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EXECUTIVE SUMMARY

Adelfi Group was contracted by the City of Coral Gables to review the viability of a proposal submitted by Liberty Events, LLC for the management and operation of the Country Club of Coral Gables.

Specifically, Adelfi Group was tasked with reviewing and analyzing the proposer's:

1. Qualifications and experience in the food & beverage industry
2. Operating, marketing and financial plans
3. Corporate financial statements

The research indicates that Liberty Events, LLC is highly regarded and operates numerous food & beverage operations successfully throughout Toronto, Canada. They are professionally consistent, offer superior service and creative and top quality food.

For the most part, Liberty's operating, marketing and financial plans and projections are sound and achievable, but there are certain areas where further detail and clarification are needed.

The corporate financial information is unavailable and it is recommended that it be provided for review and evaluation should the City choose to enter negotiations with Liberty Events, LLC.



PROJECT BACKGROUND

The Country Club of Coral Gables, built in 1924, is one of the City's oldest structures. The two-story, 38,000 square foot building is located on a 14,000 square foot parcel in a historic residential area across from the Granada Golf Course, the oldest operating nine-hole course in the State of Florida. The City of Coral Gables entered into a lease agreement with a private operator in 2005 and at that time the property was completely refurbished. This lease was terminated in May 2008 due, mainly, to the failure of the operator to provide lease payments to the City.

On June 10, 2008 the City invited interested parties to submit qualifications and proposals with a goal toward identifying and securing a new manager and operator for the facility. Submissions including proposals to provide management services for the Granada Golf Course and/or the nearby tennis courts would be considered as long as they were part of the overall facility management.

Upon the proposal deadline of July 31, 2008 there was one qualified proposal from Liberty Events, LLC. Liberty Events, LLC is a partnership comprised of a local entity, Aries Development Group, LLC and a Toronto, Canada-based company, Liberty Entertainment Group.

Adelfi Group was contracted by the City of Coral Gables to serve as a hospitality consultant and review, analyze and offer recommendations on the operational and financial viability of Liberty's proposal. This report, along with information from other City consultants, will be used as a resource by an evaluation committee and, ultimately, the City of Coral Gables Commission.



PROJECT DELIVERABLES

Specifically, Adelfi Group has been contracted to accomplish the following:

- Review and analyze the Proposer's qualifications and experience as they relate to the food & beverage and hospitality industries.
- Review and analyze the Proposer's operating concept plan, design approach, sales & marketing strategies, projected capital improvements and financial plans & projections. Adelfi will provide industry standards and benchmarks for purposes of comparison.
- Review and analyze the Proposer's corporate financial statements and other available financial information.

Further, Adelfi Group will attend, and participate as needed, in the Evaluation Committee Meeting (scheduled for September 17, 2008) and the presentation to the City of Coral Gables Commission (date to be determined).

As part of the process, Adelfi will draw on, but not be limited, to the following data which was provided by the City of Coral Gables:

- Business Proposal (Submitted by Liberty Events, LLC)
- Country Club of Coral Gables 2005 Year-End Financial Statements
- Request for Qualifications and Proposals (June 10, 2008)
- Country Club Operating Agreement between the Country Club of Coral Gables and Granada, LLC
- Management Agreement between the City of Coral Gables and the Country Club of Coral Gables
- Independent Accountant's Report (McGladrey & Pullen, July 18, 2008)



REVIEW AND ANALYSIS OF PROPOSER'S QUALIFICATIONS

Liberty Events, LLC is a new business entity whose members are two existing companies, Aries Development Group, LLC and Liberty Entertainment Group. As determined in a phone meeting with the principals, it has been established that the primary operator and manager of the Country Club of Coral Gables will be the Team from Liberty Entertainment Group. Adelfi Group is conducting its research based on this information.

Adelfi's research and evaluation of Liberty Entertainment Group was based on the following sources:

- Review of corporation and existing facilities* via media (i.e. newspaper, magazines, internet).
- Review of existing facilities* décor, menus, concepts and themes.
- Phone interviews of customers, vendors and Toronto-area hospitality executives.

