



February 18, 2011

Chairman Lee Holloway
Milwaukee County Supervisors

Dear Chairman Holloway:

As long-standing partners of Milwaukee County, Zilli Hospitality Group (ZHG) has made every effort to communicate how closure of the O'Donnell Park parking garage and inaccessibility of adjacent park areas has seriously impacted our business. We have diligently worked to keep you informed about the significant challenges we, among others here, have faced in attempting to continue to conduct business at O'Donnell Park. Today we are reaching out to you to share in detail the stark reality we are confronting and ask for your short-term help to allow us to get through this difficult time.

Revenue Streams Compromised

Last year at this time, Zilli Lake & Gardens had **50 more weddings booked** than we do this year. Those missing events represent approximately \$530,000 in lost revenue, a financial loss that will also impact Milwaukee County – although certainly ZHG is feeling the lost revenues more acutely.

This lost business can be directly traced to fears of brides and mothers of the brides arising from the public discourse concerning the possibility of the tearing down O'Donnell Park and the uncertainty of the parking garage being re-opened. We have detailed files of letters and emails from worried families documenting that public perception.

Our corporate business has been hit equally hard. In 2010, we facilitated 11 corporate weekday events at O'Donnell Park covering 29 days from February through June. In 2011, we have one inquiry. Other conventions have told us they have pulled their business for the same concerns, *lia sophia* being the largest, which has been communicated to Milwaukee County. This loss of corporate events represents another \$350,000 in lost revenue.

The last piece of our revenue stream is the restaurant. There are simply no customers coming to Coast. None. Our New Year's Eve event 7 weeks ago brought in just 130 people-this with better offerings plus valet parking-compared to a typical 200-280 guests from years past. It has become more difficult every day/week that goes by trying to keep staff interested and employed. Customer counts post June 24, 2010 are down more than 50% in the restaurant and bar.

It is important to keep in mind that 2009, as you well know, was a difficult year financially, so our 2009 numbers already reflected the recession. So the year-to-date comparison showing a much more dramatic decrease in bookings is even more alarming in that context. In other words, we had already survived the economic downturn of 2008 with hard work and sacrifice only to find ourselves once again in a position outside our control where we are suffering devastating financial losses.

We are asking for your help.

Continued Marketing and Partnership

We continue to market aggressively. Despite the fact that ZHG has continued to market the O'Donnell Park venues in ways that have been extremely successful in the past including tastings, trade shows, email campaigns, ads on TheKnot.com, websites, e-newsletters, our annual New Year's Eve event, tours, videos, and more, our marketing efforts have been unable to overcome the fact that the public apparently believes that O'Donnell Park and all of the businesses associated with it are closed. The phone simply isn't ringing as in the past; again we have documentation as to volume of sales, calls, internet hits, inquiries, and Facebook statistics that all tell the same story – less volume, fewer bookings.

In addition to expending considerable resources to market O'Donnell Park, ZHG has continued to provide Milwaukee County with rent, utility and commission payments outlined in our contracts totaling \$190,000 annually. ¹

ZHG has also continued to provide maintenance of the grounds and the venues, cleaning the public areas, cleaning the carpets, planting of the gardens and assisting the O'Donnell Park staff with the day-to-day operations of the facilities, none of which were required or part of the contract when the County was unable to do so. At the same time, we have endeavored to manage events, find places for customers and employees to park as well as doing everything possible to book and keep events at O'Donnell Park. It's important to also note that ZHG has, in reliance on its agreements with Milwaukee County, invested over \$4M in capital improvements, rent payments and commissions for the Miller Room, Harbor Lights Room and Coast. ² In addition, the County realizes revenue from room rentals and parking which we estimate amounts to \$150,000-200,000 annually.

ZIII Hospitality Group cannot financially continue to bear the losses and costs it has incurred due to events outside of our control. We have been placed in a financial position that has drastically affected our business model while we have continued to honor our contracts with the County.

Immediate Relief and Next Steps

Under the terms of our Lease, Milwaukee County, as Lessor, was obligated to provide 29 parking spaces to ZHG. Milwaukee County has not offered any alternative parking arrangements, other than the three month use of Veteran's Park which served the needs of ZHG employees but did not address an alternative for our potential customers.

In addition to the crippling effect of having no reasonable alternative parking available to customers, comments, interviews and articles have fueled the public's perception that the condition of the O'Donnell Park building is in fact a danger to the safety of any visitors. We have documentation of 34 news stories that appeared to assist the public in forming the opinion that O'Donnell Park is either being considered for demolition, is unsafe or potentially could be closing.

The Lease further provides that the County, as the Lessor, was to commence to cure a default promptly and in good faith. Among the remedies available to ZHG under the Lease, is the Lessee's right to offset rents or other sums due the County.

To address some of the losses suffered by ZHG due to the parking garage closure, ZHG proposes the following:

1. Milwaukee County waives all rent, commissions and utility fees, to allow approximately two years of relief from payments - approximately \$380,000.

