo Inns Suites Hotels Franchise, LLC assigned to the Company all exclusive rights and title to various Shilo Inns and related trademarks. In addition to assigning to the Company the Shilo Inns trademarks, Shilo Inns Suites Hotels Franchise, LLC also assigned to the Company all rights and interest to six established and operating Shilo Inns franchises.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Concentration of Risk

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(e) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of December 31, 2022 and 2021 the Company had cash and cash equivalents of $47, and $22,069 respectively.

(f) Revenue Recognition

The Company's revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees and royalties. Royalties are typically a flat fee for the first two years, and then based on a percentage of gross revenues.

The Company has adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company

evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalty fees, and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties from locations operated by a franchisee, which are based on a combination initial flat fees and then ongoing percentage of gross revenue fees and are recognized at the time the underlying franchisee sales occur. ASC 606 does influence the process management uses to evaluate the recognition of the initial franchise fees.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records
  and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of these pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

The Company sold no franchises during the years ended December 31, 2022 and 2021.

(g) Income Taxes

The Company is structured as a limited liability company under the laws of the state of Oregon. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, the 2021 tax year was subject to examination.

(h) Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases, which creates ASC 842, Leases, and supersedes ASC 840, Leases. ASC 842 requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement, and presentation of expenses will depend on classification as a finance or operating lease. The new guidance will be effective for private companies with annual reporting periods beginning after December 15, 2021 and is to be applied retrospectively. The Company had no leases as of December 31, 2022.

(i) Advertising Costs

The Company expenses advertising costs as incurred. During the years ended December 31, 2022 and 21, the Company incurred no advertising expense.

(j) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents and accounts receivable the carrying amounts approximate fair value due to their short maturities.

(1) Accounts Receivable

Accounts receivable represents amounts due from franchisees for various fees. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Company on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. For the years ended December 31, 2022 and 2021, management determined no allowance for doubtful accounts receivable was necessary.

(2) Commitments and Contingencies

(a) Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(3) Subsequent Events

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company's operations, reducing revenue from both new and existing franchisees. The full extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Management has reviewed and evaluated subsequent events through March 29, 2023, the date on which the financial statements were issued.

EXHIBIT B - PROPOSED FRANCHISE AGREEMENT

PROPOSED FRANCHISE AGREEMENT

SHILO INNS, FRANCHISE, LLC

11707 NE AIRPORT WAY
PORTLAND, OREGON 97220

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SHILO FRANCHISE AGREEMENT

THIS AGREEMENT has been entered this _____ day of _____, 202___. It is between **Shilo Inns, Franchise, LLC**, an Oregon limited liability company, and our successors and assigns ("we, us") and _____, ("you").

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles. These include, but are not limited to, **Shilo®, Shilo Inn Suites Hotel®**, **Shilo Inn Hotel®**, **Shilo Inn Suites®**, **Shilo Inn**, and the **Shilo Logo®** (the "Service Marks"). We own valuable goodwill and have valuable expertise, trade secrets, methods, procedures, techniques, uniform standards, manuals, operation control guidelines, advertising, publicity, marketing programs, training programs, systems, layouts, merchandise, materials, a computerized reservation network and programs for inspecting hotels and consulting with you. These are connected with the operation, promotion, and advertising of businesses that provide a distinctive, high-quality service to the public under the Service Marks (the "Method of Operation").

You want to own a Shilo franchise to provide high quality services to the public and to use our Method of Operation and Service Marks. This Agreement will govern your operation, construction, renovation and preparation of the Property.

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document **14** calendar days before signing any franchise or related agreement or making any payment from you in connection with the franchise sale. In addition, you acknowledge either:

1. receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document, or
2. if we unilaterally or materially altered the terms of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all Shilo locations. They protect and preserve the goodwill of the Service Marks and the confidentiality of the Method of Operation.

You realize that entering into this Agreement will obligate you to operate your franchised business in strict accordance and conformity with the standards, specifications and procedures as set forth in the Franchise Standards Manual that we will loan to you. You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work. If your Shilo franchise falls below the standards we require, customers who patronize that property will be less likely to patronize other Shilo locations. This would damage the business of others. It will be difficult for us to obtain new Shilo licensees if a prospective purchaser observes that you do not maintain the required standards.

We expressly disclaim the making of any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement. You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have no knowledge of any representations by us, or our officers, directors, shareholders, members, managers, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any Shilo operation that is inconsistent with disclosures in our Franchise Disclosure Document. Actual results vary from property to property and we cannot estimate the results of any particular franchise.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1 GRANT OF FRANCHISE

1.1 **Grant of Franchise**. We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the Method of Operation, and merchandise bearing the Service Marks, for **10** years [or to match relevant real-estate leases] from the date of this Agreement (the "Franchise"). This grant solely is for one Shilo franchise at the location identified in the attached Exhibit A ("the Property"). The Property will be known as a: (Check the Appropriate Blank)

_____ **SHILO INN SUITES HOTEL**

_____ **SHILO INN HOTEL**

_____ **SHILO INN SUITES**

_____ **SHILO INN**

Franchise Territory. So long as this Agreement is in force, and you are not in default in any material provision, we will not establish or allow others to establish a: (Check the Appropriate Blanks)

_____ **SHILO INN SUITES HOTEL**

_____ **SHILO INN HOTEL**

_____ **SHILO INN SUITES**

_____ **SHILO INN**

within the area described in the attached Exhibit A (the "Franchise Territory"). We reserve the right to use the Service Marks and our products at any location in other product distribution methods.

If either the Franchise Territory or the location for your franchised operations has not been determined when this Agreement is executed, you are responsible for selecting the site for your franchise within the area designated in Exhibit A. The Franchise Territory and your franchise site must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria. We will analyze your market area, to help you determine site feasibility and to help you in selection of the franchise location. In analyzing a proposed site, we examine its general location, distance from warehouse, traffic patterns, parking, size, physical characteristics, proximity to competing businesses, lease terms, sign visibility, neighborhood economic profile, population density and accessibility. The exact determination of the location for the franchise premises will depend upon our approval and your and our market analysis, market penetration plans and franchise placement strategies and existing franchise commitments. You must obtain our prior written approval for the site of the franchise premises and your lease related to it. Our response to your request for approval of a site will be given within **30** days after we receive your written request.

If you and we cannot agree on a site for your franchise premises, we may terminate the Franchise Agreement by refunding to you the Initial Franchise Fee.

You may not establish or operate any other Shilo establishment without executing a separate Franchise Agreement for that facility.

1.2 **One Location for Property**. This Agreement and the Franchise is only for the Property. The Property includes all structures, facilities, appurtenances, furniture, fixtures, equipment, entry, exit, parking and other areas from time to time located on the land identified on the plot plan you provided to us in anticipation of this Agreement, or located on any land we approve from time to time for additions, signs or other Property facilities. The Property now includes the facilities listed on the attached Rider. You will make

no significant change in the Property without our prior written approval. Minor structural changes that comply with our stated standards and specifications will not be considered significant. You represent that you are entitled to possession of the Property during the entire Term of this Agreement without restrictions that would materially interfere with anything contemplated in this Agreement.

1.3 **Property Site Location**. You are responsible for the location of the Property. We do not guarantee success at the location you have selected, including any former company/affiliate property. We will not be liable for any consequences of your choice of the site. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a Shilo location. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for the Property site. You must ensure that the location complies with these requirements.

You acknowledge and agree that any location we select or approve, and any lease we approve will be approved solely on the basis and with the understanding that it meets our minimum acceptable criteria. The criteria are not a representation or guarantee that the location will be successful or that the terms of the lease are reasonable. You acknowledge that you are responsible for reviewing and determining the appropriateness and desirability of the lease and of the location. We will have no liability with respect to your selection or approval of a location or to any lease you enter for the Premises.

1.4 **Property Development**. You will be responsible to construct, remodel, furnish, decorate and equip the Property. You understand and agree that our prototype plans, schedules and specifications may not reflect the requirements of applicable law governing public accommodations for persons with disabilities or similar rules, building codes, zoning restrictions, permit requirements, applicable lease restrictions or similar requirements or restrictions.

A. Any construction and remodeling must be done by licensed contractors in a sound and workmanlike manner in compliance with applicable codes and regulations. We will furnish standard construction plans to you and a schedule of interior finishes and equipment packages for the Property. Final construction and site plans must be approved by us and prepared by an architect we approve. All costs for site-specific plans will be your responsibility. Site plans, and any modifications to them, must be approved in writing by us prior to construction. All approvals will be solely within our discretion to maintain a uniform image and decor, consistent with Shilo franchise system concepts.

B. You will comply with the standards and specifications we establish for architectural design, Property layout, equipment, furnishings and fixtures, among other things. Modifications or variations require our prior written consent. Any construction and remodeling must be done by licensed contractors in a sound and workmanlike manner in compliance with applicable codes and regulations. You will cause all construction and development work to conform to the applicable lease requirements and applicable law, including all government and utility permit requirements (such as, for example, zoning, sanitation, building, utility and sign permits). You will complete development of the Property diligently, expeditiously and in a first-class manner at your sole expense. We will have access to the Property to inspect the work and performance by your construction personnel. You will obtain all customary contractors' lien waivers for the work performed.

C. You will comply with the requirements of Addendum_____ to construct and modify the Property layout, furnishings, fixtures, equipment, decorations, and decor. You will comply with the standards and specifications we establish for architectural design, layout, equipment, furnishings and fixtures, among other things. These may include signs, lighting, flooring, mechanical systems, electrical systems, plumbing, carpentry, wall coverings, ceiling treatments, exhaust/ventilation systems, service and preparation and storage areas, general trade dress components and any other improvements that we permit you to install and use in the Property, together with such other information as may be specified in the Franchise Standards Manual. Modifications or variations require our prior written consent.

D. All equipment will conform to our equipment specifications as adopted from time to time. If we require any changes in or additions to equipment, you will modify, replace or add to your existing equipment at your sole expense.

1.5 "**You" Includes**. For purposes of this Agreement "you" may be an individual, corporation, partnership or other legal entity. "You" includes any corporation, partnership, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term "you" will include all persons who succeed to your interest by transfer or by operation of law.

1.6 **Existence of Divergent Forms of Franchise Contracts**. You acknowledge that the terms of franchises we have offered to other franchise owners, may vary materially from those set forth in this Agreement.

1.7 **Rights We Reserve**. Except as otherwise provided in this Agreement, we retain the rights, in our sole discretion and without granting any rights to you:

A. To use or license the use of the Service Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement.

B. To operate and grant to others the right to operate Shilo businesses and all brands of lodging facilities now or in the future offered by us or our parent or affiliates, at other locations, and on terms and conditions, as we deem appropriate.

C. To use and license any part or all of the concept and system of Shilo lodging facilities under any trademarks, service marks and commercial symbols through similar or dissimilar concepts for transient lodging facilities (including so-called "downgrade," "upgrade" or "segmented" hotel concepts) and pursuant to the terms and conditions that we deem appropriate.

1.8 **Nonexclusive**. We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of Shilo products, services and lodging to any person or customer we want. These include national accounts, commercial customers, franchisees, end users or any other customer we may select. We may exercise our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers. Except for the Franchise Territory granted in Exhibit A, you acknowledge that we have made no representation concerning exclusivity in any geographic territory or for any customer segment.

2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

2.1 **Initial Franchise Fee**. Upon execution of this Agreement, you will pay ~~have paid~~ us $5,000 of the Initial Franchise Fee of $_____. $_____ will be paid when we approve your construction or renovation plans. The balance will be paid at least 60 days prior to the scheduled opening of your Property. If this Agreement relates to the purchase of a company/affiliate property, the balance shall be due within 30 days of the closing of the purchase. You have paid it in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and for our lost or deferred opportunity to sell Shilo franchises in the Property's market area to others. Except as provided in Sections 3 and 4, below, none of the Initial Franchise Fee is refundable.

2.2 **Monthly Franchise Fee and Complimentary Rooms**. You will pay to us each month, by the fifteenth day of the month, a “Monthly Franchise Fee “calculated as the following percent of the gross revenues attributable to or payable for rental of guest lodging rooms at the Property ("Gross Rooms Revenue"):

___ percent of Gross Rooms Revenue for the first two years of operation,
_____ percent for the next two years, and
_____ percent thereafter.

Gross Rooms Revenue is not subject to deduction except for sales and room taxes. This payment may be required to be made by automatic account withdrawal or other automatic processes we specify.

We may charge you additional royalties on gross Revenues from any activity that you add at the Property by mutual agreement that:

is not now offered at Shilo locations generally and is likely to benefit significantly from or be identified significantly with the Service Marks or other aspects of the Shilo franchise system, or

is designed or developed by or for us.

You will give us the right to use one lodging room per year of the same pro-rata type as and for every **10** guest lodging rooms in your franchise property. We may use these complementary rooms for our corporate purposes, for barter or trade, and for advertising and promotional purposes. We will not use the rooms on peak holidays and local peak seasons when your occupancy levels historically average greater than **80** percent.

2.3 **Marketing and Reservation**. So long as you fully comply with this Agreement, we will furnish reservation service to the Property and consult with you and give you advice in connection with your Shilo operations, facilities, marketing, staffing and training. Payment may be required to be made by automatic account withdrawal or other automatic processes we specify in the Franchise Standards Manual.

Some of your Franchise Fee may be used to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and the Shilo franchise system. You are not a third-party beneficiary of the franchise fees paid by the other members of the Shilo franchise system. We will have the sole right to enforce the obligations of you and all our other franchisees. You may not enforce any obligation of our other franchisees to pay franchise fees). We may use a portion of the Franchise Fee to place local, regional, national, international or cooperative advertising, national sales, telemarketing, marketing training, system directories, promotion, publicity, market research and other marketing programs, and related activities. Portions of the Franchise Fee we receive from you may be used in regional, national and international advertising; to maintain, administer, research, direct and prepare advertising and promotional activities (including, among other things, the costs of preparing and conducting television, radio, magazine and newspaper advertising campaigns); direct mail and outdoor billboard advertising; internet and web site development and maintenance, marketing surveys and public relations activities; marketing materials; decor and promotional materials; artwork; advertising services; training related to marketing, customer service and sales augmentation; and production and distribution of periodic newsletters to provide you with industry news, suggestions, and advice on franchise operations. Our internal artwork, advertising, promotion and newsletter production costs and associated administrative costs may be paid from the Franchise Fee. These will be calculated at our cost as established from time to time. It also may be used to cover our costs of collecting and administrating the franchise fees we collect from our franchisees, including incurred legal fees. It may be used to pay for joint marketing programs, including programs with our suppliers, sister corporations and co-branding partners.

We may use contributions and any earnings from the Franchise Fee we receive from you in local, regional, national, Internet, or international advertising for:

A. maintaining, administering, researching, directing, preparing and placing advertising and promotional activities (including, among other things, the costs of preparing and conducting television, radio, magazine and newspaper advertising campaigns, public relations programs and press releases);

B. direct mail and outdoor billboard advertising;

C. marketing research and development;

D. marketing surveys and public relations activities;

E. development and maintenance of any Internet or e-commerce programs;

F. marketing materials;

G. decor and promotional materials;

H. artwork; advertising services;

I. training related to marketing, customer service and sales augmentation;

J. production and distribution of periodic newsletters to provide you with industry news, suggestions, and advice on franchise operations; and

K. our reasonable salaries, accounting, collection, legal and other costs related to all of the above.

We may use your Franchise Fee to place advertising in geographic areas, in media, at times and using products and services we deem to be in the best interest of our franchisees and the Shilo franchise system.

We will use the Franchise Fee at our discretion for costs and expenses associated with providing the reservation system service (including employees, equipment, computer and communications systems, and related upgrades and leases. In addition to the Franchise Fee, you will pay the cost and expense of your connections to and use of the Shilo reservation system computer hardware, software and communication media, and maintenance of them.

The Franchise Fee may be used for marketing, advertising, public relations, production and media expenses related to promotion of the Service Marks, the Shilo franchise system and our products and services. We will not use any part of Franchise Fee for franchise sales, but may include references to the availability of franchises in materials produced and placed in media by the Franchise Fee.

We may create an advertising advisory board made up of Shilo franchisees. These franchisees will make recommendations on your behalf as to types of advertising, promotion and public relations. We will use these and other recommendations that we feel are appropriate when drafting a budget and program each year.

Portions of the revenue Franchise Fee will be expended for the central reservations system and for advertising and promotional purposes during the taxable year within which the revenue is received.

Notwithstanding anything contained in this Agreement to the contrary, you shall separately pay for or reimburse us for all commissions, booking fees, PMS and CRS onboarding and maintenance and booking fees relating to the Property, and shall use the PMS system mandated by us (e.g., SkyTouch).

Reimbursement for Excess Expenditures. If we contribute to the central reservation system or give advances for advertising or promotion, we will have the right to be reimbursed from the contributions and earnings of the Franchise Fee.

A. We May Advertise Prices. We may advertise prices in national or regional advertising and reservation programs, as well as in directories (such as AAA) and any Shilo franchise system directory. You will cooperate and provide to us appropriate information and your room rate ranges consistent with the purposes of these directories. We may include the lodging, goods and services sold by you and other Shilo hotels.

B. Direct Sales Activities. From time to time, we may develop and effect special direct sales activities. You may have the right, but not the obligation, to participate in these activities. We will notify you of the creation and provisions of a promotional or discount program. Within five days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will follow all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program.

C. You Are to Use Advertising Materials We Supply. From time to time, we may supply samples of advertisements we approve. You will use only the advertising materials contained in the Franchise Standards Manual or otherwise approved by us, and may not, without our prior written consent,

place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Franchise Standards Manual or otherwise provided by us.

