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MEMORANDUM

DATE: July 9, 2014

TO: To Whom It May Concern

CC: Skip Hoagland, Peter Buonaiuto

FROM: John Buchanan

RE: Master Strategy Plan -- Hilton Head Chamber/CVB

This document summarizes the efforts of Skip Hoagland and others to reform the Hilton Head/Bluffton County Chamber of Commerce/CVB.

Based on its long history of abuses, including excessive spending and a lack of transparency -- and most important, its failure to do the job it has been funded to do and increase tourism to Hilton Head -- the goal is to replace current leadership with a new team that has the experience and integrity to create a "new and improved" business model for the organization.

If a "housecleaning" of the existing organization and comprehensive reform cannot be accomplished, Mr. Hoagland and his supporters propose the creation of a new organization and a separate Convention & Visitors Bureau (CVB). As an alternative to the existing Chamber, he supports the newly formed Greater Bluffton Chamber of Commerce.

One key to success is recognizing the different and distinctly different functions of a

Chamber of Commerce and a CVB. The role of a Chamber is to promote the local business community to the widest possible audience. The role of a CVB is to generate tourism to the community. It is precisely because these functions have been comingled by the Hilton Head Chamber/CVB that it has failed so badly in the promotion of tourism.

Because the Hilton Head Chamber/CVB has been intransigent in the face of growing local dissatisfaction and opposition to its inefficient, extravagant and ineffective business model in representing local tourism interests, a multi-element campaign is now underway to either reform it or create a new alternative that is more responsive to the business needs of local tourism operators such as hotels and advertising media.

The Legal Front

To date, Mr. Hoagland has made a substantial personal investment in the legal and accounting services required to investigate and expose the corrupt activities of the Hilton Head Chamber/CVB. His goal is simple: to achieve total public transparency of all historical data, including current information, about the organization's revenues and operating costs, including salaries and travel-and-entertainment expenses.

Because the Chamber has resisted repeated and ongoing calls for disclosure of financial documents, both from Mr. Hoagland and the Town of Hilton Head and/or the ATX committee that is its primary funder, it is a fair presumption to assume that they have much to hide.

Across the U.S., even in major destinations such as Orlando, Florida, CVBs typically resist disclosure demands by claiming "private" status, despite the fact they are primarily funded by public tax dollars.

In order to expose the truth in the public interest, Mr. Hoagland has filed a Freedom of Information Act lawsuit that is currently pending before the Beaufort County Court. A ruling is expected soon. If the FOIA case is lost in the lower court, Mr. Hoagland will immediately appeal to the U.S. Supreme Court. If the case is lost in the Supreme Court, Mr. Hoagland will pursue a new legal action, based on the member rights of Chamber members to seek release of all requested financial documents.

In a related matter, Mr. Hoagland has already won a significant and precedent-setting court case against the Town of Hilton Head, which attempted to charge Mr. Hoagland \$13,000 for copies of documents, even though state law states they cannot legally charge

for subpoenaed documents. Mr. Hoagland took the town to court and prevailed. That sets a valuable precedent for other South Carolina municipalities that undertake similar actions against their local Chambers and/or CVBs.

More recently, Mr. Hoagland filed another FOIA action against a Chamber of Commerce in a neighboring state. The organization complied completely. However, the released documents demonstrated once again that the Chamber was in violation of IRS rules that regulate such nonprofit organizations.

In addition to the current FOIA action, Mr. Hoagland will also file an unfair trade practices action against the Chamber/CVB, as well as a lawsuit seeking damages for those local businesses such as tourism media outlets that have been harmed or driven out of business completely by the Chamber's unfair ad sales practices, which have become a major producer of revenue in recent years.

It is well known across the country that local CVBs, large and small, put pressure on local tourism businesses to spend their advertising budgets with them instead of local media. In many instances, such pressure rises to a de facto level of "extortion." In addition, the global organization that represents CVBs -- Destination Marketing Association International (DMAI) counsels members on how to extract maximum advertising revenue from their local economies.

