



Advantages of utilizing the HCI Specialized Development Consulting Services:

- ✓ Reduces technical service requirements and assures that design complies with standards of international hotel companies.
- ✓ Provides the most professional marketing material for the sale, if appropriate, of the suites and rooms.
- ✓ Achieves the optimal professional presentation for the purpose of attracting both debt and equity to the development.
- ✓ Offers a more visual understanding of the project so that changes in design can be completed at an early phase rather than expensive modifications during construction.
- ✓ Incorporates an international team focus, which will ease negotiations with international contractors and financial institutions (e.g. EXIM - Bank).
- ✓ Ensures through the development team that the dictates of the market concluded in HCI's study will be reflected in the development's Master Plan and Design Plan and that HCI's presentation study will incorporate architectural design considerations and the conclusions of specialized consultants (when appropriate) allied to HCI.
- ✓ Reflects in the final plan the involvement and expertise of the developer and of HCI.

DEVELOPMENT CONSULTING

To complement our development consulting business, HCI Hotel Consulting International has formed strategic alliances with three major international hospitality architectural firms:

Team Approach - In order to assemble the optimal development team for a given project, HCI provides its clients with a list of potential development team member firms with the reputation and experience to complete the project's Master Plan. Based upon our client's criteria, HCI assists in selecting the most appropriate team member firm for the development group. A special emphasis is placed on cost, both initial and overall, of the services of each member of the team. If it becomes necessary to replace any team members for any reason, HCI assists in the selection process of a new team member with the least possible disruption to the project.

Review and Analysis - HCI will review and analyze the preliminary plans, architectural plans, space allocations, equipment specifications, operating efficiency, schematics and budgets produced by the architects to formulate an opinion on the optimal facilities for the project. We will also review and advise on the schematics and budgets produced by the architect and present conclusions and recommendations.

Strategic Alliances - HCI, has alliances with LPA Architects, Sandy & Babcock Architect Planners, and VOA Associates, three major international hospitality architectural firms. Other strategic alliances that complement our development consulting business include associations with Moffat & Nichol Engineers, a leader in marina planning and design, and a leading full-service spa consulting company. Together with HCI, these firms can provide all of the necessary architectural consulting services and a visual package which incorporates schematic designs, color boards, floor plans and a video which can be utilized to attract international hotel companies and prospective investors. VOA and LPA will work with qualified local architects at the client's request. This strategic alliance renders extremely reliable results as our projections are based on actual plans for the proposed developments, and are constantly updated according to the recommendations of the development team.



STRATEGIC DEVELOPMENT PLANNING

HCI Hotel Consulting International provides strategic development planning and feasibility analysis for the development of hotel properties.

On a macro level, we analyze the overall economy of the region as it relates to tourism and commercial development; and on a micro level, we analyze several secondary markets or submarkets in the area to determine whether the existing and proposed supply and demand factors affecting the market for transient accommodations bode well for the development of proposed hotel development.

METHOD OF STUDY

We use the following methodology:

- A macro overview of the region is presented.
- The concept under study is defined and evaluated in terms of facilities, construction, and design.
- Each market visited is evaluated from the viewpoint of its location in relation to commercially important routes, access to main cities within the and to bordering states or countries, additional infrastructure, and other relevant locational factors.
- The surrounding area and neighborhood of each location is reviewed to identify demand generators in the area, including economic, industrial, commercial, and recreational tourism facilities.
- General economic and demographic trends of each location are analyzed to determine their impact on current and future economic growth, and demand for lodging accommodations.
- An analysis of the existing and proposed hotel supply provides an indication of accommodated and latent demand, market penetration and the existing degree of future development in each market.
- The existing market for transient accommodations in each location is divided into individual segments, in order to define specific market characteristics of the types of travelers that utilize the area's hotels and motels. Some of these factors include purpose of the visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
- Based on our market findings, a detailed projection of income and expense made in accordance with the Uniform System of Accounts for hotels shows the anticipated economic benefits of the development of representative hotel properties in selected locations. A valuation of representative properties under multiple scenarios, taking into account the varying number of properties under operation and the economies of scale derived as the network of hotels increases, is performed to arrive at a feasibility conclusion.
- A development plan strategy is presented, according to each market's analysis and potential.
- Utilizing the forecast of income and expense under the various scenarios, and taking into account other applicable expenses including debt service, cash flow projections for the development overall are derived and the internal rate of return to the investors is calculated.



