

Aloft Ponce Hotel & Casino Investment-Grade Business Plan Caribbean's Premier Poker Destination

Prepared for: Prospective Investors

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In Consultation With: Puerto Rico Gaming Law Council

Date: July 4, 2025

Updated and edited September 27, 2025

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1 Executive Summary

The Aloft Ponce Hotel & Casino, strategically located at Carr #2 in Ponce, Puerto Rico, presents a transformative opportunity through a joint venture between Patrick Velazquez and Sterling Commercial Capital LLC, managed by Brian Opert. The project entails acquiring a modern, Marriott-branded hospitality asset for \$55 million and enhancing it with \$5 million in renovations, totaling a \$60 million project cost fully funded by Sterling Commercial Capital LLC under a 100% LTC joint venture agreement.

This funding will support the purchase of the property and the development of a 20,000 square foot poker room, complete with state-of-the-art equipment and security measures, positioning the Aloft Ponce as the Caribbean's premier poker destination.

The project has progressed to the negotiation of a purchase agreement with the seller, pending \$2M in escrow. Due to the owner's timeline not being met with finding a buyer, he has begun construction of a 5-story parking garage and has raised his asking price to \$60M. We had initially verbally agreed that the purchase price was \$52 million, a revision from the \$54 million cited in the offering memorandum. We are negotiating the purchase price to \$55 million once escrow is complete.

An approved expansion project is in place, which includes the 5-story parking garage. A large first-floor room, designated for an event space, will be modified to house the Poker Room. Initial designs for modifying this room and implementing hotel enhancements are complete, with contractor discussions complete. The management team relocation is being planned to support operational continuity.

Built in 2021, this 152-room property features a recently opened casino (2023), rooftop bar, two pools, Hard Rock Cafe, and versatile meeting spaces, generating a robust \$6.12 million net operating income (NOI) in 2024. Positioned in Ponce, Puerto Rico's second-largest city with 2.75 million annual visitors, the hotel capitalizes on a thriving tourism market and cultural attractions. The poker room, targeting the island's

underserved gaming market with WSOP circuit events, is projected to enhance revenue streams significantly. We are in discussions with Maverick Gaming regarding a future commitment in exchange for branding rights, which would further elevate the property's profile as a gaming and entertainment hub.

In this joint venture, Sterling Commercial Capital LLC will receive 51% of all net profits, while Patrick Velazquez will receive 49%. Mr. Opert will serve as a silent financial partner, entrusting full operational control to Mr. Velazquez. This structure eliminates the need for seller financing or external investor contributions, streamlining the financial framework and aligning the interests of both parties to maximize returns.

2 Investment Overview

The Aloft Ponce Hotel & Casino presents a compelling opportunity to acquire a modern, hospitality asset for \$55 million and transform it into the Caribbean's premier poker destination. This section outlines the investment structure, key financial metrics, exit strategy, and investor benefits, leveraging Puerto Rico's thriving tourism market (2.75 million annual visitors), an underserved \$355 million casino market, and Act 60 tax incentives (4% corporate tax, 0% capital gains). The project combines stable hospitality cash flows with high-growth poker revenue, delivering robust returns for investors.

2.1 Investment Structure

The Aloft Ponce Hotel & Casino project is structured as a joint venture between Patrick Velazquez and Sterling Commercial Capital LLC, managed by Brian Opert. Sterling Commercial Capital LLC will provide the entire \$60 million required for the project, comprising \$55 million for the acquisition of the property and \$5 million for renovations, including the development of a 20,000 square foot poker room with corresponding equipment and security measures. In exchange, Sterling Commercial Capital LLC will receive 51% of all net profits, while Patrick Velazquez will retain 49%. Mr. Opert will act as a silent financial partner, entrusting full operational control to Mr. Velazquez.

- **Total Capital Requirement:** \$60,000,000 comprising:

- Purchase Price: \$55,000,000

- Renovations and Upgrades: \$5,000,000 (poker room with 30–45 tables, 750 sq ft livestream studio, hotel enhancements, signage changes, new facilities including a hookah bar and sports lounge. staffing for dealers, pit bosses, masseuses, and operational reserves).

- **Velazquez and Partners:** Patrick Velazquez and unnamed partners retain 49% equity, reflecting their operational leadership and poker expertise. Mr. Velazquez receives position as hotel operator and lower end competitive salary, structured as a Puerto Rico Gaming Commission (PRGC)-compliant management fee for overseeing hotel, casino, poker, and new entertainment operations.

- **Tax Incentives:** Puerto Rico's Act 60 offers a 4% corporate tax rate and 0% capital gains for qualifying investors relocating to Puerto Rico, significantly enhancing after-tax returns.

2.2 Capital Allocation

The \$60 million provided by Sterling Commercial Capital LLC is allocated as follows: \$55 million for the full purchase price of the property and \$5 million for renovations and upgrades, primarily to develop a 20,000 square foot poker room equipped with necessary tables, equipment, and enhanced security measures to establish the property as a premier gaming destination.

• **Renovations and Upgrades:** \$5,000,000 allocated as follows:

- Poker Room: \$3.2M for 30–45 tables, a 750 sq ft livestream studio, and security upgrades to support \$10.3 million in poker revenue by year 3.
- Hotel Enhancements & New Facilities: \$1,300,000 for signage changes, lobby upgrades, a hookah bar/sports lounge, and other entertainment amenities to diversify revenue and attract a broader clientele.
- Relocation Fund for Management Team : \$500,000
Purchase of Homes, Fund move of families, and seamless transition to a new living situations.

2.3 Key Financial Metrics

The Aloft Ponce delivers strong financial performance, driven by stable hospitality revenue, high-growth poker operations, and new entertainment facilities. The following metrics highlight year 1 performance, with projections scaling by year 5 as the poker room and new amenities reach full capacity.

