

Theta Beta Sigma Programs & Housing Foundation

Pizazz Reception Hall Business Plan

**Theta Beta Sigma Programs & Housing Foundation
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Executive Summary

Mission:

Phi Beta Sigma Fraternity, Inc. an international organization comprised of 150,000 college educated men, focuses on issues that impact the youth and our communities. The fraternity was founded at Howard University in Washington, D.C., January 9, 1914. From its inception, the Founders also conceived Phi Beta Sigma as a mechanism to deliver services to the general community. Rather than gaining skills to be utilized exclusively for themselves and their immediate families, the founders of Phi Beta Sigma held a deep conviction that they should return their newly acquired skills to the communities from which they had come. This deep conviction was mirrored in the Fraternity's motto, "Culture for Service and Service for Humanity".

Issues that our organization works to address:

On a national (and local) level the fraternity has four (4) main program thrusts.

1. Bigger & Better Business – Concerned with homeownership & entrepreneurship.
2. Education – Includes programs such as scholarships, college fairs, mentoring, lectures, and tutoring.
3. Social Action – The focus is on programs devoted to improving conditions in the African-American Community.
4. The Sigma Beta Club – Our youth auxiliary club, the Sigma Beta Club offers our membership a unique opportunity to develop values, leadership skills and social/cultural awareness in our youth during their developmental years.

Recent Projects:

Post-Katrina the chapter has been engaged in any number of volunteer efforts to help rebuild and improve the quality of life in the city of New Orleans. In the past 12 months our projects have included the sponsoring of a bus ride of university students (and other interested parties) to Jena, LA, the clean-up and securing of blighted properties, a job mentoring program at the Youth Empowerment Project (YEP), Supplies for Covenant House hurricane preparations, Project Vote (voter registration) and school supplies give-away (in conjunction with Zeta Phi Beta), a series of Financial Literacy Workshops, Habitat for Humanity sponsorship, American Cancer Society Sponsorship, and most recently one of the many sponsors of the UNCF Fund Run.

Populations served:

As a chapter our organization has its greatest impact in the New Orleans metropolitan area. Our interface includes churches, nursing homes (prior to Katrina), collegiates, and through the efforts of Our Sigma Beta Club schools of the public (and private) system. The organization works with all groups but its primary focus is in bettering the conditions of the African-American

community. Our organization largely consists of college educated professionally employed African-American men who often have a particular interest in working with the youth of the Community. In working with youth, the goal is to provide a model for behavior and to stress the importance of service, scholarship, and brotherhood.

Organizational Overview:

Phi Beta Sigma, INC is a national organization headquartered in Washington D.C. that is divided into seven (7) regions within the United States. The Theta Beta Chapter is part of the Gulf Coast Region. The chapter has created a foundation entitled “THE THETA BETA SIGMA PROGRAMS AND HOUSING FOUNDATION” (hereinafter referred to as the “Foundation”). The Foundation is a tax-exempt 501.3c legal entity of which every financially active member of our chapter belongs. The directors of the Foundation come from the current and past officers of the chapter. The intent of the Foundation is consistent with the goals and programs of the fraternity as a whole. This separate entity allows for organizations and individuals to receive tax credit for contributions to a charitable institution. Volunteer involvement of the Foundation is reflected in the focus of the chapter and the fraternity as a whole. All of our activities are supported by the fraternal Brothers from the graduate chapter as well as Brothers from our collegiate chapters which are housed on each college campus in New Orleans area as well as surrounding colleges (SUNO, UNO, Dillard, Xavier University, Tulane, & Nichols State).

Proposal Intent:

The previous sections are provided to give an overview of the mission of our fraternity. We believe that a serious impediment to our being as effective in the delivery of our services as we might otherwise be is the lack of a permanently located presence in the community. Currently, we meet on various campuses whenever we convene to handle fraternity business. This impermanence and dependence on the availability on the facilities of others severely limits our ability to deliver services. The following business plan explains our approach to developing a mechanism for obtaining permanent housing so that we can be of benefit to the community and better meet the mission of our fraternity –all in a self sustaining method.