NEGOTIATING SERVICES

MANAGEMENT CONTRACT AND FRANCHISE AFFILIATION SELECTION

HCI (Hotel Consulting International) has successfully completed management/franchise agreement negotiations for the following international projects:

- ✓ El Faro de Cartagena, Colombia (Selected Hotel Company: Hyatt International)
- ✓ Gran Vatel, Santa Fé de Bogota, Colombia (Selected Hotel Company: Four Seasons)
- ✓ Tikal EcoResort and Timeshare, Santa Elena Petén, Guatemala (Selected Hotel Company: Sofitel)
- ✓ Hotel El Mirador, Cuzco, Peru (Selected Hotel Company: Inter-Continental)
- ✓ Larco Mar Hotel, Miraflores, Lima Peru (Selected Hotel Company: Inter-Continental)
- ✓ Paipa Hotel and Convention Center-Paipa, Boyaca, Colombia (Selected Hotel Company: Hoteles Estelar S.A)
- ✓ Proposed Suite Hotel, Miami Beach, Florida (Selected Hotel Company: Sheraton)
- ✓ Cacique del Mar Resort, Costa Rica (Selected Hotel Company: Westin)
- ✓ Proposed Rose Hall Resort (Selected Hotel Company: Ritz Carlton, reviewed contract for lender OPIC)
- ✓ Proposed Grand Cayman Resort (Selected Hotel Company: Ritz Carlton, Assignment pending)

Many clients seek assistance and advice when dealing with negotiations related to management contract and franchise affiliation selection. As **HCI Hotel Consulting International** has performed assignments involving agreements with all the major hotel chains, we are qualified to assist hotel owners in selecting the optimal franchise affiliation and/or management group. Not alone are we familiar with the suitability of a specific hotel company, but we are generally familiar with their optimal terms

This is a valuable service, as selection process is very time-consuming. In the case of new development the months lost may have significant cost implication. HCI assists in securing a first-tier hotel company for day-to-day operational supervision and property management, as well as international chain recognition through a chain-affiliated trade name

HCI assists in, or negotiates on the clients' behalf the optimal terms of the key components of an agreement. HCI will arrange for client and prospective candidates to meet and will at all times during the selection process represent the clients interests. An objective to be to secure a letter of intent with favorable key components within a short time frame.

HCI provides management and franchise company selection services through the following process:

- **Solicit, review and evaluate** - HCI initially evaluates the property and short lists the optimal hotel companies. A Request for Proposal (RFP) is prepared by HCI and responses are solicited. Upon submission responses are reviewed and evaluated. Based upon the evaluation, most appropriate brand affiliation and and/or management is recommend.
- **Negotiate** - HCI will recommend a strategy and negotiate on the client's behalf the key terms up to a letter of intent agreement. It is important to note that HCI encourages competition between potential hotel/management companies in order to achieve the optimal terms for our clients.

Agreement Components

We will address the typical components of a hotel management agreement and will produce an economically favorable contract for both parties. The following major components provide the basis for structuring the entire agreement:

- **Contract Term** - The length of time the agreement will be in effect.
- **Management Fee** - The amount of money paid to the Management Company for services rendered.
- **Reporting Requirements** - The type and frequency of financial and operational reporting.
- **Approvals** - The aspects of the hotel operation that require approval by the other party.
- **Termination** - The circumstances under which the contract can be terminated.
- **Operator's Investment in the Property** - The types of investment an operator can make in the property.
- **Operator's Home Office Expenses** - The types of expenses incurred outside of the property that will be reimbursed by the hotel owner.
- **Transfer of Ownership** - The procedures by which ownership of either the property or management company can be transferred.
- **Hotel Personnel** - Which party will employ the personnel.
- **Reserve for Replacement** - The structure and administration of a reserve for replacement.
- **Area Restrictions** - A description of the various restrictions the contract places on the operator with respect to owning, leasing, operating, or franchising competing hotels.

Selecting a Hotel and Management Company

The process of locating, negotiating with, and retaining a suitable operator will include the following steps:

- Evaluate the property and identify the set of management/franchise companies that would be optimal for the proposed property.
- Prepare a Request for Proposal detailing the property and requesting favorable terms.
- Following clients review contact the short-listed companies to gauge their level of interest.
- With client approval dispatch RFPs to each of the identified companies.
- Rate the RFP's in terms of suitability. Factors considered include levels of quality and service, strength of marketing/reservations system, local and regional penetration, contract terms, etc.
- Shortlist the company set based on the above ratings and discussions with the client.
- Where appropriate request re-submission of better terms from each of the short-listed companies along with any additional information.
- Assess the relative bargaining positions of each of the hotel companies.
- Establish a basic negotiation strategy, and determine a position on all major contract terms. We can also provide a conference facility in Miami.
- Develop an opening offer, a first fallback position, and a final position for each of the major contract terms.
- Continue negotiations process until optimal terms have been secured with the optimal company for development. Present recommendations and review the final key terms.
- Facilitate the agreement of a letter of intent.