

PROSPECT MOTEL

ABOUT THIS BUSINESS

Buying a business can be an exciting, challenging event. There are lots of questions to ask and numerous considerations to take into account before deciding if owning and running this business is for you.

We've assembled this book to provide information to help you make an informed decision. If you still have unanswered questions after reading through this booklet, please don't hesitate to contact our realtor Margie

Smith of Crown Realty Services(814) 486-0313 www.crownrealty.com or Teresa Genaux , manager at (814) 486-9035.

The Kulecks and Genauxs purchased the Prospect Motel as an investment property that would provide the Genauxs with a home as well as investment income to the partners. After many years of ownership—we have achieved our goals and plan to pursue other goals.

We have found

the business not only financially rewarding, but also personally rewarding from interactions with interesting people and new friendships we've made. The motel has generated a profit each year we have owned it. This booklet describes some of the day-to-day operations. As the new owner, you will decide how to operate your business.



GROSS INCOME

Gross income is derived from several aspects of the business. Annual income sources include:

- Apartment rental
- Long-term motel stays

- Regular room rental fees

Other income sources include:

- Pop machine
- Electric
- Personal Tips

- Pets
- Phone card
- Showers
- Snacks
- Full RV hookup
- Post cards

Special points of interest:

- The motel is a property that pays for itself.
- The only housing expense you incur is your long-distance phone bill.
- We can help you learn the ropes after the sale of the property.

WHAT YOUR \$125,000 BUYS

We have arrived at our asking price of \$125,000.00 using two independent methods.

PROPERTY VALUATION METHOD:

The physical property includes a 3 bed-room ranch home and 9 unit motel plus 1 bedroom apartment on .5 acres serviced by city water and sewer. New roofs on the house and efficiency were installed December 2001. Motel metal roof installed early in our ownership. Property also includes all furniture, bedding and linens to continue business operations.

- Land value \$5,000
- Residence value \$56,000

- Motel value \$48,000
- Furnishings value \$32,000
- Goodwill value \$4,000

Details of the 1,356 square foot house include:

- Living Room 11'5" x 23'
- Dining Room/Kitchen 11'x18'
- 1.5 Bathrooms

- 3 bedrooms 11'5"x12'5", 11'5" x 11', and 8'x16'
- Currently 2 rooms of the house are written off income tax as being used for business purposes.

DISCOUNTED FUTURE CASH FLOW METHOD:

\$49,000 annual income projected over 5 years at a 15% rate of return yields a property valued at \$164,255. This does not assume increased income which would increase the property value. What other investment can you currently buy that yields a 15% return on your money?



Service is your product

BUSINESS MODEL

During our tenure we have operated the motel 24 hours a day, 7 days a week. We pride ourselves in being owner-operators with service being our only product. Many customers have noted that while the rooms were not first class (for which they would expect to pay \$100/night) our low rates offer a clean, comfortable, friendly place to stay. Over the

"Service is our only product. We take pride in building and maintaining customer satisfaction and loyalty."

years we have made many friends of our customers who return year after year and even season after season to enjoy their stay in Cameron County. We set our rates after considering our costs and our competition. Special rates for weekly and monthly stays, pets, and even the kitchenette have been utilized. We accept cash

or credit cards and use direct billing and accept the state rate for Pennsylvania state employees traveling on business.

We maintain a customer database which is used to generate preference letters to fishermen and hunters who have been loyal customers in the past. Preferential treatment has helped retain this customer base.

We continually ask ourselves, what (Continued on page 4)

OWNER BENEFITS

In addition to providing a home, consider the following other expenses that are paid by business income.

- TV cable
- Internet connection
- Water
- Sewer
- Garbage
- Telephone
- Natural Gas
- Electric
- Auto expenses
- Mortgage
- Property Insurance
- Personal items



In addition to cash salary, consider all other household expenses paid for by motel income..

including:
toilet tissue, dish detergent, cleaning supplies, postage, hardware items, laundry, snow removal, snacks and pop, and use of the motel rooms as additional space for personal company visits.

FINANCIAL STATEMENTS

We can provide you with accurate, current financial statements regarding the business to help you determine if the purchase is the right choice for you and to help you in finding financing for the purchase. We can provide you with:

- Three years' profit and loss statements
- Federal Income tax returns for the business (Because we operate as a partnership—this will include our personal tax

forms as well. We can only release these contingent to your submission of a written offer to purchase)

- Detailed inventory of fixtures and equipment
- Names of our advisors

These documents will indicate that the business makes enough money to pay for itself, and provide s"living space."