Business Opportunity

This Business Plan is offered in conjunction with the purchase of a two-story 2,000 ft² office condo (Suite #115) located at 9701 Lake Forest Blvd. in the area identified as the ‘Main Street Condos’, bounded by Plaza Drive. Prior to Katrina, the unit was a dentist office, with upstairs and downstairs office facilities. Due to Katrina damage, renovation is required. The two-story office condo building is part of the package as offered by the seller. This office condo portion of the arrangement will be purchased wholly by donations proffered by members of the fraternity to consummate the deal(s). The cost of the office condo property has been negotiated with the seller at

\$38,500 (in conjunction with the reception hall). The property will be purchased under a "Bond for Deed" arrangement. The Foundation agrees to a \$5,000 down payment, and after payment of the balance (\$33,500) on 12-Mar-10, the title will be delivered to the Foundation. Arrangements with Southern Title Company have been developed to create an escrow account for the accumulation of the \$33,500 balance. The terms with Southern Title include that \$2,000 or more in monthly payments will be made to the escrow account until March 12, 2009. In addition to managing the escrow account they will assure there are no ownership, title, or lien concerns with the property. Needed renovations will be done by professional contractors within the fraternity and in partnership with ***Elijah's Christian Ministry***. Elijah's Christian Ministry is a tenant of Bro. David Warren and has committed to provide sheetrock, insulation, other supplies, and two weeks of skilled labor to help kick start the renovation of this building. If the balance is not paid by the due date, the seller retains title of the property (including any improvements). This approach (and the promise of imminent accomplishment), have already resulted in the collection of \$10,000 (\$1,000 increments) in tax deductible donations to the Foundation. In this fashion the Foundation will wholly possess the office condo as a fraternity house and a business (as described below) to generate income for the future.

The property for which this plan relates is an existing reception hall - the ***Pizazz Event Center***. This to be collateralized property is a two-story commercial building Suite #118 (and land) also located at 9701 Lake Forest within the Main Street Condos. This is an established, ongoing business since June of 2009. This reception hall has been beautifully redone with surround sound music, 2 five-ton a/c units, wet bar upstairs and downstairs, and an office at the entrance. There is a gated area and a court yard that is part of the common area of the condos but makes an attractive back drop for entrance into the hall. Upstairs has a small stage and bench seating which covers the air condition duct. There are no kitchen facilities, so any desired catering must be individually arranged by the client. The area is commercially zoned and meets our guidelines as well as the city's.

The requested loan amount is \$120,000 to cover a mortgage for the purchase price. This figure was determined based upon a purchase price of \$150,000 and a 20% down payment of \$30,000. The \$30,000 down payment will come from the donations of fraternity members recruited back to the fraternity to accomplish this project. The term requested is 30 years.

The borrower for the loan is the Theta Beta Sigma Programs & Housing Foundation. The Foundation is a separate arm of the fraternity has been designated as the operator of the house. This segment of the fraternity is a separate legal entity and recognized as in good standing by the Louisiana Secretary of State and as a tax-exempt 501(c)3 organization by the IRS. We plan to operate the facility as would a commercial/profit oriented

organization with a Board of Directors. Profits from facility operation would be considered Foundation assets. We have identified our needs and hopefully have quantified them in our presentation of projected financial activity.

At this time “Event & Reception Management” will be the main service for the building of choice. The fraternity possesses a solid knowledge of property management to influence customers. The goal is to create an innovative business in which the customer service is paramount. A well chosen and targeted area is New Orleans East. We have also asked the necessary questions of the chapter to get a focused conclusion on moving forward.

Management Team

The Fraternity has a multitude of skilled professionals and youthful exuberance in its membership to mitigate cost and maximize revenue to increase the profit. Skills such as office management, industry building, and management are available. The available competencies will be used to further business activities that will generate additional revenues. The management team of the Pizazz Event Center consists of:

David Warren:

David Warren will be responsible for day to day operations, act as liaison with vendors, manage materials procurement, and coordinate and manage initial public relations. David is the President and CEO of ***S.O.W.N. Realty and Management***, overseeing 61 rental units, an office building, 3 banquet and reception halls, a Hostel as well as managing the properties of others. David and his company bring 17 years of professional experience of real estate and property management to the organization. David is also the chapter president of the Grambling University Alumni Association and led many successful ventures for the chapter. In addition David is a key leader with the Jeremiah Group advocating for social issues and change effecting our community and city. David has agreed to donate his expertise and the services of his firm to facility management.

