

Hotel18

June, 2018

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1.0 Executive Summary

The reason of this paper is to introduce a new Pardes Group Investment Program in hotel and hospitality support means. This program was studied and developed along past three years through Latin America Division of Pardes Group in their local office and with labor of many experts in Brazil and nearby countries in South America. Now, we are looking for financial institution, lender, partners or otherwise of investor kind that can works together offering support for financial resources to complete the program. We are guarantying high profitable return of investment, over than 60 % in comparison with US T Bond, real estate as collateral and issue of debentures, as supplementary collateral, to guarantee and comfort, of the payment of investment made in this program. All acquisitions are working for a minimum of five years and are profitable. Don't exist new business that can be risk for investor. We are looking for a thousand rooms in this initial stage, and we talked about with one of most important and greatest hotel chain in south of Brazil that is ready to be negotiated. Initially we are looking for US\$ 250 million to buy all properties and trade mark. This value will be returned to investor in twenty years, with one year of grace period to adequate the hotel chain to new owners. We accept payment annual or semiannual, since the value will be compatible with the business. In next pages you can see the study and report of this program. We are knowing that your business is to increase your net profit, and we have the certain that this program will achieve your goals.

1.1 Objectives

This Strategic Business Plan was developed to offer a complete vision of the Pardes Group investment program in hospitality and hotel for investors and investment companies.

Our objective is to show and demonstrate the profitable proposal that the Pardes group Latin America has developed along the past three years.

To be used as an international parameter, this SBP (Strategic Business Plan) used international data and information that can be found in the "Lodging Industry in Numbers- Brazil 2017" from JLL group (**Jones Lang LaSalle**); and whose is one of most respectable companies and devoted to real estate and hotel research around all world.

So, using this information our team expect that the final reader, the investor and their group and professionals, has a complete vision, geographic, economic and financial of the program, and that this paper can be help the investment decision in favor of our program along next decade.

1.2 Mission

Our mission is search, study, select and buy hotel, resorts, apart-hotel and others different kind of hospitality means, that can be converted in valuable assets in the Pardes Group investment program.

1.3 Keys to Success

The most important success key is the acknowledgement that our team has in Latin America.

Living in Brazil during last decades, all most part of our hired professionals have excellent and important cultural knowledge, tendency and process in the country that is one of most valuable point in our group.

Located in the financial core of all Latin America, our commercial office is well positioned in Paulista Avenue, and our partnership offices cover all Latin America, in the most important countries, as Brazil, Uruguay, Paraguay, Argentine, Chile and Peru.

In all other countries of Latin America, including Mexico, our group have associated offices or registered offices as local representing.

The acknowledgement, culture living, and local presence offer to us the best opportunity and facilities that no other office can offer appropriately.

2.0 Company Summary

The Pardes Group is an international organization composed by offices, owner or partnership, associated and experts that works together to develop new business, projects or to develop and implement proposal for third party.

Founded in 1986 as a consulting group, and named Business Consultant Sao Paulo, the company start their business in assistance of accountants and management of small and medium companies.

In 1990 years the structure of company is changed and the Pardes Group appear by the first time as an investment advisor company.

Along the 90's years the company have their structure increased and turns a consultant group, expand their business around the world and begin their intelligence division to offer support for offices that need help in their business.

Today Pardes Group is a worldwide company, and have more than 3.000 registered persons and experts to support their works covering all world.

Registered in Dacon - Data Consult Bank - DG Market and in the Project Management Institute, the Pardes Group works in business intelligence and integrated solutions for industry and companies that have interest in a high-level assistance.

The proposed program will be developed according our international rules, and will be independent of Pardes Group, but under the control and development of one (or more) of associated offices.

This program will be developed according local and international culture and law.

A SPE (special purposes enterprise) will be created in each acquisition, according the next rules:

- 1) Each investor will receive the totality shares of new company to be used as guarantee of their investment.
- 2) After the acquisition, the shares of company will be swap by the hotel shares.
- 3) The SPE will issue debentures to pay back the investment made by investor or lender.
- 4) This debentures can be sold in market after 90 days (local CVM-SEC rules)
- 5) After the payment of the investment made, the shares of hotel will be transferred to Pardes Group.

2.1 Company Ownership

Dr. Ailton J Garcia, is owner of the Pardes Group and he is it's founder in 90's years.

Today the Pardes Group is an international organization of associated offices, in that each one office proposes projects and business and take part of this profitable market.

So, each project is an independent enterprise in that have the Pardes Group, the local office, the project promoter and the investor as their director board.

All of their developers receive their profit along the time and at end of the project.

2.2 Start-up Summary

This program is the result of two years of development and studies made by our south america office.

The program is devoted to buy and sell hotels, condo and hospitality services around the world, and will begin in south america, starting in Brazil.

Brazil have more than 537 thousands of hotel rooms in their territory and was increased the numbers that had in more than 14 % in function of football world cup and Olympic games that occurred in the country.

Today the cost of UH in Brazil is very low, because the country has passed through a financial crisis due their legal problems with their governors.

This situation is benefic to us because show that the legal system in Brazil works and reduces the risk for investor.

At the other side, the low cost is not permanent, because their economy is recovering, the industry is growing, and the people has returned to their ordinary life.

In Brazil, today, the average cost of one hotel room to be sale is from US\$ 46 thousand to US\$ 125 thousand (4 star to 5 star; according the EMBRATUR - a local touristic governmental agency).

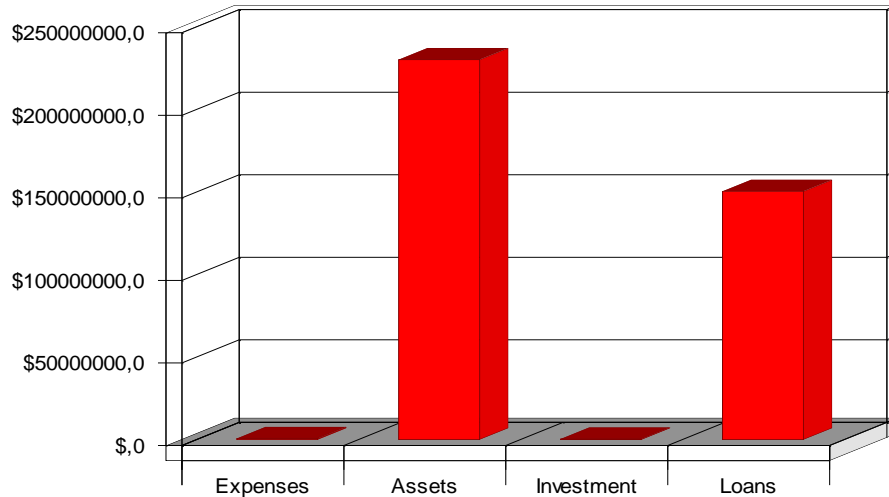
This value is very low if compared to other places; in that can exist the same possibility to gain the same value by hotel room.

So, this is the best opportunity to begin our investment program and to buy great hotel chain to startup this proposal.

Start-up Plan	
Start-up Expenses	
Legal	\$87.500
Stationery etc.	\$18.200
Brochures	\$8.000
Consultants	\$375.000
Insurance	\$137.500
Rent	\$52.830
Research and development	\$48.000
Expensed equipment	\$35.000
Other	\$24.000
Total Start-up Expense	\$786.030
Start-up Assets Needed	
Cash Requirements	\$230.000
Start-up inventory	\$0
Other Short-term Assets	\$38.000
Total Short-term Assets	\$268.000
Long-term Assets	\$230.000.000
Total Assets	\$230.268.000
Total Start-up Requirements:	\$231.054.030
Left to finance:	\$80.056.530
Start-up Funding Plan	
Investment	
Pardes Group	\$475.000
Investor	\$0
Equity or lender	
Total investment	\$475.000
Short-term Liabilities	
Unpaid Expenses	\$0
Short-term Loans	\$475.000
Interest-free Short-term Loans	\$47.500
Subtotal Short-term Liabilities	\$522.500
Long-term Liabilities	\$150.000.000
Total Liabilities	\$150.522.500
Loss at Start-up	\$79.270.500

Total Capital	\$79.745.500
Total Capital and Liabilities	\$230.268.000
Checkline	\$0

Start-up



2.3 Company Locations and Facilities

The main office is located on Avenida Paulista, the financial heart of Latin America, located in the financial center of São Paulo city.

São Paulo (Portuguese pronunciation: [saw 'pawlu]) is a municipality in the southeast region of Brazil.

The metropolis is an alpha global city (as listed by the GaWC) and the most populous city in Brazil, the Western Hemisphere and the Southern Hemisphere. The municipality is also the Earth's 13th largest city proper by population. The city is the capital of the surrounding state of São Paulo, one of 26 constituent states of the republic. It is the most populous and wealthiest city in Brazil. It exerts strong international influences in commerce, finance, arts and entertainment. The name of the city honors the Apostle, Saint Paul of Tarsus. The city's metropolitan area of Greater São Paulo ranks as the most populous in Brazil, the 11th most populous on Earth, and largest Portuguese-speaking city in the world.

Having the largest economy by GDP in Latin America and the Southern Hemisphere, the city is home to the São Paulo Stock Exchange. Paulista Avenue is the economic core of São Paulo.

The city has the 11th largest GDP in the world, representing alone 10.7% of all Brazilian GDP and 36% of the production of goods and services in the state of São Paulo, being home to 63% of established multinationals in Brazil, and has been responsible for 28% of the national scientific production. With a GDP of US\$477 billion, the São Paulo city alone could be ranked 24th globally compared with countries.

The metropolis is also home to several of the tallest skyscraper buildings in Brazil, including the Mirante do Vale, Edifício Itália, Banespa, North Tower and many others. The city has cultural, economic and political influence both nationally and internationally. It is home to monuments, parks and museums such as the Latin American Memorial, the Ibirapuera Park, Museum of Ipiranga, São Paulo Museum of Art, and the Museum of the Portuguese Language. The city holds events like the São Paulo Jazz Festival, São Paulo Art Biennial, the Brazilian Grand Prix, São Paulo Fashion Week and the ATP Brasil Open. The São Paulo Gay Pride Parade rivals the New York City Pride March as the largest gay pride parade in the world. It is headquarters of the Brazilian television networks Band, Gazeta and RecordTV.