Finally, based on federal tax law, Mr. Hoagland has initiated a legal action that demands the Internal Revenue Service properly enforce the 501(c)(6) nonprofit status of the Hilton Head Chamber/CVB by carefully and thoroughly evaluating its total revenues and their sources -- especially from the sale of local advertising. Based on his extensive research, Mr. Hoagland strongly believes that such investigation will show that the Chamber has substantial revenues, over and above its public funding, that in effect make it a "profitable" operation -- with those "profits" being redistributed via excessive salaries and lavish operating expenses such as travel-and-entertainment. Such a finding, Mr. Hoagland believes, will ultimately force the IRS to strip them of their nonprofit status.

As part of his IRS initiative, Mr. Hoagland has also filed more than 100 IRS Form 211 "whistleblower" actions that target every major CVB in the country, including New York, Las Vegas, Orlando and New Orleans, as well as secondary destinations, in order to fully expose the current tax fraud being perpetrated by such organizations.

Mr. Hoagland makes the point that his legal efforts are based strictly and solely on facts and the law, and have nothing to do with "opinions" or "controversy." Given that reality,

a legal victory in the courts, or with the IRS, will be a "fatal blow" to the illegal and abusive business practices of the Hilton Head Chamber/CVB and other similar organizations around the country.

A National Media Campaign

The legal challenge to the Hilton Head Chamber/CVB -- and the relevance of its underlying issues to cities and towns across the U.S. where similar abuses by similar organizations have taken place for decades -- will be the centerpiece of a national-media editorial campaign designed to bring wide public awareness to the fight.

As of July 2, 2014, Mr. Hoagland has retained the services of an award-winning journalist and travel media consultant who is intimately familiar with the practices of CVBs in large cities and small towns because he has worked with them since 1980.

John Buchanan, based in Cocoa Beach, FL, has written for a wide variety of consumer and trade travel publications for more than 35 years. He is currently a regular contributor to Hotel News Now, the #1 global hotel business website published by Smith Travel Research. He is also an every-issue contributor to *Business Travel Executive* and a number of other travel magazines. His major media credits include Reuters, *Washington Post*, *Los Angeles Times*, Forbes.com, MSNBC.com, FoxNews.com and the prestigious global business journal *The Conference Board Review*. In addition, he has more than 10 years of experience as creative director of acclaimed boutique advertising agencies in Los Angeles and Miami. As a public relations consultant, he has placed stories in *The Wall Street Journal*, *New York Times* and on CNN and *NBC Evening News*, among other major media outlets.

Mr. Buchanan's role will be to generate national coverage in major newspapers such as *The Wall Street Journal* and *New York Times*, as well as on cable news outlets such as Fox Business Channel, Bloomberg News and CNBC, and in leading business publications such as Forbes.

In addition, in an attempt to have the story filter down to local cities and smaller communities across the U.S., the news agency/wire service Reuters will also be targeted. That effort is particularly important, because if a successful action can be brought against the Hilton Head Chamber/CVB, on behalf of local businesses -- and especially local media businesses, including TV and radio stations, newspapers, magazines, tourism guides and destination websites -- that will mean that other local communities across the U.S. can initiate similar initiatives and win similar victories that deliver similar benefits to the community.

To further that specific objective, Mr. Buchanan will write and distribute a series of press releases, as events warrant, via PR Newswire to every local TV station, news radio station, newspaper, magazine and travel publication in the country in order to prompt a grassroots campaign aimed at abolishing the existing Chamber/CVB model once and for all.

The Ultimate Goal of the Campaign

The ultimate goal of Mr. Hoagland's efforts is to create a "new and improved," fully transparent business model for local Chambers of Commerce and CVBs that better serves the business interests of their communities.

The first step in doing that is to clearly separate and make independent of one another the functions of a Chamber of Commerce and a CVB. Each should be funded based on its specific purpose and benefit to local businesses, with a clear understanding that a Chamber's mission is to represent and support all local enterprises, while a CVB's primary mission is to generate tourism.

Both organizations, however, should be managed and run by accomplished professionals who operate with complete transparency and a firm commitment to the interests of all their members, rather than in their self-interest.

With regard to the creation of a "new and improved" CVB in Hilton Head, key considerations are as follows:

A) Improved destination marketing that generates more tourism and meeting/incentive group business for Hilton Head -- in a manner that is more efficient and fiscally responsible because it reduces unnecessary overhead and retargets money to actual marketing efforts that generate results for local tourism operators.