C. Advertising Materials Used at Your Discretion. You will advertise the Property in a dignified manner to enhance the Shilo franchise system's reputation for quality and integrity, and in a reasonable manner to cover your market area. At any time and from time to time, we may require you to submit to us advertising copy and promotional materials you use in your advertising programs. If, after review of any material, we, in good faith, believe that it is not in keeping with the Shilo franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the franchise system, we will promptly notify you. You will immediately cease using any material we designate.

F. Approval of Your Local Advertising and Website. You will submit to us all advertising copy and other advertising and promotional materials before you use them in your local advertising program. You will not use any advertising copy or other promotional material until we approve it. If within ten days after submission, we have not advised you in writing that the material is disapproved, the material will be deemed approved by us for you to use.

You specifically acknowledge and agree that any web site will be deemed “advertising” under this Agreement and will be subject to (among other things) our approval. (As used in this Agreement, the term “web site” means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages.) In connection to any web site, you agree to the following:

Before establishing the web site, you will submit to us a sample of the web site format and information in the form and manner we may reasonably require.

You will not establish or use the web site without our prior written approval.

In addition to any other applicable requirements, you will comply with our standards and specifications for web sites as prescribed by us from time to time in the confidential Franchise Standards Manual or otherwise in writing or on any franchisee forum intranet system. If required by us, you will establish your web site as part of our web site and establish electronic links to our web site.

If you propose any material revision to the web site or any of the information contained in the web site, you will submit the revision to us for our prior written approval.

You will use only approved key words, meta tags and titles pertaining to our industry. We will e-mail or respond via facsimile approved key words, meta tags and titles upon your request by e-mail or facsimile.

An electronic link to our web site will be established and we will provide a reciprocal electronic link to your web site five days after approval or launching of your web site.

You may only offer approved products or services on your web site. Any web site changes made without our approval will put you in default of this Franchise Agreement.

You will turn ownership and control of the web site over to us upon expiration or termination of this Agreement, regardless of the reason for the expiration or termination.

G. **Local Advertising Contribution and Cooperative Advertising**. Besides the Franchise Fee payments, you will, at our request, obtain at least two roadside billboards or reasonably available equivalents to promote your franchise. You will make the expenditures directly, subject to our approval and direction. You will submit to us or our designated advertising agency, for prior approval, all bill board and promotional materials and advertising to be used by you, including, but not limited to, newspaper, radio, and television advertising; website and social media pages, advertisements on travel or lodging booking engines or websites; specialty and novelty items; signs; boxes; bags; and wrapping papers. The submission of advertising to us for approval will not affect your right to set the prices at which you sell

products.

Each quarter, you will furnish to us, in a manner we approve, an accurate accounting of your expenditures for local advertising and promotion during the previous calendar quarter.

Cooperative Advertising. From time to time, we may designate local or regional advertising coverage areas to develop cooperative local or regional advertising and promotional programs. You must participate in and contribute your share to the cooperative advertising and promotional programs in your advertising coverage area in addition to the local advertising contributions and expenditures required above.

We will have the right to expend any portion of the Franchise Fee for the following purposes:

for regional or local co-op advertising or promotional programs provided, however, that such programs will be available to all similarly situated franchisees; and,

if in our sole judgment, you or any other franchisee is located in a geographic territory not adequately serviced by our national or regional advertising programs, we may rebate a portion of the Franchise Fee paid by that franchisee for use by that franchisee for local advertising. Expenditures by that franchisee will be in addition to the local advertising requirements set forth above.

At any time and from time to time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise property and each property we own and operate will be entitled to one vote at these meetings. For the purpose of this subsection, each property we own will be deemed to be a franchise.

"Advertising coverage area" means the area covered by a particular advertising medium (television, radio or other medium) as recognized in the industry. At the time a cooperative local or regional advertising or promotional program is developed, we will provide to you a list of all franchises of the Shilo franchise system that are operating within your advertising coverage area.

We may require and approve bylaws under which these cooperative advertising and promotional programs operate. We have the right to approve the advertising agencies that work on behalf of the cooperative advertising and promotional programs. If an advertising region operates according to written documents, we must approve of these documents, and a copy of them will be located will be provided to you upon your request. All contributions to a regional advertising fund will be maintained and administered in accordance with the governing documents, if any. The advertising regions will be operated solely as a conduit for the collection and expenditure of regional advertising funds. No advertising or promotional plans or materials may be used or furnished without first obtaining our approval.

If advertising region members are unable or fail to resolve any issue affecting establishment or effective functioning, upon the written request of any member franchisee, that issue will have been submitted to us for consideration and our resolution of that issue will final and binding on all advertising region members.

Approval of Your Local Advertising and Website and E-Commerce and Social Media. You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases, radio and television advertising, specialty and novelty items, signs, boxes, napkins, bags and wrapping papers before you use them in your local advertising program. You will not use any advertising copy, public relations program, press release or other promotional material until we approve it. As a condition of our approval, you must permit us and our other franchisees that we authorize to use your materials without compensation to you. Your failure to conform to our provisions or requirements and subsequent non-action by us to require you to cure or remedy your failures and defaults will not be deemed a waiver of future or additional failures and defaults by you under this provision or any other provision of this Agreement.

All Internet marketing is part of our marketing programs described in the Franchise Standards Manual and defined below, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or web site. You may not independently market using any digital, electronic or computerized form or any form of media now or in the future developed (e.g., materials to be made available through the internet, interactive electronic transmissions, etc.). For the purposes of this Agreement, “Internet" means any of one or more local or global interactive communications media, that is now available, or that may become available, and successor technology to the internet and or wireless communication, and includes web sites and domain names and social media, and the successor technology to internet, web sites, web page or wireless communication and social media. Unless the context otherwise indicates, Internet includes, but is not limited to, online document completion and purchasing systems, and methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.

You specifically acknowledge and agree that placing any information related to the Franchise or the Property on a web site or in social media will be deemed “advertising” under this Agreement and will be subject to (among other things) our approval. (As used in this Agreement, the term “web site” means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchise, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages.) In connection to any web site and social media, you agree to the following:

1. We will allow you to establish a web page as part of our web site.

2. You will not establish or use any other web site or web page or social media without our prior written approval.

3. Before establishing the web page or any other web site or social media, you will submit to us a sample of the content, format and information in the form and manner we may reasonably require.

4. In addition to any other applicable requirements, you will comply with our standards and specifications for web sites and social media as prescribed by us from time to time in the Franchise Standards Manual or otherwise in writing or on a franchisee forum intranet system. By “Intranet” we mean all communications systems utilized by us to communicate with you and our other franchisees, or by which you report data or information to us, or receive data, information or other materials from us. This includes, as applicable, as many different systems or processes as may in fact be used from time to time, including any banking remote or Internet access system.

5. If you propose any material revision to the web page or site or social media or any of the information contained in the web site or social media, you will submit the revision to us for our prior written approval.

6. You will use only approved key words, meta tags and titles pertaining to our industry. We will e-mail or respond via facsimile approved key words, meta tags and titles upon your request by e-mail or facsimile.

7. You may only offer approved products or services on your web page or site or social media. Any web site or social media changes made without our approval will put you in default of this Agreement.

8. You will turn ownership and control of all social media over to us upon expiration or termination of this Agreement, regardless of the reason for the expiration or termination.

9. We retain the sole right to market on the Internet and social media, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow

our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet or social media except as we may specify, and only with our prior written consent.

1. If you want to independently advertise or promote in any media (including the Internet), you must obtain our prior written approval, except when using materials and media previously approved by us.

11. Subject to the terms of use on our web site and social media, we may gather, develop and use in any lawful manner information about any visitor to the web site or social media, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were otherwise in contact with you.

12. We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. You are required to have DSL or other high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

2.4 **Shilo Franchise System Components**. You will pay all amounts billed by us or our parent, affiliates, or subsidiaries, in connection with any feature or component of the Shilo franchise system or in connection with any future developments to the system as outlined from time to time in the Franchise Standards Manual or otherwise. You will make monthly payments to us for the Shilo travel agent, frequent guest, airline mileage and similar programs described in the Franchise Standards Manual or otherwise. We may create updated separate manuals in the future for these and other system programs. You also will pay for any amounts passed through us and ultimately payable to third party travel agents or reservation systems, including airline reservation services and cooperative marketing programs.

2.5 **"Revenue" Defined**. "Revenue" means all receipts generated by the Property from any source, including, but not limited to, guest room rentals, exchanges, services, labor, service charges, service contracts, sales, rentals, vending, exchanges, repairs, viewings, labor, service contracts, any other type of remuneration, gift, contra-deal, barter of products or services, charity, payment in kind, or any other benefit or value that is received or deferred to be received, etc., and excluding discounts, refunds, food and beverage sales, meeting room rentals and sales taxes. Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Revenue." "Gross Rooms Revenue" means the total Revenue from guest rooms and lodging at your franchise.

If a state or local law in which the Property is located prohibits or restricts in any way your ability to pay and our ability to collect royalty fees or other amounts based on Revenue derived from the sale of alcoholic beverages, then, thethe percentage rate for calculating royalty fees will increase, and definition of Revenue will change to exclude sales of alcoholic beverages, in a manner such that the Royalty Fee to be paid by you and received by us will equal to the amount you would have been required to pay, and we would have received, if sales from alcoholic beverages were included in Revenueto comply with state or local law.

You will not sacrifice Gross Rooms Revenue in order to further your other business activities at the Property or otherwise.

2.6 **You are to Pay Taxes and Indebtedness**. You also will pay all assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Property, or

inventory, materials, fixtures, and equipment used in the Property. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings.

You acknowledge that one of the benefits accruing to you and all of our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived to us and other franchisees using the Method of Operation. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease. You authorize us to communicate with all the lease holders, suppliers, distributors, manufacturers and vendors with whom you do business and you authorize them to communicate with us regarding all aspects of your purchases from and dealings with them. You authorize us to instruct the suppliers, distributors, manufacturers and vendors (and you instruct them to comply with our instruction) to immediately cease sales and deliveries to you upon the occurrence of any default by you under this Agreement.

You will, at our option, execute the forms and documents we deem necessary to appoint us as your true and lawful attorney-in-fact with full power and authority for the sole purpose of obtaining any and all returns and reports filed by you with any state or federal taxing authority relating to the Franchise.

2.7 **Franchise Fee and Other Sums to Be Paid Promptly**. You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us.

A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due. The late charge will equal **5** percent of the amount due. After **30** days, all past due amounts will bear an additional late charge of **18** percent per annum. These late charges will not exceed any limits placed upon late charges by applicable local laws.

Nonpayment or non-delivery will be considered a material breach of this Agreement. Any resulting termination, interest due and service charges will be in addition to any other remedies we may have as a result of your default. If you are late in making any two payments of any Franchise Fee or any other amounts due under this Agreement, we may, at our option, require you to make all subsequent payments of Franchise Fees and any other fees or payments by means of a bank draft, automatic electronic transfer or wire transfer or other similar means of payment. Until this is accomplished, we may disconnect you from the Shilo reservation system. On the basis of this Agreement and any other documentation that we may, in our discretion, require you to sign in advance, we will be authorized without any further grant of authority from you, to send a bank wire deducting the amount of your Fees from your bank account and deposit your fees in our bank account. In the case of bank transfers, we are entitled to recover from you our costs in sending the bank draft, wire, or electronic transfer fee. If the bank draft, wire or electronic transfer is returned for insufficient funds or similar reasons, we may charge you a service charge at the highest commercially reasonable rate in addition to any transfer fees and costs incurred.

Our acceptance of late charges will not constitute a waiver of the default created by your nonpayment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your default or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your Property or Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

Upon your failure to pay us as and when due, we may, at our election, deduct the unpaid sums from any monies or credit we hold for your account. You agree that you will not withhold payment of any amounts due to us on the grounds of any alleged non-performance by us, or in the event of any dispute or a claim by you,

or for any other reason whatsoever.

2.8 **Records**. You will keep a complete and accurate set of books and records of the Franchise, Gross Rooms Revenue and all financial, operating, marketing and other aspects of the Property. You will maintain an accounting system that fully and accurately reflects all financial and operational aspects of the Property and its business. You will produce complete financial statements according to generally accepted accounting practices for each fiscal year and furnish copies of these statements to us within **90** days after the end of each year.

You will transmit to us data concerning daily rooms sold and daily Gross Rooms Revenue in a format we designate on the first business day following the close of each month for each day of the previous month. You will furnish to us, on or before the fifteenth day of each month, an itemized report of the Gross Monthly Revenue for the prior month. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time, including room occupancy, rates, reservation data and other information that may be useful in connection with marketing and functions of the Property. The monthly Royalty, Marketing and Reservations Fees due based upon the Gross Rooms Revenue for the preceding month will accompany the report.

You will keep records of all business done and Revenue received through the Property. These records will include, but are not limited to, books of account, tax returns, governmental reports, register tapes, daily reports, order sheets, cash register tapes, sales and rental agreement forms, daily sales summaries, financial statements, quarterly room tax reports and invoices. You will date, file in consecutive order, retain for a period of **5** years, and make available to us for inspection and audit all of your records.

Our right to inspect will include the right to examine your books, tax returns and records of other businesses owned, in whole or in part, or operated by you to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid. We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner we require. You will submit to us financial and operational reports and information as we may require to (i) provide you with consultation and advice in accordance with this Agreement; (ii) monitor your compliance with the obligations to pay fees on actual Gross Revenue; (iii) monitor performance under this Agreement generally and your purchases, revenue, operating costs, expenses and profitability; (iv) develop chain-wide statistics; (v) develop new operating procedures; (vi) develop new proprietary products, remove unsuccessful authorized products, including unsuccessful proprietary products, and improve and enhance the Method of Operation; and (vii) implement changes in the Method of Operation to respond to competitive and marketplace changes.

You authorize (and agree to execute any other documents deemed necessary to effect authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors, landlords, lessors, and other persons or entities with which you do business to disclose to us any requested financial information in their possession relating to you or the Franchise or the Property. You authorize us to disclose data from your reports and information, if we determine, in our sole and absolute discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

If you are a natural person or persons, you will submit to us a list of all owners of the franchise business and the respective interests held by each as of the end of each fiscal year. If you are a partnership, you will submit to us a list of all partners and the respective interests in you held by each partner as of the end of each fiscal year. If you are a limited liability company, you will submit to us a list of all members and the respective interests in you held by each partner as of the end of each fiscal year. If you are a corporation, you will submit to us a list of all shareholders and the respective interests in you held by each shareholder as of the end of each fiscal year (provided, however, if your shares are publicly traded, the list of shareholders required will include only those owning 5 percent or more of the shares outstanding). The required report will be submitted to us within **90** days after the end of your fiscal year.

2.9 **Audits**. We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense

unless you understate your Revenue for any reported period or periods willfully or by more than **5** percent or unless you fail to deliver any required report of Revenue or any required financial statement in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all monthly Franchise Fees, and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law. . Our right to audit will include the right to examine the books, tax returns and records of other businesses that you own or operate, in whole or in part, to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid.

2.10 **You are to Pay all Franchise Costs**. You will bear the entire cost of construction and renovation of the Property, including the cost of the plans, professional fees, licenses and permits, equipment, furniture, furnishings and supplies. All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no costs, liability or expense whatsoever with respect to construction, opening and operation of the Franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them.

You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You will control your own employees and contractors. You will take all steps necessary to maintain a safe and healthy environment for your workers and customers.

You will pay all of the operating expenses of your franchise business in a timely manner. You understand and agree that your failure to do so could materially harm the reputation of Method of Operation and of the Service Marks and our ability and the ability of our franchisees to obtain favorable purchase, lease or finance terms. If you have a bona fide dispute with any supplier or vendor which you believe justifies non-payment or partial payment, you must promptly notify the supplier or vendor of the particulars of your claim and diligently pursue resolution of the claim or prosecution of appropriate legal action. Any trade debt which remains unpaid for more than 30 days after the date it is due will constitute a breach of this Agreement unless, before the end of the 30-day period (i) you and the supplier or vendor agree to alternative payment terms; or (ii) you initiate appropriate legal action to contest the trade debt. We will have no liability for your debts or obligations to third parties.

2.11 **Application of Payments**. We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from monthly fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how you may designate a particular payment is to be applied.

For the purposes of this Agreement, and all other instruments and agreements relating to it, we will have the right to treat any payment received from you as payment on account. We may apply any monies received from you in the following priority:

1. to the payment of any sales or use taxes required to be paid in connection with any dealings between you and us pursuant to this Agreement;

2. to the payment of interest on overdue amounts;

3. to the payment of accrued late charges;

4. to the payment of overdue or outstanding amounts;

5. to the payment of current Franchise Fees;

6. to the payment of current Marketing Fund contributions;

7. to the payment of the purchase price for all or any items you purchase from us or Shilo Suppliers,

8. to the payment of rent and any other amounts payable by you to us, and

9. to the payment of all attorney's fees and costs of collection associated with the collection of any sum,

in any order that we, in our discretion, decide and notwithstanding any contrary designations by you as to the application your payments.

2.12 **Attendance at General Managers Meetings**. We may hold meetings for the general managers of Shilo properties, from time to time. These meetings may be held at different U.S. locations each time. The meetings include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. The attendance of your general manager at each meeting may be required. You will bear all expenses of attending, including travel, lodging, meals and entertainment and a prorata share of the reasonable costs to produce the meetings.

2.13 **Access to Bank Accounts, Computer Records and Business and Client Files.** We will require that you execute a release allowing us to review (read only) ~~access~~ your bank accounts~~, as well as the bank accounts of any other business owned by you, in whole or in part ("in whole or in part" means any business in which you or any family member owns a, whether equitable or legal, except publicly traded companies not engaged in our industry or in the practice of law), or operated by you (whether sole proprietorships, corporations, partnerships or limited liability companies)~~ to determine whether all Revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid. We may establish a manner or mechanism for access to such bank accounts and you will provide such authorization or release as may be required to permit such access. You agree to maintain your banking relationships in the manner we require. We may require you to place your franchise business account with the bank which we designate, and which we may change from time to time.