São Paulo is a cosmopolitan, melting pot city, home to the largest Arab, Italian, and Japanese diasporas, with examples including ethnic neighborhoods of Mercado, Bixiga, and Liberdade respectively. São Paulo is also home to the largest Jewish population in the country and one of the largest urban Jewish populations in the world. In 2018, inhabitants of the city were native to 196 different countries.

People from the city are known as paulistanos, while paulistas designates anyone from the state, including the paulistanos.

The city's Latin motto, which it has shared with the battleship and the aircraft carrier named after it, is Non ducor, duco, which translates as "I am not led, I lead." The city, which is also colloquially known as Sampa or Terra da Garoa (Land of Drizzle), is known for its unreliable weather, the size of its helicopter fleet, its architecture, gastronomy, severe traffic congestion and skyscrapers. São Paulo was one of the host cities of the 1950 and the 2014 FIFA World Cup. Additionally, the city hosted the IV Pan American Games and the São Paulo Indy 300. São Paulo is the second best city in Brazil to invest in, after the city of Curitiba. The city attracts numerous immigrants from all over Brazil and even from foreign countries, due to the vibrant economy and for being the hub of most Brazilian companies.

3.0 Services

Hospitality in services is therefore the art of valuing relationships and through the training policy the development of the humanization of services.

But often the human side of hospitality is little seen if we compare its importance to the process of customer loyalty in hotels.

The hostelry had the initial basic function of housing those who, because they were outside their homes, needed a room, a bed and a good bath.

With the evolution of the area, the new hotel developments sought to understand all the needs of people in transit and to attract the population of the micro-region to consume their products and services.

At the beginning of the first trips, the hospitality was not organized or linked to lodging, gastronomy and tourism or business, as is known today. The search for the consolidation of tourism and business trip as a social and economic activity, structured, has the sense to professionalize, in a way that can attribute, add and gather conditions for the demonstration of quality in terms of services and "welcome":

The "welcome" is closely related to the quality of the goods and services offered in travel. This is equivalent to saying that the quality offered in the customer's destination can directly influence the service. In this sense, it is important that business trip hospitality is present in all activities related to the planned activity.

Since hospitality in services can be seen as the art of valuing interpersonal relationships, the spontaneity of gestures, attitudes, behaviors in dealing with people, transforming them with the development of the humanization of services. "[...] hospitality activities help in the development of social ties with third parties and the subsequent satisfaction of social needs.

We can define the hospitality means as a set of goods and services that aim to satisfy the customer: goods are made up of tangible products such as apartments, meals, etc. and the services are constituted by the set of actions (intangible) that allow the client to enjoy the goods.

So, selecting the best structures, training the people and offering an expected services, with quality and support, the customer will be satisfied and return all travel possible to the same hotel in that he was well received and welcomed.

3.1 Service Description

In the hotel industry, as in many other segments, being able to adapt to a new market and make its processes more flexible is not only a question of innovation, but also of survival.

Our program was developed to buy hotels, in those we can install our business model.

Our program aims to buy hotel whose vocation is business trip and offer the best support for these costumers.

Today over than 60 % of travelers are business man that are travelling because their works. They don't travel to do tourism, and don't need tourism support, they travel to do business and need a business support.

Our hotel chain will focus in this people and their industry that need offer comfort, support and facilities for these people to produces more and with quality their services and products.

3.2 Competitive Comparison

Leveraging its proprietary databases, data from other specialized websites and market information, We identified the hotels that are affiliated with national or international hotel chains and then estimated the number of independent hotels.

The hotels affiliated with national chains with fewer than 600 rooms were considered to be independent hotels.

The percentage of chain-affiliated hotels is still low comprising only 10.9% of rooms, but when expressed by number of rooms, branded hotels make up a more significant 35.4% of rooms available in Brazil, underscoring the relatively large individual unit size of the average branded hotel - especially among those affiliated with international chains.

3.3 Sales Literature

The business will begin with a general corporate brochure establishing the positioning. This brochure will be developed as part of the start-up expenses.

Literature and mailings for the initial market forums will be very important, with the need to establish a high-quality look and feel in order to create and fulfill the right sense of professionalism.

We also need a generalized template for project proposals, with two-color page design for title pages, interior pages, etc.

To supply our investment program, investors and lenders, we will produce month reports, summary of each acquisition proposal and detailed instrument to be offer comfort to investor.

We will maintain an internet home page too, that can offer a complete vision of the proposal project inside the Pardes Group Investment Program.

3.4 Fulfillment

The proposed program will be fulfilled through the selection of hotel acquisition, management and reduction of maintenance costs through technology and good practices.

So, the low cost of acquisition of hotel that are working or in good conditions to works with few investments will grants the profitability of this investment program.

As in Brazil the cost of money is very high, the spread that we can obtain using low cost money (from USA or Europe investor) and the Brazilian national cost of money can turn this program a great profitable at present time.

3.5 Technology

The technology is another important thing in that we need to take care. Using correct technology, we can reduces maintenance cost, reduces energy cost and increase our net profit in all hotels.

The Pardes Group have in their networks and in the supportive network, important elements to offer in this case.

International offices can offer knowledges and technology from their countries that can be used by our hotel chain.

Pardes Group can offer solar panel technology from their suppliers in china, hotel management from their offices in Europe and capital to be invested from their worldwide investment network.

3.6 Future Services

In near future, the Pardes Group hotel chain will offer new technologies for their customers, as a complete virtual back office, in that the costumer can do anything related to their works.

They can use printers that will located in smart spaces in hotel, communication facilities, mega-data information analysis, local

room computers and other facilities that they can use all time in hotel.

The recognition face and personal (customized) that will be made adjusts for their needs and services that is offered by hotel is another important tip in that the technology will offer a differential in hotel of our property.

4.0 Market Analysis Summary

For a second consecutive year Brazil's lodging industry performed poorly, largely attributable to the worst and longest economic recession the country has faced.

The occupancy rate of city hotels (hotels + flats) declined by more than 7.0% in relation to 2015, reaching an average of 55% for the year. Similar to 2015, the decrease in hotel occupancy rates has been significantly deeper than the decrease the country's GDP has observed.

The average daily rate (ADR) performance of city hotels has been more resilient as compared to occupancy, observing a more modest decrease of 1.6% in 2016 as compared to 2015. ADR integrity was somewhat preserved in 2016 as a result of the higher rates hotels in Rio de Janeiro commanded during the Olympic Games.

Additionally, hotels with a large foreign demand base were able to command higher price points as the devaluation of the Real led to an influx of international demand.

The country's average RevPAR fell by approximately 9.0% compared to 2015. Despite experiencing another decrease, the decline in RevPAR in 2016 was significantly lower than in 2015, which was almost 15%. This trend suggests the market is bottoming and may be poised for some level of performance improvement in the near future.

Additional hotel supply grew more slowly in 2016 at a rate of 3.0% as compared to 4.2% in 2015. The majority of the new rooms supply occurred in Rio de Janeiro in anticipation of the Olympic Games. The slowing growth in hotel supply should bode well for improvement in lodging performance this year and next.

As aforementioned, the weak economic conditions in the country have influenced market performance across the entire country. Nearly all of the analyzed markets exhibited poor RevPAR performance, with decreases ranging from 6.2% in Porto Alegre to 23.5% in Curitiba. São Paulo presented a reduction of 9.6%, representing the second market with the lowest negative variation.

That being said, there were two exceptions, those being Rio de Janeiro and Salvador both of which experienced modest increases in RevPAR.

Rio de Janeiro grew by 3.6%, primarily due to the extraordinary ADR levels achieved during the Olympic Games. Salvador's RevPAR grew minimally at 1.2% but still represented a reversal to the negative performance witness in the year prior.

As in 2015, hotel profit margins were negatively impacted in 2016 by the decrease in RevPAR and high inflation. The GOP in 2016 fell four percentage points compared to 2015, reaching a level of 25% over total revenue. Nonetheless, this decrease was less than that observed from 2014 to 2015.

Resort performance continued to improve in 2016. Despite a slight decrease in occupancy rate to 56% as compared to 57% in 2015, hotel average revenues grew 17.5% over 2015.

In 2017 we have a growth over than 18 % in sector in Brazil, due the economy recovers and the industry production that was increased along last year.

4.1 Market Segmentation

We will focus in the guest from business trip and industry customer that need voyage to do their deals and business.

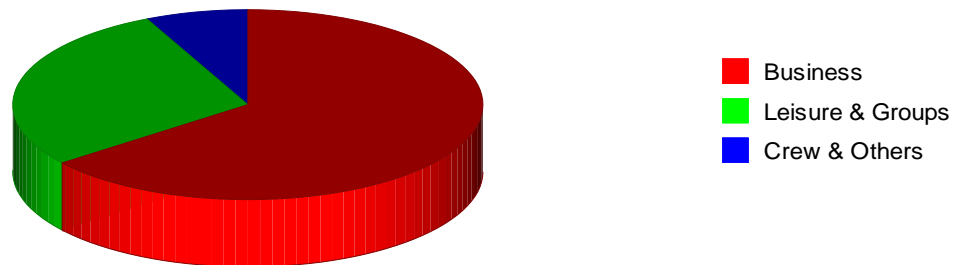
In almost everyone greatest city of country, the industry uses over than 60 % of all room units that are available in region. For their directors in visit, technicians and other professionals that need attention and qualified accommodation.

According JLL research over than 63 % of all guest in Brazil are from business trip, training and for commercial purposes.

Market Analysis

Potential Customers	Growth	2018	2019	2020	2021	2022	CAGR
Business	8%	338.608	364.004	391.304	420.652	452.201	7,50%
Leisure & Groups	6%	149.417	158.382	167.885	177.958	188.635	6,00%
Crew & Others	3%	37.086	38.199	39.345	40.525	41.741	3,00%
Total	6,78%	525.111	560.585	598.534	639.135	682.577	6,78%

Market Analysis (Pie)



4.2 Target Market Segment Strategy

The most important strategy adopted by our team is the aggressive and massive publicity in commercial channels, radio, TV, internet, and offering advantages for touristic agency Airbnb and other services providers for hospitality services.

Focused in business man and industries that need regular use of hotel and hospitality means, we will offer the best opportunity to grant comfort and support for their clients, professionals and hired people that need hotel services.

4.2.1 Market Needs

Today, the business man has not a specific hotel that can offer support for their working day.

