



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,

## MANAGEMENT CONTRACT AND FRANCHISE AFFILIATION SELECTION

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

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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.