

Foundations Hotel & Conference Center LLC

Hotel Business Plan

Period: 2011 – 2016

790 Indian Trail Blvd.
Traverse City, MI, 49686
Phone: 231-590-2546
Fax: 866-293-0079
Email: manager@foundationshotel.com
Web Site: www.foundationshotel.com
Contact: Julia Hoard, Manager/Director

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Introduction

Business description

Foundations Hotel & Conference Center is a 3-diamond hotel and offers luxury accommodation and associated amenities to local, regional, national and international tourists and travelers. For business travelers we offer a wide range of facilities such as conference and meeting rooms and exhibition space, including all necessary conferencing equipment and security.

Business formation

The company was started by Pine Grove Church of God in 2009. The company form is a Limited Liability Company, LLC. Registration is in the State of Michigan under number: D3151P. The company will employ approximately 50 people for federal income tax purposes, *Foundations* is classified as a LLC under a 501c3 parent corporation.

Managers/Directors

The manager/director is Mrs. Julia Hoard.

The Board of Managers/Directors currently consists of the Pine Grove Church of God (PGCOG) Elder Board and they have the principal responsibility for fulfillment of the hotel's mission and the legal accountability for its operations. As construction proceeds, managers/directors will be added to the Board from the community. At all times, the majority of members will represent PGCOG.

Our Board of Mangers/Directors further ensures adequate human and financial resources and actively monitors and evaluates the organization's executive director, as well as the overall financial results. The board members approve and implement policies to ensure achievement of the mission of the organization and to prevent perceived, potential or actual conflict of interest. They will accomplish these functions through regular meetings scheduled monthly.

Management team

Foundations' management team will have direct knowledge of the hospitality industry and will possess the necessary professional administration skills. Our team will include a general manager, chief engineer, marketing personnel, and professionals with accounting experience. The team will tailor to the needs of the corporate client and will provide complementary personal services where needed.

Foundations will offer all of its management team competitive salaries.

Executive summary

Business goals/mission

As a business hotel obtaining a permanent place in the local and national market place is our primary goal. We wish to acquire national and international renown as a business destination within the next 5 years.

We see it as our main mission to provide high quality accommodation and associated amenities and services at competitive prices to our targeted markets.

Basic business objective is reflected in everything that we do, which is to contribute to the enrichment of the quality of lives for people around the world.

Business philosophies/identity

Due to the hotel management and tourist industry experience of *Foundations'* staff, we will be able to create a high satisfaction level for our tourist visitors, business travelers and the local economy. *Foundations'* accommodation and conference facilities meet the highest standards of the industry and will enable us to offer a high quality product mix.

Location

We are going to be located in East Bay Township in Grand Traverse County, MI. This location has been selected because of its location, size, visibility, and image. The exact location will be announced in the near future.

Geographical markets

The primary market will be regional due to location of the hotel close to the business district and close to Cherryland Capital Airport.

Foundations' international activities will be enhanced through a range of co-operative relationships with entities such as:

- international tour operators
- governmental & diplomatic links
- client branch & trade bodies
- international Chambers Of Commerce & tourist agencies
- major hospitality institutions

Vision of the future

The planned company can look forward to a promising future, because of the experienced staff, our careful planning, the potential of the targeted market segments, and skills training program. Our pre-market research has shown the intended market to have plenty of room for a hotel such as *Foundations* intends to run. The management style is flexible, progressive and energetic. Enthusiasm of the management as well as the employees will greatly stimulate the envisioned growth.

Main objectives

Business objectives

1. Establish an organization which provides opportunity for employment with skills training internships
2. Provide a venue for the creation of a local/regional business employee pool
3. Become established as a renowned hotel
4. Partner with community agencies to enhance job training services
5. Establish a funding source for the development of new small business ventures within the region (with profits offering non-interest bearing loans)

Financial objectives

1. Obtain grants/contributions in the amount of \$15M (construction/start costs)
2. Create profit margin which allows above median wage rates for all staff
3. Establish profit margin which allows

Marketing objectives

1. Create a presence on the Internet including Online Reservation System
2. Establish marketing reach
3. Increase name recognition

Key advantages

Foundations will become a renowned hotel because of the following key advantages:

- Our focus on job skills training purposed to impact the surrounding region
- Our hotel is formulated along current ecological guidelines greatly reducing its impact on the surrounding environment whilst stimulating local economy.
- The hotel will have a 3-diamond rating in international hotel rating systems.
- The hotel will have a state of the art security system with direct communication to the local law enforcement department.
- Specifically designed ambiance in a classical northern style setting.
- Maintenance of high-quality real time financial and reservation system.
- Our unique formula for service and ambiance.