Almost everyone hotel that exist in world is devoted to touristic support, family support and leisure.

They are not prepared to offer business support, they have not back office to be offered to client and costumers need find their suppliers out of hotel.

One common tip is that when a guest need copy or use of a computer, the hotel offers a basic desktop use or indicates another

copy bureau in that the client can do all that is need.

offering a virtual office in their room, the hotel can supply all customer needs and he don't need go away of hotel do works in their free time during their stay in hotel.

This vision is one of most important that comes to supply the market need in this segment.

4.2.2 Market Trends

Today the customer has been more conscious in their choice than he was in the past.

The information and facilities of internet big data can offer more details about any hotel that was can possible few years ago.

The number of hotels and possibilities was increased in last ten years more than all history of this segment.

So, the market need be focused in results, the customer need hotel that offer exactly that he need and no more that the hotel chain wants to offer for clients.

This specify, and details made the difference between the success and the bankrupt.

4.2.3 Market Growth

The south American market in hotel and accommodations are increased year after year by great hotel chain that view the market as the most important and the greatest opportunity to invest for many years along.

The growing of opportunities and the possibilities of great return of the investment show us the way to acquire great and profitable properties that have future and in that the investment will be minor than the construction of new buildings.

Acquiring properties and ready to use hotel we can enter in the segment with few investment and receiving great return over the capital invested.

Observing the growing of the segment and market the last years we observe that the growing of the business segment is over than 8 % by year, in front of the tourism growing that was under 1 % by year.

4.3 Service Business Analysis

The accommodation and hospitality services are composed by structure (hotel room, internet services, parking space, etc...) food and beverage (according the region and client) and facilities (meeting room, back office support etc...)

Almost hotel chain has their services and facilities focused in tourism services and offer few more facilities than a room and internet services.

4.3.1 Business Participants

Total de hotéis, flats e Resorts no Brasil¹ | Total number of hotels, condo hotels and Resorts in Brazil¹

Tipo Property type	Hotéis Hotels	%	Quartos Rooms	%
Hotéis e flats de marcas nacionais Hotel and condo hotel national brands	579	5.6%	93,214	17.3%
Hotéis e flats de marcas internacionais Hotel and condo hotel international brands	548	5.3%	96,361	17.9%
Hotéis independentes com até 20 qtos Independent hotels up to 20 rooms	3,711	36.0%	41,253	7.7%
Hotéis independentes com mais de 20 qtos Independent hotels with more than 20 rooms	5,476	53.1%	306,646	57.1%
Total	10,314	100%	537,474	100%

(1) Inclui hotéis e flats inaugurados até junho de 2017 | Includes existing hotels and condo hotels as of June 2017
Fonte | Source: JLL

4.3.2 Distributing a Service

The more you distribute the rooms and services offered by your hotel, the more guests will attract more to your hotel.

The distribution strategy is critical, and implementation is an even more important step.

The main steps for installing a hotel distribution strategy are successful:

Marketing compound optimization:

Understand the different types of marketing that reserve your credit cards in a diversified way to your marketing and optimize your distribution strategy.

The various cases, which can be distributed in two different groups: segments of lower income and higher segments of higher income. The lower income segments generally derive from touristic wholesalers.

Rooms are reserved for their rooms in advance but can also be reserved for their rooms all year round. High-yield segments are usually generated by the OTA and even by the hotel's own reservation system.

Booking cheap prices before arrival, and longer prices pay higher prices for rooms due to their last-minute approach.

Opportunity to do a few days before you arrive and may have a tendency during high season in your region.

Overview of online and offline channels:

A strategy has been in the line from off line. This allows the hotel to be the largest possible number of guests around the world.

Online services include OTA, its own booking system through the website and social media platforms. Offline channels that can be considered as partners can be consulted by telephone as well as wholesalers and tour users.

With online channels, marketing campaigns can reach every corner of the planet. An increasing number of reliable online sites for prices, opportunities and activities for the upcoming trips.

Without online channels, it will be left behind in the past while the rest of the industry moves forward into the future.

While online channels are critical, offline channels are not obsolete. Offline portfolios have a capacity to attract local people as well as older guests who may not feel more compelling to use Internet services.

Technology for everything

Pricing strategy and distribution channels are an important part of your overall distribution strategy, but they are not complete to engage the Internet with certain features to transport these devices seamlessly.

A business solution designed for the relationship sites with their respective distribution channels, which updates their price based on market needs and consumption trends, and maximize how their bookings

4.3.3 Competition and Buying Patterns

Hotel branding and franchising is quite different today than in the 1950s, when Kemmons Wilson began franchising the Holiday Inn brand across the United States to ensure quality and consistency throughout a family's summer road trip.

The strength of a hotel brand—its importance and what it means to traveling consumers—has ebbed and flowed since. While the power of a brand remains debatable throughout the years, one thing is certain: Many hotel franchising companies have adapted their business models, becoming less hoteliers and more so branding, sales and marketing experts.

"It's a different competitive landscape and hotel companies . . . are different animals than they were before," said Angela Roper, professor and director of the International Centre for Hotel and Resort Management at the University of West London.

Because hotel brands own less real estate, operate fewer hotels and instead have chosen to develop their fee-based business models, the barriers to entry for becoming a successful hotel brand are left wide open, Roper said. A company completely unrelated to the hotel business could come in and set up shop, as long as they've got solid system development and a unique technology platform.

Hotel brands have had at least operating experience in the past, Roper said.

"Marriott (International) and Wyndham (Hotel Group) have always been credible," she added, but now you could create a brand without any operating experience at all.

Fewer owners and operators

Many large hotel brands have moved from real estate-based business models to fee-based business models. Many argue the trend began in October 1992 when then-Marriott Corporation split its ownership and management platforms, creating Marriott International to operate and franchise hotels and Host Marriott to retain ownership of all properties.

At the time, Marriott Corporation owned 136 hotels, managed 415 and franchised 195 hotels. As of March 2013, Marriott International owned six hotels, leased 38 hotels, managed 1,021 hotels and franchised 2,571 hotels.

Most other major hotel brand companies have since followed suit.

"We have moved from investing heavily in hotel properties to return to our roots as a hotel franchise and management company, and reducing the capital intensity of the business," reads a statement on InterContinental Hotels Group's investor relations page. As of December 2012, IHG—the parent company of Holiday Inn and Crowne Plaza, among other brands—owned 4,192 rooms, managed 170,998 and franchised 500,792 hotel rooms.

Starwood Hotels & Resorts Worldwide executives have not been shy about plans to up the company's fee-based business. This includes increasing revenues from managed-and-franchised hotels. Currently, managed-and-franchised hotels represent around 90% of the company's total portfolio, compared with 21% in 2004. Starwood's long-term goal is to generate 80% of revenues from its fee-based business.

"It's not meant to be negative, it's just a different landscape today," Roper said. "The online travel agencies, they are pretty close to the customers. They're on top of computer literacy, where people want to go next and purchasing behavior. The hotel companies have to catch up."

More branding choices

Despite franchisors focusing less on real estate and more on branding and distribution, Steve Joyce, CEO of Choice Hotels International, said hotel brands today are "more important than ever." The reason, he said, is one of technology.

"At the introduction of the Internet it gave independent hotels the opportunity to be out there for people to find them like they hadn't done before. So there was this sense that I can be independent and get a lot of the advantages that I didn't get before unless I joined the system because I didn't have reach. There was a sense that the Internet provided that reach," Joyce said recently during a break at Choice's annual convention. "The difficulty with that now is that the consumer is on such a rapidly moving trend in terms of how they reach the Internet that if you're an independent hotel you can't match it."

Joyce pointed to technological advances Choice has made as an example of why joining its franchise system keeps hotels on the forefront and drives additional revenue.

"We were the first one that had the iPhone app, and we were downloaded in a million phones before anyone else had one," he said. "We realized within six months that we were getting a lot of non-PC-based bookings that weren't coming from the iPhone, they were coming from the iPad. So, we had to run and do an iPad app."

"And so, it's a lot of money," Joyce continued. "They're expensive applications, and you can't do it as an independent hotel."

However, Choice also was one of the first companies to introduce a quasi-brand, which gives hotel owners the opportunity to keep their independent name and feel but pay monthly fees to receive sales, marketing and distribution support from a major hotel franchisor. Choice introduced the Ascend Collection in 2008, and several other franchisors followed, including Marriott with its Autograph Collection and Red Lion with its Leo Collection. Ascend recently reached the 100-hotel mark.

"We were the first ones out there that did just a distribution sale," Joyce said. "We don't want to tell you what color carpet you need. As long as your hotel is well conditioned, well run, it's none of our business. You're just buying distribution from us, and that's what we're selling you."

"That is an example of what the future may be for that independent hotel," he continued. "You buy a set of services from a large brand company that has the ability and the resources to keep up with that rapid moving technology."

But Joyce will admit he's not quite sure what the future of hotel branding will be. "If you ask our guys—they're knee deep in this space—we're making three or four bets because it could be any one of them," he said. "The advantages that you get from

being part of a large system and the scale that creates is important on the technology side and then it's critical on the distribution side. You have to have, in this arena, scale and influence to be able to get the right pricing from channels you need to play with."

Choice recently took a step closer to becoming purely a hotel supplier when it introduced SkyTouch, the outside sale of its previously proprietary cloud-based property management system. Franchisees questioned whether the release of SkyTouch made Choice's "secret sauce" available to the public, Joyce said.

"You don't get the distribution, you just get the platform," he explained. "You don't get the 40% of revenues that we drive into a hotel. What you get is a terrific technology platform that allows you to manage your property efficiently, allows you check people in and out, allows you to access reservation platforms, but you don't get ours."

Brands and financing

Most developers and lenders say hotels attached to brands are much easier to get financed because it takes much of the risk out of generating demand.

"If you plug into one of the big-brand engines, the debt financing is going to be cheaper and the equity more attainable," said John Rutledge, president and CEO of Oxford Capital Group, in a recent panel discussion. Rutledge's team has a hotel in New York City called the Metropolitan hotel, which was allowed to keep its name but connected to Hilton World wide's DoubleTree franchise system.

"We felt that we could have our cake and eat it too; we could operate it more entrepreneurial and flexibly as a certain entrepreneurial management team and ownership team, but also plug into that engine," he said.