** Liberty Entertainment Group owns, manages and/or operates fourteen (14) food & beverage outlets in Toronto. Of these, four (4) are primarily banquet facilities and are most similar to the Country Club of Coral Gables project. Adelfi focused on these facilities in its research. These properties are: Casa Loma, Liberty Entertainment Complex, Rosewater Supper Club and the Rosewater Room.*



A total of thirteen (13) individuals were interviewed by phone. The interview subjects were comprised of customers, hospitality executives and vendors.

Customers

Mr. Steven Leard
Conference Liaison
Intl. Society of Computational Biology

Ms. Jeanne Moore
Meeting Planner
Million Dollar Round Table

Mr. Christopher Brown, CMP
Dir. of Meetings and Membership Services
National Assn. for Legal Career Professionals

Ms. Jacoba Knaapen
Director
Toronto Alliance for Performing Arts

Mr. Peter Montopoli
Executive Director
FIFA—Canadian Soccer Assn.

Mr. Piers Handling
Director and CEO
Toronto Intl. Film Festival

Mr. Zev Shalev
Senior Executive Producer
Entertainment Tonight Canada

Hospitality Executives

Mr. David Whitaker
President
Tourism Toronto

Ms. Kim Jamieson
Dir. of Convention Services
InterContinental Toronto Centre

Ms. Kristin Burgess
Client Services Manager
Tourism Toronto

Mr. Fernando Teixeira
Dir. of Conf. Services/Catering
Fairmont Royal York

Vendors

Mr. Morrison MacKenzie
Director of Business Development
HOST Destination Management

Ms. Sheri Moore
Creative Director
MCC Planners



The interviews lasted between 15 and 30 minutes each and questions included, but were not limited to the following:

- What is your specific relationship with Liberty Entertainment Group?
- How long have you worked with Liberty Entertainment Group?
- Which Liberty facilities(s) did you use?
- What type of event, how many persons?
- In regards to the facilities—
 - Overall impressions and comments?
 - How would you describe the cleanliness?
 - How would you describe décor, furnishings and ambiance?
- In regards to service—
 - Overall impressions and comments?
 - How would you describe the sales managers?
 - How would you describe the banquet staff?
- In regards to food—
 - Overall impressions and comments?
 - How would you describe the food quality?
 - How would you describe the food presentation?



- Did you feel the food quality and presentation were applicable to the venue?
- How did the end product compare with your initial expectations?
- How did you feel about the price/value relationship?
- Please describe any poor experiences, or challenges you have encountered, if any.
- What other venues (non-Liberty) have you used in the past?
- How did you learn of Liberty and/or the facility?
- Would you use Liberty/facility again in the future?
- How does Liberty/facility compare with other similar venues you have contracted in the past?
- What is Liberty's overall reputation in the Toronto area?
- Had you heard of Liberty prior to working with them for the first time? If so, how?
- How would you describe the Liberty "brand"?
- Do you know, or have you worked directly with Nick Di Donato? If so, please explain.



Conclusions

Based on our extensive studies and interviews concerning Liberty Entertainment Group and their banquet facilities (Casa Loma, Liberty Entertainment Complex, Rosewater Supper Club and the Rosewater Room) the research indicates this is an experienced and highly successful company with a superior reputation and strong brand in the Toronto market. Throughout our research and in the interviews the general comments show Liberty as a highly professional food and beverage operator.

There were few negative comments and these were of isolated instances. In one case, the customer was pleased with the resolution to such a degree that they re-booked for the following year.

Liberty's, as well as Mr. Nick Di Donato's (President) reputation in the overall market is excellent. Due to their various successful night Clubs (i.e. C Club, Tattoo Rock Parlour and Velvet Underground) they are perceived as being very attuned to the youth market. Relative to their banquet facilities, they are viewed as flexible, creative, high-end and consistently professional. Liberty's sales, management and banquet staff is also very well regarded.



REVIEW AND ANALYSIS OF PROPOSER'S OPERATING PLAN

Adelfi Group reviewed the Liberty Events, LLC's operating plan by examining the various components individually. These areas included:

- Operating Plan
- Sales & Marketing Strategies
- Design Approach
- Financial Plans & Projections

Operating Plan

A summary of Liberty's operating plan:

- Liberty proposes an ambitious concept that not only calls for a turnaround in the Country Club of Coral Gables' viability as a business venture, but also provides increased visibility for the City of Coral Gables.
- Liberty proposes restoring the Club to its stature as a historical landmark and establishing it as one of the City's premier social and catering venues.
- Liberty Entertainment Group offers to perform the restoration and interior renovation with private funds estimated at \$1 to \$1.5 million.
- The Club will offer banquet facilities for up to 600 persons (one of the largest in Coral Gables), casual dining, pool side casual dining, fitness facility, swimming pool, and tennis. In regards to golf, Liberty wants an option to propose a management agreement five years into the Club's lease agreement.
- Liberty will offer membership opportunities with an array of benefits and have proposed a compensation plan for displaced members brought in by the original operator.