B) A redirection of local ad dollars away from the CVB and toward local media, including TV stations, radio stations, newspapers, magazines, and tourist/destination guides, in-room hotel guides and other specialized media outlets, such as leading Hilton Head travel websites.

The sole function/messaging of the CVB should be: "Come to Hilton Head. Here's who/what we are." The organization's website will be reconfigured as a "general directory," a "local Yellow Pages," of everything available in Hilton Head. In turn, local businesses will promote themselves via local media, with the ad revenues that now go to the Chamber going to local for-profit outlets.

The most important point, or principle, of Mr. Hoagland's efforts is to establish clearly, as a matter of public policy, that a "new and improved" Chamber and/or CVB will not participate in any business activity that competes with or undermines its members and/or local businesses, such as tourism media enterprises.

In practical terms, that means that destination marketing to Hilton Head becomes a two-step process.

Step 1 is publicly-funded marketing, advertising and promotion by the CVB that motivates people to book Hilton Head trips, whether for business or pleasure. All information on the site is "generic," with a level playing field, and there is NO PAID ADVERTISING.

Step 2 is to ensure that before or after visitors arrive in town, they will then use local media, such as TV stations, radio stations, newspapers, magazines, free on-site publications such as local tourist guides or in-room guides, to decide "what to do and where to go."

That way, all local ad dollars are returned to local media. In turn, that will stimulate the local economy by increasing display and classified ad sales, generating job searches, creating jobs and motivating people who love Hilton Head to think about relocating there.

Of particular importance is how each individual member web site, as part of the "master" (portal) site published by the CVB should be designed, look and function. All individual member sites, designed to generate business directly, must be created according to a common set of standard guidelines that make them easy to use and informative for end users. The "master" Chamber/CVB site, designed specifically to promote the business interests of members, including local media, will serve simply as a directory for all member business such as hotels, restaurants, attractions and local travel media. Every member business will be listed on the main site and linked to their individual website at no cost, except for their annual membership fee. Such an improved and more "democratic" Internet presence will be a key benefit of membership in the new organization. NOTE: Individual members will be responsible for creating, hosting and maintaining their own web sites.

Next Big Step

On July 16, Peter Buonaiuto (Peter "B") and key supporters of the initiative will host

a public meeting in Hilton Head to discuss the current problems with the existing Chamber/CVB and plan for the development and launch of a new organization to replace it. Invited are local tourism businesses, local media, community leaders, the Mayor, members of the Town Council, and members of the ATAX committee.

The purpose of the meeting is to publicly discuss key issues related to the failure of the current Chamber/CVB and the need for change -- particularly when it comes to increasing tourism to Hilton Head.

Peter Buonaiuto will make a detailed presentation, based on factual data, about the decline in Hilton Head tourism in recent years.

John Buchanan will make a detailed presentation about his observations about the operation of CVBs over the past three decades and their unanimous lack of transparency or accountability, as well as their questionable marketing capabilities.

A National Revolution

Based on an assumption of success with both the Hilton Head and IRS initiatives -- based on facts and the law -- the ultimate objective of this campaign is to inspire and motivate cities and towns across the U.S. to stage their own local "revolutions" against corrupt and incompetent Chambers and/or CVBs.

The "call to action," via both national and local media coverage, is for the public -- including local travel businesses such as hotels and restaurants, and local travel media, all of whom under existing law have the right to gain access to IRS Form 990 information about basic operating expenses, including salaries, to seek such information about their own local Chambers/CVBs and then once exposed, replace them with a "new and improved" entity based on the Hilton Head experience.

The message must be simple and clear: This is not a "local controversy." It is a serious legal matter that is already underway and has already generated significant news coverage in South Carolina and elsewhere in the country. In addition, based on increasing media coverage, there is now growing awareness of -- and public objection to -- the abuses and lack of transparency demonstrated by virtually all local Chambers and CVBs. Now, policymakers themselves are starting to embrace reform.

And the most important single goal is to increase tourism and bolster the local economy by doing a much better job than is now being done by bloated, incompetent and corrupt

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organizations that must and will be held publicly accountable.

Victory is in sight. The facts are on our side. Now is the time to act.

Thank you.