In Chicago, Rutledge point to the success of TheWit, where owner ECD Company also teamed with DoubleTree.

"It may have been, literally, 'The only way we're going to finance you is if you go with one of the big brand engines' on the debt side or equity side," Rutledge said.

"I sit right next to our head debt guy here in Chicago, and if it's something that's not branded, he immediately comes into my office and says, 'What does this even mean?'" added Justin Epps, VP of the hotel group for Cornerstone Real Estate Advisers. "It's a lot about education and stuff like that."

Jerry Cataldo, president and CEO of Hostmark Hospitality Group said resorts in many resort markets operate better independently.

"You can't justify the expenses of the brand. It's a very seasonal marketplace, Memorial Day to Labor Day," he said. "You just can't overcome the fees that are associated with it. So absolutely the marketplace dictates the brand."

Roper said the decision by hotel brands to change their DNA ultimately leads owners to question the value and return on investment of adding a major flag.

"What business are they really in?" she said. "If they're just specialists in branding and technology, they're very different beasts to how they were years ago. They aren't interacting with the customer as much."

In Brazil, the most important competitors are small hotel, with under than 20 rooms, that offer vacancy for low prices.

Considering our program, we don't have, or will be, contestant with this kind o hotel services, because our customers are industrial management, technician, experts and high-grade professionals that are looking for reasonable cost and comfort for their guest period.

The greatest hotel chain, present in the country, have not the core business and focus like us, because we are centered in business trip and support for industry and commerce, and they are focused in touristic trip and family.

4.3.4 Main Competitors

Ranking das cadeias hoteleiras

Ranking of hotel chains

Ranking das cadeias hoteleiras ¹ | Ranking of hotel chains ¹

2017	Cadeias Hoteleiras Hotel Chains	Número de quartos Number of rooms	Número de hotéis Number of hotéis
1	Accor	42,494	253
2	Choice	11,109	68
3	Louvre Hotels	6,887	35
4	Nacional Inn	6,101	54
5	Wyndham	5,890	33
6	Intercity	5,749	33
7	Nobile	4,812	17
8	Transamérica	4,547	24
9	Blue Tree	4,450	23
10	Hplus	4,411	14
11	Windsor	3,993	15
12	Slaviero	3,591	27
13	Grupo Roma	3,424	12
14	Rede Bristol	3,225	27
15	Bourbon	3,179	16
16	IHG	3,015	13
17	GJP	2,471	13
18	Promenade	2,463	18
19	Marriott	2,416	10
20	Meliá	2,393	6
21	Vila Galé	2,347	7
22	Starwood	2,311	9
23	Bristol Hotelaria	2,133	16
24	Othon	2,124	13
25	Carlson	2,019	11
26	Best Western	1,841	14
27	Hilton	1,669	4
28	Go Inn	1,655	8
29	Hotéis Privé	1,568	4
30	Sauípe	1,564	3

5.0 Strategy and Implementation Summary

1. Defining the Actual Portfolio

An analysis of the assignment provisions is critical to defining the target's actual portfolio as well as uncovering potential obstacles to completing the deal. For example, if third parties (such as the hotel owner, the lender, or the third party operator in a franchise context) have approval rights over the assignment of the agreement to a potential acquirer, consideration needs to be given to the strength of those approval rights and, thus, whether such rights could result in (a) certain hotels not being included in the acquisition, (b) a delay in completing the acquisition and/or (c) unintended costs to complete the acquisition.

2. Sensitivity analysis of discounted present value of the fee stream

There could be threats to the "fee prong" of the basic value equation noted above if (a) the hotel owner has a priority return or guaranteed return ahead of the hotel operator's right to its management fees or (b) there is any subordination of the hotel operator's fees to hotel debt service. In addition, calibrating any performance thresholds that must be met in order for the hotel operator to receive all or any portion of its fees could also represent a further threat to the "fee prong." A review of these items will improve the precision of the value being placed on the estimated fees of an agreement.

3. Security of Tenure

There could be, and likely are, threats to the "term prong" of the basic value equation noted above. Understanding the presence and intensity level of these threats requires a thorough review of the hotel owner's termination rights. For example, is there a performance termination right and, if so, on what terms:

Is it a single prong market test or a two-prong market and budget test and then what are the actual thresholds of the prong(s)?

Does the hotel operator have a right to "cure" a failure of the performance test?

Are there any circumstances that would excuse the hotel operator from satisfying the performance test such as force majeure events or other circumstances outside the control of the hotel operator?

Beyond an analysis of the performance test, are there any other unilateral rights of hotel owner to terminate the agreement? Once the initial analysis is completed on the nature and scope of the termination rights of the hotel

owner, specific consideration should be given as to whether any of the agreements are actually “at risk” of being terminated. Furthermore, a review of the non-disturbance protections vis-à-vis third party lenders is critical as this could represent a further threat to the “term prong.” An understanding of these provisions will improve the precision of the estimated term assigned to each agreement and, together with the fee analysis noted above, will sharpen the value (e.g. the discount rate) being placed on the agreement.

4. Potential Growth Inhibitors

Beyond the basic value equation, does the agreement have other terms that could harm value? For example, a broad and restrictive radius restriction could serve to frustrate or inhibit future growth of the acquired brand as well as the legacy brands of the buyer. So while an agreement acquired through an M&A transaction could have the intended consequence of “unlocking” certain key strategic markets that same agreement, via the radius restriction, could have the unintended consequence of “knocking out” other key strategic markets and/or impairing future growth in the newly “unlocked” strategic market. A clear understanding of the radius restriction provisions is, therefore, an important component to the valuation exercise.

5. Ensuring Product Quality

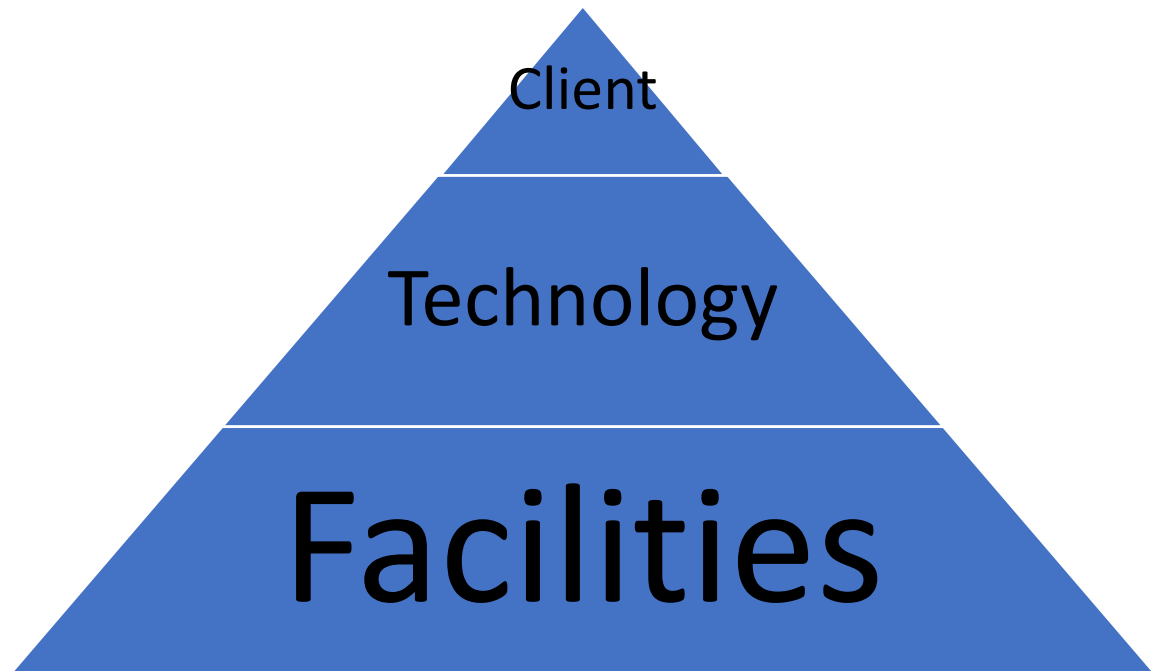
Again, beyond the basic value equation, does the agreement have provisions to ensure product integrity over the entire term of the agreement, including ongoing obligations of the hotel owner to fund capital projects and maintain a funded FF&E reserve? If not, a higher discount rate should be applied to the future fee stream, particularly with a long term agreement where several capital expenditures programs will be required over the agreement term.

As noted above, the initial value of an agreement can be quickly determined by calculating the discounted present value of the fees expected to be generated over the term of the agreement. A detailed review of the agreements, in the manner outlined above, will (a) likely result in agreements not being valued equally notwithstanding possible equivalency in the basic fee levels and stated contract terms and (b) ultimately yield greater precision in the valuation exercise.

Closing Considerations

Consolidation in the hotel brand sector will likely continue as the pressure on hotel companies to drive earnings growth and gain global market share continues to intensify in the face of growing competition and increasing threats from online travel agents and alternative lodging companies. A thorough and early stage consideration of the key value drivers of a target hotel brand will establish a strong foundation for success in valuing, structuring and completing a hotel brand acquisition.

5.1 Strategy Pyramids



5.2 Value Proposition

Hotel Revenue management is a data-driven technique consisting of three interdependent components: customer, product, and price. In order to maximize the hotel revenue in the hospitality sector, it is important to sell the right space at the right price and at the right time. This is the selling mantra of the hospitality sector.

The four ingredients of the recipe to maximize revenue are Segmentation, Forecasting, Pricing, Distribution.

The traditional hotel revenue management model that was in practice until a few years ago focused only on keeping the maximum number of rooms occupied by the guests. With developments in technology and customer behavior now, the focus has shifted to demand-based pricing or dynamic pricing. This concept has moved to not just hotels but also other hospitality establishments also like amusement parks, theatre, etc. and across travel sectors like airlines, cruises, car rental, etc. They charge a surged price for the tickets during peak hours or high demand. This helps them ensure more profit when the demands are high and cover up for the losses during low demand.

A revenue manager must take many factors into consideration, such as changes in consumer buying behavior, the roles of various online distribution channels, and the activities of the competitive set.

A modern revenue manager's job now is not limited to monitoring room rates, it has stretched beyond this extending to revenue strategy to analyze all available data to determine the tactics that will produce the greatest revenue and optimize room inventory.

