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FRANCHISE DISCLOSURE DOCUMENT

SHILO INNS SUITES HOTELS FRANCHISE, LLC

An Oregon corporation
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"AFFORDABLE EXCELLENCE"

We are **SHILO INNS SUITES HOTELS FRANCHISE, LLC**, an Oregon limited liability company. We offer franchises to qualified individuals and entities to own and operate specialized and unique lodging and hospitality facilities under the "**SHILO**"TM names, logos, and Service Marks. Our franchisees use our unique 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 **\$7,321,500** to **\$43,980,000**. (plus insurance, employee, telephone, and land costs, 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 **\$69,500** to **\$955,000**. (plus improvements, furnishings, fixtures, equipment, insurance, employees, telephone service and utilities, 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 Application Fee and the Initial Franchise Fee that must be paid to us. Refer to Items 5, 6 and 7 of this Disclosure Document for a full explanation regarding the Application Fee, 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 Christopher Campbell at 11600 SW Shilo Lane Portland, Oregon 97225-5995 and (503)641-6565.

1 - SHILO FRANCHISE DISCLOSURE DOCUMENT

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.

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STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit I for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND LITIGATION ONLY IN OREGON. OUT-OF-STATE LITIGATION AND MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE OR MEDIATE WITH US IN OREGON THAN IN YOUR OWN STATE.

THE FRANCHISE AGREEMENT STATES THAT OREGON LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: [See the following page]

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