

SHILO INNS – NEWPORT RESTAURANT, LOUNGE & BANQUET ROOMS (excludes the Café location)
536 SW Elizabeth Street, Newport, Oregon 97365

This term sheet shall serve to outline a proposal to lease certain property identified above. It is expressly understood by both parties that this is a non-binding term sheet and it is intended that all legal rights and obligations of each party will be those set forth in a definitive lease agreement, and the terms herein are subject to the preparation and execution of a mutually acceptable lease agreement. The parties acknowledge that neither party is obligated to execute a lease agreement.

Proposed lease terms and rent are very negotiable for the right restaurant concept and quality Lessee/Tenant.

Ten years initial term of lease, with one renewable option period of five years.

Year 1 & 2	\$7,000 monthly base rent vs. 6% of gross revenue (whichever is greater) Plus 39.9% of net revenues derived from all video poker (VLT) operations.
Year 3-5	\$8,000 monthly base rent vs. 7% of gross revenue (whichever is greater) Plus 39.9% of net revenues derived from all video poker (VLT) operations.
Years 6-10	\$9,000 monthly base rent vs. 8% of gross revenue (whichever is greater) Plus 39.9% of net revenues derived from all video poker (VLT) operations.
Years 11-15	\$10,000 monthly base rent vs. 9% of gross revenue (whichever is greater) Plus 39.9% of net revenues derived from all video poker (VLT) operations.

NOTE: Rent is calculated on a monthly basis.

1. Lessee to pay 100% of restaurant property utility bill (electricity, gas, water, garbage and sewer), or 25% of total Hotel & Restaurant utilities if not separately metered, and 50% of the garbage bill for the hotel & restaurant if not separately.
2. Lessee to pay own telephone bill.
3. Lessee to carry own maintenance employee and security guards. Or pay 25% of the annual salary for each employee, which may work for both the hotel and the restaurant.
4. Lessee to pay 100% of their own Sales & Catering Employee's Salary.
5. Lessee to pay its own respective pro-rata share of property insurance allocated to the restaurant premises which is currently \$5,338 annually. Lessee to provide adequate operator general liability and liquor liability insurance, with Lessor named as an additional named insured.
6. Lessee to pay 15% of the real property and personal taxes which are assessed on the entire hotel and restaurant structure estimated to be \$36,081 annually for the restaurant's share. Lessee to pay 100% of Personal Property Taxes which are assessed on the restaurant FF&E. If assessed separately.
7. Lessee to pay a handling fee of 3% of gross hotel guest room charges.
8. Lessee to pay 1% of gross revenues to an interest bearing replacement reserve for major remodeling, repairs and replacements for the benefit of the restaurant.
9. Lessee has the option to purchase existing usable F&B inventory, estimated to be \$20,000 to \$30,000.
10. Principals of Lessee shall personally guaranty lease obligations.
11. Lessee agrees to provide a full complimentary breakfast for hotel patrons at a price to be mutually agreed upon by both parties. Either party may terminate this hotel guest complimentary breakfast program on 30 days' notice.

The Newport Restaurant & Lounge is currently a well run operation with an excellent reputation. The property will be leased as is. All furniture, fixtures, equipment and miscellaneous personal property will remain the sole property of the Lessor, but is to be properly maintained by the lessee. Banquet and meeting space included with lease where listed, otherwise available for catering and event use in conjunction with hotel operations.

_____/_____/_____
Potential Tenant/Lessee Date

_____/_____/_____
Shilo Inn Management Corporation Date