We are now at a stage where big data is quickly generated and collected. Additionally, data has become increasingly sophisticated in terms of variety, volume, and type. But while revenue management relies on huge piles of data, data alone is not enough. Revenue managers also need to churn that data and provide required insights and actions to be taken.

For profitability to increase in the hospitality sector, forecasting the demand much ahead is really important. Next, gather competition price intelligence; advance level price intelligence tools support tracking price based on geography, booking device and member-only rates. Then set the price of the rooms in the hotel accordingly.

You also need to consider the fact that products like a hotel room and a flight ticket are perishable items, which means that if they are not sold within a stipulated time period, they lose their usefulness and any profitability that will come from them. If a room remains unoccupied for a night, the revenue for that night is lost.

Therefore, it is utmost important that the price of the room or flight tickets etc. is set dynamically based on real-time updates from market and competition behavior.

Guest segmentation is one of the key factors that are at the core of hotel revenue management. From marketing and sales to loyalty management, the segmentation approach lets you support all these efforts.

Segmentation of guests based on their demography, geographic placement, privileged membership status and the device they have used for booking the hotel, makes it possible to target them better for price sensitivity. Segmentation of the guests is also done on the basis of the purpose of the travel, like business or leisure. Business travelers have different requirements as compared to leisure travelers. There is a rise of a new segment also called "Leisure", making it challenging for hotels to meet the expectation of this category of travelers. This segment majorly includes Millennials.

A hotel room tariff is fixed based on different factors, including the advance reservation period of the hotels as well as the price charged by the competitors, etc. Length of Stay (LoS) or the duration of the guests' stay is also an important factor that affects the price decision by revenue managers.

Apart from this, hoteliers are increasingly focusing on ways to increase revenue from guests while they stay on your property. For example, the hotels are devising strategies like enhancing their revenue by encouraging the guests to utilize services like spa, clubs, games, business conference rooms, restaurants, and other activities in the hotel premise. A smart and holistic revenue management approach takes into account every service that the hotel offers in addition to the room and also the auxiliary revenue streams that contribute to the profits. All these assets contribute largely to the overall revenue of the hotel from each guest.

The revenue management of a hotel is no longer possible by estimating all the factors in an unplanned manner. Current market dynamics need the accuracy of data and real-time insights and hence new generation and advanced revenue management solutions are now increasingly used to help the hoteliers understand the market pattern, anticipate the demand and regulate the price accordingly.

From the ROI perspective, it is imperative that a hotel business relies on a robust and automated revenue management system for all daily mundane manual jobs.

An efficient and a cutting-edge Hotel Revenue Management Solution not only increase the revenue and profitability, but also ups the efficiency of sales and marketing efforts. This directly leads to improvement of market insight, demography of the

guests and current trends in the occupancy of the hotel inventory. In this day and age, where competition is quite intense in the hospitality sector and the customer very demanding, it is the time that you must manage your revenue smartly to ensure success.

5.3 Competitive Edge

Our company is different from others hospitality companies because we are not a hospitality group. We are financial group that view an opportunity in the hospitality segment, and that can obtain great returns in the sector.

All other companies, be hotel and hospitality company or a resort, think like a hotel management, but if they begin to think like financial manager, they can find many different ways to increase their profit.

This is exactly that we will do. Thinking like a financial administrator, we will delegate the hotel management for people that know how it works, but at same time we will take care of the property and financial administration. Using our marketing team to develop and create the best marketing program for each hotel we will obtain more rentability and net profit from all money that will enter in the hotel cash.

Using our network (and the crowdsourcing for support in resources and know-how) we will be different from all others hospitality companies.

5.4 Marketing Strategy

Our marketing strategy will focus in companies, sales representatives, managers and all staff company that are looking for comfort, well located hotel, back office support and all facilities to do business in their time of hotel accommodation.

We will maintain a complete site in that the customer can find any information, support and apps for their business development and work.

We know that the business travel is not focused in leisure, but it's focused in work, money and in the needs for next day. We will offer all that a business man need for their day to day in the hotel.

5.4.1 Positioning Statement

For hospitality and hotel services, who local market needs, the facilities, back office support and the expertise in business that the hotel will offer can be the difference between our hotel chain and the others.

All others hotel chains are focused in tourism and leisure travel. So, when a sales representative, or an industrial manager comes to hotel, what they find? Support for tourism, and leisure suggestions.

So, considering the difference, we are focused in the business needs.

All other hotels are working in the green ocean, we will navigate in the blue ocean, in that no exist competitors.

We will do different and so, our client can find in our hotel chain the best support for their business travel. Also, the companies, that need space for training, meeting and are looking for on space in that their managers and visitors can be well receipted will find in our accommodations, the adequate room, services, quality and comfort that are looking for.

5.4.2 Pricing Strategy

At Pardes Group and their associated offices, we understand how complex and how important it is to determine the right hotel pricing strategy.

That is why we prepare this simple step to help the pricing strategy for each hotel in the group.

What do my guests need?

Since your guests are fundamental to keeping your business running, it's important to adapt your pricing strategy to each

market and guest type.

Most hotels use dynamic pricing, but so do many OTAs and metasearch engines. That's why it's fundamental to analyze your market and guest mix to understand your guests before pricing rooms.

What pricing strategy best complements my business mix?

To optimize revenue, it's important to select the right strategy for your hotel's business portfolio.

What factors should you consider? The two main considerations are your hotel's business model and your guests' average length of stay. Hotels focused on airport guests will have a lower average stay than destination hotels. Thus, services associated with different guests will have varying pricing strategies.

How does my direct booking pricing policy affect the rest of my hotel's distribution channels in terms of contracted technology?

Hoteliers should evaluate any potential impacts on direct channels and on the following tools:

- Property management systems (PMS).
- Web booking engines.
- Channel managers.
- Customer relationship management systems (CRM)
- Revenue management systems (RMS).

Some questions you may come across are:

Which pricing strategies are best for specific production volume? What is required to integrate a new tool? What is the cost and potential ROI? Prior to contracting new tools that can greatly condition booking costs, it's important to ask questions

Which pricing approaches and strategies are best for my direct channels?

One goal of your pricing strategy is to analyze the guest acquisition cost and attract as many prospects as possible to your website. Without entering into problems caused by parity pricing, the more direct bookings you drive at a lower cost per acquisition and the more value you provide to your guests, the better.

Price is the most important influencing factor when guests book a hotel room. That's why it's important to provide incentives for guests to book directly with you. Guests are generally willing to pay more if they feel like they are getting more value. Perceived value is more important than actual value. For example, you create a win-win scenario when a guest feels like the "extra" you are offering is worth more than what it actually costs you.

5.4.3 Promotion Strategy

Competition within hospitality industry has become tougher over the years. The rapid development of new hotels makes competition to get market share more difficult than in the past.

This condition even gets more complicated because of the dynamic changes of travelers behavior; which now heavily depends on technology.

To cope with this condition, hoteliers need to be more creative in running their business. They need to come out with correct hotel promotion strategy to be able to keep their property survive over the competition. But how to create one?

Promotion is an essential part of your hotel marketing activity. There are many kinds of hotel promotion strategy that you can explore for your property. The most important thing when you plan promotion for your hotel is to understand the goal of the promotion itself.

Seasonal promotion is hotel promotion strategy that aims to increase number of occupancy during low season. There are

several things that you can do for this kind of promotion. The most common way is giving lower price or discount during low season period. While this method sounds simple, you need to really think about it. To some extent, lowering price is risky because this can drag you into

Therefore, when you decide to make discount or lower you room rate, you need to make sure that it is not below your basic room rate structure. There is no point when your hotel is fully booked but your revenue is below your expense, right?

You can also make your hotel promotion more specialized for specific market target. For example, your hotel occupancy rate is low on weekdays, then you can try to attract business travelers. You can promote your hotel by offering discount during weekdays. This promotion can be combined with other hotel promotion strategy to make it more appealing and offer more values for customers. For example, you can offer free transfer service for second reservation within a month. This surely will attract customers as long as you understand their needs.

When you want to promote your hotel in internet, the best place to put your promotion is your website. Even if you have been connected with several OTAs, direct booking should be your priority when you want to generate a perfect hotel promotion strategy. Make promotion in your own website will not only give you opportunity to attract customer but also a good way to develop your website as main distribution channel for your hotel.

Direct booking promotion does not need to be a complicated promotion model. It can be as simple as giving discount or offer free service if customer book directly from your website.

For example, you can give special 20% off discount for every reservation that made from your website. You can also offer free breakfast for guest who books from your website. Furthermore, you can promote direct booking from your website by offering more flexibility on your reservation policy. For example, you can apply more flexible cancellation policy for reservation from your website. Although it might not be the main factor that attracts guest, but it might make them to consider booking from your website instead of OTA's.

While most hotels tend to acquire new customers from their hotel promotion strategy, maintaining repeated customer should also be your focus. Repeated guests are very important for your hotel business. As a regular customer, they will also be a good publication for your business from the word-of-mouth. Although today it is more difficult to attract customer through loyalty program, but there is still a chance to attract guest from this hotel promotion strategy.

Easy and simple program should be the first thing that you should consider. Today, guest will not be interested in loyalty program that require them to collect points for long time to get benefit that actually can be immediately received. So, it is important for you to make it easier for them to get and claim their benefit.

For example, free one-night stay after five nights stay at your hotel will not attract customer. Instead, you can use the idea to give 30% discount for second night stay. In addition, you should also give relevant benefit for your loyalty program, like special discount, free stay, or free meal at your hotel.

Another great way to attract guest to your hotel is by offering unique package. This package promotion will be a good hotel promotion strategy to attract specific segment of travelers.

The most important thing when creating package promotion is understanding the customer's needs.

In order to get understanding of our guest preference, we can regularly check and review your guest history. It will be easier for we can determine which market segment that mostly stay at our hotel and what are their preferences. For example, after reviewing our guest history we can see that most of them are young business man with age ranging from 25 to 35 years old. As this market segment mostly looking for business and gastronomic experience during their hotel stay period, you can offer special package for him.

It might be as simple as free late check out, special decorated room with back office support, or one dinner experience in your hotel restaurant partnership with local restaurants. You can combine all these special services and offer it for them as unique package to give special experience for them.

5.4.4 Distribution Strategy

Our works will cover two great spaces in media.

One: We will turn our hotel chain one of most viewed in all local industry, that are one of our big customers.