We will require that you allow us to access all computers in your Franchise location, including any laptop or temporary computer or peripheral, all data stored in them. We will access such equipment either in person at any time during normal business hours, or remotely through an internet connection to determine compliance with all of our policies and procedures and with the requirements of the Franchise Standards Manual. Remote access may be accomplished at any time of day and on any day of the week. We may access your computers remotely without notice to you, either before or after the access. We may establish a manner or mechanism for access to such electronic records and equipment, and you will provide such equipment, access rights, authorizations or permissions as may be required to permit such access. You agree to maintain your computer systems in the manner we require.

You will inform your employees and managers that they can expect no privacy in the computers, files or papers in your Franchise, or in any computer, papers or files which they bring to your Franchise, and that their assigned computer, their personal computer and any container containing papers or files, whether stored on paper or by electronic media, are subject to inspection at any time by you or us.

3 TRAINING

3.1 **Training**. We may require mandatory training course for one general manager of your Property. We may also provide training for other staff positions such as sales, rooms operations and reservations. The training will occur at a location in the U.S. we will designate. Currently the training is at our offices in Portland, Oregon. This training course will cover Franchise operations, such as, for example, marketing techniques, service methods, central reservations, and quality standards. Your general manager and director of sales must complete any mandatory training program to our exclusive satisfaction or we may terminate this Agreement. We will not be liable for any costs or expenses you incur if we terminate this Agreement because your personnel fail to satisfactorily complete any mandatory training course.

We will pay the direct cost of this training. You will pay all costs of transportation, lodging, meals, and other related expenses. Any training course for the general manager will be not less than **2** days long.

Each general manager you hire, from time to time, must successfully complete any required mandatory training program within **90** days after being hired. You will bear all costs of the training, including a reasonable training fee at our then current rates.

3.2 **Supplemental Training**. From time to time, we may provide refresher training programs or seminars and may require that your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars and a prorata share of the reasonable costs of producing them.

From time to time when available, we will send promotional materials and bulletins on new services, products, sales, marketing developments and techniques.

4 COMMENCEMENT

4.1 **Time to Complete Training and Commence**. If required, your personnel must complete to our exclusive satisfaction the mandatory training defined above and commence full and continuous operation of the Property as a Shilo Franchise no later than the ____ day of _____, 202___. Before commencing, you will complete construction or remodeling, procure all necessary licenses, permits and improvements and purchase required inventory, equipment and fixtures. If either the training or commencement obligation is not fulfilled, we may terminate this Agreement. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances.

5 FRANCHISE STANDARDS

5.1 **Franchise Standards Manual, Plans, Specifications, and Public Relations**. The transient lodging industry is highly competitive. Continuous efforts to maintain, update and improve the Method of Operation are essential. The developments we will make for the benefit of the Shilo franchise system as a whole are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We have loaned to you a copy of the Shilo Franchise Standards Manual. The Franchise Standards Manual contains the Method of Operation, including certain specifications, standards, operating procedures, service guidelines, marketing programs, inventory requirements and control techniques, plans and specifications, fixture and decor requirements, public relations, reservation system and other standards that we may prescribe from time to time. The Franchise Standards Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Franchise Standards Manual for any reason.

We develop minimum requirements for guest services, customer feedback, product preparation, merchandise, inventory, supplies, stationery, business forms, advertising, decor, plans and specifications, materials, fixtures, equipment and signs, among other things. These requirements are outlined in the Franchise Standards Manual. From time to time, we may amend the Franchise Standards Manual, including changes which may affect minimum requirements for your Franchise and the Property. You will strictly adhere to the requirements of the Franchise Standards Manual as we amend it and send you notice of those amendments from time to time. You promptly will implement all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services, items and goods, from time to time, as specified in the Franchise Standards Manual.

Among other things, the Franchise Standards Manual may contain information, requirements and standards related to:

1. Planning and consulting
2. Site selection assistance
3. Permitting and zoning assistance
4. Hiring and employee management training and assistance

5. Facility design assistance
6. Tenant build-out assistance
7. Furnishing and fixture design and standards
8. Equipment standards and assistance
9. Proprietary and other computer programs for point of sale, marketing, accounting, scheduling and reporting
10. Inventory management assistance and training
11. Written operations standards and assistance
12. Initial and ongoing operational training
13. Management and employee training
14. Marketing and advertising
15. Standards, ongoing training and ongoing support
16. Insurance guidance and standards
17. Warranty programs

The Franchise Standards Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials. It includes amendments, supplements, and new documents made and identified by us as part of the Franchise Standards Manual. The Franchise Standards Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

The Franchise Standards Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Franchise Standards Manual for any reason. Nothing in this Agreement may be construed as an incorporation of the terms of the Franchise Standards Manual or as making the Franchise Standards Manual part of this Agreement. The Franchise Standards Manual, in part, may consist of confidential:

A. manual or manuals, and

B. any Intranet or password protected portion of an Internet site, and

C. any other embodiment of the Methods of Operation, including notices of new standards and techniques including all media identified by us as part of the Franchise Standards Manual, and

D. any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

In the Franchise Standards Manual, we provide templates for various forms and documents but it is your responsibility to confirm the utility, legality, validity, completeness, and applicability of these forms and documents at the Property and in the Franchise Territory. You must to report to us any problems with or changes to be made to them.

You will purchase all products, supplies and materials required for the Franchise from manufacturers, suppliers or distributors whose products meet our standards. We may provide you with preferred vendor lists for some, but not all of the products you will need in your franchise operations. All products that bear the Service Marks must be obtained from sources we have approved in writing. All specifications that we require of you and lists of preferred suppliers will be provided from time to time by our purchasing department. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system. You may, but do not have to, purchase products, materials and supplies from us. Proprietary items and supplies may be private labeled by us. We retain the right to make a fair and reasonable profit from the items, supplies and materials you buy from us. We may also make a fair and reasonable profit from supplies we purchase in bulk quantities and sell to you. In determining whether a price is “fair and reasonable,” we will take into account relevant market factors such as: our charges to other franchisees for the same or similar products or services; what other similarly situated franchisors charge similarly situated franchisees for the same or similar products or services; business and industry practices;

the price we pay for the products or services; and the price at which you could obtain the same or equivalent products or services elsewhere, including in an arm's-length deal on the open market; and other, less tangible market forces are at work as well, including the value that we add to the product or service, if any.

There are no required quotas as to quantity of purchases you must make from us or from preferred vendors. You must only have enough supplies on hand to meet customer demand.

We or our affiliates may obtain money, goods, services, or other benefits from persons and entities with whom you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Franchise Standards Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT WHEN WE ARE FULLY AWARE OF DEFECTIVE PRODUCTS AND SERVICES AND NEVERTHELESS REQUIRE YOU TO USE THEM, AND EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED.** ~~**UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS.**~~ **IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES**.

We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, taste, texture, composition, absorbency, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation and at competitive prices. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, systems and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose [within 90 days of our receipt from you of your written notice of request for approval]. However, we reserve the right to designate exclusive suppliers (including third parties, us or our affiliates) for any products or services to ensure quality and uniformity of products, services, production, shipping and storage for the benefit of the franchise system.

From time to time, we or our agents may inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we determine that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within **30** days, the manufacturer, supplier or distributor will no longer be approved.

5.2 **Standards to Be Maintained**. You will follow the Method of Operation and maintain standards of operation, product preparation, merchandising, and service that we prescribe.

A. The Property must be operated in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Franchise Standards Manual. The Property will be used only as a Shilo Franchise. You will only use signs, fixtures, furnishings, equipment, materials, food products, inventory, decor, plans, and services that conform to our specifications to conduct the Franchise and operate the Property. You will maintain a high moral and ethical standard and atmosphere at the Property and provide efficient, courteous and high-quality service to the public. You will ensure that no part of the Property or the Method of Operation is used to further or promote a competing business. You will encourage use of Shilo facilities worldwide by the public and in all respects use your best efforts in commercially-reasonable good-faith to reflect credit upon and create favorable public response to Shilo properties operating in the Shilo franchise system.

B. You will maintain signs approved by us on the Property. These signs must comply with local sign ordinances, regulations and laws. The signs will describe the premises only as a Shilo franchise. Subject to local law, illuminated outdoor signs will be lighted as outlined in the Franchise Standards Manual.

C. We may enter upon the Property at reasonable times to verify your compliance with the terms of this Agreement. To do so, we may:

1. Inspect the Property;

2. Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;

3. Select items, ingredients, products and other materials, services, equipment, operations and supplies for test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards;

4. Interview your personnel, customers, vendors and co-branded partners; and

5. Inspect and copy any books, records and documents related to the operation of the franchise, the co-branded location and any other franchise information we may require.

6. Photograph and make video or digital recordings of your franchise operations and your employees and customers at all reasonable times. We will have the right to use these photographs and videos or digital recordings for such purposes as we deem appropriate, including, but not limited to, use in training, advertising, marketing and promotional materials, and as evidence in any court or arbitration proceeding.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors and co-branded partners in reference to these inspections, observations and interviews.

D. You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes, including the Americans with Disabilities Act. You will not allow unlawful activities in the Property and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchise and will operate the Franchise in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, [dispensing of food products,] consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes. You will furnish to us within **120** days after the receipt of equipment, a copy of a receipt for the payment of all use taxes, personal property taxes, and like taxes or assessments.

E. You will not sell or dispense any products or services or activities other than those we specifically recognize and approve in writing. You may sell distilled spirits, beer and wine under appropriate governmental licenses. You will not install or use any vending machines, juke boxes, games or musical devices on the Property without our prior written approval.

F. We may employ professional shopping services to monitor your compliance with this Agreement.

G. You, at your expense, will maintain the interior and exterior of the Property and its equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Franchise Standards Manual. At our request, you will make necessary repairs to the Property in order to maintain quality standards and to protect the reputation of the Service Marks. You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion. You will not make any substantive change in the layout and decor of the Property without our prior written approval.

If you do not maintain the Property as required, after notice to you, we, at our option, may make the necessary maintenance and repairs and charge the cost to you. If we make or direct the making of repairs, we will not incur any liability to you, including but not limited to, liability for interruption of your business while making the maintenance and repairs.

H. You will keep the Property open for business **24** hours a day, every day of the year.

I. At all times you will ensure that your copy of the Franchise Standards Manual and any other manuals given to you are kept current and up to date with updates and amendments we provide to you. In case of any dispute as to the contents of the Franchise Standards Manual, the terms of our master copies maintained at our principal place of business will be controlling.

J. Using the same standards applicable generally to lodging facilities operated by our licensees in the same category as the Property, we may require substantial modernization, rehabilitation and other upgrading of the Property from time to time. We may make limited exceptions from those standards based on local conditions or special circumstances.

K. We will provide regular consultation and advice to you in reference to issues we determine may be important to your franchise operations or in response to your inquiries about specific administrative and operating issues you bring to our attention. We will have sole discretion to determine the method for communicating this consultation and advice, which may differ from the methods we use for others of our franchisees. For example, consultation and advice may be provided by telephone, in writing (including electronically), on-site in person, or by other means.

5.3 **Service Marks, Franchise Standards Manual, and Method of Operation Are Our Exclusive Property**. You agree that the Service Marks, Franchise Standards Manual, and Method of Operation are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Franchise Standards Manual, or Method of Operation. Your license to use the Service Marks is nonexclusive. We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. We will make reasonable efforts to protect your rights to use the Service Marks. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks. We will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation involving you or any litigation involving the Service Marks, you agree to execute all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect.

You will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Other than discontinuances pursuant to the termination provisions below, our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.) if we require you to change signs within **5** years of the date of this Agreement. Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: our ownership, title, right, or interest in the Service Marks, the Franchise Standards Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Franchise Standards Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate (C) or (R) copyright and registration marks, or the designations TM or SM, where applicable.

All goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You hereby appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or for you that involve or pertain to the Service Marks.

You will prepare all products offered at the Property in strict compliance with the Franchise Standards Manual and will apply the Service Marks to these products as we specifically direct.

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Franchise Standards Manual and the Method of Operation.

5.4 **You Will Not Use Names or Marks in Combination**. Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases. You and your shareholders, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks. You may not combine or associate any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Franchise Standards Manual.

5.5 **Service Marks, Franchise Standards Manual, and Method of Operation May Be Changed**. You acknowledge that the Service Marks, Franchise Standards Manual, and Method of Operation, including any future amendments or modifications to them have substantial value. The conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and

reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Service Marks, Franchise Standards Manual, and Method of Operation.

You understand and agree that the Method of Operation must not remain static if it is to meet presently unforeseen future changes in technology, competitive circumstances, demographics, consumer trends, social trends and other marketplace variables and to best serve the interests of you, us and our other franchisees. We may add to, subtract from, change or modify any part of the Service Marks, Franchise Standards Manual, or Method of Operation from time to time at our sole discretion, This may include changes to the products, equipment, signage, trade dress, décor, design, appearance, operations, programs, services, methods, standards, forms, policies and procedures of the Method of Operation or abandoning the Method of Operation altogether in favor of another system in connection with a merger, acquisition, or other business reason. You will accept, use, and protect, for the purposes of this Agreement, all additions, subtractions, changes and modifications as if they were a part of the Service Marks, Franchise Standards Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Except as otherwise provided in this Agreement, under no circumstances will we be liable to you for any damages, costs, losses, or detriments relating to or directly or indirectly resulting from these changes or modifications.

We may change or modify any part of the Service Marks, Franchise Standards Manual, or Method of Operation from time to time at our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Service Marks, Franchise Standards Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses that may be reasonably necessary as a result of these changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to any of these changes or modifications.

Changes in the Franchise Standards Manual may include required use of new or modified Service Marks, expansion of existing services, introduction of new services or programs, compliance with new techniques, standards, specifications and procedures and other developments of the Method of Operation (collectively "Developments"). Every component of the Franchise Standards Manual, as it now exists and may in the future be changed is important to both us and our licensees and to the operation of all Shilo. Accordingly, you will accept, implement, use and display all Developments as if they were a part of the Franchise Standards Manual at the time of execution of this Agreement and make all expenditures, including any payments to us or to our parent, affiliates, or subsidiaries required by it in connection with any Development, and do (and refrain from doing) all things reasonably required in connection with that Development. Any payments you are required to make to us or to our parent, affiliates, or subsidiaries for Developments will represent either:

Your contribution, on the same basis as other Shilo, to the cost of the Developments, or

a reasonable approximation of the value of the Developments to the Property.

Complete and detailed uniformity of the Service Marks, Franchise Standards Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore, we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, populations of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition that We deem to be important to the successful operation of the franchisee's business. From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Franchise Standards Manual and the Method of Operation. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant a like or similar variation to you.

Any improvements, modifications or additions which we make to Method of Operation or to the Service Marks, or which become associated with Method of Operation, including ideas suggested or initiated by you, will

inure to our benefit, and become our exclusive properties. You assign to us or our designee all intellectual property rights, including all copyrights, in and to any improvements or works which you may create, acquire or obtain in operating your franchise business. You agree that we may use, and authorize others to use, improvements which you suggest, initiate or originate without compensation to you and without your permission. You understand and agree that nothing in this Agreement constitutes or will be construed as our consent or permission to you to modify the Method of Operation or the Service Marks. Any modification which you desire to propose or make will require our prior written consent.

5.6 **Credit Card, Gift Card and Loyalty Programs**. You will participate in and cooperate with us in all credit card programs we establish or adopt from time to time. You will use the customer loyalty and gift card programs we designate to capture customer contact information, track purchases, reward repeat purchases or issue cash value for gift redemption in any Shilo hotel. You agree to accept unused cash value from gift cards issued through your franchise and through any Shilo hotel. We will settle balances owed inter-store through a monthly reconciliation process and issue credit or debit notes for amounts owed and due.

At our request, you will use reasonable efforts to secure the names, addresses and other information we reasonably require of your clients and customers and will allow us to use the information. You will not divulge your customer names, addresses or other information, with or without remuneration, to any third party. You will respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction.

5.7 **Restricted Activities**. You will not permit gambling, the operation of punch boards, lotteries, or raffles without our prior written consent.

5.8 **Standard Uniform**. You will require that all of your employees wear a uniform as described in the Franchise Standards Manual. All uniforms will be properly laundered regularly and replaced when worn. We may change the uniform from time to time. You agree to adopt new uniforms and replace worn uniforms when necessary and bear the purchase price of them.

5.9 **Volume of Business**. The quantity or number of employees, food supplies and other items you keep on hand at the Property at all times must be sufficient to meet your anticipated volume of business.

5.10 **Alteration of Premises**. No alteration of the Property that affects our image will be made except at our request or with our prior written approval. All alterations will strictly conform to specifications and requirements we establish or approve.

5.11 **Governmental Classification and Liquor Licenses**. You will operate and maintain the Franchise so as to obtain the highest classification possible from the governmental authorities that inspect restaurants and delivery kitchens, of like kind in your area. If you are not able to obtain such classification or if you fail to operate in accordance with the standards of quality, maintenance, repair and sanitation required for the highest rating, then within thirty days after you first receive notice of your failure to obtain the highest classification you will comply with all requirements to receive the highest rating. You will maintain the highest rating thereafter. At our option, we may place trained personnel in the Property as we deem reasonably necessary to work with and train your employees until the Franchise obtains the highest classification. You will reimburse us for all costs of providing our personnel, including costs of transportation, meals, lodging, salary, wages or other compensation, plus the cost of fringe benefits (which will be deemed to be **15** percent of the salary and wages).