George Rabb:

Mr. George Rabb, CPA will be responsible for set-up of the accounting, bookkeeping, and auditing procedures. He has been an industry professional for 33 years and in the financial examination realm (esp. insurance) for the last 18 years. His consulting role provides him experience in business planning and management. He will be intimately involved in guaranteeing Foundation books are properly maintained and that the proper procedures in place to maintain the integrity of the venture. He has a Bachelor of Science, Accounting, Dillard University, and Masters of Science in Insurance (in process) Boston University. George has agreed to donate his expertise and the services of his firm to accounting and bookkeeping oversight.

Charles Cornish:¹

Mr. Charles Cornish will act as liaison with vendors, manage materials procurement, and coordinate and manage event activities. As a chef and part-time cook, Charles currently works with “Lil’ Dizzy’s” and holds a degree in hotel and restaurant management.

Donald Barnes:

Donald Barnes will work with Messrs. George Rabb, David Warren, & Charles Cornish. He is a retired IRS Special Agent with 23 years of experience. Donald has been involved in numerous fraud investigations including involvement in trials of persons participating in insurance fraud. Donald worked fraud cases of persons involved in multiple refund fraud schemes. Donald has a Bachelor of Science in Accounting, and will help in auditing our financial procedures. Donald has agreed to donate his auditing expertise but dependent upon his availability will receive remuneration (\$200/month) after start-up if physical care of the facility (e.g. clean-up) is continually required.

Product/Service Plan

Pizazz Event Center will be marketed as a venue for that special occasion. As an event center it will provide a distinctive entertaining facility. With the growth of neighborhoods and businesses in New Orleans East it will represent one more step in the progress of the area. The capacity of the facility is 250 persons with facilities both upstairs and downstairs.

Underlying Assumptions

Recovery in the East

The Plaza and the old Six Flags location are earmarked for recovery:

In an Aug. 13 letter supporting the \$100 million request (redeveloping the abandoned Six Flags site), New Orleans Mayor Ray Nagin said the proposal "will return the dormant Six Flags site to commerce and create an entertainment destination in one of the city's most devastated areas. There is no doubt that a project like this would revitalize a site that has been vacant since Hurricane Katrina and will create many more new permanent jobs in the private sector in an area of the city that could use another major development. This is a key project to continue stimulating the city's recovery in eastern New Orleans."

An underlying motive and assumption in undertaking this project is the belief that the recovery and redevelopment of the New Orleans East community is only a matter of time. We believe that the commitment of the city and state to rebuild the East (albeit slow) will translate to action. It is our conviction that investments of this nature tend to propel other commitments. The value of the property will appreciate as the areas of the adjacent plaza and even the planned theme parks attract ever more residents and business.

¹ Need recent Bio-Statement

Financial Participation of critical number of Brothers

Success of this venture will depend upon the financial participation of a critical mass of fraternity members. The financial plan details how many are needed to buy outright the office condo. In addition to the purchase of the office condo we will have to have enough Brothers contribute so at least 20% of the purchase price is donated toward the acquisition of the Pizazz Reception Center. An underlying assumption (and partial motive) is that the venture itself will recruit members into fraternity participation.

Availability of Membership Skill Sets

There are a multitude of skill sets in the fraternity that are being mobilized to affect the accomplishment this project. Brothers bring the skills of building contractors, venue operators, auditors, chefs, bookkeepers, security, grant-writers, bankers, project managers, etc. The commitment of Brothers is further cemented by the buy-in of the \$1,000 donation to the project. In combination with the possibilities of contributing to something significant and tangible - Brothers will work not to see their commitment fail.

Social Contact Assets

Business and Social contacts of Sigma's and our affiliated Zeta Sisterhood will be utilized. There are four chapters of Zeta's in the New Orleans community. They will receive special consideration in supporting the effort with their many ceremonies, bridal showers, baby showers, parties, and other events. Combined with the natural association with the sisters of Zeta, every Brother will be expected to guide business to the facility. Largely these ventures succeed on word of mouth combined with competitive pricing and good service. While we'll also have advertising through commercial channels, it is expected that much of our business will derive from the appeal to the fraternal instincts of our Brothers (and Sisters).