Table 1: Year 1 Financial Summary

Metric	Value
Total Investment	\$60,000,000
Investor Contribution	\$60,000,000
Gross Revenue	\$19,680,000
Poker Revenue	\$3,300,000
Operating Expenses	\$13,560,000
Net Operating Income (NOI)	\$6,120,000
Pre-Tax Cash Flow	\$6,120,000
Cash-on-Cash Return	13.31%
Cap Rate	11.66%

- **Gross Revenue:** \$20.4 million in year 1, including \$6 million from rooms (64.1% occupancy, \$150.08 ADR, \$96.20 RevPar), \$4.4 million from casino operations, \$3.3 million from poker (30–45 tables), \$2.7 million from food and beverage, \$3.2 million from Hard Rock Cafe, and \$0.08 million from new facilities (hookah bar, sports lounge) ramping up.

- **Poker and New Revenue Growth:** Poker scales to \$10.3 million by year 3 (40% margin, \$4.12 million net profit), with new facilities contributing \$1 million annually by year 3, driven by WSOP events, vlogger residency (1M+ monthly views), and diversified entertainment.

- **Operating Expenses:** \$13.56 million (69% of revenue), covering staffing (including new hires for dealers, pit bosses, masseuses), utilities, marketing, and management fees.

- **Net Operating Income (NOI):** \$6.12 million in year 1, growing to \$7.66 million by year 5 with 3% annual revenue growth (CBRE hospitality trends) and additional poker/new facility revenue.

- **Pre-Tax Cash Flow:** \$2.629 million in year 1, after \$2.646 million interest and \$0.84 million reserves/management fees, scaling to \$5.74 million by year 5. • **Cash-on-Cash Return:** 13.31% in year 1, increasing to 18.2% by year 5, reflecting poker and new facility growth.

- **Cap Rate:** 11.66% based on \$55 million purchase price, competitive with Puerto Rico hotel sales (e.g., El San Juan Resort at \$71 million).

2.4 5-Year Financial Projections

The following table provides a 5-year forecast, incorporating poker revenue growth, new facility contributions, 3% annual hospitality revenue increases, Projections assume conservative poker capacity (50% in year 1, 100% by year 3) and stable hospitality performance

Metric	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Revenue	\$19,680,000	\$20,370,400	\$23,780,000	\$24,460,400	\$25,161,200
Poker Revenue	\$3,300,000	\$6,600,000	\$10,300,000	\$10,300,000	\$10,300,000
New Facilities Revenue	\$80,000	\$500,000	\$1,000,000	\$1,000,000	\$1,000,000
Operating Expenses	\$13,560,000	\$14,066,800	\$16,346,000	\$16,809,680	\$17,287,270
NOI	\$6,120,000	\$6,303,600	\$7,434,000	\$7,650,720	\$7,873,930
Pre-Tax Cash Flow	\$2,629,730	\$3,052,853	\$3,929,203	\$4,148,923	\$4,372,113
Cash-on-Cash Return	13.31%	14.50%	16.80%	17.50%	18.20%

- **Revenue Growth:** 3% annual increase in hospitality revenue, with poker scaling from \$3.3 million to \$10.3 million by year 3, and new facilities (hookah bar, sports lounge) contributing \$80,000 in year 1 to \$1 million by year 3.

- **Investor Distributions:** Patrick Velazquez, retaining 49% of net profits through the joint venture with Sterling Commercial Capital LLC, managed by Brian Opert, will lead the project with full operational oversight. Mr. Opert, contributing the entire \$60 million funding for a 51% net profit share, will serve as a silent financial partner, ensuring Patrick's strategic vision drives the project's success.

- **Sensitivity Analysis:**

- Base Case: \$10.3M poker revenue, \$1M new facilities revenue by year 3, 13.31%–18.2% return
- Low Case: 50% poker capacity (\$5.15M), \$0.5M new facilities, 8.2% return, \$4.51M NOI.
- High Case: 75% poker capacity, \$1.5M new facilities, 15% return, \$8.75M NOI.

2.5 Exit Strategy

- **Property Sale:** Sell the property for \$60 million (closer to \$80.5M with improvements), supported by a 11.66% cap rate and comparable sales (e.g., El San Juan Resort at \$71 million). This delivers a 12% internal rate of return (IRR) to investors (51% equity), Mr Velazquez ensures a complete return on investment to Sterling Commercial Capital that they shall receive a full \$60M return at time of sale before splitting 50/50 split of any excess afterwards to ensure that Sterling Commercial Capital Recuperates their intial investment in entirety.

- **Investor Buyout:** Execute a buyout at 5x EBITDA, estimated at \$45 million based on \$9 million EBITDA in year 5 (including \$4.12M poker profit and \$0.5M new facilities profit). This covers the \$24.2 million loan balance and provides a 10% IRR to investors, with \$36 million distributed to investors and \$9 million to Velazquez and partners.

The potential WSOP and/or WPT partnership, vlogger residency (1M+ monthly views), and new entertainment facilities drive revenue, supporting NOI growth and exit valuation. Act 60 tax incentives enhance after-tax returns, making all exit scenarios highly attractive.

2.6 Investor Benefits

Investors in the Aloft Ponce Hotel & Casino gain exposure to a high-return hospitality and gaming asset with diversified revenue streams and robust risk mitigation.

- High Returns: 13.31% cash-on-cash return in year 1, scaling to 18.2% by year 5, with a 12% IRR on a \$58–\$60 million sale (closer to \$80.5M with improvements) or 10% IRR on a \$45 million buyout.
- Tax Advantages: Act 60 offers a 4% corporate tax rate and 0% capital gains for qualifying investors, boosting after-tax returns.
- Diversified Revenue: Poker (\$10.3M by year 3), new facilities (\$1M by year 3), and hospitality (\$13.86M by year 5) ensure multiple income streams.
- Market Opportunity: Puerto Rico's \$355 million casino market is underserved for poker (2 tables island-wide), with 2.75 million visitors driving demand.
- Unique Strategy: A 30 - 45 table poker room, livestream studio, vlogger residency, WSOP events, and new facilities (hookah bar, sports lounge) position the Aloft as a diversified entertainment hub.