You will obtain licenses from the appropriate state and local agencies to sell beer and wine at the Property. You will not sell or trade in any other alcoholic beverage. All of the rights, privileges, responsibilities and duties attendant to any license issued by appropriate alcoholic beverage control agencies will belong to and be your sole responsibility. If, after diligent effort in good faith, you are unable to secure a liquor license prior to opening the franchise for business, you may terminate this Agreement and obtain a full refund of the Initial Franchise Fee.

5.12 **Employees**. You are exclusively responsible to train and make sure your employees and independent contractors meet the standards, specifications and procedures outlined in the Franchise

Standards Manual. You will hire only efficient, competent, sober and courteous employees for the conduct of the franchise business and will pay their wages, commissions, piece work and any other compensation justly due with no liability on our part.

1. You will control your own employees and independent contractors. We will not have the power to hire, fire, direct, supervise, or discipline them. You will maintain complete and accurate employee records and clearly document, in all relevant ways, that you and your employees are not our employees.

2. You must comply with all state and federal laws in respect to your employees. You acknowledge that you have had ample opportunity to investigate these and other laws applicable to your business with your own independent legal counsel before signing this Agreement. You must indemnify and hold us legally harmless from any of your violations of such laws. You are exclusively responsible to create and use employee and human resources handbooks and manuals that you prepare specifically for your business operations tailored to the legal jurisdictions within which you operate with the advice of HR professionals and legal advisors you select.

3. You exclusively determine the wages and payment rates and methods of payment to your employees and independent contractors. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly.

4. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits.

5. You are exclusively responsible to monitor, supervise, and control the scheduling, performance, efficiency, and efficacy of your employees and independent contractors and to make adjustments to improve the results of their efforts.

6. If you decide to share employees or independent contractors with other franchisees, then you will indemnity and hold legally harmless us (and our affiliates, officers, directors, employees and agents) from any claims, losses, attorney fees and damages resulting from such activities. You acknowledge that this provision does not constitute an endorsement to share employees with other franchisees.

7. You are responsible to train and to make sure your employees and independent contractors meet the standards, specifications and recommendations outlined in the Franchise Standards Manual, including those related to appearance, customer service, background checks, and drug testing (as applicable). You are required to hire and maintain sufficient staff in order to handle customer volume at all times. You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to your customers.

8. All employees and independent contractors whose duties include customer service must have sufficient literacy and fluency in the English language to serve the public.

9. You may not hire any employee or independent contractor who has been found guilty of any charges of fiduciary misconduct, any form of unlawful sexual conduct, any felony of any kind, or any similar charges that reflect negatively on the person's moral turpitude and character.

10. All revenues generated under this Agreement from all business activities of the Franchise must be paid directly to you and not directly to your employee or independent contractor.

5.13 **Forms, Specifications, and Art Work**. All sales, service, and rental forms to be used in the Franchise will be designed or approved by us. You will use only approved forms for the Franchise. From time to time, we will provide samples of the forms and a list of recommended or approved suppliers who can produce the forms.

5.14 **You Will Not Communicate Confidential Information**. You specifically acknowledge that you will receive valuable specialized and confidential information, including information regarding our operational, sales, promotional and marketing methods and techniques and the Method of Operation. Unless required by court order or applicable law, you agree not to copy, download to internet, intranet, modem, fax, e-mail, mail or send any confidential material or divulge any material directly or indirectly to any other person or enterprise outside of the Shilo franchise system. During the term of this Agreement and after it expires or is terminated, you will never communicate, fax, e-mail, post on an internet electronic bulletin board, divulge or use in any other manner, either for your benefit or the benefit or any other person, persons, partnerships, associations, companies or corporations any confidential or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your franchised business.

You will assure that all communications and media connections with us and with your customers and access to financial information (especially bank account and credit card information) are at all times kept secure. This includes wireless, cable, internet, broadband or other communications and media connections. Your security measures must be in compliance with all legal requirements and, particularly, with all security requirements of the relevant banks and issuing credit card companies.

The Method of Operation includes valuable confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Franchise Agreements and any attachments, Franchise Standards Manuals, or any other information related to the Method of Operation or to the operation of the Franchise or the Shilo franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the secrecy of the information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business. You will not reverse engineer, decompile or disassemble any items embodying the Method of Operation or our confidential information. The Franchise Standards Manual may contain guidelines to protect confidential information, including limited access to the information on a need-to-know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, pass-word protection, and encryption. You will conduct periodic meetings with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information, including severance interviews with terminated employees in which they acknowledge in writing their post-employment confidentiality obligations.

The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or corporations, give a substantial competitive advantage that we presently enjoy. Any information, knowledge and know how, not generally known about the Method of Operation and our products, services, standards, specifications, systems, procedures and techniques, and any other information or material that we may designate as confidential, will be deemed confidential for purposes of this Agreement. This will not apply to information which you can demonstrate came to your attention before disclosure by us, or which is or has become a part of the public domain through publication or communication by others. Our confidential information is licensed, not sold, to you. You will not reverse engineer, decompile or disassemble any item that embodies confidential information.

You will require as a condition of the employment of your employees that they maintain and protect our confidential and proprietary information. You will be responsible to enforce these covenants by your employees. These covenants are for the benefit of us and the Shilo franchise system and are enforceable by us. If you become aware of any actual or threatened violations of these covenants by any of your employees, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include institution or permitting to

be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by us and you at your expense. You will obtain legally enforceable written agreements, in a form we approve, from and assure that your agents, employees, consultants, partners, owners, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information.

This section contains prohibitions based upon an understanding that you, your key employees, your officers, your partners, your employees, and stockholders (as applicable) will possess knowledge of business and operating methods and trade secrets, disclosure of which would prejudice our interests and our other franchisees.

If you engage in any hotel, lodging or hospitality business within two years of the expiration or termination of this Agreement, you will prove to us that you have not used our confidential information in that business. This two-year period is not intended to limit the duration of your obligation to preserve the confidentiality of the information and to not use the information after expiration or termination of this Agreement.

5.15 **Best Efforts**. You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your commercially reasonable best efforts in good faith to develop, promote, and enhance your Shilo Franchise.

At all times the Franchise and the Property must be under the direct supervision of a person competent to manage it. You will devote a substantial enough amount of time and energy to the Franchise. What constitutes enough time and energy will be in our sole reasonable discretion. In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise.

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

5.16 **Computer Systems**. You will install and use reservations, cash register, accounting, and inventory control computer systems approved by us. We have provided written specifications for these systems to you. You will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, computer terminals, and cash registers) which will be totally compatible with and will strictly conform to all requirements, standards, and specifications we may set from time to time. You must have these systems in operation at the Property prior to opening for business. You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you.

You are required to have DSL or other high speed Internet service to your business so that you can access downloads from us of advertising materials, Franchise Standards Manual revisions, training materials, product access and preparation; communication; email; web site access; and corporate news. Your computers and access must also accommodate our remote access to your computer systems, software and records. You will comply with all our requirements regarding Internet, Intranet and computer use contained in the Franchise Standards Manual. You must make sure that we have access at the times, and in the manner, we specify, at your cost.

You will, at your sole expense, continuously maintain (i) an active e-mail account and e-mail address with an established internet service provider, keep us informed of your current e-mail address and manage your e-mail account so that it does not become full or otherwise incapable of accepting new messages, and (ii) an electronic data exchange service designated by us to enable us to remotely retrieve sales, inventory and other operating data for the Franchise as frequently as we deem necessary. You, on behalf of yourself and, as applicable, your directors, officers, managers, employees, consultants, representatives and agents, waive any claim that our retrieval of data from your electronic records violates any person's rights of privacy.

You will abide by all applicable laws pertaining to privacy of information you collect or maintain regarding your customers and other individuals (“Privacy”), and will comply with our standards and policies pertaining to Privacy. If there is a conflict between our standards and policies pertaining to Privacy and applicable law, you will:

1. comply with the requirements of applicable law;

2. immediately give us written notice of the conflict; and

3. promptly and fully cooperate with us and our counsel as we may request to assist us in our determination regarding the most effective way, if any, to meet our standards and policies pertaining to Privacy within the bounds of applicable law.

E-PROBLEM DISCLAIMER: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, the Year 2000 problem and similar date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems'). We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

5.17 **Working Capital Requirements**. At all times during the term of this Agreement, you will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

5.18 **Notice of Court Action**. You will notify us in writing within **5** days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or government instrumentality, which may adversely affect your ownership of or the financial condition of the Property or of the Franchise. You will immediately notify us if you learn of any threatened action against us or involving the Service Marks.

You will promptly report to us any incidents involving personal injury to your customers or sustained at the Property. You will submit to us promptly upon receipt copies of all customer complaints and notices and communications received from any person or government agency relating to alleged violations of applicable laws and you authorize that person or government agency to provide the same information directly to us upon our request. Additionally, you will promptly notify us of any written threat, or the actual commencement, of any action, suit or proceeding against you or involving the Franchise or your business assets which might adversely affect the operation or financial condition of the Franchise, and provide to us copies of all relevant documents.

5.19 **Reservation System**.

A. **The System**. We have established and maintain a national reservation system (the "Reservation System"). You will participate in and comply with all terms and conditions of the Reservation System. By way of illustration and not limitation, you will:

(1) Accept and service all reservations you receive through the Reservation System.

(2) Pay travel agents, airlines, and other sources of reservations any fees or other charges due for reservations generated for you through the Reservation System.

(3) Transmit to the Reservation System each reservation that a customer requests you to place.

You will give first priority on available rooms to all confirmed reservations referred to the Property through the Reservation System. The only reservation service or system or toll-free (800) number you will use for the Property and for reservations offered by and from the Property to other hotels will be the Reservation System. You will use other reservation systems only to the extent appropriate in the circumstances and only with our prior written approval.

We may allow other hotel systems to use various components of the Reservation System. We will charge these other hotel systems on a fair and equitable basis for the components they use.

B. **Fees**. Included in the Franchise Fee is remuneration to us for reservations we transmit to you, including reasonable and appropriate allocations for our overhead and profit. You contribute toward the cost, maintenance and use of the Reservation System by paying the Franchise Fee.

5.20 **Terms of Product Sales**.

A. To receive products, you must deliver to us a purchase order that specifies the products. All orders you submit are subject to acceptance at our corporate headquarters in Portland, Oregon. We reserve the right to reject any order that is not credit approved or does not conform to the provisions of this Agreement. All orders accepted for delivery will be governed exclusively by the terms and conditions of this Agreement. Unless we agree in writing, no additional or different terms and conditions appearing on the face or reverse side of any order you issue will become part of that order. Our acknowledgment of your purchase order will not be acceptance of any additional or different terms and conditions.

B. Shipments are subject to availability. Upon notice to you, we may schedule and reschedule any order, at our discretion. We may decline any order for credit reasons or because the order specifies an unreasonably large quantity or makes an unreasonable shipment request.

C. We will use commercially reasonable efforts to meet any scheduled shipment date. However, we will not be liable for delays in meeting a scheduled shipment date for any reason. If products are scarce, we will allocate them equitably, at our discretion, among our customers.

D. Unless otherwise agreed, the products will be shipped only to your approved facility and only after receipt of an order from you.

E. We may refuse to ship or delay the shipment of any products on order if you become delinquent in payment of your obligations, exceed established credit lines, fail to meet our other credit or financial requirements or fail to provide financial information when we request. No cancellation, refusal or delay will terminate this Agreement.

F. All products will be delivered to you F.O.B. origin upon transfer to a common carrier. You will pay all transportation, insurance, rigging and drayage charges.

G. On delivery of products to carrier, title (or with respect to licensed software and programs licensed, not sold, title only to the media on which the licensed software or program is delivered) will pass to you and you will assume responsibility for promptly advising the carrier and insurer of the loss, for filing a claim and for recovery of any sums owed by them to you. Upon request, we will cooperate with you to establish a claim.

H. You grant to us a security interest in the products and proceeds as security for your obligations under this Agreement. Upon request, you will execute and file all instruments or documents necessary to perfect any security interest. You acknowledge that we may file a copy of this Agreement as a financing statement for that purpose.

I. You will maintain sufficient inventories of products and employ sufficient help to operate your business at a level of capacity and market penetration commensurate with the reasonable demands of the marketplace.

J. You will represent fairly all products you purchase from us.

K. You will comply with all of the obligations and requirements imposed upon you by the manufacturers or distributors of the products.

L. You will use commercially reasonable efforts and good faith to promote, demonstrate and sell the products and services.

M. You will provide to us forecasts of your projected purchases of products.

N. You acknowledge that we are not the manufacturer of the products. The products are subject to the manufacturer's standard warranty. We disclaim all warranties, including the implied warranties of merchantability and fitness for a particular purpose. No representation, affirmation of fact, or statement regarding capacity or suitability, which is not in this Agreement, will be a warranty by us for any purpose.

O. **Except when we are fully aware of defective products and services and nevertheless require you to use them,** we will not be liable for any loss or damage claimed to have resulted from the use, operation or performance of the products, whatever the form of action. ~~Our maximum liability to you, whether based upon contract, warranty, tort or otherwise, will not exceed the actual amount you pay to us for the specific product that causes the damages.~~ These limitations of liability will not apply to claims for personal injury caused by our negligence. We will not be liable to you for special, indirect, incidental or consequential damages or from any damages resulting from loss of use, data or profits.

At our request, you will use reasonable efforts to secure the names, addresses and other information we reasonably require of your clients and customers and will allow us to use the information. You will not divulge your customer names, addresses or other information, with or without remuneration, to any third party. You will respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction.

6 RENEWAL AND TERMINATION

6.1 Renewal of Franchise.

A. If you are not in default, you may renew the Franchise for periods of **5** years [or to match relevant real-estate leases] under the terms of our then current Franchise Agreement forms. "Then-current," as used in this Agreement and applied to our Franchise Disclosure Document will mean the form then currently provided to prospective franchisees, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours. You will exercise your renewal option by giving written notice to us. The notice must be given at least **12** months, but no earlier than **18** months, before the end of the Franchise term established by this Agreement.

The renewal will be subject to you fulfilling the conditions we specify for upgrading and refreshing the Property and its amenities. .

There is no fee for renewal of the Franchise. The renewed Franchise Agreement will be evidenced by you signing the Franchise Agreement forms we then are using. These forms may vary materially from this Agreement. Franchise Fees, Capital Reserve Requirements and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the Renewal Franchise Agreement forms within **30** days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Property must remain at the location designated in this Agreement. The Franchise Territory may be modified and its geographic area may be reduced or expanded to meet our then current franchise market penetration and demographic standards and co-branding requirements.

You will reimburse us for our reasonable out-of-pocket costs concerning the renewal. You will refurbish, remodel, and replace the Property, fixtures, and equipment to conform to the then current Franchise Standards Manual and Method of Operation. There will be no limitation on the amount that we may require

you to spend on refurbishing, remodeling and replacement. You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

Before renewal, your general manager must attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then current training fee.

B. We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration. We also may refuse to renew this Agreement if we make a good faith determination in our normal course of business that renewal of the franchise relationship is likely to be uneconomical to us or our franchise system despite any reasonable changes or additions to the agreements between the parties, which may be acceptable to you. We will not be obligated to renew this Agreement if we have determined in good faith to cease carrying on business your market area and if we have given you at least 180 days-notice of our intent not to renew and have otherwise complied with applicable law concerning the renewal of franchises.

Even though we decline the renewal of your franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the concerned law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the Franchise Agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the Franchise Agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

C. Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon **30** days written notice. Otherwise, all provisions of this Agreement will apply while you continue.

6.2 **Termination by You**

A. **On account of Occupancy**.

Occupancy below 50%: If after the first two years of your operating with a fully executed agreement, participating in all mandatory national and regional marketing programs, successfully completing all required training courses, maintaining Quality Assurance Ratings of Satisfactory or above, remaining current on fees due us, and your cumulative occupancy for the prior two consecutive years is below 50 percent, then either you or we may terminate this Agreement upon 30 days prior written notice, notwithstanding the provisions of the "Service Marks, Franchise Standards Manual, and Method of Operation Are Our Exclusive Property" section above.

Occupancy between 50.0% and 59.9%: If after the first two years of your operating with a fully executed agreement, participating in all mandatory national and regional marketing programs, successfully completing all required training courses, maintaining Quality Assurance Ratings of Satisfactory or above, remaining current on fees due to us, and your average occupancy for the prior calendar year is equal to or above 50 percent and below 60 percent, you may terminate this Agreement upon one years prior written notice of intent to terminate or upon the payment of an amount equal to the prior 12 months of Royalty Fees plus any other fees and costs required to be paid pursuant to this Agreement , notwithstanding the provisions of the "Service Marks, Franchise Standards Manual, and Method of Operation Are Our Exclusive Property" section above. In addition, you will, at your sole cost and expense, comply with the de-identification provisions of this Agreement.

Occupancy between 60.0% and 69.99%: If after the first two years of your operating with a

fully executed agreement, participating in all mandatory national and regional marketing programs, successfully completing all required training courses, maintaining Quality Assurance Ratings of Satisfactory or above, remaining current on fees due to us, and your average occupancy for the prior calendar year is equal to or above 60 percent and below 70 percent, you **may terminate** this Agreement upon two years prior written notice or upon the payment of an amount equal to the prior **24** months Royalty Fees plus any other fees and costs required to be paid pursuant to this Agreement, notwithstanding the provisions of the "Service Marks, Franchise Standards Manual, and Method of Operation Are Our Exclusive Property" section above. In addition, you will, at your sole cost and expense, comply with the de-identification provisions of this Agreement.

Occupancy above 70.0%: If after the first three years of your operating with a fully executed agreement, participating in all mandatory national and regional marketing programs, successfully completing all required training courses, maintaining Quality Assurance Ratings of Satisfactory or above, remaining current on fees due to us, and your average occupancy for the prior calendar year is equal to or above 70 percent, you **may terminate** this Agreement upon three years prior written notice or upon the payment of an amount equal to the prior **36** months Royalty Fees plus any other fees and costs required to be paid pursuant to this Agreement. In addition, you will at your sole cost and expense, comply with the de-identification provisions of this Agreement.