Two: We will create a big marketing show, for customers and high class of business man that are frequently using hotel for their day to day works.

This situation will increase the profit because the management team of an industry, when travel, looks for comfort, support and facilities, all that we will offer for they, turn each one in a frequent customer when well worked for and well received by the

hotel.

Sales directly by hotel site, travel agencies and others distribution ways can offer the selected opportunity for our customers along all world.

5.4.5 Marketing Programs

Our marketing program will be very aggressive, like our customers. In business has not space for weaknesses.

In the hotel and hospitality market the weaknesses is a big signal that the hotel will done and close their door.

Using all space and ways to market and publicity we will cover all industry, travel agencies and people that need the service that we can offer.

5.5 Sales Strategy

Each hotel must implement a sales strategy that works best for its own target market as well as for its destination.

All of our units will do their homework and produces their own sales strategy because not exist only one costumer group, the industrial costumer is different from the agribusiness costumer, they have different needs and expectations, being necessary to adapt each hotel to the regional need for which it is being aimed.

Ultimately, it is up to the hotelier to create a customized sales strategy to drive most of the sales of rooms in their own establishment, but these are some of the key strategies to consider when selling rooms:

Direct booking sales strategy for hotels

With this sales strategy, the priority is to get direct reservations online from as many customers as possible. Direct reservations are the most advantageous for hoteliers because they generate more revenue. There are no agents or other distribution partners to whom you have to pay a commission when a guest book directly online.

To implement a direct booking strategy, hoteliers should invest in an online reservation system that synchronizes with their existing website and hotel management system. Hoteliers should also prioritize their social media strategy by focusing on increasing direct reservations.

Destination Marketing Sales Strategy

This sales strategy requires a hotelier to work with other tourism professionals at their destination to promote the region as a whole. Through a destination marketing campaign, local businesses unite to reach the most powerful tourist destination markets and drive more traffic to the general area.

Cross-promotion sales strategy

With this sales strategy, hoteliers need to identify and evaluate several major events that take place in the local region throughout the calendar year. Then, the hotelier must plan a promotion that may coincide with the event, which will ultimately allow him to obtain an influx of reserves that would otherwise not have occurred. The ideal opportunities for a cross-promotion sales strategy include a sector conference, a concert or a major sporting event.

Reward sales strategy for guests

Many today's travelers, in particular the important generation of millennials, value the opportunity to win prizes with the companies with which they do business. Hotels in particular have great success with rewards programs. In a rewarding sales strategy, the hotelier must develop a system that rewards frequent guests who buy upgrades and recommend them to friends and family. A rewarding sales strategy often generates repeated reservations, which are particularly profitable for hoteliers.

Sales strategy with revenue management

This type of sales strategy aims to maximize the number of rooms booked at any time of the year, regardless of the typical travel traffic at that time. Typically, a revenue management plan requires hoteliers to lower room prices during the off-season to encourage reservations while raising prices during periods of high traffic. During these times, guests will be willing to pay higher prices for a room, so it is worth raising them to generate more revenue per available room.

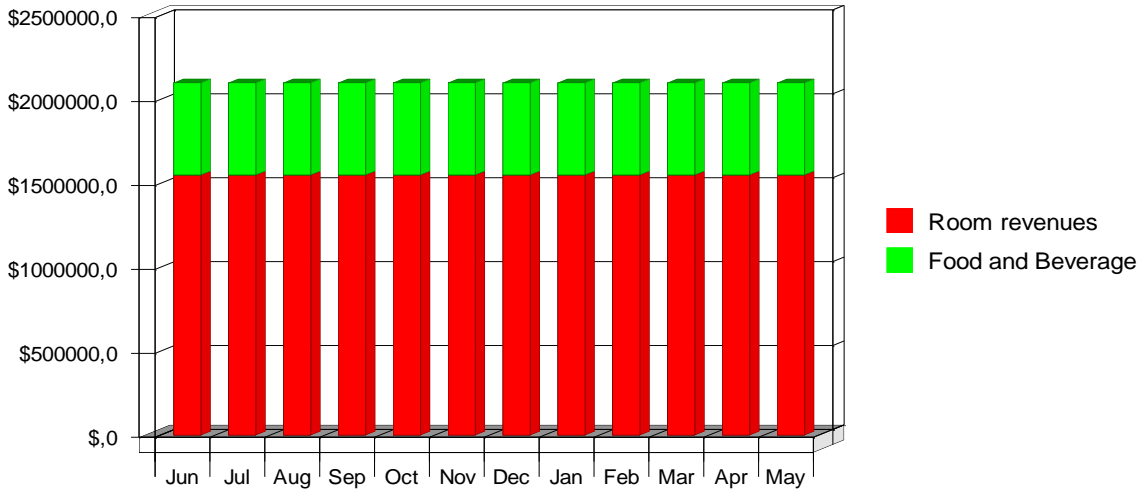
5.5.1 Sales Forecast

The sales forecast table show us that the program has great opportunity to growth more than most of the investments possible around the world.

This is possible because Brazil is coming out of an institutional crisis that harmed the entire country, but that is over and that this is showing as an opportunity to acquire properties that have suffered from this crisis.

Sales Forecast					
Sales	FY2019	FY2020	FY2021	FY2022	FY2023
Room revenues	\$18.608.928	\$19.725.464	\$20.711.737	\$21.954.442	\$23.152.164
Food and Beverage	\$6.610.152	\$7.006.762	\$7.357.100	\$7.798.526	\$8.188.452
Total Sales	\$25.219.080	\$26.732.226	\$28.068.837	\$29.752.968	\$31.340.616
Direct Cost of sales					
	FY2019	FY2020	FY2021	FY2022	FY2023
Room revenues	\$5.018.472	\$5.169.126	\$5.375.787	\$5.590.821	\$5.814.452
Food and Beverage	\$4.559.364	\$4.741.739	\$4.961.410	\$5.128.664	\$5.282.524
Subtotal Cost of Sales	\$9.577.836	\$9.910.865	\$10.337.197	\$10.719.485	\$11.096.976

Sales Monthly



5.5.2 Sales Programs

Our sales program includes OTA, Travel agencies, direct sales and industry marketing for supply our customers.

Every day a lot of people travel for business, training, sales or visit the company or their associates.

This is our focus, and the sales program will work in the same space in that these costumers are working.

5.6 Strategic Alliances

Developing strategic alliances with restaurants, suppliers and services providers, the hotel chain can offer more than a room and food.

According the national researches center for hospitality and hotel (EMBRATUR) the services providers, like taxi cab services, fast food services, florists and other service providers and guest products, including tailoring, messenger services, tech support and boutiques, can increase the quality of hotel services, and the opportunity to be selected in next trip by the customer.

5.7 Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Startup Program	1/7/2018	1/8/2019	\$0		Pardes Group
Market Relationship	1/7/2018	1/8/2019	\$0		Contracted
Investor Relationship	1/7/2018	1/8/2019	\$0		Contracted
Quality Program	1/7/2018	1/8/2019	\$0		Contracted
Acquisition Program	1/7/2018	1/8/2019	\$0		Contracted
Financial Program	1/7/2018	1/8/2019	\$0		Department
Development Program	1/7/2018	1/8/2019	\$0		Pardes Group
Integration Program	1/7/2018	1/8/2019	\$0		Department
Law and Contracts	1/7/2018	1/8/2019	\$0		Contracted
Insurance and bonds	1/7/2018	1/8/2019	\$0		Contracted
Totals			\$0		

6.0 Management Summary

The management team will be composed by our principal staff team that will works like a director's board, ordering and choosing the best way to achieve our goals.

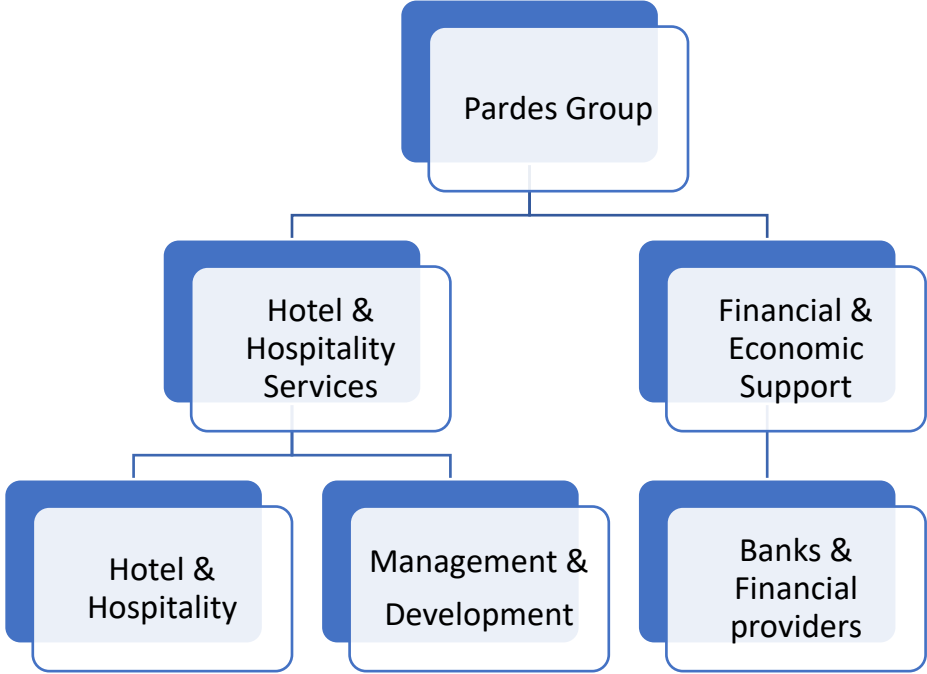
The local management team will be professionals selected from the market and the maintenance team will be hired from the most expressive local suppliers.

So, the unit management will be supervised by our team that will control all procedures online, and with one of our representatives in each hotel as a local supervision.

We will hire only professionals with more than 10 years of hotel management expertise, clean and clear, with no problems, process or convicted by law, and that can offer more than just their labor.

Our management team has more than 20 years of expertise in financial services e management consulting services, that will be used to increase profit of each one hotel in the program.

6.1 Organizational Structure



6.2 Management Team

Our management team is composed by Mr. Ailton Garcia, CEO of Pardes Group and owner of Pardes Consultant & Associated in Brazil.