Foundation & Fundraising Contributions

Currently the Pizzazz Event Hall is booked through December 2009. It's noteworthy that the facility is experiencing this success with no commercial advertising (or leaflets or flyers). It indicates there is a need for this type of facility. It is recognized that bookings for some months may not cover all expenses. In case of a drop in business the fraternity is prepared to host events that are dedicated to raising the funds for mortgage obligations. The Event Hall will also be listed as a facility utilized in the completion of programs funded by grants to the Foundation. This will be another source of income subject to addressing monthly mortgage obligations.

Financial Assumptions

Exhibit 1 provides information on the financial assumptions (interest rate, loan terms, expected expenses, anticipated income, etc.) in the preparation of this document.

Marketing Strategy

- As reflected in the projected cash flow (see Exhibit 1) the Pizazz Event Hall's profile in the East will be raised by radio advertising & print advertising for the 1st 12 months of operation.
- A premier type opening highlighting the theme of rebuilding in the East will be accomplished by inviting business leaders, condominium neighbors, political leaders, and fraternal organizations.
- Competitive Analysis (New Orleans East Facilities) - Comparables identified in a survey of the area bounded by Downman Rd., Chef Menteur, & Haynes, reveal there are three facilities - one facility on Chef Menteur is called "Just the Perfect Place" it is of comparable size as the Pizazz Event Hall and charges \$1,000 for the entire facility and \$500 for partial use of the facility. A second facility is located near Downman Rd and Morrison, charges \$1,800 and is called the "Regency". A much larger facility called the "Crystal Palace" near Read and Chef Menteur includes catering and markets to occasions willing to pay in the area of \$8,000 per event. The Pizazz Event Hall will be priced to favorably compete with the "Just the Perfect Place" and "Regency" facilities. Consistent with existing pricing, the upstairs and downstairs will be rented at \$900 for larger events, and if it is a smaller event, the downstairs (or upstairs) would be rented in the range of \$300 to \$400.
- The Theta Beta Sigma Programs & Housing Foundation is commissioned to provide services to the community that is consistent with the ideals of Service, Brotherhood, & Education. Our successful efforts to-date will be continued and expanded as we expand our partnership with Dillard University and other community organizations. Grant writing is expected to be a major source of revenue and these facilities (office condo & event hall) will be marketed and communicated in grant proposals as facilities available to our organization and where there is a permanent base for operations to aid in accomplishing grant objectives, and our goal of providing services to the community.

Primary Risks

Competition – An analysis of existing competition has been completed. The Pizazz Event Center will provide unique opportunities for the New Orleans East area. In the future, new facilities may emerge and we'll have to respond to the challenge. An advantage this facility will have is that it will be positioned to receive revenue from both grants and commercial activities.

Lack of Support – In addition to the overall community, the numbers of Brothers in the fraternity and Sisters (in our Sister Sorority) is literally in the

hundreds. These Brothers (and Sisters) will have a vested interest in referrals.

Alcohol Impairment - A real risk comes from serving alcohol and sending a customer out the door and onto the road in an impaired driving condition. Pizazz will emphasize responsible wine & spirits enjoyment. A policy will be established regarding identifying and handling guests that have had enough to drink. Insurance coverage will be obtained from State Farm², specializing in business insurance. Lines of coverage and limits will be obtained based on the insurance agent's recommendations for the following:

- Liquor liability coverage
- Contract Release/Waivers
- Corporate general liability coverage
- Event liability (falls, accidents, etc.)
- Property coverage – Facility, equipment, contents, and inventory
- Flood

Financial Plan

Stage of Development - It is important to realize that the Pizazz Event Center is an existing business, and is fully operational as an ongoing enterprise. Currently it is booked through December 31, 2009. The deposits already received for these events will become assets of the Foundation.