6.3 **Termination by Us**.

A. The following provisions are besides all other remedies available to us at law or in equity. We will have the option to cure defaults at your expense. We may terminate this Agreement and any other related agreements between the parties if you default under the terms of this Agreement and do not cure or reasonably begin to cure the default within **30** days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.

1. You irrevocably nominate, constitute and appoint the person serving from time to time as our President to be your attorney-in-fact so to act in your name and on your behalf.

2. At our election and without waiving any claims for default or breach and without prior notice to you or resort to legal process, we may enter upon the Property using the reasonable force as is necessary in the circumstances, without being guilty of trespass or liable to you or the property owner for the entry, for the purposes of securing the return of our property, the performance of your obligations of discontinuance and the protection of our rights upon expiration or termination of this Agreement.

3. We may claim and recover damages from you for any material breach, including ongoing Franchise Fees and other payments required by this Agreement. The Royalty Fees payable will be computed as an average of the Royalty Fees payable by you for the last six months that you conducted the Franchise. If the Franchise has been operating and paying Royalty Fees for less than six months, the average will be of the monthly Royalty Fees payable by you during the period of operation. The calculated Royalty Fees will be due for the balance of the term of this Agreement, or until we establish a new Shilo franchisee in the Territory and that new franchisee pays Royalty Fees for a month equal to or greater than the calculated monthly Royalty Fees due from you.

If, after the first two years of your operation of the franchise, you have not maintained a minimum average occupancy of **50** percent or more during the preceding **12** months, we **may terminate** this Agreement upon 60 days prior written notice.

B. We immediately and automatically may terminate this Agreement and any other agreements between the parties without other cause, and without giving you an opportunity to cure, if you:

(1) Fail to operate the Franchise continuously and actively for **5** consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain the Property operations.

(2) Fail to comply with any requirement of this Agreement or of any related agreement between the parties within **12** months after having corrected two deficiencies in performance of the same or any other requirement under thirty days or five days notices pursuant to Subsection (A) above.

(3) On more than two occasions fail to report monthly Revenue on time, understate Revenue by more than **5** percent, or distort other material information.

(4) Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise.

(5) Allow the Franchise or Property to be seized, taken over, or foreclosed by a creditor, lien holder, or lessor; let a final judgment against you to remain unsatisfied for **30** days (unless a supersede as or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within **5** days of the levy.

(6) Are convicted of a felony, or are convicted of any criminal misconduct relevant to the Property.

(7) Within a period of **10** days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the Property.

(8) Fail to pay any Franchise, Royalty, Marketing or Reservations Fees or other amounts owed pursuant to this Agreement within five days after receipt of written notice that the fees or amounts are overdue.

(9) Operate the Property or appurtenant services in a way that creates an imminent danger to public health or safety.

(10) Do not keep information and trade secrets related to the Franchise confidential except to employees or persons authorized to know.

(11) Commencing two years after the initial opening of your franchise under the Shilo name, your property does not average **50** percent occupancy during the previous **12**-month period. If not, we may terminate this Agreement upon **30** days prior written notice to you.

(12) Make an assignment for the benefit of creditors, make a formal or informal proposal to creditors to restructure debts because of insolvency, admit inability to pay obligations as they become due, file a voluntary petition of bankruptcy, do not obtain the dismissal of involuntary bankruptcy

proceedings within **30** days of commencement, or are adjudicated bankrupt or insolvent.

However, if the trustee in bankruptcy chooses to continue the Property during the pendency of a Bankruptcy petition, the trustee may continue operation if:

(a) the Property complies with our then-current standards of quality,

(b) all upgrading necessary to bring the Property in compliance with our requirements is accomplished,

(c) We are paid an amount equal to the then-current transfer fee to reimburse us for all costs and expenses related to the trustee's continuation of the Property's operation; and

(d) the operation of the Property fully complies with the Franchise Standards Manual.

(13) Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

6.4 **Time Frames Subject to Applicable Laws**. The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law. We will not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any mediation, action, arbitration, hearing or dispute relating to this Agreement or the termination of it.

6.5 **You Will Discontinue Use of Service Marks, Franchise Standards Manual, and Method of Operation on Termination of Agreement**. Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will at your cost:

A. Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Franchise Standards Manual and the Method of Operation. We will have the right, title and interest to any sign or sign faces bearing the Service Marks. You acknowledge our right to access the Property if we elect to take possession of any sign or sign faces bearing The Service Marks.

B. Return to us all copies of the Franchise Standards Manual, including all operating, advertising and functional manuals. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.

C. Authorize telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, addresses, domain names, locators, directories and listings to us or our designee. Notify them of the termination of your right to use the Franchise names and Service Marks. You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to affect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of

the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.

If we have authorized you to use the Service Marks in connection with the Internet, social media, any website, or e-mail address, you will at our option cancel or assign to us or our designate all of your right, title and interest in any Internet websites or web pages, e-mail addresses, domain name listings and registrations which contain the Service Marks in whole or in part and you will notify Verisign (Network Solutions), register.com, or other applicable domain name registrar and all listing agencies of the termination of your right to use any domain name, web page and other Internet device associated with us or the Property, and you will authorize and instruct their cancellation or transfer to us, as directed by us. You are not entitled to any compensation from us if we exercise these rights or options. Nothing in this subsection will be deemed to permit you to use the Service Marks in connection with the Internet, except with our prior written consent as provided in this Agreement.

D. Notwithstanding the provisions of the "Service Marks, Franchise Standards Manual, and Method of Operation are Our Exclusive Property" section above, modify the interior and exterior of the Property to eliminate your identification as a part of the Shilo franchise system. These modifications will include but will not be limited to removal of any reference to the Service Marks on the Property premises, vehicles or business documents and other alterations to eliminate any possibility of confusion between the Property and any other Shilo location**.** All materials bearing the Service Marks that have not been used up must be destroyed by you within **30** days after termination. You will provide to us an affidavit of your Chief Operating Officer attesting to the disposition of materials bearing the Service Marks within **10** days of the date of destruction. You will return to us any computer hardware that belongs to us and all software related to the Method of Operation, the Shilo franchise system, the Reservation System or that we otherwise make available to you.

Until all modifications and alterations are completed, you will maintain conspicuous signs in a form we specify stating that you are no longer associated with us. You will advise all guests or prospective guests coming to the Property or telephoning you that you are no longer associated with us.

E. Cease doing business under the Service Marks and refrain from identifying yourself as our Franchisee.

F. Pay to us within seven days all Franchise Fees, and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorneys' fees and collection costs, we incur because of your default. These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

G. Abide by all provisions of the restriction upon communication of confidential information set forth above, and at our option, promptly do some or all of the following:

1. At your expense, remove all Shilo-related signs and symbols, equipment, furnishings, and inventory from the Property, but if you do not do so within 10 days after having received our written notice to do so then we will have the right to enter upon the Property to remove all Shilo-related signage and symbols, equipment, furnishings, and inventory at your cost and you will to be obligated to reimburse us for any and all costs, expenditures, and liabilities incurred for the removal. In this regard, you grant to us the irrevocable license to enter onto the Property, without notice, to remove at your cost all property containing a Service Mark in or on it, without liability or obligation to repair or replace any signage or related property (such as mounting brackets, hardware, lighting, panels etc.).

2. Sell the Shilo-related signs, equipment, furnishings, and inventory to us, at fair market value for equipment and furnishings and at your invoice cost for

inventory less a **10%** restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill.

3. Sell to us your interest in the Franchise, the Property and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within **5** business days after termination of this Agreement. If not, a fair value and fair terms will be determined in the county in which our headquarters is then located (currently Washington county, Oregon) by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within **30** days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers.

H. If this Agreement is terminated by us for cause, we are entitled to and you will pay to us an amount equal to the lesser of 36 times the average Monthly Royalty Fee (averaged over the preceding 12 months) or the average Monthly Royalty Fee times the number of months between the termination and the date that a comparably sized and configured replacement Shilo property opens in your territory. If less than 36 months are remaining on this Agreement, the average Monthly Royalty Fee will be multiplied by the number of months remaining, and if you have operated your franchise less than 12 months, an amount equal to 36 times the average Monthly Royalty Fee accrued.

6.6 **Our Step-In Rights**. The parties want to prevent any operation or interruption of the Franchise that would cause harm to the Franchise and to the Shilo franchise system and lessen their value. Therefore, you authorize us to step in to operate the Franchise for as long as we believe necessary and practical in our exclusive judgment. We may do so without waiving any other rights or remedies that we may have. Cause for stepping-in may include our reasonable determination that: you are incapable of operating the Franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments; you have failed to pay to us when due any franchise, royalty, advertising, or other fee; you have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; *your business activities are having a negative impact upon the value of our franchise system* or we decide that significant operational problems require us to operate the Franchise for a time. [We may exercise our step-in rights if you are ill or disabled, you, your lender, or the SBA requests our assistance or agrees to our proffered support and supervision, directly or indirectly or through contract agents.] [If you have a loan for the franchise that is guaranteed by the Small Business Administration, our right to step-in will be limited to a **60** day period unless otherwise requested or agreed with the lending bank at that time.][Thirty days after exercising our step-in rights, we will re-evaluate your then-current status. At our discretion, we will either operate the Franchise for an additional 30-day period or turn the Franchise back over to you. In turning the Franchise back over to you, we do not waive our rights to step back in the future.

All Revenue from our operation of the Franchise will be for your exclusive account. We will pay from that Revenue all expenses, debts and liabilities we incur during our operation of the Franchise. This will include our personnel and administrative and travel costs, plus **15%** to cover our overhead expenses. In addition, we will have the option, but not the obligation, to pay on your behalf any claims owed by you to any creditor or employee of the Franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all Revenue generated by the operation of the Franchise, less the expenses of operation.

We will have no obligation to retain any employee of the Franchise, or to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment agreement between us and the employee. Employment will commence on the first business day on which we carry on business through the Franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits remains your responsibility.

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all of your acts, omissions, damages, or liabilities arising during our operation of the franchise.

Our operation of the Franchise will not operate as an assignment to us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the Franchise.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

In addition to our right to step- in or to terminate this Agreement, and not in lieu of that right or any other rights against you, in the event that you will not have cured a default under this Agreement within the 30 days after receipt of the written “Notice to Cure” from us, we may, at our option, enter upon the Property and exercise complete authority with respect to the operation of the business until we determine that your default has been cured and that there is compliance with the requirements of this Agreement. You specifically agree that a designated representative of ours may take over, control, and operate the business. You will pay us a service fee of not less than **$600** per day plus all travel expenses, room and board and other expenses reasonably incurred by our representative so long as it will be required by the representative to enforce compliance. In addition, if you breach any provision of this Agreement that is curable and we give you notice of the breach, in addition to curing the breach you must pay us a Cure Fee of **$1,000** to help defray our administrative and corporate costs related to the breach and remedy.

7 TRANSFER

7.1 Sale or Assignment by You.

A. Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your shareholders, partners nor others claiming an interest in the Franchise or the Property will sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: this Agreement, substantial assets of the Property, or ownership or control of you or of the Property. [This does not include transfers of certificate holder interests if you are a trustee holding the Property for the beneficiaries under a REMIC trust.] Any attempted transfer without our prior written consent will be a default under this Agreement. We need not consent to any transfer before the date the Franchise opens for business.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee’s operational and business plans that the transferee’s business operations might not be beneficial on a cash flow or financial basis.

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders or partners, if you are a corporation or partnership). At all times, you will retain and exercise management control over the Property and its business except as we may otherwise approve.

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination. Before the effective date of a transfer we approve:

(1) The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees.

(2) You will pay all ascertained or liquidated debts concerning the Franchise.

(3) You may not be in default under this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.

(4) The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.

(5) You or the transferee will pay a Transfer Fee of up to **$5,000** as outlined in the Franchise Standards Manual. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer.

(6) The transferee will execute all documents we then require of new franchisees. This includes a new Franchise Agreement in the then-current form we are using. The new Franchise Agreement may contain economic, facilities upgrade, market feasibility and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect. You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or provincial/state registration and disclosure laws, and a receipt for this document will be delivered to us; provided however, we will not be liable for any representations you make apart from those contained in our disclosure document.

(7) The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.

(8) If permitted by applicable law, you and your owners, members, partners, officers, and directors will execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release, any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders and employees in their corporate and individual capacities. This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sale and performance of this Agreement or any other agreement between the parties.

(9) If the lease or mortgage for the Property requires, the lessor or mortgage holder must have consented to the assignment or sublease of the Property to the transferee. All fixtures and equipment at the Property must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects. It will be your responsibility to bring all fixtures and equipment to proper working order before the transfer takes place. The transferee must agree in writing with any third-party leasing company to accept any outstanding lease on equipment or other furnishings or you will resolve such leases and remove that equipment or furnishings from the Property.

(10) You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all Franchise fees), any obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.

(11) The transferee will refurbish and remodel the Property, and will refurbish, remodel and/or replace the fixtures, equipment and signage to conform to the current Franchise Standards Manual and Method of Operation within 90 days of transfer.

(12) Upon our granting of approval for the transfer, you will:

1. ensure that the transfer is affected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation, and with the applicable requirements of the lease of the Property;

2. deliver to the purchaser the Franchise Standards Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Trademarks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms.

(13) We have the right, but not the obligation, to make available for inspection by any proposed transferee identified by you of all or any part of this Agreement and of our records related to our relationship with you and to your activities and performance under this Agreement. You specifically consent to such disclosure.

B. With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable as a named principal party in all respects under this Agreement. (You and all other owners will personally and unconditionally guarantee the obligations of the new entity and you will remain personally subject to and bound by all terms, conditions, restrictions and prohibitions contained in this Agreement. You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives will act as surety for the full and faithful performance of all of the obligations, commitments and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding.)

You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership. From time to time, at our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you.

C. We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, the Service Marks, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all of our securities, may merge, acquire other corporations or be acquired by other corporations, or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. As for any or all these sales, assignments and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

We will not be required to remain in any particular form of business or to offer products, whether or not bearing the Service Marks.

D. You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to us for review before their use. No offering by you will imply (by use of the Service Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities. You and all other participants in the offering must fully indemnify us concerning the offering. For each proposed offering, you will pay to us the amount necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. You will give us at least **60** days written notice before the effective date of any offering or other transaction covered by this subsection.

E. You will give us written notice before any proposed transfer by you. The purpose of this provision is to enable us to comply with any applicable state or federal franchise disclosure laws. You agree to indemnify and hold us harmless for your failure to comply with this provision. You may not grant a sub-franchise.

F. Our consent to a proposed transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement. Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer.

G. You will comply with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

7.2 **Your Death or Disability**. If you are a natural person, the Franchise will pass to your estate at death if adequate provision (in our reasonable opinion) has been made for management of the Property by the estate and if the estate promptly advises us and assumes your obligations in writing. Your estate may, with our consent which will not be unreasonably withheld, transfer the Franchise to any one of the following if the transferee assumes your obligations in writing: your spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant.

If you are not a natural person, you represent that your equity is directly and (if applicable) indirectly owned as shown on Exhibit A. This section will be applied by looking through or disregarding direct, indirect and intervening ownership interests to the extent we deem appropriate in order to ascertain from time to time the ultimate or beneficial ownership of your equity by natural persons or publicly-held entities. The ultimate or beneficial interests are referred to in this section as "equity interests." The transfer, creation or elimination of an equity interest, by operation of law or otherwise, will be a breach of this agreement unless specifically authorized below.

If an equity interest is owned by a natural person, it may pass to his estate at death if adequate provision (in our reasonable opinion) has been made for management of the Property and if the estate promptly advises us. The estate may, with our consent which will not be unreasonably withheld, transfer the equity interest to one or more of the following if the transferees assume in writing, on a continuing basis, the decedent's guarantee, if any, of your obligations: the decedent's spouse, parent, sibling, niece, nephew, descendant, or spouse's descendant.

Equity interests may also be transferred, created or eliminated with our consent, which will not be unreasonably withheld, if after the transaction:

no more than 50% of your equity has changed hands since you first became a party to this Agreement, or

no more than 80% of your equity has changed hands since you first became a party to this agreement and none of your equity is held by other than those who held it when you first became a party to this Agreement.

In computing these percentages, our reasonable judgment will be final if there is any question how to define "equity" or how to compute relative equity interests, the principal considerations being direct and indirect power to exercise control over Your affairs, direct and indirect right to share in your profits, and amounts directly or indirectly exposed at risk in your business (but general partners will not be distinguished from limited partners in computing the percentages). No transfer fees will be charged and no deficiency inspection of the Property will be made in connection with any change in equity under this section.

If the provisions of this Subsection have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us.

7.3 **First Right of Purchase**. You will give us the not less than **30** days written notice of your intent to sell, before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. We will elect to exercise our option to negotiate to purchase within **30** business days after our receipt of your written notification. If we offer you an amount that you do not agree to, you may try to sell to a third party. You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled “Sale or Assignment.”

We will be entitled to receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

(i) ownership and condition of and title to stock or other forms of ownership interest and/or assets;

(ii) liens and encumbrances relating to the stock or other ownership interest and/or assets; and

(iii) validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased.

We may assign our rights under this Section to any other person or entity.

8 INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY

8.1 **Indemnity**. You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award, and the obligation to indemnify and hold harmless will be determined, based upon the adjudicated and assigned respective degree of fault. In the event of a settlement prior to adjudication, you and we will agree to degrees of fault. You and we will contribute to the relevant settlement, and the obligation to indemnify and hold harmless will be determined, based upon the agreed degree of fault. All provisions of this Section will be subject to these contribution and allocation of indemnification provisions.