- Senior management will have significant business experience.
- *Foundations* will have strict financial guidelines in the areas of liquidity, inventory management, and profitability and is positioned well for future growth.
- *Foundations* will have negligible long-term debt.

Strategic alliance

The *Foundations* hotel will successfully brand itself as a 3-diamond quality hotel and will be inspected and listed as such by all major travel agents and hotel associations nationally / internationally. We will continuously develop associations with the world travel, business and tourist organizations and expect these alliances to further enhance our reputation as a quality destination.

Our attorneys will assist us with all of the land use, permitting, environmental, and construction issues inherent in the development of our hotel to ensure the project is completed on schedule and in accordance with the planned budget.

Their partners will have extensive experience representing developers before local, regional, and state agencies with respect to zoning, land use, impact fee and impact fee credit, transportation and infrastructure requirements, as well as financing, and other development-related issues.

Strategic positioning

The *Foundations* hotel will differentiate and position its business from its competitors by offering a secure and pleasurable stay, providing high quality services, a state of the art security system and professionally trained staff. Its concern for the environment and its level of no-fuss service and accountability set it apart from other, more expensive, similarly positioned hotels in the area.

Personnel

The 5-year projection for personnel is expected to show the following:

Personnel projection	Year 1	Year 2	Year 3	Year 4	Year 5
Accounting	3	3	4	4	4
Engineer - Plant	5	5	6	6	6
Hotel Accommodations	13	13	14	14	14
Security	6	6	7	7	7
Food/Beverage/Catering	6	6	7	7	7
Housekeeping	9	9	10	10	10
Marketing	2	3	4	4	4

Sales - Convention	2	3	3	3	3
Convention/Conference	2	3	3	3	3
Education/Training	2	3	3	3	3
Total	50	54	61	61	61

These figures are a blend of full and part-time employees and do not include the internships for skills training. It is anticipated that each department/area will engage 1-2 interns at any given time through the first 2 years. *Foundations* will consider increasing these figures in conjunction with increased business activity after year 2.

Licenses

Foundations will obtain the following required licenses:

- Hotel operating license. We have filed registrations with the state and federal governmental agencies concerning requirements of state laws and the Interstate Land Sales Full Disclosure Act.
- We will obtain all necessary environmental permits from local, regional, state and federal regulatory agencies, including wetland impact, endangered and threatened species, storm water management, water use, and other types of permits.
- Restaurant/food catering license

Sales

Foundations Hotel & Conference Center will sign several major agreements with local entrepreneurs and organizations to receive their customers. As a result of these agreements, sales in the local and regional market will accelerate and add to the sales momentum.

Foundations Hotel estimates 2012 (6 months) sales to reach \$ 1.1M, with net earnings of \$ 220,000 (20 percent of sales). Sales are expected to reach \$ 2.8M, with net earnings of \$ 840,000 (30 percent), by the end of 2013. These figures do not include convention sales estimates.

Internet

Foundations Hotel currently has plans to (re)develop its web site as construction proceeds. In line with trends *Foundations* will establish a web site through which it will be possible to make reservations and obtain information about the hotel's services and facilities. There has been a dramatic increase in online hotel booking in recent years and that trend is expected to continue.

Funds required

As we are becoming more widely known and more of the travel industry and general population gain an interest in our hotel, the demand for specific services and products

will increase. To meet the expected demand and future growth of the hotel, *Foundations Hotel* will seek the financing necessary to construct and continue to improve the facility, add new equipment and hire additional staff.

The average allocation of budgeted costs for our type of hotel is: 6% for land, 10% for development and soft costs, 66% for site improvement and building construction, 12% for FF&E, and 6% for pre-opening and working capital.