3 Property Overview

The Aloft Ponce Hotel & Casino, located at Carr. #2, Av. Santiago de los Caballeros, Ponce, PR 00717, is a modern, hospitality asset offering a unique opportunity to acquire a high-performing property for \$55 million and transform it into the Caribbean's premier poker and entertainment destination. Built in 2021 and featuring a casino opened in late 2023, this 152-room hotel spans 61,750 square feet across 3.8 acres, delivering a 2024 net operating income (NOI) of \$6.12 million with a 11.66% cap rate. Strategically positioned in Ponce, Puerto Rico's second-largest city with 2.75 million annual visitors, the property benefits from robust tourism demand, proximity to cultural attractions, and Puerto Rico's Act 60 tax incentives, including a 4% corporate tax rate and 0% capital gains. Under the leadership of Patrick Velazquez, a poker industry veteran with over 20 years of experience, the Aloft Ponce is poised to capitalize on an underserved \$355 million casino market through a state-of-the-art poker room and new entertainment facilities, ensuring long-term revenue growth and investor returns.

3.1 Property Details

The Aloft Ponce Hotel & Casino is a 6-story, contemporary hospitality asset designed to meet the needs of both leisure and business travelers. Its key physical attributes, as detailed in the Offering Memorandum (Pages 8–9), include:

- Location: Carr. #2, Av. Santiago de los Caballeros, Ponce, PR 00717, a hightraffic corridor providing seamless access to Ponce's vibrant downtown, Mercedita Airport (3 miles), and major attractions such as Museo de Arte de Ponce and Hacienda Buena Vista.
- Year Built: 2021, ensuring modern construction standards, energy-efficient systems, and minimal near-term capital expenditure requirements.

- Lot Size: 3.8 acres, offering ample space for parking, outdoor amenities, and potential future expansions.
- Gross Building Area (GBA): 61,750 square feet, encompassing 152 guest rooms, a casino, dining venues, meeting spaces, and recreational facilities.
- Number of Floors: 6, with efficient vertical design maximizing guest accessibility and operational functionality.
- Casino Opened: Late 2023, marking the property's entry into Puerto Rico's gaming market, generating \$4.4 million in 2024 revenue
- Brand Affiliation: Currently part of Marriott International's Aloft brand, benefiting from global recognition, operational support, and access to the Marriott Bonvoy loyalty program, which drives 30% of bookings. Although there will be a rebrand the location has benefitted from their exposure during their time .

3.2 Key Features and Amenities

The Aloft Ponce offers a diverse array of amenities tailored to attract a broad clientele, from leisure tourists to corporate groups and gaming enthusiasts. Current and planned features and enhanced by the proposed investment plan, include:

- Guest Rooms: 152 modern rooms and suites, featuring tech-forward amenities such as high-speed Wi-Fi, 55-inch smart TVs, and ergonomic workstations. In 2024, the hotel achieved a 64.1% occupancy rate, \$150.08 average daily rate (ADR), and \$96.20 revenue per available room (RevPar), generating \$6 million in room revenue.
- Casino: A recently opened (2023) on-site casino with slot machines, table games, and a vibrant gaming atmosphere, contributing \$4.4 million in 2024 revenue. The casino's success in its first year underscores Ponce's \$355 million gaming market potential

- **Poker Room (Planned):** A \$5 million investment will develop a 20,000 square foot poker room, including advanced equipment and security measures, to capitalize on Puerto Rico’s underserved poker market.. Projected to generate \$3.3 million in year 1 and \$10.3 million by year 3 with a 40% margin, the poker room will feature WSOP circuit events and a vlogger residency program with 1M+ monthly views.

- **Dining:** On-site dining includes the Hard Rock Cafe Ponce, generating \$3.2 million in 2024, alongside a rooftop bar with city views and additional food and beverage outlets contributing \$2.7 million . Planned enhancements include a hookah bar and sports lounge, expected to add \$1 million in annual revenue by year 3.

- **Swimming Pools:** Two inviting outdoor pools, enhancing guest experience and supporting leisure demand, particularly during Ponce’s high season (December– April).

- **Meeting Spaces:** 3,500 square feet of modern meeting spaces, accommodating corporate meetings, seminars, and social events, with \$0.5 million in 2024 revenue. These spaces cater to Ponce’s growing business tourism, driven by local industries and government activity.

- **Additional Amenities:**
 - State-of-the-art fitness center with 24/7 access, appealing to health-conscious travelers
 - Vibrant social spaces, including a lobby lounge and rooftop bar, fostering guest engagement and incremental revenue.
 - Planned \$1 million renovations for signage changes, lobby upgrades, and new entertainment facilities to elevate the guest experience

3.3 Strategic Location

The Aloft Ponce is ideally situated in Ponce, Puerto Rico’s second-largest city, known as the “Pearl of the South” and a cultural and economic hub attracting 2.75 million visitors annually.

Key location advantages include:

- **Accessibility:** Located on Carr. #2, a major arterial road, the property offers convenient access to Mercedita Airport (3 miles, 7-minute drive), Ponce's port (2 miles), and San Juan's Luis Muñoz Marín International Airport (75 miles, 90-minute drive). The hotel's proximity to public transportation and major highways enhances guest convenience.
- **Tourism Demand:** Ponce's rich cultural attractions, including Museo de Arte de Ponce, Parque de Bombas, and Hacienda Buena Vista, drive consistent leisure tourism, with 60% of visitors citing cultural activities as their primary motivation. The city's annual Ponce Carnival and Festival de la Salsa further boost hotel demand.
- **Business Activity:** Ponce's economy, supported by healthcare, manufacturing, and government sectors, generates steady corporate travel. The hotel's meeting spaces and proximity to Ponce Health Sciences University and industrial parks ensure year-round business demand.
- **Competitive Positioning:** The Aloft Ponce outperforms regional competitors like Hilton Ponce Golf & Casino Resort and Meliá Century Hotel Ponce due to its modern infrastructure, Marriott branding, and casino operations, achieving a 64.1% occupancy rate compared to the market's 60.5% average.

3.4 Investment Highlights

The Aloft Ponce Hotel & Casino offers a compelling investment opportunity, combining a high-performing asset with significant upside potential through gaming and entertainment enhancements. Key highlights include:

- **High-Performing Asset:** In 2024, the property generated \$16.38 million in gross revenue, including \$6 million (rooms), \$4.4 million (casino), \$3.2 million (Hard Rock Cafe), \$2.7 million (food and beverage), and \$0.5 million (meetings), with a \$6.12 million

NOI and 13.31% cash-on-cash return. The 11.66% cap rate aligns with recent Puerto Rico hotel sales, such as El San Juan Resort at \$71 million.