Liberty Entertainment Group has successfully undertaken similar projects in Toronto and Adelfi Group's study has confirmed their level of service, professionally trained staff and superior food quality. Adelfi also confirms Liberty's ability to develop and maintain a strong reputation among private individuals, corporate clients and major social & fundraising groups. It should be noted that Liberty has minimal experience in the areas of social membership or fitness clubs. In reviewing the specific operating plan for the Country Club of Coral Gables Adelfi Group suggests clarifications and wishes to comment on the following areas:

Banquet Menus

- a. The menus do not reflect any of the local Miami flavor and we suggest food options aimed at the local and Hispanic markets.
- b. Relative to the competitive set, menu pricing is comparable to the Biltmore Hotel and approximately 20-25% above the Westin Colonnade, Hyatt Regency Coral Gables and the Riviera Country Club, as well as the prior operator.

Sales & Marketing Strategies

After careful review of the sales & marketing plan, Adelfi Group offers the following comments:

- **Market Mix.** There is a heavy emphasis on national organizations that hold conventions, group meetings, or incentive programs in the Miami-Dade area. While this is an important aspect of the future Club business model (and was lacking from the previous operator's mix of business) we recommend developing an aggressive marketing and sales campaign aimed at the following markets:
 - a. **Coral Gables business community.** The City is the home to many national and global companies that should be solicited for both corporate membership and events.



b. The Social and Fundraising market. The proposed \$1 to \$1.5 million towards facility renovations will position the Club as a premium facility in the greater Miami area.

Moreover, The Biltmore Hotel is overlooked by Liberty as a significant source of potential business and efforts should be made to build and cultivate a relationship toward generating mutual referrals.

- **Membership.** Presently, Liberty Events, LLC suggests one category of membership as indicated in the proposal. Subsequently (telephone conference call, 9/10/08), it was indicated that they would be offering corporate memberships as well. As a follow-up, Adelfi Group recommends that various types of memberships be made available. These categories would be: corporate, individual, social, athletic and/or a combination of any of the above.

While there are no similar clubs in Coral Gables; the Biltmore, Miami Shores and Key Biscayne should be reviewed when membership fees are developed.

As it relates to the membership base established by the prior operator, it is our belief that the proposed compensation (a 10% annual reduction up to \$10,000) may not be sufficient. There is significant ill will among past members and throughout the local community. These members represented a significant source of revenue and positive publicity to the Club and every effort should be made to bring them back to the fold. This will entail an aggressive solicitation plan and a considerable reduction in their dues.

Design Approach

After careful review of the design approach, Adelfi Group offers the following comments:

- The design approach proposed by Liberty Events, LLC for the Country Club of Coral Gables is on target. Liberty has undertaken similar projects in the Toronto area, restored them to their original grandeur and used their



historical landmark designation as an effective marketing tool.

- The proposed \$1 to \$1.5 million, if invested primarily in design and refurbishment, will upgrade the Club significantly and present a luxury, chic and stylish image. This should position the Club as a preferred venue in the greater Miami area.
- No specific design themes or samples were provided in the proposal and further review will be required as Liberty submits a more defined concept.

Financial Plans & Projections

In reviewing the financial projections presented by the Liberty Events, LLC, it appears the assumptions were made based on the Club's 2005 financial reports rather than on current market studies.

While it is Adelfi's opinion that the revenues projected are achievable it raises the following concerns:

- The Club did not operate at a profit in 2005.
- In FY 2007 (ending September 2007), banquet sales reached \$1.7 million. In December 2006 (the peak month for FY 2007) revenues were \$297K and then dropped to \$207K in December 2007.
- 2005 was the Club's first full year operation. Liberty Events, LLC is suggesting soft operations beginning in March 2009, and a grand opening in September in 2009.
- Liberty is projecting \$2.7 million annual function room sales in the first year of operation compared to the \$1.7 in banquet sales performed by the Club in 2007. It is our impression that the proposed performance is somewhat aggressive, yet achievable, given the \$1 to \$1.5 million proposed refurbishment and the ineffective and less than optimal sales efforts of the Club in the last year of operation.