Foundations is seeking charitable giving contributions to fund the construction and opening expenses. The contributors will receive a tax credit receipt from our parent organization, Pine Grove Church of God.

Marketing

The *Foundations Hotel & Conference Center* product mix

Accommodation

The accommodation of *Foundations' Hotel* consists of various suites (honeymoon, deluxe, business) and rooms (single and double rooms). Each room includes a bathroom, TV, mini bar, air conditioner, and internet access. Several rooms will have a panoramic view while most other rooms have a garden view. Additionally *Foundations Hotel* will offer security coded entrance to building and rooms, safety deposit boxes, secure luggage storage, 24-hour reception and helpdesk and business amenities.

Food Service/Room Service (Grill)

Food service is intended to serve a complementary breakfast. Room service will offer lunch and dinner to guests, but also will cater to convention customers during meetings.

Due to the nature of our hotel, we will serve healthy foods, and can even provide a special diet service.

Recreation

Foundations will offer several recreational facilities on the grounds. Facilities available include: pool and sauna/whirlpool.

Foundations will also offer access to activities in the surrounding area. The Grand Traverse region offers amenities as can be expected of the location. Amenities available within the immediate area include: walking, hiking, bicycling, parasailing, boating and other water sports, tours of the city, and many more.

Conference facilities

Foundations will have 5 conference areas/rooms which can be used throughout the year for meetings, seminars, parties, and corporate gatherings. Seating in our largest area will accommodate up to 600 individuals seated at tables, 1000 in chairs. Equipment such as overhead projectors, telephone, fax, copiers, and services such as security can be provided.

Additionally, *Foundations* will have an arboretum which will be available for public use: personal relaxation, weddings, recitals, etc . . .

The product line offers the following additional advantages:

For families

For families we offer access to child care and children's facilities such as local day care center, playground, and accommodations suited for small children and babies.

For business travelers

For business travelers we have a complete range of conference and business facilities such as office space, fax, printer and secretarial services and broad band Internet connections. Our meeting rooms are fully equipped for conferences and we have limousine and taxi services to and from the hotel to the airport and major urban centers in the region. We also will have available reservation of our entire third floor for corporate gatherings over several days. This area offers secluded conference amenities found on the main floor while affording uninterrupted meetings.

For couples without children

For tourist couples without children we have a large variety of amenities catering to the young and old such as a full program of recreational activities: walking, hiking, bicycling, parasailing, boating and other water sports and historical tours of local cities, and many more.

For single and group travel

For the single or group traveler there is a selection of group activities available which can be reserved in advance or after arrival at the hotel. These activities include sports and recreation, dinner dance evenings [at local venues], guided tours and organized coach travel to areas of interest in the region. All group travel can be accompanied by a [resident hotel] guide and the hotel can handle any in-house catering for groups.

For physically impaired

The hotel is amply suitable and adapted to persons who travel in wheelchairs, need nursing care, have vision or hearing difficulties or otherwise require easy access to amenities, services and accommodation. All hotel buildings are low on thresholds. Ramps and elevators are located where stairs are necessary, there is clear signing of all services and amenities and rooms can be fitted out with alarm buttons for immediate medical attention.

Market analysis

At *Foundations* the following tools were used to analyze and to explore the market:

- inquiries with existing and potential customers
- requested information from community business support groups
- collected catalogues, price lists and brochures of competitors

The hospitality market is good for billions of dollars a year. After two years of struggling, the hospitality industry is projecting a stronger surge during 2010, in which period a significant increase in activity is anticipated. Revenues as well as supply and demand all suggest a season of positive growth.

Growth in visitor numbers has steadily increased in 2010, and this is following an 8% decline in 2009. Visitors from Lower Michigan have been the primary source of this growth. We expect that the increased preferences for domestic travel, close-to-home destinations, and highway travel will boost *Foundations'* visitor numbers.

PGCOG undertook substantial research prior to forming *Foundations*. The focus of this research was on the growth of the Grand Traverse region in general and on the geographic market we plan to serve. The research results were very encouraging.