They will also assist you in securing financing, if necessary.

FINANCING THE PURCHASE

We realize that going into business for yourself is an expensive proposition. We were fortunate in being able to personally finance the first 20% down and then obtain financing locally. Several financing options are available to the right buyers.

If you presently own property, selling it or borrowing against it may be an option.

Numerous financing sources are available to assist you with the motel purchase.

Cameron County Industrial Development Authority has two types of revolving loans. Loans for capital improvements or working capital are available in the amount of 50% of the total project for up to \$200,000 at a fixed interest rate of

2%. The micro-loan fund can be used as a sole funding source for up to \$25,000 in capital improvements or working capital. A

business is eligible if it is a start-up or existing business with less than 5 employees. For more information contact Cliff Clark, Cameron County Economic Development Office, South Chestnut St., Emporium, (814) 486-3439.

The possibility of owner-financing also exists for qualified buyers.

ABOUT OUR COMPETITION

In Cameron County, our primary competitor is the Buttonwood Motel. In Elk County, competition is two chain motels located on the Million Dollar Highway. These motels are larger, more modern and generally 1.5 to 2 times as expensive as staying in Cameron County. They are also 25 miles from Emporium.

The clientele we serve tends to be working class citizens who seek a clean comfortable room at an affordable price. They find

our facilities to adequately meet their needs. Amenities we provide to add value include phone cards for long distance calls, fax service, free wireless internet, color cable TV, alarm clock-radios, microwave ovens, air conditioning and automated wake-up calls. Some rooms are also outfitted with mini refrigerators.



We offer clean, comfortable rooms at affordable prices.

ARE YOU READY TO BE A BUSINESS OWNER?

Some of the reasons people buy businesses include:

- Laid-off, fired, being transferred
- Early retirement
- Job dissatisfaction
- Desire for more control over their lives
- Desire to do his or her own thing
- Relocation

The opportunity to create your own future is pretty exciting stuff. We have learned from being business owners that in order to be successful, you

need to have specific qualities. We believe the buyer (s) will:

- Be able to do minor household repairs.
- Be a "people person", willing to provide service to the custom-

ers

- Possibly be a stay-at-home mom looking for a way to achieve family financial goals while still caring for her children.
- One of the adults would have a job with health benefits.
- Be willing to work for yourself in return for the benefits of being your own boss.
- Be creative in finding new ways to attract and keep customers
- Be active in promoting Cameron County and tourism



BUSINESS MODEL

(Continued from page 2)

can we do to "outdo" our competition? Since our business is based on service what can we offer that our competition doesn't? One way we've been successful is by actively marketing our motel. In other words, rather than waiting for customers to come to us, we go out and seek them. For example, Teresa scans the local paper weekly for bid announcements such as bridge repairs, repaving, major construction projects occurring within a 25-30 mile radius of Emporium. She then contacts the awardees, usually by way of a letter of introduction and a price sheet to make the business aware of our prices. She also will stop by work-sites to drop off information. We have found this personal contact to be very successful in attracting business.

Another business practice we use is

"What can we do to "outdo" our competition?"

when someone forgets something in their room, we generally mail it out to them or let them know we are holding it until their return. Many customers have expressed surprise at our conscientious care of their personal items.

We have used the database in the past to generate postcards to thank customers for their past patronage and encourage them to return by offering a \$5 discount on their next visit.

We ask our guests how they heard about us/decided to stay with us as a way of determining if our advertising dollars are used effectively.

We encourage visitors to view the elk, visit other local sites and participate in community events.

Many people have noted our friendliness and helpfulness in notes left in the rooms and in other corre-

spondence.

On occasion we have helped someone out by doing a load of laundry or driving them to town to make purchases. We even help people locate a place to stay if they arrive without reservations and we are full. This happens most often during summer national holidays, hunting season and during the fall when many people set out for a drive to see the leaves and find themselves far from home without a place to stay. Maybe we can't help them this time but they might remember our kindness on future trips.

We set our room rates based on our expenses and our competition. To increase your income, an increase in rates would be helpful—but remain lower than your competitor.

DAY TO DAY OPERATIONS

We try to run a 24/7 operation relying on coverage by the partners and the use of technology. As time has passed we have found that by using the answering machine and a sign in the door, leaving the business unattended for a few hours periodically has not reduced our business. The phone system can be set in the evenings so that if callers know the guest's extension, they can direct dial it after hours. Also the office door intercom allows you to communicate with late-arriving guests through the phone system.