– Revenue Potential: The planned poker room and new facilities (hookah bar, sports lounge) are projected to drive total revenue to \$25.16 million by year 5, with poker contributing \$10.3 million and new amenities \$1 million, supported by WSOP partnerships and a vlogger residency program (1M+ monthly views).

– Tax Incentives: Puerto Rico’s Act 60 provides investors with a 4% corporate tax rate, 0% capital gains, property tax exemptions, and tax credits for job creation and capital investments, significantly enhancing after-tax returns for qualifying investors.

– Consistent Demand: Ponce’s 2.75 million visitors and \$355 million casino market, coupled with only two poker tables island-wide, ensure strong demand for the hotel’s hospitality and gaming offerings. The property’s 64.1% occupancy and \$96.20 RevPar reflect stable performance in a resilient market.

– Operational Excellence: Managed directly by Patrick Velazquez and his experienced team, the property will maintain Marriott standards while rebranding without third party operators, while rebranding and optimizing efficiency.

3.5 Future Enhancements

The investment plan allocates \$4.5 million for renovations and upgrades to elevate the Aloft Ponce’s market position and revenue potential, including:

– Poker Room: A \$5 million investment will develop a 20,000 square foot poker room, including advanced equipment and security measures, to capitalize on Puerto Rico’s underserved poker market.

– New Entertainment Facilities & Hotel Upgrades: \$1 million for a hookah bar and sports lounge, diversifying revenue with \$80,000 in year 1, scaling to \$1 million by year

3 (20% margin). Signage changes, lobby enhancements, Full gym, and modernized amenities to reinforce the appeal and drive guest satisfaction.

4 Market Analysis

The Aloft Ponce Hotel & Casino, located in Ponce, Puerto Rico's second-largest city, is uniquely positioned to capitalize on a thriving tourism market, an underserved \$355 million casino gaming sector, and Puerto Rico's attractive Act 60 tax incentives. With 2.75 million annual visitors to Ponce and a robust economic base driven by cultural tourism, business activity, and gaming demand, the property offers a compelling opportunity to generate stable hospitality revenue while establishing a Caribbean poker and entertainment hub. This Market Analysis examines Ponce's tourism and gaming markets, competitive landscape, demand drivers, and the strategic advantages of transforming the Aloft Ponce into a high-growth asset under the leadership of Patrick Velazquez, a poker industry veteran with over 20 years of experience and relationships with the World Series of Poker (WSOP) and World Poker Tour (WPT).

4.1 Ponce Tourism Market

Ponce, known as the "Pearl of the South," is a cultural and economic hub attracting 2.75 million visitors annually, contributing significantly to Puerto Rico's \$7.9 billion tourism industry. The city's appeal lies in its rich heritage, vibrant festivals, and strategic location, driving consistent demand for hospitality services.

- Visitor Profile: In 2024, Ponce welcomed 2.75 million visitors, with 60% citing cultural attractions as their primary motivation, 25% attending festivals or events, and 15% traveling for business. Leisure travelers, primarily from the U.S. mainland (50%) and international markets (20%, including Latin America and Europe), spend an average of \$180 per day, while business travelers contribute \$220 per day (Discover Puerto Rico, 2024).

- Cultural Attractions: Key draws include Museo de Arte de Ponce, Parque de Bombas, Hacienda Buena Vista, and Castillo Serrallés, generating 1.5 million annual visits.

These sites ensure year-round leisure demand, with peak seasons from December to April.

- **Festivals and Events:** The Ponce Carnival (February) and Festival de la Salsa (July) attract 300,000 and 150,000 visitors, respectively, boosting hotel occupancy by 20% during event periods. The Aloft Ponce's proximity to event venues (2 miles from downtown) positions it to capture this demand.
- **Growth Trends:** Ponce's tourism sector grew 5.2% annually from 2019 to 2024, outpacing Puerto Rico's 4.8% average, driven by infrastructure investments and marketing campaigns. Projections estimate 3.1 million visitors by 2030, supporting a 3% annual revenue growth for the Aloft Ponce.
- **Accessibility:** Located on Carr. #2, the property is 3 miles from Mercedita Airport (7-minute drive) and 75 miles from San Juan's Luis Muñoz Marín International Airport (90-minute drive), with direct flights to major U.S. cities. Ponce's port, 2 miles away, serves cruise passengers, adding 100,000 annual visitors.

4.2 Puerto Rico Casino and Gaming Market

Puerto Rico's \$355 million casino gaming market is significantly underserved for poker, presenting a transformative opportunity for the Aloft Ponce to establish a regional poker hub. The island's 22 casinos generate stable revenue, but limited poker offerings create a gap that the proposed 45 table poker room will address.

- **Market Size:** In 2024, Puerto Rico's casinos generated \$355 million in gross gaming revenue, with slot machines contributing 70% and table games (including poker) 30%. Ponce's three casinos, including the Aloft Ponce, account for \$45 million, or 12.7% of the market.

- **Poker Opportunity:** Only two poker tables exist island-wide, both in San Juan, leaving Ponce's \$45 million and Puerto Rico's \$355 Million gaming market without dedicated poker facilities. The Aloft Ponce's planned \$3.2 million poker room, featuring 30–45 tables, a 750-square-foot livestream studio, and WSOP circuit events, is projected to capture \$3.3 million in year 1 and \$10.3 million by year 3 (40% margin).
- **Demand Drivers:** Poker demand is fueled by local players (10,000 active players in Puerto Rico), U.S. tourists (40% of casino visitors), and international poker enthusiasts attracted by WSOP/WPT events. The proposed vlogger residency program (1M+ monthly views) and Poker Atlas integration will drive an additional 50,000 annual poker-related visits by year 3.
- **Competitive Advantage:** The Aloft Ponce's poker room will outshine San Juan competitors (e.g., Condado Plaza Hilton, with two tables) due to its scale, livestream capabilities, and Mr. Velazquez's IP Blueprint, ensuring a dominant position of the market share of Puerto Rico's poker revenue by year 3.
- **Gaming Trends:** Casino revenue in Puerto Rico grew 3.8% annually from 2019 to 2024, with poker demand rising 10% due to online poker's popularity. The Aloft Ponce's casino, opened in late 2023, generated \$4.4 million in 2024, with poker enhancements expected to double gaming revenue by year 5.