Regional analysis

The size of the market in the region averages anywhere from 50-90% occupancy rate throughout the year. *Foundations* intends to capture a portion of this regional market. This market has experienced erratic growth in the past few years related to the national economy. Luxury hotels and resorts in the area average 110 rooms and room rates of \$145 to \$175. *Foundations* will capture a portion of the corporate business that yearly visits the area.

Market share objectives

The number of direct competitors is estimated at 0. This is because *Foundations* will offer convention facilities that are unmatched in the region with size and pricing.

Market segmentation

Four types of hotel properties generally appeal to leisure travelers: economy, mid-priced, upscale and luxury hotels & resorts.

Because of its location and formula the hotel will cater primarily to business people and will be open all year.

Customer profile

Product	Business guests	Tourists	Area	Other
accommodation	X	X	X	
restaurants	X	X	X	
conference rooms	X		X	X
parties & catering	X	X	X	X
recreation		X	X	

In general the purpose of visit will be 15% tourism, 5 % family visit, and 80% is business related.

Marketing goals

An important part of *Foundations'* marketing goals and strategies will be to establish and maintain its level of quality accommodation and associated services. Due to a lack of a single international rating system in the hotel and accommodation sector, the hotel has decided on a strategy whereby its rating in the North America is at least that of a luxury hotel.

To this end we will regularly invite representatives of the various rating systems to visit the Foundations to ensure that we will remain listed within these categories. Upgrades and renovations will be carried out whenever necessary.

Personnel and the marketing concept

The employees must be able to carry out the philosophy and the strategy of the company. This will be emphasized until the strategies are carried out as planned and the results are obvious. All new strategies will be forwarded and discussed with the employees on a regular basis during the weekly meetings.

Responsible for the correct flow of information will be the department heads as laid out in the organizational chart.

Pricing strategy

In the hotel branch there is an overall tendency to consider the competitive offers as well as the degree of acceptance by the customers when planning a pricing strategy. Foundations will follow this tendency.

Foundations' services are priced at parity with or at a slight premium over competitive offerings. Extensive promotional activity, including daily and holiday specials, help to ensure that customers perceive that they are receiving higher quality products and prompt, courteous service in exchange for the slight premium in price.

Operations

Foundations Hotel & Conference Center Identity

The identity of the *Foundations* will be made clear by its furnishings and decoration and for its focus on job skills training. Its classical northern style will be reflected in the buildings, grounds, accommodation and all amenities and facilities the hotel offers.

Location

We are going to be located in East Bay Township. This location has been selected because of location, visibility and image. The location will also provide our employees as well as our customers with the necessary accessibility. We are open for business throughout the year being located in full season climate.

Location	Description
Immediate area	
Type of area	Business area and airport nearby
Adjacent uses	Shopping center, entertainment
Benefits	Busy area throughout the year

Proximity	
Customer type	Tourists, business travelers
Potential customers	Local up through international guests
Competitors	Many hotels but only one with conferencing equal capacity
Traffic volume	
Patterns	Large intersection nearby
Situation	Easy access to main road
Pedestrians	Low pedestrian area
Periods	Between 7:30 AM and 9:00 AM is extremely busy with nearby school activity
Accessibility	
Close to major streets	Near main shopping area
Easy entrance/exit	Open doors, easy to walk in
Visibility	
From road	Easy to see, signs with logo will be visible
Appeal of exterior	New construction
Landscaping	Landscaped area surrounding the hotel

Outside city limits

The location of the hotel has been chosen because of the charm of the natural surroundings, the accessibility to existing infrastructure such as the airport and bus station and the national highway grid. The remoteness of the location offers an ideal retreat for tourist and business travelers who seek a place away from urban areas and the hustle and bustle of modern life.

The surrounding woodlands and the close proximity to the beach / parks / woods / harbor / shopping malls make this a prime location for a hotel business.

At the airport or other transport hub

The hotel is situated near the airport of Traverse City. This significantly increases our short stay traveler guest numbers. The airport will be nearest to our location and we are confident that we can obtain a sizeable portion of this market.

In a resort town or popular tourist destination

The hotel is situated near the resort town of Traverse City, MI, which is a thriving tourist and business traveler destination in Grand Traverse region. Research has shown that there has been a shortage of conference accommodation capability in

Traverse City and we are confident that, as the city continues to expand, our hotel will become an established part of this popular destination.