You will indemnify us for any loss, cost or expense, including attorneys’ fees, that may be sustained by us because of the acts or omissions of your vendors or suppliers or arising out of the design or construction of the Property.

This indemnification will include use, condition, or construction, equipping, decorating, maintenance or operation of the Property, including the sale of any food products, service or merchandise sold from the Property. Any loss, claims, costs, expenses, damages and liabilities will include, without limitation, those arising from latent or other defects in the Property, whether or not discoverable by us, and those arising from

the death or injury to any person or arising from damage to the property of you or us, and our respective agents or employees, or any third person, firm or legal entity.

You will defend us at your own expense in any legal or administrative proceeding subject to this Subsection. The defense will be conducted by attorneys we approve. Our approval will not be unreasonably withheld. You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing. You will not settle any claim against us without our prior written approval. In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorney fees that we pay or incur in settling or defending. Promptly upon demand, you will reimburse us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, including monies that we pay or incur in settling or defending such proceeding.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

8.2 **Insurance**. Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability, and products liability insurance. This insurance will be in an amount sufficient to replace the Property and its personal property upon loss or damage. This insurance will be written by an insurance company satisfactory to us in accordance with our standards and specifications in the Franchise Standards Manual. The insurance will include, at a minimum, the following:

A. All insurance requirements of any lease or mortgage covering the Property.

B. Comprehensive or commercial general liability insurance, including products liability, completed operations, Dram Shop or host liquor liability (for alcoholic beverages served), property damage, contractual liability, independent contractors' liability, owned and non-owned automobile coverage, abuse & molestation, advertising injury, fire damage, medical expenses, and personal injury coverage, and Cyber Security. The insurance will have limits not less than **$1,000,000** per occurrence and **$1,000,000** aggregate for personal or bodily injuries, **$1,000,000** per occurrence and aggregate for property damage, or a combined single limit per occurrence of **$1,000,000**. In the case of commercial general liability insurance policies, a minimum general aggregate limit of **$2,000,000** is required. The insurance must include the following:

(1) Comprehensive general liability insurance or commercial general liability insurance including the extensions contained within a comprehensive broad form endorsement, covering all products, premises-operations, completed operations, liquor legal liability (minimum limits: $1 million per occurrence), innkeepers liability, security guard liability, garage keepers liability (if applicable), coat check liability, elevator collision, independent contractors, liability assumed by oral or written contract or agreement, additional interests of employees, unintentional errors and omissions, bodily injury or property damage from contamination by pollutants caused by hostile fire, incidental (contingent) medical malpractice, extended definition of bodily injury, advertising liability, medical payments, and fire and water legal liability.

(2) Comprehensive business automobile (and water craft if appropriate) liability insurance with minimum liability limits of **$1,000,000** covering use of any motor vehicle to be used in conjunction with this and any other contract entered into by the Franchisee.

(3) Loading and unloading of any motor vehicle must be covered by endorsement to the automobile liability policy or policies.

(4) Blanket contractual liability insurance.

(5) Personal injury coverage (hazards A, B, and C), with no exclusions for liability assumed contractually or for injury sustained by employees of Franchisee.

(6) Broad form coverage for damage to property of Licensor, and other third parties, while in the care, custody, or control of Franchisee.

(7) Property insurance covering the Property to the full insurable replacement value of all properties associated with the Property, including boilers and machinery. The insurance must include our interests, and be "all risk" insurance, subject to any deductibles approved by us.

(8) Contractors' Insurance in connection with all significant construction at the Property during the Term of this Agreement. You will cause the general contractor to maintain with an insurer approved by us comprehensive general liability insurance (with products, personal injury, completed operations and independent contractors' coverage) in at least the amount of **$10,000,000** per occurrence, with us and our designated affiliates named as additional insureds.

(9) Business interruption insurance in sufficient amounts to cover your obligations under this Agreement.

(10) Cyber Security

C. An "umbrella" form of excess liability insurance containing coverage no less restrictive than that required above. The required primary insurance coverage shall be listed as underlying coverage in the first layer umbrella policy. The terms and conditions of "claims-made" forms of coverage are subject to our approval. The umbrella policies shall provide for a minimum total per occurrence and aggregate limit of **$10,000,000**.

D. Workers' compensation, Statutory disability, employee benefit insurance and other insurance required by statute or rule of the state in which the Property is located.

E. Employer's liability insurance with minimum limits per accident, each person, and policy for disease, of **$500,000** or the scheduled underlying limit stated in the umbrella policy described above, whichever is greater.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to the Franchise. Your policies of insurance, other than for casualty to the Property and for employer liability, will contain a separate endorsement naming us (including "Shilo Management Corp., and its affiliates and subsidiaries including Shilo Inns, Franchise, LLC and/or any other Shilo affiliated company") as additional named insureds. Your insurance will be primary to all other insurance available to us and to the other specified additional insureds. The insurance must contain provisions or endorsements necessary to assure coverage of claims by one insured against another. The insurance will not be limited in any way because of any insurance we maintain. The insurance will not be subject to change or cancellation except upon **30** days' written notice to us. Certificates of your insurance policies will be kept on deposit with us. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement. You will bear all costs of any amounts deductible, retained or self-insured under the policies.

All insurance policies you obtain will contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees and representatives; and will not contain any insured vs. insured exclusion clause, but will contain a severability clause providing that each the policy will be treated as though a separate insurance policy had been issued to each named insured.

We may require you to increase the minimum limits of coverage to keep pace with regular business practice and prudent insurance custom.

You will promptly report all claims or potential claims against you, the Franchise or us in writing when you become aware of them. You will give immediate written notice to us of any claims or potential claims you make to your insurers.

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, obtain the insurance. You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement. If you furnish evidence of insurance by certificate or policy copy that does not conform to these requirements, it will not constitute a waiver of or amendment to these requirements. Modification or waiver of these requirements can only be made by mutual written agreement of the parties.

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business. It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business.

Your procurement and maintenance of the insurance specified above will not relieve you of any liability to us under any indemnity requirement of this Agreement

8.3 **Condemnation**. You will give us notice of any proposed taking through the exercise of the power of eminent domain. Notice will be given within **10** days of your first knowledge of the proposed taking. If the Property or a substantial part of it is to be taken, your franchise may be relocated to a nearby location or elsewhere with our prior written approval. The relocated premises may not infringe on the protected rights of any other Shilo pursuant to our specifications and contractual obligations and our then current demographics profiles and property placement strategies. Relocation must be completed and Franchise business operations recommenced within a reasonable time after the closing of the condemned Property, but in no event more than two years after the closing of the condemned Property. The new location will become the Property licensed under this Agreement. If a condemnation takes place and a new franchise location does not open, for whatever reason, then this Agreement will terminate upon **30** days written notice from us to you.

8.4 **Casualty**. If the Property is damaged by fire or other casualty, you will expeditiously repair the damage. If the damage or repair requires the closing of the Property or the Franchise, you will:

A. immediately notify us,

B. immediately begin to repair or rebuild the Property following our specifications,

C. continue to pay Franchise Fees based upon the average monthly fees paid for the preceding **12**-month period (you will maintain business interruption insurance sufficient to cover this obligation), and

D. reopen the Property for continuous business operations when practicable (but in any event, within one year after closing of the Property). You will give us not less than **30** days advance notice of the date of reopening.

If the Property does not reopen within one year, this Agreement will terminate upon **30** days written notice from us to you.

8.5 **Proceeds from Insurance or Recovery**. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in Revenue.

9 NOTICE AND MISCELLANEOUS

9.1 **Notices**. All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. They may be sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by expedited delivery service or certified or registered mail within **3** business days after transmission). Notices will be delivered to you at the Property, to us at our headquarters or to other locations specified in writing.

Notices may be delivered and receipted to you personally at any location.

Notices sent by certified or registered mail will be deemed to have been delivered and received **3** business days following the date of mailing. Notices sent by Federal Express, or other reputable air courier service will be deemed to have been received **one** business day after placement requesting delivery on the most expedited basis available. Notices sent by facsimile or electronic mail will be deemed to have been delivered upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided above).

9.2 **Business Name**. You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks and the names **SHILO, SHILO INN SUITES HOTEL, SHILO INN HOTEL, SHILO INN SUITES,** and **SHILO INN**.

9.3 **We and You Are Not Joint Venturers, Partners, or Agents**. You are and will remain an independent contractor. You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other. Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the Property and on any delivery vehicles that you use, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent.

You will maintain employee records to show clearly that you and your employees are not our employees. All employees and independent sub-contractors you employ must meet our character, quality and performance standards. All state and federal, workers compensation and insurance requirements must be met for all employees and sub-contractors, including requirements we express in the Franchise Standards Manual.

The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

9.4 **Waiver**. A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition.

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you of **10** days prior written notice of revocation. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact

compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

By written notice, we unilaterally may waive any obligation of you, your owners, or the Guarantors.

Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement. Unless otherwise expressly provided to the contrary, our consent, acceptance, approval or authorization you may be required to obtain may be given or withheld by us in our sole discretion, and on any occasion where we are required or permitted to make any judgment, determination or use our discretion, including any decision as to whether any condition or circumstance meets our standards or satisfaction, we may do so in our sole subjective judgment and discretion.

9.5 **Time Is of the Essence**. Time and strict performance are of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

9.6 **Documents**. You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. Upon the expiration, termination or transfer of this Agreement, if you do not execute any document necessary in our judgment to comply with the requirements of this Agreement, then by this Agreement, you irrevocably nominate, constitute and appoint the person then serving as our President as your attorney-in-fact to so execute that document in your name and on your behalf.

Any material violation or breach of any of these documents or of any other Franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements. The non-breaching party may enforce or terminate this Agreement and any or all of the other documents and agreements as provided for enforcement or termination of this Agreement.

If you are a partnership all general partners will sign the documents. If you are a corporation or limited liability company or other entity, all shareholders or members and all officers will personally guarantee your faithful performance.

You will assure that each of your owners, shareholders, general partners, members, directors, officers, managers, employees, consultants, distributors and agents will not compete with us; will not attempt to divert customers to competing businesses; and will keep, preserve, and protect confidential information as required by this Agreement.

9.7 **Construction**.

A. Entire Agreement. This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications and negotiations, whether written or oral, with respect to the subject matter of this Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we delivered to you. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our home office by an instrument in writing.

No previous communications, negotiations, course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third-party beneficiary of that provision.

B. Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. All references in this Agreement to “Section” or “Sections” without additional identification refer to the Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Whenever the words *include* or *including* are used in this Agreement, they will be deemed to be followed by the words *without limitation*.

All captions and headings are for reference purposes only and are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement.

This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you.

The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

Neither this Agreement nor any uncertainty or ambiguity will be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all the parties. We and you intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

C. Severability. If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

D. Implied Covenants. If this Agreement or applicable law implies a covenant of reasonableness, good faith or fair dealing, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. If this Agreement or applicable law implies such a covenant, the parties acknowledge and agree that:

1. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests;

2. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other Shilo businesses generally (including us, our franchisees and parties related to us) and specifically without considering the individual interests of you or any other particular franchisee;

3. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is exercised in bad faith toward you; and

4. In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.

E. Joint and Several. If, at any time during the term of this Agreement, you consist of two or more persons or entities (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person and entity.

9.8 **Enforcement**. From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties.

A. Mediation. If a dispute arises between the parties, before taking any other legal action, the parties agree to participate in at least **8** hours of mediation in accordance with the Mediation Procedures of the American Arbitration Association or of any similar organization that specializes in the mediation of commercial franchise business disputes. The Parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation or arbitration terms of this Agreement, and may be brought in any court of competent jurisdiction. Mediation may be specifically enforced by either party. This agreement to mediate will survive termination or expiration of this Agreement.

B. Injunctive Relief and Specific Performance. Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

C. Governing Law and Venue. You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, you and us if the terms and conditions of these license agreements are uniformly interpreted. This Agreement is accepted by us in the State of Oregon. This Agreement and the relationship between the parties will be interpreted under the laws of the State of Oregon. Any dispute between you (or your officers, directors, shareholders, members, partners or other owners) and us, whether arising under this Agreement or from any other aspect of the parties' relationship, will be governed by and determined in accordance with the substantive laws of the State of Oregon, without regard to Oregon choice of law provisions. Provided, however, that any law of the State of Oregon that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. Oregon laws will prevail in the event of any conflict of law, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of any Oregon franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. No franchise or business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Oregon or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph. The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth. Any portion of this

Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Oregon, will be construed and enforced according to the laws of that state.

The parties have negotiated regarding a forum in which to resolve any disputes arising between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving you (or your officers, directors, shareholders, members, partners or other owners) and us, the parties agree that all issues or disagreements between them will be mediated, arbitrated, tried, heard, and decided in the county in which our headquarters is then located (currently **Portland, Oregon**) which you agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of, and best meets the interest of, all of the members of the Shilo franchise system.

D. Remedies. You recognize the value and secondary meaning attached to the Method of Operation, the Service Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of Operation or the Service Marks will cause irreparable damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

1. We will not be liable to you for any expenses, losses or damages sustained by you as a result of any modifications to the Method of Operation contemplated by this Agreement.
2. You covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any modifications or seeking expenses, losses or damages caused thereby.
3. You expressly waive any claims, demands or damages arising from or related to the foregoing including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

Our and your rights under this Agreement are cumulative, and the exercise or enforcement of any right or remedy under this Agreement will not preclude exercise or enforcement of any other right or remedy which a party to this Agreement is entitled by law to enforce. No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If either event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in

this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of your confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

Except with respect to the parties' obligation to indemnify each other as outlined in this Agreement, we and you and our respective principals waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other (including lost profits incurred as a result of any termination of this Agreement) and agree that, in the event of a dispute between you and us, the party making a claim will be limited to equitable relief and to recovery of any direct or general damages it sustains.

Limitations: Any judicial proceeding between two or more of the parties will be governed by the following limitations:

1. Such judicial proceeding will be considered unique as to its facts and may not be brought as a class action. You and each of your owners waive any right to proceed against us by way of class action. The court will not be precluded from making its own independent determination of the issues in question, notwithstanding the similarity of issues in any other judicial or arbitration proceeding involving any other franchisee. Each party waives the right to claim that a prior disposition of the same or similar issues preclude such independent determination.

2. The parties agree that a judicial proceeding will be tried before the court sitting without a jury, notwithstanding any State or Federal constitutional or statutory rights. Each party waives any right to have any action tried by jury.

3. Except with respect to obligations regarding use of the Service Marks, the Franchise Standards Manual and confidential information, the parties waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against any other party and agree that the party making any claim directly or indirectly arising from or relating to this Agreement will be limited to recovery of actual and consequential damages sustained.

E. Attorney's Fees. The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees and previously incurred mediator fees. These will be set by the arbitration, proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding as determined by the trier of fact based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. Attorney fees will include, without limitation, fees incurred in the following: (a) post judgment motions; (b) contempt proceedings; (c) garnishment, levy, and debtor and third-party examinations; (d) discovery; and (e) bankruptcy litigation. This subsection is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

9.9 **Agreement Binding on Successors and Assigns**. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

Whenever this Agreement requires that you enter into a release, such as for a transfer, renewal or purchase of an additional franchise, the release will be in substantially the following form:

> You (and your owners, members, partners, officers, and directors) agree to the following general release, subject to and following laws applicable in your jurisdiction, to release us from any claims you may have against us:
>
> In consideration of the mutual covenants and understandings set forth in this release agreement, you release and discharge us and our current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the franchise and the Property ("your Prior Franchise Agreement").
>
> You release and forever discharge us and our current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement.
>
> You and we will represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.
>
> It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences.
>
> These releases are intended to waive, release and discharge all claims, other than these expressly reserved:
>
> > any future claims we may have against you for: your past, present and future violations of the post-termination covenants contained in the Prior Franchise Agreement and [fill in blank as appropriate]

[any future claims you may have against us for:] [fill in blank as appropriate] [and relating in any way to your prior franchise agreement, any transfer agreement, or our acts prior to the execution of this release.]

with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You will waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction, recognizing that while there may be new or different facts of which we are unaware at the time that this release is executed, we have nevertheless weighed the advantages and disadvantages of entering into this Release, and while we may be unaware of relevant facts, we are also aware that not every eventuality or condition can be anticipated and that we prefer the current certainty of this Release to the possibility of discovering new or different facts in the future.

9.10 **Execution in Counterparts and Our Acceptance**. This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. Delivery of executed signature pages of this Agreement by facsimile transmission will constitute effective and binding execution and delivery of this Agreement. It will not be necessary that the signature on behalf of all parties appear on each counterpart. All counterparts will collectively constitute a single agreement.

9.11 **Approval by Shareholders or Partners or Members**. If you are a corporation or partnership or limited liability company, we will not be bound until your shareholders or partners or members read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the limitation on their ability to compete with us), and jointly and severally guarantee your performance under this Agreement. Your certificates of ownership will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement. This does not apply to a lender who succeeds to your interest based upon your default under relevant loan documents with that lender.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

The following applies both to this Agreement and to any other franchise agreement between you and us:

If You are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement") will be subject to the following provisions which will supersede any contrary provisions in that agreement:

A. Your owners ("Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the franchise business to arbitration by our president or his designee. If the arbitration submission is accepted by our president, it must be held at our headquarters or at another location the Owners and the arbitrator agree. The decision of the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction. If the submission to arbitration is not accepted by our president, the Owners must resolve their disputes in accordance with the other provisions of this Agreement.