4.3 Competitive Landscape

The Aloft Ponce outperforms its competitors in Ponce's hospitality and gaming markets, leveraging its modern infrastructure, branding, and planned enhancements to maintain a competitive edge.

- **Aloft Ponce:** Achieved a 64.1% occupancy rate, \$150.08 ADR, and \$96.20 RevPar in 2024, outperforming the Ponce market's 60.5% occupancy, \$138.50 ADR, and \$83.79

RevPar . Its 2021 construction, Marriott Bonvoy loyalty program (30% of bookings), and \$4.4 million casino revenue provide a competitive edge.

- Hilton Ponce Golf & Casino Resort: With 255 rooms, it offers a golf course and casino but lags in occupancy (62.3%) and RevPar (\$90.65) due to older infrastructure (built 1998). Its casino lacks poker facilities, making it vulnerable to the Aloft's poker room.

- Meliá Century Hotel Ponce: A boutique property with 78 rooms, it caters to budget travelers but has lower occupancy (58.7%) and RevPar (\$76.43). It lacks a casino, limiting its appeal to gaming enthusiasts.

- Holiday Inn Ponce & Tropical Casino: With 116 rooms, it competes on price (ADR \$135.75) but has a smaller casino and no poker offerings, resulting in a RevPar of \$82.13. Its dated amenities (built 1980s) reduce competitiveness.

- Strategic Positioning: The Aloft Ponce's planned poker room, hookah bar, and sports lounge, combined with \$1 million in hotel upgrades, will further differentiate it, targeting high-value gaming and leisure guests. Its 3,500-square-foot meeting spaces also capture corporate demand, outperforming competitors' limited event facilities

4.4 Demand Drivers

The Aloft Ponce benefits from multiple demand drivers, ensuring stable occupancy and revenue growth across hospitality, gaming, and new entertainment offerings.

- Cultural Tourism: Ponce's 1.5 million annual attraction visits and 450,000 festival attendees drive leisure demand, with 60% of visitors staying 3–5 nights. The Aloft's proximity to cultural sites (2 miles) and high season (December– April) occupancy of 75% support \$6 million in 2024 room revenue.

- **Business and Government Activity:** Ponce's economy, driven by healthcare (Ponce Health Sciences University), manufacturing, and government offices, generates 15% of hotel stays. The property's 3,500-square-foot meeting spaces and \$0.5 million in 2024 event revenue position it to capture this segment, with 20% growth projected by 2030.
- **Gaming Demand:** The \$355 million casino market, with only two poker tables island-wide, creates a significant opportunity. The Aloft's casino generated \$4.4 million in 2024, with the poker room expected to attract 50,000 additional visitors annually by year 3, boosting occupancy and food and beverage revenue.
- **New Entertainment Facilities:** The planned hookah bar and sports lounge, funded by a \$1 million investment, target younger demographics and sports enthusiasts, adding \$80,000 in year 1 and \$1 million by year 3 (20% margin). These amenities diversify revenue and enhance guest dwell time.
- **Act 60 Incentives:** Puerto Rico's Act 60, offering a 4% corporate tax rate, 0% capital gains, and property tax exemptions, attracts high-net-worth investors and businesses, increasing corporate travel and gaming demand. Over 5,000 Act 60 decrees issued by 2024 have driven 10% growth in business tourism.

4.5 Investment Implications

The market analysis underscores the Aloft Ponce's potential to deliver strong returns through stable hospitality cash flows and high-growth gaming and entertainment revenue. Key implications include:

- **Revenue Growth:** The property's 2024 revenue of \$16.38 million (rooms \$6M, casino \$4.4M, Hard Rock Cafe \$3.2M, food and beverage \$2.7M, meetings \$0.5M) is projected to reach \$25.16 million by year 5, driven by poker (\$10.3M), new facilities (\$1M), and 3% annual hospitality growth.

- **Competitive Edge:** The Aloft's modern infrastructure (built 2021), rebranding, and planned enhancements outperform competitors, supporting a 64.1% occupancy rate and \$96.20 RevPar compared to the market's 60.5% and \$83.79.
- **Tax Advantages:** Act 60 incentives enhance after-tax returns for investors, making the Aloft Ponce attractive to Act 60 participants relocating to Puerto Rico (e.g., hedge funds like Paulson & Co.).
- **Poker Market Capture:** The poker room addresses a critical gap in Puerto Rico's \$355 million gaming market, leveraging Mr. Velazquez's WSOP/WPT relationships to achieve a dominant poker market share by year 3, generating \$4.12 million in net profit, as a conservative number.
- **Risk Mitigation:** Diversified revenue streams (hospitality, gaming, new facilities) and Ponce's resilient tourism market (5.2% growth) ensure stability, even in a low-case scenario (50% poker capacity, \$5.15M revenue, 8.2% return).

This Market Analysis positions the Aloft Ponce as a high-return investment opportunity, leveraging Ponce's tourism and gaming markets to deliver stable cash flows and significant upside potential.

5 Operational Plan

The Operational Plan for the Aloft Ponce Hotel & Casino outlines the day-to-day management of a 152-room, Marriott-branded property, its casino, food and beverage (F&B) outlets, and planned poker room, positioning it as the Caribbean's premier poker and entertainment destination. Led by Patrick Velazquez, the plan ensures operational excellence, regulatory compliance, and an exceptional guest experience. By managing operations directly, the project eliminates third-party management fees (estimated at \$1.03M–\$1.28M/year), preserving the \$6.12M net operating income (NOI) in 2024 and supporting projected growth to \$7.87M by Year 5. The plan integrates hotel, casino,

F&B, poker, and new entertainment facilities, leveraging Puerto Rico's \$355M gaming market and 2.75M annual visitors to Ponce.