Premises

Foundations will own a 225,000 square foot building with a combination of accommodation, office, storage, and catering and conference space. The hotel will have 112 rooms, some of which are suites, and several conference/meeting spaces available.

Parking

Parking facilities will be our own parking lot for cars to accommodate a full capacity conference gathering (600 seated at tables).

Security

State-of-the-art security facilities

The hotel will be outfitted with a state of the art security system in addition to smoke alarms and a sprinkler system. This will include a CCTV (closed circuit television) system for surveillance of all public areas such as the hotel entrance, the parking lot, the conference and meeting rooms, and the swimming pool, as well as all corridors, elevators and service areas of the hotel. Professionally trained security personnel are part of the hotel staff and can be hired from a local security firm to expand any group of visitors' needs.

Cooperation with the local authorities furthermore ensures safe transport to and from the hotel from Cherry Capital Airport whenever this is required. This will ensure that our high profile visitors, be it dignitaries or businessmen, can be assured of a safe and secure stay at Foundations.

Advertising and promotion

Foundations' promotional plan is diverse and includes a range of marketing communications. We will have a Grand Opening to be scheduled upon construction completion which will be advertised in local newspapers and local radio channels. To support expansion efforts, the hotel considers using popular media, such as local TV, radio, newspapers and the Internet to advertise.

It appears that the most successful hotels / resorts spend a percentage of net sales revenue for promotion and advertising. *Foundations* plans to do likewise with a portion of net sales on a yearly basis. Based on this decision, advertising and promotional possibilities were prioritized in order of probable effectiveness.

Opening -- we will send out an introductory press kit to all media and place printed announcements in key publications.

Ongoing -- during the initial year, we intend to get our leaflets displayed in the many venues in the city. The staff will be trained as to promote by word-of-mouth.

Future - for our conference services, we intend to hire a sales representative who will be in charge of prospecting for new clients.

Public relations

Press releases are issued to both trade journals and publications such as local and regional newspapers, travel agents, hotel and accommodation magazines, online hotel and restaurant directories and in conjunction with local Chambers of Commerce.

Analysis of the advertising expenditures/Advertising with promotion goals:

These areas will be established with a professional marketing consultant as construction begins. This will allow *Foundations* to prepare for the grand opening and on-going business.

SWOT analysis

Our analysis is based on input collected during discussions with staff, distributors, customers and industry interviews.

Summary of Strengths and Weaknesses

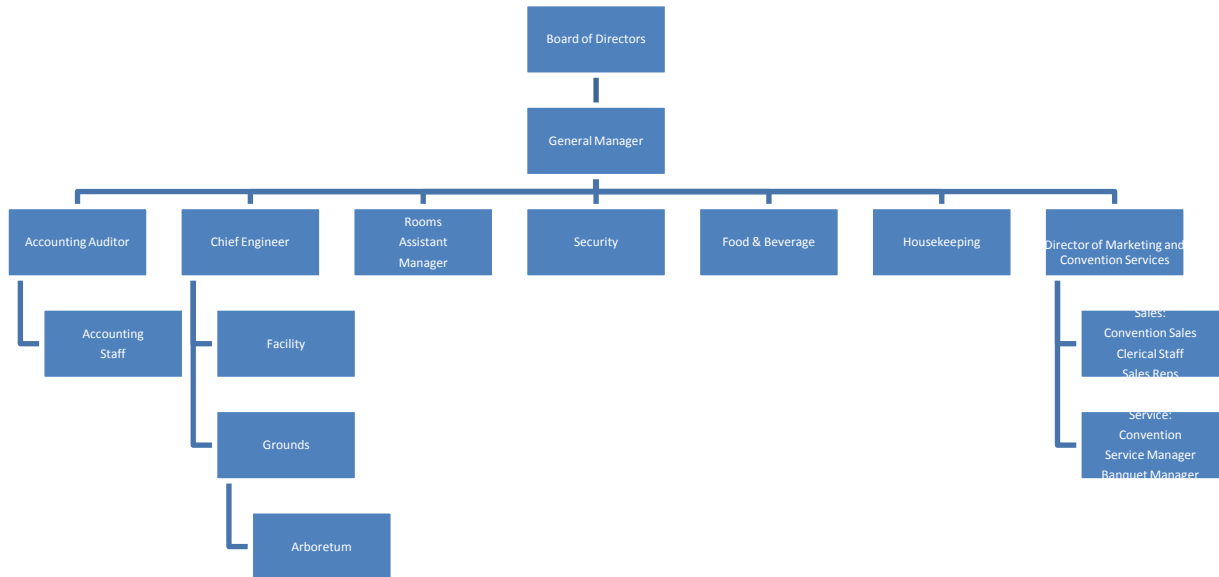
	Strengths	Weaknesses
Business climate	Present lowered costs for construction Positive focus on job skills training/internships/job creation endeavors	An overcapacity in the industry has resulted in a deterioration of trading conditions. Atrophy in consumer spending is fueling decreased visits or numbers.
Internal organization	Built with little (if any) debt load Christian values	Establishment of new organizational process will require intense oversight
Political factors	Strong push for job creation	Low consumer expenditure. increasing living costs.
Social factors	Many people spend their vacations in our region.	Poor economic times are decreasing unnecessary spending
Workforce	Increased unemployment figures will provide optimal opportunity for full staff	Internships for unemployed/under-employed workers will require increased number of regular staff
Economic	Tax-exempt entity	Due to overcapacity in the sector profit margins are squeezed to the minimum.