Mr Waldemar Figueiredo Junior, tax expert and lawyer, owner of National Tax Council.

Mr. Luiz Roberto Nascimento, economist, teacher in university of Sao Paulo city Unisa and Unasa universities.

Mr. Alexandre A Garcia, Technician, expert in quality and control of process by Limeira Unicamp College.

Paulo C Pelissari, lawyer and contract expert.

Mr. Garcia Junior. Expert in Technology and materials, mechatronic Technician and Physicist by Campinas Unicamp university.

Mr. Sergio Fernandes, Office manager and Bank expert. More than 30 years of bank management expertise.

JLL Team Expert in hotel services.

Mr. Jose Mario Lopes, Expert in hotel and tourism services.

6.3 Management Team Gaps

The management team was selected from database of the Pardes Group, where we find hundreds of professionals available to provide contract services with the group.

So, in each hotel, that will be buyer, a small team will be recruited to be the local support and management staff in hotel. This will be one of our most important gap, because all meeting will be done through the conference room of Pardes Group internet services.

Also, will be used a lot of resources from the Pardes Group internet services, like ERP, Video conference rooms, chat rooms, project management programs, and others.

6.4 Personnel Plan

The following table summarizes our personal expenditures.

We are considering 0,47 persons by a group of 5 rooms in hotel, for maintenance, and 0,17 persons by room services, 0,16 for the food and beverage services. All others is for telephonic, reception and others hotel services.

Personnel Plan					
Personnel	FY2019	FY2020	FY2021	FY2022	FY2023
Administrative and General	\$415.320	\$423.625	\$432.098	\$440.571	\$449.380
Sales & Property maintenance	\$376.776	\$384.312	\$391.998	\$399.836	\$407.835
Total Payroll	\$792.096	\$807.937	\$824.096	\$840.407	\$857.215
Total Headcount	118	120	120	120	120
Payroll Burden	\$118.814	\$121.191	\$123.614	\$126.061	\$128.582
Total Payroll Expenditures	\$910.910	\$929.128	\$947.710	\$966.468	\$985.797

7.0 Financial Plan

The leverage program showed in this business plan is an investment program from Pardes Group Latin America (Pardes Consultant & Associates).

It shows that is possible and profitable the investment program and that the investor is guaranteed by real estate and properties, also receives debit title backed by receivables in the future.

The company (hotel) will issue a debit paper (like a debenture) to investor that will sell back for the company, in appropriated time, receiving their invested money and interest along the programmed time of investment.

We can see that this business plan offers a complete vision of the program and investment option, that will be used by investor for evaluation of options.

7.1 Important Assumptions

The financial plan depends on important assumptions, and one of most important is the growing tax of the market.

During last year's hotel was under valued and with low index of occupancy because the country was living on of most important crisis of all the history.

In no other time the country viewed their government involved in corrupt cases and the lot of money stolen by these political people that was governing the country.

Now, the situation is changed, all politician that were involved in illegal cases is judged by the law, and if guilty they are condemned to prison.

Brasil is one of few the countries in the world that arrested their president under the local law system, because he was involved in elections corruption. But this creates a situation in that the law is applied for everyone, that guarantee rights of all investor that put their money in the country, offering comfort and tranquility for everyone that invest in the country that they will receives their money back.

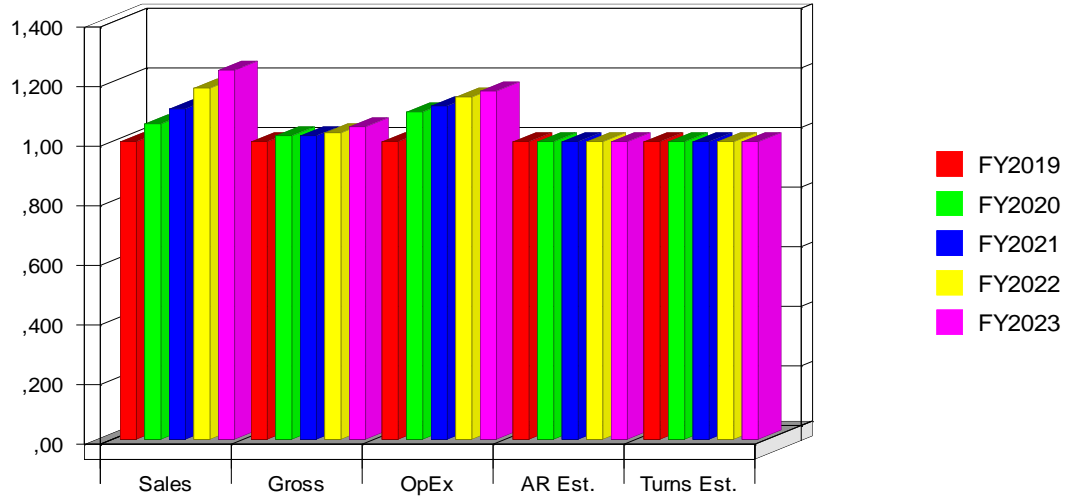
General Assumptions	FY2019	FY2020	FY2021	FY2022	FY2023
Short-term Interest Rate %	8,00%	8,00%	8,00%	8,00%	8,00%
Long-term Interest Rate %	6,00%	6,00%	6,00%	6,00%	6,00%
Payment Days Estimator	28	28	28	28	28
Collection Days Estimator	45	45	45	45	45
Inventory Turnover Estimator	12,00	12,00	12,00	12,00	12,00
Tax Rate %	28,00%	28,00%	28,00%	28,00%	28,00%
Expenses in Cash %	0,00%	0,00%	0,00%	0,00%	0,00%
Sales on Credit %	0,00%	0,00%	0,00%	0,00%	0,00%
Personnel Burden %	15,00%	15,00%	15,00%	15,00%	15,00%

7.2 Key Financial Indicators

The following chart indicates our key financial indicators for the initial years.

We are considering that will exist a great growing for next years because the local industrial park is out of date in reason of the national policies.

Benchmarks



7.3 Break-even Analysis

The breakeven analysis shows us that each room need le located for fourteen days (14) per month to be a profitable program.

So, the Jll research show us that the occupancy rate is over 55 % (Brazil Average Index) that turns possible the maintenance of this program, so, our project is focused in hotel that have more than 120 units (rooms) and located in city that have great need for hospitality services, like great industrial centers, commerce or agribusiness concentration.

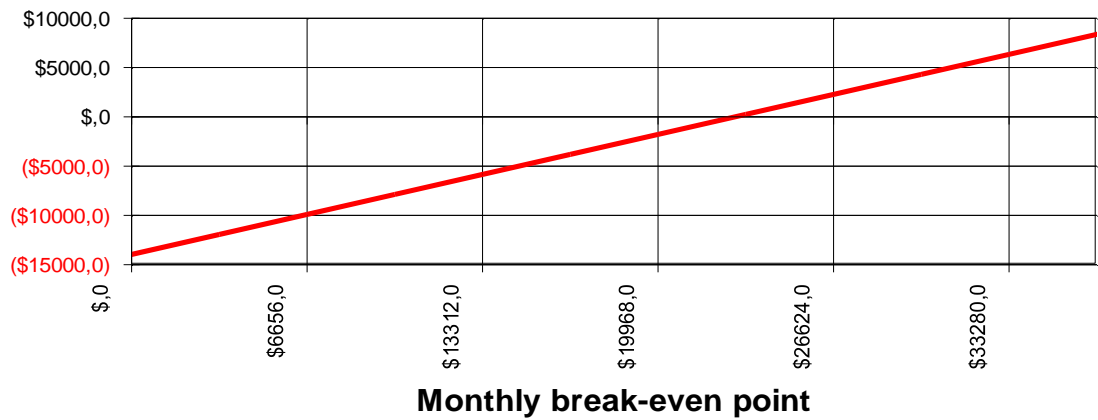
Break Even Analysis:

Monthly Units Break-even	14
Monthly Sales Break-even	\$22.889

Assumptions:

Average Per-Unit Revenue	\$1.664,00
Average Per-Unit Variable Cost	\$649,00
Estimated Monthly Fixed Cost	\$13.962

Break Even Analysis



Break-even point = where line intersects with 0

7.4 Projected Profit and Loss

The projected profit and loss show us that considering all cost and need to maintenance and support, we can payback the invested value and increases the value of the hotel chain.

Profit and Loss (Income Statement)	FY2019	FY2020	FY2021	FY2022	FY2023
Sales	\$25.219.080	\$26.732.226	\$28.068.837	\$29.752.968	\$31.340.616
Direct Cost of Sales	\$9.577.836	\$9.910.865	\$10.337.197	\$10.719.485	\$11.096.976
Other	\$240.000	\$240.000	\$240.000	\$240.000	\$240.000
	-----	-----	-----	-----	-----
Total Cost of Sales	\$9.817.836	\$10.150.865	\$10.577.197	\$10.959.485	\$11.336.976
Gross Margin	\$15.401.244	\$16.581.361	\$17.491.640	\$18.793.483	\$20.003.640
Gross Margin %	61,07%	62,03%	62,32%	63,17%	63,83%
Operating expenses:					
Advertising/Promotion	\$72.000	\$72.000	\$72.000	\$72.000	\$72.000
Travel	\$36.000	\$36.000	\$36.000	\$36.000	\$36.000
Miscellaneous	\$36.000	\$36.000	\$36.000	\$36.000	\$36.000
Payroll Expense	\$792.096	\$807.937	\$824.096	\$840.407	\$857.215
Payroll Burden	\$118.814	\$121.191	\$123.614	\$126.061	\$128.582
Depreciation	\$0	\$120.000	\$120.000	\$120.000	\$120.000
Leased Equipment	\$36.000	\$36.000	\$36.000	\$36.000	\$36.000
Utilities	\$18.000	\$18.000	\$18.000	\$18.000	\$18.000