- Liberty is projecting \$126K in food and beverage sales from members in the first year of operation. While not very specific, we assume that this reflects the sales from the other food and beverage outlets—the casual dining room and the pool outlet. It is worthy to note that the Club during its last year of operation generated \$460K from the food and beverage outlets. This was primarily lunch, dinner and brunch at the casual dining room (Garden Room) as well as minimum spending and service charges to the members. Therefore, a \$1 to \$1.5 million renovation, coupled with a well-trained and aggressive sales force, can probably provide the new operator the ability to exceed previous performance.

It is the opinion of Adelfi Group that the financial projections presented by Liberty Events, LLC are achievable, but in order to validate them, further details are necessary for review. Specifically:

- The costs of food and beverage take into account only food and beverage sales from function space and not from members. Are we to assume that the food and beverage sales from members are generated in the casual dining restaurant? If that is the case, a higher food cost would be applicable.
- How much revenue is the Club projecting to generate from the casual dining restaurant and the pool side crepe operation?
- Cost of Food (32%) and Beverage (28%) are projected slightly higher than industry standard and are also slightly higher than the Club achieved in its last year of operation.
- What is the proposed management structure of the Club? The financial plan addresses Management, Wages and Benefit Functions and Wages and Benefit Club. Where are the salary and benefits of the General Manager allocated (versus the rest of the executive team)?



- What is the structure and proposed plan for the sales team? What will be their target markets and what will be the mix of sales?
- Liberty suggests a 12% increase in revenue for the second year and then 3% growth for year three and beyond. On the 6th and 10th years a 5% increase is proposed. The explanation given (telephone conference call, 9/10/08) was that on the 5th and 9th years, the operator would perform renovations and capital improvements in the Club that would result in higher sales figures the following year. It is Adelfi Group's opinion that this is certainly possible, but we wish to inquire further about the following details:
 - a. Will the capital improvements on the 5th and 9th years be financed by Liberty? If so, what percentage of revenue will be set aside each year as reserve for these capital improvements?
 - b. If during the 5th and 9th year of operation the Club will undergo capital improvements, will it impact the revenues generated during these years? Will the possible closure of the banquet rooms and restaurant impact the ability of the Club to generate the same revenue as in a normal year of operation? The projections present continuous growth of the Cash Flow From Operation.



REVIEW AND ANALYSIS OF PROPOSER'S FINANCIAL STATEMENTS

The only financial statements provided in the proposal are of the Liberty Grand Entertainment Complex. This statement is not the corporate statement, but addresses only one of the numerous venues that Liberty Entertainment Group owns or operates.

In order to provide a better understanding of Liberty's financial status and strength and apply these findings to their ability to run a profitable venture at the Country Club of Coral Gables, Adelfi Group requires the Liberty Entertainment Group's audited financial statements as well as financial statements of venues similar to the Club. These would include Casa Loma, Rosewater Supper Club, Rosewater Room and the Liberty Grand.

It is Adelfi's recommendation these documents be requested and evaluated should the City choose to move forward with negotiations.



CONCLUSIONS

Based on the research and analysis, it is Adelfi Group's conclusion that the proposer, Liberty Events, LLC, possesses the experience, expertise and wherewithal to successfully operate and manage the Country Club of Coral Gables. However, this success is incumbent on Liberty Entertainment Group being the primary strategic and guiding force behind the initial planning, renovation, conceptual planning & design and, eventually, the management and operation of the property.

It is also recommended that a more detailed sales & marketing and operations plan be provided to the City prior to finalizing the terms of the lease agreement.

It is further recommended that once an operator is identified and contracted for the Club that the City enact and adhere to an asset management plan. This oversight and guidance should prevent a re-occurrence of the unfortunate situation experienced with the prior operator.

Ultimately, the City and the Club will benefit from its partnership with Liberty Events, LLC based on their proposed enhancements and professional operation of the facility.