5.1 Hotel Operations

The Aloft Ponce's 152 modern rooms, built in 2021, cater to leisure and business travelers with tech-forward amenities (high-speed Wi-Fi, 55-inch smart TVs, ergonomic workstations). Operations are managed via a property management system (PMS) for automated room allocation, daily cleaning schedules, and maintenance checks. Staffing includes 100 employees in Year 1 (10 front desk, 50 housekeeping, 20 maintenance, 20 guest services), with an estimated payroll of \$2.5M, aligned with the \$13.56M operating expenses. Guest services include a 24/7 concierge, shuttle services to Mercedita Airport (3 miles), and Marriott Bonvoy integration, driving 30% of bookings. The hotel achieved a 64.1% occupancy rate, \$150.08 average daily rate (ADR), and \$96.20 revenue per available room (RevPar) in 2024, generating \$6M in room revenue, with a target of 75% occupancy by Year 3 to support \$25.16M total revenue by Year 5.

5.2 Casino Operations (Non-Poker)

The casino, opened in 2023, features 100 slot machines and 20 table games (10 blackjack, 5 roulette, 5 other), contributing \$4.4M to 2024 revenue. Operations are supported by 40 staff (20 dealers, 5 pit bosses, 10 security, 5 support), with payroll included in the \$13.56M operating expenses. Casino management software tracks game performance and player analytics, ensuring compliance with Puerto Rico Gaming Commission (PRGC) regulations. Security includes 24/7 surveillance and trained personnel. The casino capitalizes on Ponce's \$45M gaming market, with plans to double revenue by Year 5 through cross-promotion with the poker room and new amenities.

5.3 Food and Beverage Operations

F&B operations include Hard Rock Cafe Ponce (200 seats, \$3.2M in 2024), a rooftop bar (100 seats, \$2.7M with other F&B), and room service. Planned enhancements include a hookah bar and sports lounge (\$1M investment), projected to generate \$80,000 in Year 1 and \$1M by Year 3 (20% margin). Staffing comprises 45 employees (20 servers, 10 bartenders, 5 chefs, 10 support), with centralized kitchen operations and point-of-sale (POS) systems for efficiency. Menus blend American and Caribbean flavors, targeting mid-to-high-end clientele. F&B operations align with peak seasons (December–April) and poker events to maximize dwell time and revenue.

5.4 Entertainment and Amenities

Entertainment includes weekly live music, quarterly shows, two outdoor pools, and a 24/7 fitness center, staffed by 10 employees (coordinators and attendants). New facilities (hookah bar, sports lounge) enhance guest engagement, with \$1M in revenue by Year 3. The 3,500-square-foot meeting spaces host corporate events and seminars, generating \$0.5M in 2024, with 20% growth projected by 2030. Events are coordinated with Ponce's festivals (e.g., Ponce Carnival, 300,000 visitors) to boost bookings.

5.5 Poker Room Operations

The poker room, A \$5 million investment will develop a 20,000 square foot poker room, including advanced equipment and security measures, to capitalize on Puerto Rico's underserved poker market. WSOP/WPT partnerships, targeting 10,000 local players and 50,000 annual poker-related visits by Year 3. It addresses Puerto Rico's underserved poker market (two tables island-wide) within a \$355M gaming sector.

Baseline Assumptions (14-Hour Weekdays, 24-Hour Weekends)

Category	Value
Tables	30
Weekly hours open	118
Utilization rate	70%
Table-hours/week	$30 \times 118 \times 0.70 = \mathbf{2,478 \text{ hrs}}$
Game Mix	higher-stakes, see below
Avg rake per hour	\$80
Rake cost structure	68% expenses, 32% net margin

Game Mix

Game Type	Share	Est. Avg Rake/hr
\$1/\$2	45%	\$70
\$1/\$3	25%	\$80
\$2/\$5	25%	\$110
\$5/\$10	5%	\$140

Average hourly rake across all tables:

$$(0.45 \times 70) + (0.25 \times 80) + (0.25 \times 110) + (0.05 \times 140) = \mathbf{\$84.25}$$

Weekly gross rake from cash games:

$$2,478 \times 84.25 \approx \mathbf{\$208,648}$$

Net profit (32% margin after costs):

$$208,648 \times 0.32 \approx \mathbf{\$66,767/week}$$

So with just **cash games**, you're already achieving:

$$66,767 \times 52 = \mathbf{\$3.47million\ net/year}$$

Tournament Structure

Buy-In	Guarantee	Rake (Entry Fee)	Est. Entries	Gross Rake
\$40	\$4,000	\$10	125	\$1,250
\$60	\$6,000	\$15	125	\$1,875
\$80	\$8,000	\$20	125	\$2,500
\$100	\$10,000	\$25	125	\$3,125
\$250	\$20,000	\$50	100	\$5,000

Total Weekly Tournament Rake =

$$1,250+1,875+2,500+3,125+5,000=\mathbf{\$13,750/week}$$

Assume a 40% net margin (fewer staffing/overhead costs than cash tables):

$$13,750 \times 0.40 = \mathbf{\$5,500/week}$$
 net profit from tournaments

$$\mathbf{\$66,767 + \$5,500 = \$72,267 \times 52 = \$3,758,000\ net\ profit / year}$$

Once we have a successful and robust staff that can operate the poker room for a full scale 24 hour period, it will further increase its profitability.

24-hour open period

Metric	Value
Hours open/week	168
Utilization	60%
Table-hours/week	3,024
Weekly net profit	\$86,785
Annual net profit	\$4.51 million

Securing partnerships with either WPT / WSOP would further bolster the profit margins

WSOP Circuit Event

- **Event size:** Usually dozens of tournaments over 1-2 weeks.
- **Main Event buy-in:** Typically \$1,700 to \$1,800 with a \$200–\$300 entry fee (rake).
- **Entries:** Around 1,000–1,500 players on average for a circuit main event.
- **Other events:** Multiple smaller buy-in events (\$300–\$1,000), attracting hundreds of players each.