Sales Projections – For the purposes of this document we have projected two events every month at \$900/month. There is no projection of a monthly income based upon an inclusion of tutorial activities based upon grant programs

Cash Requirements – The requirement to buy the office condo (Suite #115) is \$38,500 (\$5,000 upfront and \$33,500 in March of 2010). 20% of the asking price of the Pizazz Entertainment Center is \$30,000. Together the needed cash to consummate the deal(s) is: \$68,500

Sources of financing or income – While the Foundation does have \$10,000 in cash reserves, the needed \$68,500 is expected to come from the donations of fraternity members in increments of \$1,000 (\$25,000 in one case).

Exit Strategy - While this is intended as an ongoing enterprise and the Foundation is not entering into this project with the intent to fail, we understand that planning how to exit our business is just as important as how to start it. Our goal at that time would be to maximize the value of the business before converting it to cash, and to minimize the amount of time consumed. While at this time we can not anticipate all the circumstances of business exit we would expect it to at least include the following steps:

- Agreement by vote of the chapter to dissolve the Business Entity.
- Organize a committee as small as possible for efficiency and large enough to include the expertise required to cover the basic planning issues.
- As needed, engage professionals & consultants on the committee.

² Other insurers are also being considered.

- Prepare a list of assets & perform a physical inventory.
- Perform a valuation of the business.
- Conclude or transfer contract obligations.
- Close operations.
- Dispose of & transfer assets.
- Settle accounts payable & debt obligations.
- Prepare final financial statements & tax returns
- File articles of dissolution.
- Prepare & issue special filings, notices, informational returns, & taxes.
- Receive tax clearance notice..
- Close bank account.
- Store business records.

Conclusion

The Theta Beta Chapter has been active since 1932 and will survive through the growth and development of young brothers for eternity. This is a God sent opportunity and we as Brothers look to seize the moment. This city is in need of the development of this and many other projects.

The relatively modest investment, that is completely collateralized, is part of the rebuilding process of New Orleans. The area has tremendous potential for revitalization and growth.

In closing we note the potential for guaranty option from SBA etc. As and organization that includes business savvy professionals, utilization of all avenues is worthy of consideration.

Exhibit 1: Twelve-month cash flow

Pizazz Event Center Fiscal Year Begins: 1-Jan-10

	Beginning balance	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total Item EST
Cash on Hand (beginning of month)	5,000	6,800	7,016	7,641	8,267	8,692	9,258	9,883	10,309	10,934	11,500	11,925	12,551	13,176
CASH RECEIPTS														
Rental Revenue	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Tutoring Program	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH RECEIPTS	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Total Cash Available (before cash out)	6,800	8,600	8,816	9,441	10,067	10,492	11,058	11,683	12,109	12,734	13,300	13,725	14,351	21,600
CASH PAID OUT														
Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Condo Association Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repairs & maintenance	0	50	50	50	50	50	50	50	50	50	50	50	50	600
Advertising	0	200	0	0	200	0	0	200	0	0	200	0	0	800
Maintenance Plan	0	60	60	60	60	60	60	60	60	60	60	60	60	720
Accounting & legal	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	0	120	120	120	120	120	120	120	120	120	120	120	120	1,440
Insurance	0	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Taxes (real estate, etc.)	0	75	75	75	75	75	75	75	75	75	75	75	75	900
Supplies & Consumables	0	60	0	0	0	60	0	0	0	60	0	0	0	180
SUBTOTAL	0	715	455	455	655	515	455	655	455	515	655	455	455	6,440
Loan principal payment	0	719	719	719	719	719	719	719	719	719	719	719	719	8,634
Capital purchase (specify)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve and/or Escrow	0	150	0	0	0	0	0	0	0	0	0	0	0	150
Owners' Withdrawal	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH PAID OUT	0	1,584	1,174	1,174	1,374	1,234	1,174	1,374	1,174	1,234	1,374	1,174	1,174	15,224
Cash Position (end of month)	6,800	7,016	7,641	8,267	8,692	9,258	9,883	10,309	10,934	11,500	11,925	12,551	13,176	6,376
Depreciation														

Assumptions

Rate	6%
Term (Years)	30
Principal	\$ 120,000
Buy Price	\$ 150,000
Down Payment	\$ 30,000.0