B. The term "operations and management" includes, but is not limited to, questions relating to:

1. Allocations of management responsibilities between the Owners;
2. Contributions to capital for purposes of business operations, repairs and remodeling;
3. The reasonable salaries of the Owners;
4. Marketing efforts;
5. The termination of the employment of an Owner;
6. Procedures for making and implementing management decisions;
7. Whether an Owner has performed duties with respect to the operation or management of the franchise business.

C. Unless the Owners and the arbitrator agree in writing otherwise, "operation and management" does not include questions relating to:

1. Allocations. computations or distributions of profit or loss:
2. Accounting issues;
3. Elections of officers of the entity;
4. Investments of cash not necessary for the operation of the business;
5. Determining whether an Owner is disabled or incompetent within the meaning of the Owners Agreement;
6. The fair market value of the Owners' interests in the entity;
7. Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under B, above;
8. Whether an Owner has met his obligations to purchase the interest of any current or former Owner;
9. Matters relating to the winding up of the entity after a dissolution;
10. Matters relating to the legal validity of the Owners Agreement.

D. The Owner or Owners who are to be responsible for on premises operation of the franchise business must own 50% or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.

E. The Owners agree to notify us in writing of their intent to enter into, modify or amend any Owners Agreement. Notice must be given at least 10 business days before they enter into that agreement, modification or amendment. The purpose of this notice is to enable us to review it for compliance with this section.

F. Application of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the franchise to an entity.

9.12 **Personal Guarantee**. The undersigned Guarantors are all of your partners or shareholders or members. They jointly, severally, irrevocably, and unconditionally guarantee to us the due and punctual observance and performance by you of all of your obligations under this Agreement and any other agreement to which we and you are parties. Each Guarantor agrees to indemnify us against all liability, loss, harm, damage, costs, and expenses (including attorney fees) that we may incur because of your failure to observe your obligations. The liabilities and obligations of each Guarantor will not be released, discharged, or affected by our release or discharge of or dealing with you under any of these agreements; or by anything we do, suffer, or allow to be done in relation to you; or by change, alteration, or modification of any of the agreements; or by any compromise, arrangement, or plan of reorganization affecting you; or by your bankruptcy or insolvency; or by any other act or proceeding in relation to you or any of the agreements by which any Guarantor might otherwise be released. The liabilities and obligations of each Guarantor pursuant to this Guarantee will be continuing in nature. A fresh cause of action will arise in respect of each default by you producing a liability of any Guarantor.

The Guarantors agree that it will not be necessary for us or our assigns to institute suit or exhaust our legal remedies against you in order to enforce this guaranty. Guarantors agree that we may from time to time extend the time for performance or otherwise modify, alter, or change this Agreement, may extend the time for payment of all sums guaranteed, and may receive and accept notes, checks, and other instruments for the payment of money made by you and extensions or renewals without in any way releasing or discharging

Guarantors from their obligations. This guaranty will not be released, extinguished, modified, or in any way affected by our failure to enforce all the rights or remedies available to it under this Agreement. Our release of one or more Guarantor will not operate as a release of the other Guarantors.

9.13 **Receipt of Disclosure Documents**. You acknowledge that you have received our Franchise Disclosure Document at the earlier of (1) the first personal meeting with us (in Maryland, New York and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale. In addition, you acknowledge either:

1. receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or

2. if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than **7** calendar days before you signed this Agreement.

9.14 **Representations and Acknowledgements**.

1. **You Have Read and Understand this Agreement**. You acknowledge that you have had ample time to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation. We have advised you to have this Agreement and our Franchise Disclosure Document reviewed and explained to you by attorneys and financial and operational advisors of your choice. You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control a business of your own.

2. **Varying Forms of Agreement**. You are aware that some present and future franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

3. **Speculative Success**. The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise. You understand that the franchise business and our franchise system may evolve and change over time.

4. **Independent Investigation, No Projections or Representations**. You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

Any information you acquired from other Shilo franchisees related to their sales, profits, or cash flows does not constitute information obtained from us, nor do we make any representation as to the accuracy of such information.

We expressly disclaim the making of any warranty or guaranty, express or implied, as to the revenues, sales, profits or success of the business venture contemplated by this Agreement or the extent to which we will continue to develop and expand the network of Shilo franchises. You acknowledge and understand the following:

(1) any statement regarding the potential or probable revenues, sales or profits of the business venture, or of any services, benefits or commitments we are to make available to you, are made solely in the Franchise Disclosure Document delivered to you prior to signing this Agreement;

(2) any statement regarding the potential or probable revenues, sales or profits of the business venture or statistical information regarding any existing Shilo location owned by us or our affiliates or that is not contained in our Franchise Disclosure Document is unauthorized, unwarranted and unreliable and should be reported to us immediately; and

~~(3) you have received or relied on any representations about us or our franchising program or policies made by us, or our officers, directors, employees or agents, that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. ,.~~

In all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us.

5. **No Review of Business Plans, Loan Applications**. Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third-party loan applications related to your purchase of and proposed operation of the franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

6. **Your Location and Market Area**. You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and applicable regulations (or will do so if you have not yet found a Property or franchise premises). You agree and represent that that market area is reasonable, the Property and franchise premises will be suitable for the operation of a Franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate a Franchise.

7. **Health and Full-Time Participation**. You acknowledge that a hotel business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You or your majority owner if you are a corporation, limited liability company or partnership, must actively participate in the daily affairs of the business. You represent that you or your majority owner are in good health and able to devote your full time and best efforts in the day-to-day operations of your franchise or that you have the business management skills necessary to successfully hire a general manager to run the day-to-day operations of your franchise.

8. **Terrorism, Convictions, Immigration Status**. You represent to us, unconditionally and without reservation, that:

i. Neither you, nor your spouse, nor your children, nor your parents, nor any employee or prospective employee of the franchise business, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates:

1. supports terrorism, provides money or financial services to terrorists,

including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq, or Executive Order 13224 issued by the President of the United States of America;

2. obtains money or financial services from terrorists or institutions that support terrorists, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq. or Executive Order 13224 issued by the President of the United States of America;

3. is engaged in terrorism, or in any activity, organization or plan with or of any person or organization, including but not limited to those individuals and organizations on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq. or Executive Order 13224 issued by the President of the United States of America;

4. is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900, et seq. or Executive Order 13224 issued by the President of the United States of America.

Neither you nor any of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with and travel to the United States to fulfill your obligations under your agreements with us.

ii. Neither you, nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any employee or prospective employee of the franchise business, nor any of your partners or affiliates has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with, lawfully reside in, and travel to the United States to fulfill your obligations under your agreements with us.

iii. You, your spouse, your children, your parents, and anyone who has an interest in or who will manage the franchise, and all employees or prospective employees of the franchise business, and all of your partners or affiliates are in the United States lawfully, have legal residence in the United States, and are lawfully permitted to work in the United States.

You represent and warrant that to your actual and constructive knowledge: (i) neither you (including your directors, officers and managers), nor any of your affiliates, or any funding source for your franchise, are identified on the list at the United States Treasury's Office of Foreign Assets Control (OFAC); (ii) neither you nor any of your affiliates are directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither you nor any of your affiliates are acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither you nor any of your affiliates are on the U.S.

Department of Commerce Denied Persons, Entities and Unverified Lists, the U.S. Department of State's Debarred Lists, or on the U.S. Department of Treasury's Lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists); (v) neither you nor any of your affiliates, during the term of this Agreement, will be on any of the Lists; and (vi) during the term of this Agreement, neither you nor any of your affiliates will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists. You agree to notify us in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

You represent and warrant that:

Neither you nor any of your owners or agents conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act ("**Patriot Act**") and any amendments or successors thereto.

Neither you, any of your owners nor any employee or agent is named as a "Specially Designated Nationals" or "Blocked Persons" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control (currently, this list is published under the Internet website address: www.treasury.gov/offices/enforcement/ofac/), and that you are neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo, nor do you or your owners or agents act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. You agree that you will notify us in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this subsection incorrect.

You understand and have been advised by legal counsel on the requirements of the applicable laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at: www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at: www.epic.org/privacy/terrorism/usapatriot/), and you acknowledge the importance to us, the Method of Operation and the parties' relationship of their respective compliance with any applicable auditing requirements and any requirement to report or provide access to information to us or any government, that is made part of any applicable law or regulation. You will take all reasonable steps to require your consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

9. **Franchise Standards Manual**. You acknowledge that the Franchise Standards Manual is loaned to you by us and at all times the Franchise Standards Manual and any updated or amended pages remain our property and that the copyright in the Franchise Standards Manual and all associated materials is vested in us. You agree to return to us the Franchise Standards Manual and any updated or amended pages immediately upon written demand.

10. **Data Protection Laws; Personal Information**. You will: (i) comply with all applicable data protection laws; (ii) comply with all of our requirements regarding the data protection laws contained in the Franchise Standards Manual or otherwise; (iii) refrain from any action or inaction that could cause us or our affiliates to breach any applicable data protection law; (iv) do and execute, or arrange to be done and executed, each act, document and thing necessary or desirable to keep us and our affiliates in compliance with any applicable data protection law; (v) reimburse us and our affiliates for any and all costs incurred in connection with your breach of any data protection laws; and (vi) permit us and our affiliates to use any data or other information each of them gathers concerning you in connection with the establishment and operation of franchised and company owned locations by us or our affiliates.

Without limiting the foregoing, you consent to the disclosure by us of certain personal information concerning you and the Franchise and the Property, namely your identity, including your name, address and telephone number, in our franchise disclosure documents, whether or not such disclosure is required by law, and in our other documents relating to the sale of franchises.

Further, you consent to the additional disclosure by us of certain personal information concerning you, the Franchise and the Franchised Premises, including historical performance of the Franchise, sales, revenues, expenses, costs, results of operations, and similar financial information and operating information, and any information regarding the expiration or termination of this Agreement, to a prospective transferee of your Franchise or of the Property or any other purchaser of any other franchise from us.

You represent and warrant that all statements and information you have made and materials you have submitted to us in connection with your purchase of the franchise are accurate and complete and that you have made no misrepresentation or material omission in obtaining the franchise. Our approval of your request to purchase the franchise is made in reliance on all of your representations and warranties. Any violation of these representations or warranties, or any Anti-Terrorism Laws by you or your owners, or your or your owners' agents or employees, or any "blocking" of your or their assets under the Anti-Terrorism Laws, will constitute grounds for immediate termination of this Agreement and any other agreements you have entered into with us or any of our affiliates.

11. **State Law Addendum.** Attached as an exhibit to this Agreement and incorporated by reference, as applicable, are additional terms and conditions applicable to franchisees and their principals based in certain states within the United States of America (the "State Law Addendum"). Each provision of the State Law Addendum will be effective only to the extent that the jurisdictional requirements of the applicable state law are applicable to the provisions of this Agreement are met independent of the State Law Addendum. If the State Law Addendum is deemed to be inconsistent with any terms or conditions of this Agreement (including its exhibits or attachments other than the applicable State Law Addenda), the terms of the State Law Addendum will control.

12. **Force Majeure**. The failure of any party to perform under this Agreement will be excused, if the failure to perform is caused by a Force Majeure provided the party so affected will give the other party immediate written notice of the cause of nonperformance, will use its best efforts to avoid or remove the cause, and will continue performance under this Agreement whenever the cause is removed. "Force Majeure" includes, without limitation, any event caused by or resulting from conditions that are beyond the reasonable control of a party whose performance is affected and occurring without the party's fault or negligence. Examples of events of Force Majeure include, without limitation, an act of God; labor strike or other industrial disturbance; revolution; riot; civil commotion; acts of public enemies; catastrophe; failure of third party suppliers not under a party's control; transportation delay; war; insurrection; epidemic or pandemic; fire; hurricane; flood; earthquake or other natural disaster; adverse acts of any government; materials or labor shortage; failure of third party suppliers; social unrest or upheaval; economy/fiscal emergency or crisis; banking system delays or failure; abnormal inflation or deflation; delay or an act or failure to act of the other party; accidental, negligent, or purposeful act or failure to act by a party or by any third person that materially damages or diminishes the value of the Marks (e.g. Dickey's Toxic Tea); etc.

13. **Release of Prior Claims.** By executing this Agreement, you, on behalf of yourself and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever release and discharge us, our past and present employees, agents, members, area developers, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other prior claims relating to any prior dealings between any of the parties apart from those specifically related to this Agreement. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

14. **Business Risks~~NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES~~**. ~~**We have not made any representations, promises, guarantees, projections, or warranties of any kind to you, your owners, or the guarantors to induce the execution of this agreement or concerning this agreement except as specifically set forth in writing in this agreement and in our franchise disclosure document that we delivered to you. You acknowledge that neither we nor any other party has guaranteed your success in the business contemplated by this agreement.**~~

~~You recognize and understand that the success or failure~~The operation **of a Shilo franchise is subject to many variables, including, but not limited to, (a) geographic location; (b) competition from other businesses in the market; (c) advertising effectiveness based on market saturation; (d) whether you assume the sales position or hire a sales manager; (e) your product and service pricing; (f) vendor prices on materials, supplies and inventory; (g) salaries and benefits to non-business personnel; (h) business personnel benefits (life and health insurance, etc.); (i) weather conditions; (j) employment conditions in the market; (k) inflation, and (l) lease terms and costs and other business factors. You acknowledge ~~your willingness to undertake~~ these business risks and that it is your responsibility to manage your Shilo franchise. ~~You understand that the success or failure of your Shilo franchise depends primarily upon your efforts and not those of Shilo.~~**

10 **SIGNATURES**

IN WITNESS, the parties have executed this Agreement on the day and year first above written.

We/Us: **SHILO INNS, FRANCHISE, LLC**	You:
By: _____	By: _____
Print Name: _____	Print Name: _____
Print Title: _____	Print Title:_____

SHILO FRANCHISE AGREEMENT – EXHIBIT A

Property location/address(es):
Number of guest rooms:
Type and Location of Property: (Check the Appropriate Blank)

_____ **SHILO INN SUITES HOTEL**
_____ **SHILO INN HOTEL**
_____ **SHILO INN SUITES**
_____ **SHILO INN**

To Be Located At:

Franchise Fees and Contributions: Initial Franchise Fee: $_____
Franchise Fee: __**%** of Gross Rooms Revenue for 2 years, __**%** for 2 years and __**%** for balance of term
Term: **10** years [or to match term of real-estate lease(s)]
Plans submission date(s):
Construction or Renovation commencement date(s):
Completion date(s):
Facilities and Services:
Site - Area and general description:
Fee owners (names and addresses):
Leases (parties, terms, etc.), if any:
Restaurants and lounges (number, seating capacity, names and descriptions):
Banquet and Meeting Rooms (number, seating capacity, names and descriptions):
Ball Rooms (number, seating capacity, names and descriptions):
Description of existing or proposed exterior signage:
Gift Shops:
Other concessions and shops:
Parking facilities (number of spaces, description):
Swimming pool and exercise area:
Indoor and Outdoor recreational facilities:

Other facilities and services:
Additional Named Insureds:

EXHIBIT C. PROPOSED CONDITIONAL RELEASE

CONDITIONAL ASSIGNMENT

In consideration of the granting of a franchise to you and other valuable consideration given by **SHILO INNS, FRANCHISE, LLC**, an Oregon limited liability company ("us"), you assign to us all telephone numbers; telephone and internet listings; website and social media addresses and domain names you use in the operation of the franchise. We assume the performance of all of the terms, covenants and conditions of your related agreements with utilities and providers with the full force and effect as of the date we assume control under the relevant agreements as if we had originally been named as the contracting party under in the agreements.

We will hold this assignment, and will deliver it to interested third parties only upon termination of the Franchise Agreement between us and you dated the ____ day of _____, 202__.

us:
SHILO INNS, FRANCHISE, LLC

By:_______

Print Name: _____

Print Title: _____

you:

By: _____

Print Name: _____

Print Title: _____

By:_____

Print Name:_____

Print Title:_____

EXHIBIT D. SAMPLE ABANDONMENT, RELINQUISHMENT, AND TERMINATION OF ASSUMED BUSINESS NAME

SHILO FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a Franchisee of **Shilo Inns, Franchise, LLC**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business names **SHILO®, SHILO INN SUITES HOTEL®, SHILO INN HOTEL®, SHILO INN SUITES® and SHILO INN®**:

1. Name of Applicant who is Using the Assumed or Fictitious Business Name:

   (a (an) individual/partnership/corporation organized and doing business under the laws of the State of: _____

2. Date When Original Assumed or Fictitious Business Name was Filed by Applicant:

3. Address of Applicant's Registered Office in the State of: _____

4. Please cancel the Applicant's registration to use the names **SHILO, SHILO INN SUITES HOTEL, SHILO INN HOTEL, SHILO INN SUITES and SHILO INN**.

DATED: _____

_____
Applicant

By:_____
Print Name:

Print Title:

By:_____
Print Name:

Print Title:

EXHIBIT E. STATE LAW ADDENDUM

UNIFORM FRANCHISE DISCLOSURE DOCUMENT
STATE LAW ADDENDUM

The following modifications and additions are part of **Shilo Inns, Franchise, LLC's** Franchise Disclosure Document ("FDD") and Franchise Agreement ("FA") and all related exhibits and agreements as required by relevant state laws.

These states have statutes which may supersede the Franchise Agreement in your relationship with us including the areas of termination and renewal of the Franchise:

ARKANSAS (Stat. Section 70-807)
CALIFORNIA (Bus. & Prof. Code Sections 20000-20043)
CONNECTICUT (Gen. Stat. Section 42-133e et seq.)
DELAWARE (Code, tit.)
HAWAII (Rev. Stat. Section 482-E1)
ILLINOIS (815 ILCS 705/19 and 705/20)
INDIANA (Stat. Section 23-2-2.7)
MICHIGAN (Stat. Section 19.854(27))
MINNESOTA (Stat. Section 80C.14)
MISSISSIPPI (Code Section 75-24-51)
MISSOURI (Stat. Section 407.400)
NEBRASKA (Rev. Stat. Section 8-401)
NEW JERSEY (Stat. Section 56.10-1)
SOUTH DAKOTA (Codified Laws Section 37-5A-51)
VIRGINIA (Code 13.1-557-574, 13.1-564)
WASHINGTON (Code Section 19.100.180)
WISCONSIN (Stat. section 135.03)

These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of the Franchise.