Monday thru Wednesday are the slower days of the week, creating opportunities for a day off.

December through February are slow months, but this does not mean we don't have customers.

Several salesmen come through Emporium on their route and stay regularly with us. If the weather is decent, allowing for travel, we will get weekend visitors.

It takes between 20 and 30 minutes to clean a room, depending on your energy level and what needs to be done. To fully clean all 9 rooms generally takes less than 5 hours. Additional time would be allocated to doing laundry—but this could also be done simultaneously with the cleaning. Generally, we start cleaning as early as



people start checking out—sometimes they aren't gone until

11:00 a.m., but most are up and out by 9:00. Bookkeeping and many other office duties could be done at your convenience. Yard maintenance takes about 3 hours weekly.

During heavy snowfall, we contract out plowing of all driveways, generally two to three times a

winter.

HOW FAR WE'VE COME

Since we've purchased the motel, we've made numerous changes and improvements. We installed the Partner Plus phone system, alarm clocks, smoke detectors, and carbon monoxide detectors in rooms serviced with natural gas. Purchased all

"Over the years we have owned and operated the Prospect Motel, numerous improvements have been made."

new linens and most of the mattresses as well as replaced all of the television sets. The metal roof over rooms 1-7 is new. The shingle roof over the apartment and rooms 8 and 9 and the house are new as of December 2001.

New sewage lines were installed for rooms 5-efficiency with clean outs at every room.

bed and wall-

We have been able to do some of the renovations ourselves while some of the work was contracted out.

AFTER THE SALE

Following the sale, Teresa can provide you with 80 hours of assistance in learning the ins and outs. She foresees this as being several consecutive days and then later functioning in an as-needed advisory capacity.

She can help you understand the phone system, computerized bookkeeping, and general day-to-day and sea-

sonal motel upkeep.

She can also help introduce you to other local business people to help you begin networking with the community and tourist promotion agencies.

Both Robin and Teresa could be available on a limited basis to assist with cleaning and coverage of the office, at an hourly rate, if necessary. If desired, a

covenant not to compete is agreeable to all partners.

Our goal is to make sure the sale of the motel is as smooth as possible so that no interruption of service occurs. We have spent years building the business and creating goodwill; our intent is to further these goals with the new owner taking up where we leave off.

HOW FAR WE'VE COME

PROPERTY DESCRIPTION

- 9 motel units fully furnished
- Air conditioned, carpet, modern phone system
- All bed and bath linens
- New roofs, hot water tanks
- 1 BR apartment
- Innkeepers quarters—3 BR, 1.5 bath ranch with wood burning fireplace, wall to wall carpeting, air conditioning, attic pull down steps, screened enclosed porch, carport.
- .51 acres of land



ALTERNATIVE USES

While the property has been run as a motel for over 40 years, it could be adapted to other uses. Remodeling could result in several efficiency apartments convenient to downtown. The units could also be converted to storage units.

Cameron County is quite mountainous, with very little useable flat land. In addition to the .51 acres occu-

piated by the motel property, the adjacent properties could be acquired to create a 1.22 acre property. The Knarr property to the south is a duplex on .32 acres. "Furniture for Less" to the north sits on .39 acres. All properties front route 155. All 3 properties are zoned residential-commercial and have city water, sewer, electric, gas and tv cable.

The possibility for expansion of the motel, upgrading to amenities offered by chain motels and even the construction of a restaurant to complement the motel are all considerations.



CAMERON COUNTY

Emporium is the county seat for Cameron County, the second smallest county (population) in Pennsylvania. The local economy is focused on powdered metals, lumber and tourism. Growth in nearby St. Marys and Coudersport make Emporium a bedroom community, maintaining its small-town charm and attributes.

In the past few years the county has

seen renovations to the elementary school and additions to the high school. February 2002 saw the opening of the Barbara Moscato Brown Memorial Public Library on West Fourth Street. The 100 year – old county courthouse renovation and addition were completed several years ago as well.

Local industry has experienced

growth with new factories built by GKN Sintered Metals, Brownco, and several other powdered metals secondary operations.

Despite the increase in industry, it is anticipated that the county population will remain near the current 6,000 level.