Problems and Possibilities

	Problems / Threats	Possibilities / Opportunities
Economic	In times of recession less people may be inclined to travel.	Offer excellent value for money.
Internal organization	Parent organization (PGCOG) changes leadership	Establish Board of Directors with community members, as well as PGCOG members
External factors	Lack of community support	Job creation and skills training brings hope and economic uplift to community
Personnel	Finding qualified personnel can be a tedious task.	Motivate current personnel.
Accommodation mix price quality purchasing customers competitors other	Many hotels in area of similar room numbers and pricing	Emphasize focus on business sector and conference space availability – none comparable in area for space available
Food mix price quality purchasing customers competitors other	No restaurant on site	Specific catering for conference needs, complimentary breakfasts and room service available (grill)
Conferencing mix price quality purchasing customers competitors other	Need for increased staff and marketing, increased risk management issues	No other similar sized space available in area with equitable pricing

The organizational structure

Management and personnel: See Chart Below



Administrative organization

The administration is done by the General Manager/Director with the management team. They will also produce the annual profit and loss account and balance sheet as well as file our tax return. The day to day bookkeeping is done by computer. All work will be overseen by the Board of Directors comprised of Pine Grove COG appointed members and community members.

Contingency

In the event anything might occur that prevents the General Manager/Director to conduct his / her business the following persons will ensure the continuation of the company: Board of Directors.

Information

Foundations will have systems in place to provide the appropriate information needed by staff and board to make sound financial decisions and to fulfill IRS require

Accounting principles

The projections have been prepared using generally accepted accounting principles that *Foundations* expects to use when preparing its financial statements.

The company's CPA will prepare management letters containing recommendations for improvements in the financial operations of the organization. This will be reviewed by the Board of Directors. The report will be made available upon written request.

Insurance

Foundations will have suitable insurance coverage which will be periodically reviewed to ensure that the appropriate levels and types of coverage are in place.

- fire insurance
- building insurance
- liability insurance
- burglary & dishonesty insurance

Construction Bid

See report from Comstock Construction listed on the “Business Page” of the *Foundations* website.

Anticipate beginning of construction in the spring of 2011.

Education/Skills Training/Internships

- 6-8 months
- Paid above minimum wage rates
- 8 hour day: 6 hours “hands on”, 2 hours of individualized classroom learning
- Reference out to business community
- Provided limited healthcare benefits
- Ability to work in an area of intern’s interest: landscaping, catering, etc...
- Professional educators
- Mentoring outside of workplace if intern desires
- Access to computers and other technologies to aid learning
- Anticipate partnering with Michigan Works and other employment agencies to insure that interns are indeed, unemployed or under-employed
- Housing will be the responsibility of the intern, not *Foundations*
- Internships available beginning with the construction phase
- Internships available for teens through all age spectrums of adulthood