Estimated direct tournament revenue (rake + fees):

- Main Event rake:
1,200 entries×\$300=\$360,000
- Side events rake (10 events × average \$50k rake):

Total direct rake: Around **\$850,000 to \$1 million** for the entire circuit stop.

WPT Event

- **Event size:** Usually a single marquee event with some side events, lasting about a week.
- **Main Event buy-in:** Often \$3,500 to \$10,000 depending on location.
- **Entries:** Typically 500–700 for the main event at most stops.

Estimated direct tournament revenue (rake + fees):

- Main Event rake:
600 entries×\$750=\$450,000
- Side events rake (5 events × \$30k average rake):

Total direct rake: Around **\$600,000 to \$700,000** per WPT stop.

These figures **only include tournament rake**, not cash game rake or ancillary revenue (hotel, food, slots).

Casinos often view these events as **loss leaders or marketing investments** because they drive broader revenue.

Big events also generate **media exposure and sponsorship deals** which add value but aren't direct rake revenue.

Staffing and Operations

- Staff: 40 dealers (\$25/hour), 10 floor staff (\$35/hour), 5 cashiers (\$20/hour), with \$1.2M annual payroll. WSOP-level training ensures quality.
- Technology: Tournament software, Poker Atlas integration, player tracking.
- Security: Surveillance, biometric access for high-stakes areas.

Integration and Cross-Promotion

Poker tournament packages include hotel stays, casino credits, and F&B discounts. A loyalty program allows points redemption across poker, casino, and dining. Marketing campaigns on X and LinkedIn, plus Poker Atlas, drive 50,000 poker visits by Year 3.

Organizational Structure and Technology

A General Manager oversees department heads for hotel, casino, F&B, and poker, reporting to Patrick Velazquez. Technology includes PMS (hotel), POS (F&B), casino management software, and livestream systems. Compliance with PRGC regulations is ensured via Jaime F. Rivera Emmanuelli and Saiber LLC attorneys at law, with a 3–6-month casino license transfer process.

Risk Mitigation

An operating reserve covers , staffing, and operational shortfalls. Diversified revenue (rooms, casino, F&B, poker) in Year 1 ensures stability. Contingency plans include scaling poker tables based on demand and leveraging Act 60 tax incentives (4% corporate tax, 0% capital gains) to enhance returns.

6 Risk Analysis and Mitigation

The Aloft Ponce Hotel & Casino project is strategically designed to deliver a 13.31% cash-on-cash return in Year 1, scaling to 18.2% by Year 5, with a 12% internal rate of return (IRR) on a \$58–\$60M exit (closer to \$80.5M with improvements), leveraging Puerto Rico’s \$355M gaming market and 2.75M annual visitors to Ponce. However, as with any hospitality and gaming investment, the project faces inherent risks. This section identifies key risks, including market, operational, regulatory, and financial challenges, and outlines robust mitigation strategies to ensure stability and protect investor capital. An operating reserve, diversified revenue streams, and conservative financial projections underpin the project’s resilience.

6.1 Market Risks

- **Risk:** A downturn in Puerto Rico’s tourism market, driven by economic conditions, natural disasters (e.g., hurricanes), or reduced visitor demand (2.75M annually in Ponce), could impact occupancy (64.1% in 2024) and gaming revenue (\$4.4M in 2024).
- **Mitigation:** The project diversifies revenue across rooms (\$6M), casino (\$4.4M), Hard Rock Cafe (\$3.2M), F&B (\$2.7M), meetings (\$0.5M), and planned poker (\$3.3M Year 1) and new facilities (\$1M by Year 3), reducing reliance on any single stream. Marketing via WSOP/WPT partnerships and vlogger residencies (1M+ monthly views) targets 50,000 poker-related visits by Year 3, offsetting tourism fluctuations. Historical data shows Ponce’s tourism grew 5.2% annually (2019–2024), outpacing Puerto Rico’s 4.8%, supporting resilience

6.2 Operational Risks

- **Risk:** Delays in poker room launch (Q3 2026) or underperformance (e.g., below 50% table utilization) could reduce projected poker revenue (\$3.3M Year 1, \$10.3M by Year 3). Staffing shortages or inefficiencies in managing 150

employees by Q3 2025 could increase costs (\$13.56M Year 1).

- **Mitigation:** Patrick Velazquez’s 20+ years of poker expertise and WSOP/WPT relationships ensure effective poker room execution, with scalable operations (30–45 tables, 70% utilization). A detailed staffing plan (40 dealers at \$25/hour, 10 pit bosses at \$35/hour, \$1.2M poker payroll) and WSOP-level training minimize inefficiencies. Direct management eliminates third-party fees (\$1.03M–\$1.28M/year), preserving NOI (\$6.12M Year 1). A low-case scenario (50% poker capacity, \$5.15M revenue) yields an 8.2% return, confirming viability (Section 2.4).

6.3 Regulatory Risks

- **Risk:** Delays in transferring the existing casino license (3–6 months) or obtaining PRGC approvals for the poker room could postpone revenue generation. Non-compliance with Marriott standards or Act 60 requirements could jeopardize brand affiliation or tax benefits (4% corporate tax, 0% capital gains).
- **Mitigation:** Partnership with Jaime F. Rivera Emmanuelli and Saiber LLC attorneys at law, ensures PRGC compliance and expedites licensing. The existing casino license (active since 2023) reduces approval risks. Marriott Bonvoy integration and \$1M in hotel upgrades maintain brand standards. Act 60 compliance is structured to secure tax incentives, with legal oversight to attract qualifying investors.

6.4 Financial Risks

- Multiple exit strategies—refinancing (\$25M bank loan, 70% LTV), property sale (\$60M+), or buyout (5x EBITDA, \$45M)—ensure liquidity. Conservative projections (3% hospitality growth, 50% poker capacity in low-case) and comparable sales (e.g., El San Juan Resort at \$71M) support valuation.

6.5 Competitive Risks

- **Risk:** Competitors like Hilton Ponce Golf & Casino Resort or new entrants could capture gaming or hospitality demand, reducing the Aloft's 64.1% occupancy or \$4.4M casino revenue.
- **Mitigation:** The Aloft's modern infrastructure (built 2021), Marriott branding, and planned poker room (30–45 tables, no local competition) outperform competitors (e.g., Hilton's 62.3% occupancy, no poker). Marketing via Poker Atlas, vloggers, and WSOP/WPT events ensures a commanding poker market share by Year 3. New facilities (hookah bar, sports lounge) diversify appeal, targeting Ponce's 2.75M visitors.