-or-

2. Extend all three contracts thru the year 2020 on the present terms to be discounted as follows:

<u>Year</u>	<u>Discount %</u>	<u>Example</u>
2011	25%	190,000 x 75% = 142,500
2012	25%	
2013	25%	
2014	25%	
2015	20%	
2016	20%	
2017	20%	
2018	20%	
2019	20%	
2020	<u>20%</u>	
Total	220%	

-and-

3. Allow ZHG to waive room rental fees to customers at the venues in an effort to attract and book business for 2011 and beyond.

-and-

4. Help re-brand and re-position Coast, the Miller Room and Harbor Lights Rooms via positive PR.

Lest there be any misunderstanding about our ability to generate revenue, we encourage you to review the success we have generated at the Mitchell Park Conservatory. Despite the down economy, ZHG has successfully grown business for the Domes from a low of 36 annual events to 60 events in 2010. And, that success came with having 30% fewer days to sell the venue due to internal sponsored events! The Milwaukee Public Museum, in 2010, had a record year in terms of revenue generated by special events as well.

We are an accomplished hospitality company dedicated to our partnership with Milwaukee County. After all, we have invested \$4M in capital improvements in a space we don't even own based upon our belief that we could rely on Milwaukee County to fulfill its obligations and foster revenue growth for both parties.

For years ZHG has brought significant revenue to Milwaukee County as a partner. We are a small privately held business, so this lost revenue affects our family personally as well as the loyal staff we have had to let go.

We are asking for your assistance in rebuilding the successful partnership Milwaukee County and the Zilli family once shared at this remarkable venue. Thank you for your consideration.

With respect,

Mr. Jim Zilli
CEO
Zilli Hospitality Group

Mrs. Ellen Zilli
President
Zilli Hospitality Group

Addendum 1

Annual Guaranteed Commissions paid Harbor Lights	\$60,000
Annual Guaranteed Commissions paid Miller Room	\$24,000
Estimated year end (2010) Coast Rent Payments	\$55,000
Estimated year end (2010) Coast Utility Payments	\$53,500
Total Commissions, Rent and Utility Payments	\$192,500

Addendum 2

Miller Room Renovations – 2006	\$86,000
Harbor Lights Improvements - 2009	\$39,654
Coast Equipment Purchased - 2003 to 2010	\$754,329
Coast Leasehold Improvements - 2002 to 2003	\$2,157,982
Rents and Commissions - 1998 to 2009	\$1,225,103
Total	\$4,263,068

Awards

- 2011 Pick by theKnot Best of Weddings
- ACE Award - "Achievement in Catering Excellence" by Catersource Magazine (2008); this award features ZHG as the "Top Caterer of the Year in the Midwest"
- "Best Mixology" finalist by the International Caterers Association (2008)
- "Chef of the Year" finalist by the International Caterers Association (2007-2008)
- #1 Caterer by M Magazine
- #1 Caterer by readers of Milwaukee Magazine (2006)
- #1 Caterer by Wisconsin Bride Magazine (2006)
- #1 Caterer by Wisconsin Bride Magazine (2007)
- #1 Off-Site Caterer by Wisconsin Meeting Magazine (2007)
- Dennis Getto's Top 30 list (Milwaukee Journal Sentinel) – Coast – (2004-2007)

Accomplishments

- Annual Cocktail Buffet for 3,000 Aurora Health Care guests at Milwaukee Public Museum featuring 3 floors of food stations matching the mood and themes of museum displays (1992-1996 & 2009-present)
- Intimate luncheon and fundraiser for 500 honoring First Lady Hilary Rodham Clinton (1996)
- Nation Conference of State Legislators VIP reception hosted by Phillip Morris for 400 in Miller Valley with a Streets of Old Milwaukee theme (1996)
- Governor Thompson's daughter's wedding reception for 500 held at the Governor's Mansion in Madison (1997)
- National Governors Association's Convention dinner at the Summerfest Grounds for 1100 with Wisconsin products and themes (1998)
- Selected by peers to plan and serve the Wisconsin Restaurant Association's Annual Gala (1998-2000)
- Catered the largest event in the Midwest – 24,000 person picnic for Aurora Health Care (2000) and again for 3,175 on four floors in 2009
- Worked with prestigious east coast caterer, Ridgewell's, for President George W. Bush's Inauguration Gala (2001)
- Catered the largest full sit down dinner in Wisconsin – Served 1,000 people in 19 minutes for Goodwill's 100th Anniversary Bash (2002)
- Catered the Coalition of Black Meeting Planners at the Greater Milwaukee Convention Bureau, the American Cancer Societies Fundraiser at the Milwaukee County Zoo and the Grand Opening Bash for the Racine Art Museum – all in one month (2003)
- Stephen Zilli and other employees have been featured speakers at national catering conventions, such as the National Association of Catering Executives

Management Acknowledgements

- Women Mentor Award (Women of Influence magazine) – Mrs. Ellen Zilli (2001)
- Top Business of the Year (Waukesha County Chamber of Commerce) – Grandview Management (2004)
- Best Boss Beyond the Paycheck (Milwaukee Business Journal) – James Zilli (2003)
- Most Flexible Staffing (Milwaukee Business Journal)
- MPI Award at the Governor's Conference on Tourism (2007)
- Education Board of Wisconsin Restaurant Association – Stephen Zilli
- In-house certified sanitation education – Stephen Zilli / Todd Garvens