California

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

OUR WEBSITE IS www.ShiloInns.com. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

FDD COVER PAGE

REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

FDD Item 5, FA

Based upon the franchisor's financial condition, the California Department of Financial Protection and Innovation has required a financial assurance. Therefore, all initial fees and payments owed by franchisee will be deferred until the franchisor completes its initial, pre-opening obligations under the franchise agreement or other documents and the franchisee has commenced doing business pursuant to the franchise agreement.

FDD Item 6; FA

The highest interest rate allowed by law in California is 10% annually.

FDD Item 12; FA

You will not receive an exclusive territory. You may face competition from other franchisees, from facilities that we or our affiliate own, or from other channels of distribution or competitive brands that we control.

FDD Item 17; FA

(1) California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a Franchise. If the Franchise Agreement contains a provision that is inconsistent with the California law, and the California law applies, the California law will control.

(2) The FA provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

(3) The FA contains a covenant not to compete which extends beyond the termination of the Franchise. This provision may not be enforceable under California law.

(4) Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.

(5) You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(6) The franchise agreement requires application of the laws of the State of Oregon. This provision may not be enforceable under California law.

(7) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing Franchise.

(8) No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

(9) The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the offering circular.

(10) California Business and Professions Code sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

(11) The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

FDD Item 3

Neither the franchisor nor any person or Franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW

The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that such provisions be modified by a court or arbitrator to comply with Georgia law if needed. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

Hawaii

Paragraph 4110.01, Section 482E-6(3): Upon termination or refusal to renew the franchise the franchisee will be compensated for the fair market value, at the time of the termination or expiration of the franchise, of the franchisee's inventory, supplies, equipment and furnishings purchased from the franchisor or a supplier designated by the franchisor; provided that personalized materials which have no value to the franchisor need not be compensated for. If the franchisor refuses to renew a franchise for the purpose of converting the franchisee's business to one owned and operated by the franchisor, the franchisor, in addition to their remedies provided in this paragraph, will compensate the franchisee for the loss of goodwill. The franchisor may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of the franchisee's inventory, supplies, equipment, and furnishings pursuant to this requirement, and may offset from such compensation any moneys due the franchisor.

Idaho

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

North Dakota

FDD Item 17(c); FA

The Commissioner has determined that requiring franchisees to sign a general release upon renewal of the franchise agreement to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment law. Any general release provision in the Franchise Agreement is void and unenforceable in the state of North Dakota and deemed to have been deleted from the Franchise Agreement by this comment.

FDD Item 9; FA

Under North Dakota law, no modification or change the franchisor makes to the Operations Manual or Shilo system may materially affect the franchisee's status, rights, or obligations under the franchise agreement.

FDD Item 17(r); FA

The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code are unfair, unjust, or inequitable within the intent of the North Dakota Franchise Investment Law (Section 51-19-09). Thus, covenants not to compete are considered unenforceable in the State of North Dakota.

FDD Item 17(i); FA

Pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law, a requirement that franchisees consent to liquidated damages or termination penalties in the event of termination of the franchise agreement is considered void and unenforceable and deemed to have been deleted from the Franchise Agreement by this comment..

FDD Item 17(w); FA

Apart from civil liability as set forth in section 51-19-12 N.D.D.C, which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud) the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents, and is unfair to franchise investors to require them to waive their rights under North Dakota Law. Thus, the North Dakota Franchise Investment Law (Section 51-19-09) requires that the franchise agreement will be governed by the laws of North Dakota, which laws will prevail.

FDD Item 17(u) and (v); FA

Pursuant to the North Dakota Franchise Investment Law (Section 51-19-09), an arbitration or mediation locations which are remote from the site of the franchisee's business are unfair, unjust, or inequitable. Therefore, the site of arbitration or mediation must be agreeable to all parties and may not be remote from the franchisee's place of business.

Pursuant to the North Dakota Franchise Investment law (section 51-19-09), requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust, or inequitable. Thus, all issues or disagreements relating to this Agreement will be tried, heard and decided within the jurisdiction of courts in the state of North Dakota.

Section 9.8 of the Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is deemed deleted in each place it appears in the disclosure document and agreements used in North Dakota.

Section 9.8 of the Franchise Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is deemed deleted in each place it appears in the disclosure document and agreements used in North Dakota.

Section 9.8 of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. The Commissioner has determined this to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. This provision is deemed deleted in each place it appears in the disclosure document and agreements used in North Dakota.

FDD Item 5, FA

Based upon the franchisor's financial condition, the state of North Dakota has required a financial assurance. Therefore, all initial fees and payments owed by franchisee will be deferred until the franchisor completes its initial, pre-opening obligations under the franchise agreement or other documents and the franchisee has commenced doing business pursuant to the franchise agreement.

Ohio

The Ohio Business Opportunity Plan Law requires a notice of the purchaser's right to cancel the agreement in at least ten-point boldface type, in the following form and in close proximity to the space reserved in the agreement for the signature of the purchaser:

"You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right."

A completed form, in duplicate, captioned "notice of cancellation," must be attached to the agreement signed by the purchaser and be easily detachable and must contain in ten-point boldface type, the following statement:

"**NOTICE OF CANCELLATION**

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to (name of seller), at (address of seller's place of business), or send a fax to (name of seller) at (seller's facsimile number) or an e-mail to (name of seller) at (seller's electronic mail address), not later than midnight of (enter date).

I hereby cancel this transaction.

..... **.....**

(Date) **(Purchaser's signature)"**

FDD Item 17; FA Section 9

Ohio's Business Opportunity Plan Law, Section 1334.06 provides that in connection with the sale or lease of a business opportunity plan, any provision in an agreement restricting jurisdiction or venue to a forum outside of the state of Ohio, or requiring the application of laws of another state other than the state of Ohio, is void with respect to a claim otherwise enforceable under Sections 1334.01 to 1334.15 of the Revised Business Opportunity Plan Law.

The Ohio Business Opportunity Plan Law requires that certain provisions contained in the franchise agreement be amended to be consistent with Ohio Law:

In the event of a conflict of laws, Ohio law will prevail.
Any claim or action may be brought in the appropriate state or federal court in Ohio.
The statutes of limitations under Ohio Law will apply.

South Dakota

FDD Item 17; FA

Under South Dakota law, termination provisions covering breach of the franchise agreement, failure to meet performance and quality standards and failure to make payments contained in the Franchise Disclosure Document and franchise agreement must afford a franchisee thirty (30) days' written notice with an opportunity to cure the breach prior to termination.

FA Sections 6 and 10

The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Oregon.

Covenants not to compete upon termination of the franchise agreement are generally unenforceable in the State of South Dakota. Pursuant to SDCL 37-5B, any acknowledgement provision, disclaimer, or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.

In the event that either party will make demand for arbitration, such arbitration will be conducted in a mutually agreed-upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

Any provision in a franchise agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Washington

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, CONFIRMATION OF ADDITIONAL REPRESENTATIONS AND TERMS FORM, AND RELATED AGREEMENTS.

Risk Factor:

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise

Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Under Washington law, non-compete covenants are enforceable only if they are reasonable and lawful. Generally, a court determines the reasonableness of a covenant by analyzing its geographic and temporal restrictions.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

FA Section 9.7 (D) does not apply to Washington franchisees and is deleted.

FA Section 9.8 (D) does not apply to Washington franchisees and is deleted.

FA Section 9.9 applies only if and to the extent that the conditions of RCW 19.100.220 have been met.

FA Section 9.14 (13) does not apply to Washington franchisees and is deleted.

FDD Item 5, FA

All initial fees and payments owed by franchisee will be deferred until the franchisor completes all of its pre-opening obligations under the franchise agreement or other documents and the franchisee opened for business pursuant to the franchise agreement.

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable provisions of this state law addendum for the state of Washington supersedes any inconsistent portion of the FDD and of the Franchise Agreement (of this same date) and of all related agreements to which this addendum is attached.

DATED this __ day of _____, 202_.

("We/Us"): **SHILO INNS, FRANCHISE, LLC** ("You"): _____

By:_____ Signature: _____

Title:_____ Print Name: _____, an individual

By: _____.

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable foregoing state law addendum for the state of _____ , if any, supersedes any inconsistent portions of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdiction requirements of the relevant state's franchise laws, without considering this addendum.

DATED this __ day of _____, 202_.

("We/Us"): **SHILO INNS, FRANCHISE, LLC**

By: _____

Title: _____

("You"):

By: _____

Title: _____

By: _____

Title: _____

FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT F. CONFIRMATION OF ADDITIONAL REPRESENTATIONS AND TERMS BY PROSPECTIVE FRANCHISEES

Shilo Inns, Franchise, LLC ("we/us"), through the use of this Franchisee Closing Questionnaire, desires to verify certain information about the sales process and to confirm any additional commitments or terms beyond those contained in our standard franchise agreement contained in our current Franchise Disclosure Document (the "Franchise Disclosure Document"), including any oral statement, representation, promise, or assurance made during the negotiations for the purchase of a Fresh Aire franchise by any of our directors, officers, employees, agents, or representatives (each, a "Representative")

BACKGROUND AND GENERAL INFORMATION

1. Please state the full name of each individual and entity that will be an owner of the Franchise and an owner of an entity that owns the Franchise:

2. What is the location of the Franchise you are purchasing?

3. Have you received a copy of our most current Disclosure Document?
   Yes ☐ No ☐
   On what date did you receive the Disclosure Document? _____

I. FRANCHISE LOCATION AND RELATED WARRANTIES

A. Location

You have applied for and are in the process of receiving a Franchise to an Shilo franchise to be located at _____ in the city of , State of _____ ("the Property"). The Type of Property is: (Check the Appropriate Blank)

_____ **SHILO INN SUITES HOTEL®**
_____ **SHILO INN HOTEL®**
_____ **SHILO INN SUITES®**
_____ **SHILO INN®**

B. Reliance on Representatives in Site Selection

Please describe any representation we or our Representatives have made about the value of the Site or what volume of sales or net earnings the Site will or should generate as a Shilo franchise, or write "None":

II. LEASE TERMS

A. Reliance on Representatives

Describe any representations or opinions expressed by us or our Representatives related to execution of the lease or contract to purchase of the Site, or write "None":

B. Submission to Us

You will submit to us the lease or contract to purchase for approval before you execute it.

III. FRANCHISE

A. Description of Representations

1. Describe any promises, agreements, contracts, commitments, representations, understandings, "side deals" or other promises that have been made to or with you by us or our Representatives with respect to any matter not expressly contained in the Franchise Agreement. This includes, but is not limited to, any representations or promises regarding advertising, marketing, Site location, operational assistance, or other services or write "None":

2. Describe any oral, written, or visual claim or representation, promise, agreement, contract, commitment, understanding or otherwise which contradicts or is inconsistent with the Disclosure Document or the Franchise Agreement that has been made to you by us or our Representatives or write "None":

3. Describe any oral, written, visual, or other claim or representation has been made to you by us or our Representatives, which states or suggests any actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits, expenses, cash flow, tax effects, earnings, or otherwise, that is different from or in addition to what is contained in the Franchise Disclosure Document – including Item 19 or write "None":

4. Describe any statement, promise or assurance made by us or our Representatives concerning the likelihood of success that you should or might expect to achieve from developing and operating a Shilo franchise or write "None":

5. Describe any statement, promise or assurance concerning the advertising, marketing, training, support services or assistance that Shilo will furnish you that is contrary to, or different from, the information contained in the Franchise Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement or promise in the space provided below or write "None".

6. Describe any other statement, promise or assurance concerning any other matter related to a Shilo franchise that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

VI. YOUR PARTICIPATION

A. You will personally participate in the management of the Shilo Franchise as set forth in the Franchise Agreement. You will faithfully and fully perform all duties required of you under the Franchise Agreement.

B. Your purchase of the franchise is for your own account and is not made with a view to or for resale.

ACKNOWLEDGEMENT

1. Did you receive the Disclosure Document at least 14 calendar days before you signed a binding agreement with or made a payment to us or our affiliate in connection with the proposed franchise sale, or sooner if required by state law? If not, please describe when you received the Franchise Disclosure Document and when you signed the agreement or paid the money:

2. Did you receive any negotiated modifications to the Franchise Agreement (if applicable) at least 7 calendar days before signing them? If not, please describe when you received them:

3. **Did we or our Representatives advise you to fill in and complete this Questionnaire except as based upon your personal knowledge and experience? If not, please describe what you were instructed or write "None"):**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of

(i) waiving any claims under any applicable state franchise law, including fraud in the inducement (such as any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder)**, or**

(ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Dated this ___ day of _____, 202__.

_____

"You"

EXHIBIT G. FRANCHISE AUTHORITIES AND AGENTS FOR SERVICE OF PROCESS

STATE	REGISTERED AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
CALIFORNIA	California Commissioner of Financial Protection and Innovation: Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 Sacramento: 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205 San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8559 Toll-free 866-ask-corp (275-2677)	Corporations Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105 (213) 576-7505
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445
NORTH DAKOTA	Securities Commissioner State of North Dakota State Capitol, 5th Floor, Dept. 414 600 East Boulevard Avenue Bismarck, ND 58505-0510	Franchise Examiner North Dakota Securities Dept. State Capitol, 5th Floor, Dept. 414 600 East Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-4712
OREGON	Director of Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310

STATE	REGISTERED AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
		(503) 378-4387
SOUTH DAKOTA	Director of South Dakota Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Franchise Administrator Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-4823
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
UTAH	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Ave, 4th Floor Madison, WI 53703 (608) 261-9555

Exhibit H

SBA LOAN ADDENDUM

ADDENDUM TO LICENSE [1] AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____, by and between _____ ("Licensor"), located at _____, and _____ ("Licensee"), located at _____.

Licensor and Licensee entered into a License Agreement on _____, 20___, (such Agreement, together with any amendments, the "License Agreement"). Licensee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge the parties agree that notwithstanding any other terms in the License Agreement or any other document Licensor requires Licensee to sign:

CHANGE OF OWNERSHIP

- If Licensee is proposing to transfer a partial interest in Licensee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Licensee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the (Enter type of) interest or any portion thereof, the transferor will not be liable for the actions of the transferee Licensee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the License Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Licensee owns the real estate where the licensee location is operating, Licensee will not be required to sell the real estate upon default or termination, but Licensee may be required to lease the real estate for the remainder of the (enter type of) term (excluding additional renewals) for fair market value.

[1] While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Licensee owns the real estate where the licensee location is operating, Franchisor has not and will not during the term of the License Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Licensee 's real estate, they must be removed in order for the Licensee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Licensee 's employees. For temporary personnel franchises, the temporary employees will be employed by the Licensee not the Franchisor.

As to the referenced License Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Licensee.

Except as amended by this Addendum, the License Agreement remains in full force and effect according to its terms.

Franchisor and Licensee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 - 3733.

Authorized Representative of FRANCHISOR:

By: _____

Print Name: _____

Title: _____

Authorized Representative of LICENSEE:

By: _____

Print Name: _____

Title: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Licensee. Additionally, the applicant Licensee and the (type of agreement) system must meet all SBA eligibility requirements.

Exhibit I

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending (org-452884)
Connecticut	April 22, 2022
Florida	Pending
Hawaii	Pending(2022FL-51940)
Illinois	No Registration
Indiana	No Registration
Kentucky	May 3, 2022
Maine	No Registration
Maryland	No Registration
Michigan	No Registration
Minnesota	No Registration
Nebraska	April 27, 2022
New York	No Registration
North Carolina	No Registration
North Dakota	Pending (FR-22-0460)
Rhode Island	No Registration
South Carolina	No Registration
South Dakota	Pending (#7301)
Texas	June 17, 2022 (#2022-0255)
Utah	Pending (12815358-BSOE)
Virginia	No Registration
Washington	Pending
Wisconsin	No Registration

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit J

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If **Shilo Inns, Franchise, LLC** offers you a franchise, it must provide this Disclosure Document to you **14** days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If **Shilo Inns, Franchise, LLC** does not deliver this Disclosure Document on time or if contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit I.

The names, principal business addresses, and telephone numbers of each franchise seller offering the franchise are:

Mark Hemstreet, 11707 NE AIRPORT WAY, PORTLAND, OR 97220 Phone: (503) 641-6565

See Exhibit I for our registered agents authorized to receive service of process.

Disclosure Document Issuance Date: **April 30, 2023**

I have received a disclosure document dated **February 28, 2022** that included the following exhibits:

A. Financial Statements
B. Sample Franchise Agreement
C. Sample Conditional Release of Telephone Number
D. Sample Abandonment, Relinquishment, and Termination of Assumed Business Name
E. State Law Addendum
F. Confirmation of Additional Representations and Terms by Prospective Franchisees
G. State Franchise Authorities and Agents for Service of Process.
H. Receipt

DATED this _____ day of _____, 202___.

Prospective Franchisee Prospective Franchisee

IF A PARTNERSHIP, ALL GENERAL PARTNERS MUST EXECUTE THIS RECEIPT. IF A CORPORATION OR LIMITED LIABILITY COMPANY, AN OFFICER AUTHORIZED TO RECEIVE THIS CIRCULAR ON BEHALF OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS RECEIPT.

KEEP THIS COPY FOR YOUR RECORDS.

Exhibit J

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Please sign this copy of the receipt, date your signature, and return it to Shilo Inns, Franchise, LLC 11707 NE Airport Way, Portland, Oregon 97220.