6.6 Natural Disaster Risks

- **Risk:** Hurricanes or other natural disasters could disrupt operations, as seen in past Puerto Rico events, impacting tourism and revenue.
- **Mitigation:** The operating reserve covers operational disruptions, with insurance for property damage and business interruption. The property's 2021 construction ensures resilience (e.g., hurricane-resistant design). Diversified revenue and a 5.2% tourism growth trend (2019–2024) provide a buffer against seasonal disruptions.

6.7 Risk Mitigation Summary

The Aloft Ponce mitigates risks through an operating reserve, diversified revenue streams (rooms, casino, F&B, poker, new facilities), and conservative projections (8.2% return in low-case). Direct management by Velazquez's team, legal oversight by Jaime F. Rivera Emmanuelli and Saiber LLC attorneys at law, and strategic partnerships (WSOP, WPT, vloggers) ensure execution and market capture. Act 60 tax incentives enhance after-tax returns, making the project resilient and attractive for investors seeking exposure to Puerto Rico's growing hospitality and gaming markets.

7 Management Team

The Aloft Ponce Hotel & Casino is led by a seasoned management team with deep expertise in hospitality, gaming, and operational execution. Spearheaded by Patrick Velazquez, the team combines industry knowledge, strategic partnerships, and a proven track record to deliver the project's vision of becoming the Caribbean's premier poker and entertainment destination. Their direct management approach eliminates third-party fees (estimated at \$1.03M–\$1.28M/year), preserving the \$6.12M net operating income (NOI) in 2024 and driving projected growth to \$7.87M by Year 5. The team's alignment with investor interests, supported by an operating reserve and Puerto Rico's Act 60 tax incentives, ensures robust execution and high returns.

7.1 Patrick Velazquez –

Founder and Chief Executive Officer Patrick Velazquez, with 8 years in hospitality management, Patrick has a proven track record of overseeing high-performing hotel operations, driving revenue growth, and ensuring guest satisfaction in competitive markets. His Bachelor's Degree in Business, Management, and Finance from SUNY Empire State College equips him with a strong foundation in financial analysis, capital allocation, and operational strategy, critical for managing the project and delivering return to investors. A U.S. Navy veteran, Patrick's military service instilled discipline, leadership, and strategic decision-making skills, which he applies to managing complex operations and fostering team cohesion under high-pressure environments.

As a poker industry veteran with 20 years of gameplay experience, Patrick is uniquely qualified to transform the Aloft Ponce into the Caribbean's premier poker destination. His career began as a private game player in New York, where he competed in low to mid stakes games and cultivated relationships. Patrick's operational experience includes hosting consistent private poker games and managing poker operations at private venues in New York, collaborating with top professionals to deliver world-class gaming experiences. His deep understanding of poker culture and player preferences

has informed the \$5M poker room design, featuring 30–45 tables, a 750-square-foot livestream studio, and WSOP circuit events, projected to generate \$3.3M in Year 1 and \$10.3M by Year 3 with a 40% margin.

Patrick's strategic vision leverages Puerto Rico's underserved \$355M casino gaming market, with only two poker tables island-wide, to capture 50,000 annual poker-related visits by Year 3. Potential partnerships with WSOP and WPT ensure high-profile events, such as a WSOP Circuit stop (\$860,000 rake) or WPT event (\$600,000 rake), enhancing the property's visibility and revenue. Additionally, Patrick has forged connections with Puerto Rico's gaming regulators and legal experts.

As CEO, Patrick oversees all operations, including hotel, casino, food and beverage, and new entertainment facilities (hookah bar, sports lounge), driving total revenue to \$25.16M by Year 5. His hands-on leadership, supported by an operating reserve and a 1.32 debt coverage ratio, mitigates risks and ensures a 13.31% cash-on-cash return in Year 1, scaling to 18.2% by Year 5. Patrick's 49% equity stake and 5% poker profit fee (\$206,000/year, PRGC-compliant) align his interests with investors, guaranteeing a focus on delivering a 12% IRR on a \$58–\$60M exit. His innovative marketing strategies, including vlogger residencies (1M+ monthly views) and Poker Atlas integration, position the Aloft Ponce as a global poker hub, capitalizing on Ponce's 2.75M annual visitors and robust tourism growth.

7.2 Financial Partner

Sterling Commercial Capital LLC, managed by Brian Opert, contributing the entire \$60 million funding for a 51% net profit share, will serve as a silent financial partner, ensuring Patrick's strategic vision drives the project's success.

7.3 Skin in the game

Intellectual and Operational Investment

The project is driven by Patrick Velazquez; his experience underpins the business plan, high concept ("Caribbean's premier poker hub in Ponce,

leveraging tourism & Poker Events for 18.2% return"), and innovative poker room strategy (30-45 tables, 750-square-foot livestream studio). Patrick has already dedicated over 40 hours in the past week to refine the plan, negotiate partnerships, and design the poker layout, even having traveled to Puerto Rico twice to personally do on the ground due diligence, research and networking. With an ongoing full-time commitment projected at 50-60 hours weekly.

Relocation and Personal Sacrifice

To ensure hands-on leadership, Patrick is uprooting his life and family from their current residence to relocate to Ponce, Puerto Rico. This significant personal investment includes transitioning his household, enrolling children in local schools, and immersing in the community to oversee daily operations and build local relationships. This move ensures direct management during the critical ramp-up phase. The relocation underscores a long-term commitment to the project's success.

Conclusion

Patrick Velazquez's multifaceted commitment—intellectual assets, full-time dedication, family relocation, tax-optimized LLC structure, partnership efforts, and performance-based equity—constitutes significant "skin in the game." This aligns his success with that of investors and lenders, positioning the Aloft Ponce Hotel & Casino for a robust 12% IRR exit at \$58-\$60 million, supported by an operating reserve and a clear path to profitability.