Insurance	\$12.000	\$12.000	\$12.000	\$12.000	\$12.000
Rent	\$60.000	\$60.000	\$60.000	\$70.000	\$70.000
Contract/Consultants	\$180.000	\$180.000	\$180.000	\$200.000	\$200.000
	-----	-----	-----	-----	-----
Total Operating Expenses	\$1.360.910	\$1.499.128	\$1.517.710	\$1.566.468	\$1.585.797
Profit Before Interest and Taxes	\$14.040.334	\$15.082.233	\$15.973.930	\$17.227.015	\$18.417.843
Interest Expense Short-term	\$38.000	\$38.000	\$48.000	\$68.000	\$88.000
Interest Expense Long-term	\$9.000.000	\$9.000.000	\$8.756.144	\$8.268.432	\$7.780.720
Taxes Incurred	\$1.400.653	\$1.692.385	\$2.007.540	\$2.489.363	\$2.953.754
Net Profit	\$3.601.680	\$4.351.848	\$5.162.246	\$6.401.220	\$7.595.368
Net Profit/Sales	14,28%	16,28%	18,39%	21,51%	24,23%

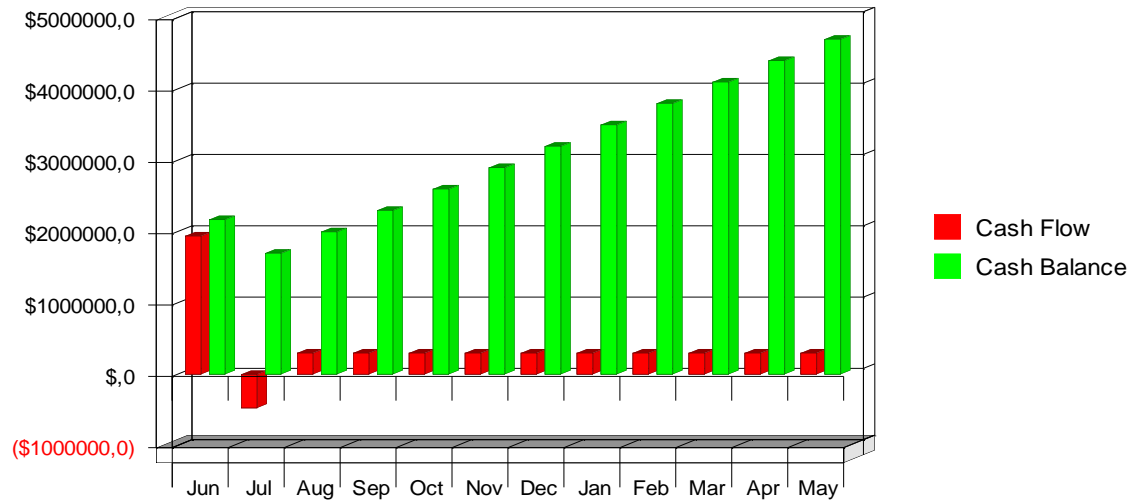
7.5 Projected Cash Flow

The projected cash flow indicates to us that the program is a successful and that can payback the invested value in timeline between 10 and 20 years.

Pro-Forma Cash Flow

	FY2019	FY2020	FY2021	FY2022	FY2023
Net Profit	\$3.601.680	\$4.351.848	\$5.162.246	\$6.401.220	\$7.595.368
Plus:					
Depreciation	\$0	\$120.000	\$120.000	\$120.000	\$120.000
Change in Accounts Payable	\$1.668.023	(\$850.491)	\$130.609	\$59.129	\$60.862
Current Borrowing (repayment)	\$0	\$0	\$250.000	\$250.000	\$250.000
Increase (decrease) Other Liabilities	\$0	\$0	(\$250.000)	(\$250.000)	(\$250.000)
Long-term Borrowing (repayment)	\$0	\$0	(\$8.128.534)	(\$8.128.534)	(\$8.128.534)
Capital Input	\$0	\$3.864.320	\$3.864.320	\$3.864.320	\$3.864.320
Subtotal	\$5.269.703	\$7.485.677	\$1.148.641	\$2.316.135	\$3.512.017
Less:	FY2019	FY2020	FY2021	FY2022	FY2023
Change in Accounts Receivable	\$0	\$0	\$0	\$0	\$0
Change in Inventory	\$798.153	\$7.563	\$14.790	\$11.038	\$10.432
Change in Other Short-term Assets	\$0	\$0	\$0	\$0	\$0
Capital Expenditure	\$0	\$147.072	\$231.716	\$234.280	\$236.790
Dividends	\$0	\$1.400.000	\$1.400.000	\$1.400.000	\$1.400.000
Subtotal	\$798.153	\$1.554.635	\$1.646.506	\$1.645.318	\$1.647.222
Net Cash Flow	\$4.471.550	\$5.931.042	(\$497.865)	\$670.817	\$1.864.795
Cash Balance	\$4.701.550	\$10.632.592	\$10.134.727	\$10.805.544	\$12.670.339

Cash



7.6 Projected Balance Sheet

The balance sheet in the following table shows managed but sufficient growth of network, and sufficiently healthy financial position. The monthly estimative are included in the appendices.

Pro-forma Balance Sheet

Assets

Short-term Assets	FY2019	FY2020	FY2021	FY2022	FY2023
Cash	\$4,701,550	\$10,632,592	\$10,134,727	\$10,805,544	\$12,670,339
Accounts Receivable	\$0	\$0	\$0	\$0	\$0
Inventory	\$798,153	\$805,716	\$820,506	\$831,544	\$841,976
Other Short-term Assets	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000
Total Short-term Assets	\$5,537,703	\$11,476,308	\$10,993,233	\$11,675,088	\$13,550,315
Long-term Assets					
Capital Assets	\$230,000,000	\$230,147,072	\$230,378,788	\$230,613,068	\$230,849,858
Accumulated Depreciation	\$0	\$120,000	\$240,000	\$360,000	\$480,000
Total Long-term Assets	\$230,000,000	\$230,027,072	\$230,138,788	\$230,253,068	\$230,369,858
Total Assets	\$235,537,703	\$241,503,380	\$241,132,021	\$241,928,156	\$243,920,173

Liabilities and Capital

	FY2019	FY2020	FY2021	FY2022	FY2023
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Accounts Payable	\$1.668.023	\$817.532	\$948.141	\$1.007.270	\$1.068.133
Short-term Notes	\$475.000	\$475.000	\$725.000	\$975.000	\$1.225.000
Other Short-term Liabilities	\$47.500	\$47.500	(\$202.500)	(\$452.500)	(\$702.500)
Subtotal Short-term Liabilities	\$2.190.523	\$1.340.032	\$1.470.641	\$1.529.770	\$1.590.633
Long-term Liabilities	\$150.000.000	\$150.000.000	\$141.871.466	\$133.742.932	\$125.614.398
Total Liabilities	\$152.190.523	\$151.340.032	\$143.342.107	\$135.272.702	\$127.205.031
Paid in Capital	\$475.000	\$4.339.320	\$8.203.640	\$12.067.960	\$15.932.280
Retained Earnings	\$79.270.500	\$81.472.180	\$84.424.028	\$88.186.274	\$93.187.494
Earnings	\$3.601.680	\$4.351.848	\$5.162.246	\$6.401.220	\$7.595.368
Total Capital	\$83.347.180	\$90.163.348	\$97.789.914	\$106.655.454	\$116.715.142
Total Liabilities and Capital	\$235.537.703	\$241.503.380	\$241.132.021	\$241.928.156	\$243.920.173
Net Worth	\$83.347.180	\$90.163.348	\$97.789.914	\$106.655.454	\$116.715.142

7.7 Business Ratios

Ratio Analysis						
Profitability Ratios:	FY2019	FY2020	FY2021	FY2022	FY2023	RMA
Gross Margin	61,07%	62,03%	62,32%	63,17%	63,83%	0
Net Profit Margin	14,28%	16,28%	18,39%	21,51%	24,23%	0
Return on Assets	1,53%	1,80%	2,14%	2,65%	3,11%	0
Return on Equity	4,32%	4,83%	5,28%	6,00%	6,51%	0
Activity Ratios	FY2019	FY2020	FY2021	FY2022	FY2023	RMA
AR Turnover	0,00	0,00	0,00	0,00	0,00	0
Collection Days	0	0	0	0	0	0
Inventory Turnover	24,60	12,66	13,01	13,27	13,55	0
Accts Payable Turnover	12,89	12,89	12,89	12,89	12,89	0
Total Asset Turnover	0,11	0,11	0,12	0,12	0,13	0
Debt Ratios	FY2019	FY2020	FY2021	FY2022	FY2023	RMA
Debt to Net Worth	1,83	1,68	1,47	1,27	1,09	0
Short-term Liab. to Liab.	0,01	0,01	0,01	0,01	0,01	0

Liquidity Ratios	FY2019	FY2020	FY2021	FY2022	FY2023	RMA
Current Ratio	2,53	8,56	7,48	7,63	8,52	0
Quick Ratio	2,16	7,96	6,92	7,09	7,99	0
Net Working Capital	\$3.347.180	\$10.136.276	\$9.522.592	\$10.145.318	\$11.959.682	0
Interest Coverage	1,55	1,67	1,81	2,07	2,34	0
Additional Ratios	FY2019	FY2020	FY2021	FY2022	FY2023	RMA
Assets to Sales	9,34	9,03	8,59	8,13	7,78	0
Debt/Assets	65%	63%	59%	56%	52%	0
Current Debt/Total Assets	1%	1%	1%	1%	1%	0
Acid Test	2,16	7,96	6,92	7,09	7,99	0
Asset Turnover	0,11	0,11	0,12	0,12	0,13	0
Sales/Net Worth	0,30	0,30	0,29	0,28	0,27	0
Dividend Payout	\$0	0,32	0,27	0,22	0,18	0

7.8 Long-term Plan

In long term Plan, the hotel chain will increase their market share acquiring more hotel and rooms, offering variety of services and support for all customer, and companies that are looking for a quality comfort for their professionals that are in working trip.

Also, we are looking for new market shares, merger or acquisition of new hotels, and in last case, the construction of new hotel in some places that can be high profitable for investor and for hotel chain.

The natural expansion for the rest of Latin America is one of our focus for the decade and next.

Another point is that our team are studying the Hospital Services. In the nowadays vision, a hospital has two different services inside it, one is the medical services, including surgery and personal care and health, the other is the hospitality services for all that receives surgical services or need to be under intensive care, in rooms and apartments inside the hospital.

These people receive a service support that is closer to hotel than to hospital and not only medical services, so, we are looking for offer the hospitality services for hospital and health care clinics that are our future focus as the hospitality services provider.

Besides that situation, our team are talking and negotiating with our associated office in Paraguay, Uruguay and Chile to install the same program in that country, focused in government needs and industrial and commercial support.