MONTH-BY-MONTH NARRATIVE

January

Since Emporium is the county seat and the Department of Conservation and Natural Resources has a district office here, Pennsylvania state employees are frequent guests. Guests also include tourists, hunters and family members attending funerals or making family visits. Senior citizen discounts are offered to families visiting residents of the Emporium Arms, Guy and Mary Felt Manor and Maple Street apartments during January through April. Snowmobilers also find access to trails close to the motel. We have offered a New Year's package in the past. Several businessmen stay on a weekly and bi-weekly basis.

February

We have offered a Valentine's package including chocolate and champagne. Norfolk Southern railroad and utility workers dealing with winter storm damage have stayed in the past. We offer third-party billing for these workers.

March

As winter weather abates, people start moving again. Many will visit their cabins for repairs and renovations, but will often stay with us, rather than risk turning on water only to face a late spring freeze. Construction projects begin and some visitors seek out the elk.

April

Fishing season is really the start of the tourist season. Easter often serves as the official beginning of spring. People begin to book rooms for class and family reunions, weddings and graduations. Emporium Country Club, rate 3.5 stars in the Golf Digest attracts local and international golfers. We've hosted golf guests from Canada, Australia, Japan and Germany.

May

The normal business flow continues and is increased by hikers, bikers, campers and Spring Gobbler hunters and Memorial Day vacationers.

Alumni weekend brings Cameron County High graduates back to the area. Nature enthusiasts enjoy kicking back and relaxing and elk watching.

June

School lets out and many families head for the open road. Some of our guests routinely book a week for their family vacation. Some just come for the weekend.

July

Tom Mix Round-up, construction, 4th of July brings guests to Emporium. Our website has generated reservations and stays from people from Germany, Ireland, Switzerland, Korea, Australia, China and Denmark. Several summers ago, two German teachers touring the US for 3 months stayed with us on 3 separate occasions—citing the area reminded them so much of home! Emporium has hosted the State Senior Division Little League Championships for nearly 20 years, bringing 4 teams and their families from across Pennsylvania to our county.

August

Families finish up vacations and prepare for fall. Elk watchers begin in earnest.

September

Labor day marks the end of the summer vacation season, but tourists continue to arrive through Thanksgiving.



Our database helps us document our

October

"Leaf-peepers" spend the first 3 weekends in October enjoying the fall beauty. We were surprised the first year we had the motel how many people just get in their cars and drive to enjoy the scenery and end up needing a room. Unfortunately, many others make reservations and we often have to turn folks away. Fall archery season and the elk herd in rut draws many guests.

November

Turkey, Black Bear and Deer season create an increased demand for lodging. We utilize our database and send letters of invitation to our regular hunters in August, giving them advance preference for a 3-day lock in. As is practiced by our competitors, we do raise rates for these high-demand periods. We have no trouble operating at full capacity relying on our regular hunters and new customers as well. We also have set up the carport to accommodate electric, water and sewerage needs for RV's as needed.

December

Once hunting season concludes, the business falls into about a 3 month much needed lull—but we still have customers. Out of town family members returning home to visit relatives and folks who just want to get a way for a quiet, inexpensive stay in the country.



Year after year, hunters stay with us regardless of the level of their hunting success. They say they like our friendly service and the peaceful surroundings of Cam-

BUYER'S INFORMATION PACKET

Prospect Motel
673 Sizerville Road
Emporium, PA 15834
(814) 486-9035

Owners: John & Teresa Genaux
Mike & Robin Kuleck

We're on the web!
www.prospectmotel.com

We hope you have found this information helpful in understanding the business side of owning and operating the Prospect Motel. If you have further questions, please don't hesitate to contact us. Our goal is to sell the motel and make the transition to new ownership in a manner to maintain it's current and future profitability.



WE WERE "GREEN" BEFORE IT WAS POPULAR!

We try to be environmentally friendly, limiting our laundry to full loads. By collecting plastic, tin, paper, glass and aluminum, we reduce the flow of solid waste from our facility. Unoccupied room thermostats are set at 55–60 degrees, which helps conserve energy and reduces operating expenses.

Over the years we have improved the grounds by planting perennials which require minimum maintenance. Many guests have commented on the improvements they see with each visit. Some have even seen the hummingbirds and other colorful birds at the birdfeeders.

Running an operation such as a small motel is work, but the rewards go far beyond money. We feel we've helped people whether they

were transients passing through, families visiting town during a funeral, families celebrating graduations, weddings and reunions, and people whose cars have broken down. We've made lasting friendships beyond the business relationships we have with our guests.

