

SEP 16 2000
#7

1. IDENTIFICATION

This request for Qualifications is presented by
Kalyra Winery LLC. (Inc 2002)
343 N. Refugio Rd
Santa Ynez
CA, 93460

Accountants:
C&D llp CPA
690 Alamo Pintado Rd
Solvang, CA 93463
Contact: Janet Olivera
(805) 688 5505

Bank:
Santa Barbara Bank and Trust

Insurance
Risk Associates
Contact: Nick Svetkov

Kalyra Winery is owned and operated by Michael Brown, Kathy Brown and Martin Brown.

The project manager is Martin Brown
(General Manager Kalyra Winery)

Design Consultant: Paul Jorgensen Design and Construction
2645 Quail Hollow Rd
Solvang CA 93463

Contractor: McAdams Constructions
1266 San Manuel Ave
Santa Barbara CA 93109

2. PROJECT DESCRIPTION

It is the aim of Kalyra Winery to establish a new location for its downtown wine tasting room. At present Kalyra Winery has two tasting rooms. The first is located at the winery site in Santa Ynez and was opened in February 2002. The second site is located at 212 State St, Santa Barbara and was opened in July 2007.

It is the intention to move the existing tasting room on State St to a more preferable and profitable site on Stearns Wharf. Kalyra has had, over the last 12 years, much experience and knowledge of the operation of the previous tenants, Stearns Wharf Vintners and Coastal winery. During that time it became clear to Kalyra that this site had enormous commercial potential as a tasting room and wine retail outlet.

The premises will be renovated and themed along the lines of our existing wine tasting rooms. This theme reflects the Australian heritage of the founders and a rich Pacific Ocean coastal character. The design and remodel will not alter the existing plan or internal structure of the area and will incorporate decorative and refurbishment changes only. We will seek to keep the existing bar set up but refurbish the interior and storage areas in and around the bar. This will include the addition of 3 wine fridges and one full refrigerator. New cabinets and storage units will be fitted. In addition there will be furnishings by the way of bar type tables and bar stools in the main room. These will not be fixed and movable to meet customer and event needs. A second mobile bar will also be added to accommodate busy times and to be used for event purposes.

Outside we will seek to add retractable roofing and a complete up grade in outdoor furnishings.

Construction and Design
McAdams Constructions
786963
1266 San Miguel Ave, Santa Barbara
CA 93109
805 637 3633

This company has previously worked on the wharf with the re fit of SB Shellfish Co.

2.a Wine Tasting

Kalyra will seek to operate a complete wine tasting room facility pursuant to its type 02 Wine Growers license. This duplicate license allows for full wine tastings, retail sales, and sales of wine by the glass and consumption of wines purchases on premises. This license allows for the presence of guests under the age of 21 to be on site.

The standard tasting fee will be \$ 10.00 per taster, which includes a tasting of up to 8 wines plus the logo glass for souvenir.

SEP 16 2010
#7

Kalyra will also offer, from time to time, Reserve and Library wine tastings at an additional fee.

The tasting room will feature the tasting and presentation of the following labels /brands produced by Kalyra Winery

**Kalyra
Santa Ynez Valley Winery
M.Brown Wines
Di Croce Wines
Area 51 Wines**

In addition we will seek to highlight the wines produced by other private winemakers who have made their wines under the bonded facility in Santa Ynez. (The type 02 license allows for the tasting and sale of any wines produced under the winery bond) This will allow for at least a further three labels to be on show and available for sale. This allows for an increased variety of labels and wines for tasting and sale that support and enhance the exposure and reputation of the wines of Santa Barbara County.

It is the intention of Kalyra to actively market the premises for private event rentals, outside of regular trading hours. This would encompass private wine tastings, Wine Education classes, food and wine pairings, Catered Dinners, events for charity fund raising and Kalyra Wine Club Events.

Kalyra has always held a reputation for being a fun and relaxed place to taste wines. We would continue this in an even more dynamic way by offering the following;

**Live music on the deck
Wines by the glass
Premium and reserve wine tastings
Food and wine pairings
First Friday member's events
Wine education and blending classes
Catered winemakers dinners**

It is the intention to continue with a very friendly, family environment that makes wine tasting experience great for adults but also to allow families and children to be on site. The theme of the tasting room, the availability of water and soft drinks, interesting merchandise and relaxed fun attitude creates a great formula that makes Kalyra a destination for family groups as well as individual wine tasters.

ATTACHMENT #3

2.b Retail Sales

Retail wine sales will be available as per the typical type 02 requirements. This enables sales of all wines produced under the bonded winegrower license. This includes orders for shipping within CA and to other states allowed under regulation. All orders taken at the tasting room will be paid on site for revenue and processed and shipped out of the main winery in Santa Ynez.

Kalyra has shown significant income by way of additional merchandising products for sale. This has ranged from logo clothing such as t shirts, sweatshirts, tank tops and the now famous Kalyra Cycling Gear.

The annual average on non wine items accounts for approximately 12% of sales.
In 2009 Kalyra had income from non wine items of approximately \$145,000

2.c Food Service

It is the intention of Kalyra to serve only minimal pre packaged foods such as sandwiches and cheese plates. This is in accordance with the license restrictions and guidelines from the Health Department.

For events and meetings etc, Kalyra will utilize the outside catering programs of local restaurants and caterers. Kalyra will look to actively use the catering departments of the food purveyors and restaurants already operating on Stearns Wharf. This assists in business growth on the wharf and support for existing businesses.

2.d Estimate of Annual Gross Sales

The following estimates are partly based on the income generated from Kalyra's Santa Barbara tasting room over the last three years, together with the figures provided from the previous tenants of the property on Stearns Wharf.

\$ 375,000 - per annum over year one :	Rent equivalent of \$ 40,000 +
\$ 450,000 - per annum over year two:	“ “ \$ 45,000 +
\$ 475,000 - per annum over year three:	\$ 47,500 +

Given the sales figures of the Kalyra tasting room in Santa Barbara we strongly believe that the location of the property on Stearns Wharf constitutes a revenue capability of an additional 25% - 30 %. This is based on numbers of visitors to the wharf and the superior quality of the products offered for retail sale and tastings.

SEP 16 2010
#7

3. LICENSING

The following ABC licenses are currently held by Kalyra Winery

Michael R Brown (DBA Kalyra Winery)

- Type 02: Winegrower license**
- Type 02: Duplicate Winegrower license**
- Type 20: Off Sale Beer and Wine license**

The above licenses would be used to operate a wine tasting room and retail sales point on Stearns Wharf. The type 02 license is the standard license used by wineries to operate tasting rooms and conduct sales of wines produced by that winery. The duplicate allows the same at a second venue owned and operated by the wine grower. In 2009 legislation was passed to allow the consumption of wine by the glass by consumers on those licensed properties.

It is the intention of Kalyra to transfer its 02 Duplicate license from 212 State St of the property on Stearns Wharf.

Additional Licenses

- Type 17: Beer and Wine Wholesaler**
- Type 09: Beer and Wine Importer**

**Federal / ATF
Bond/TTB # 4753**

4. EXPERIENCE

Kalyra Winery and tasting room was opened in February 2002 in Santa Ynez on the site of the old Santa Ynez Winery.

The Kalyra brand had been in existence since 1994 as the primary label produced by winemaker Mike Brown.

Mike had been a resident of the Santa Ynez Valley since 1985 and had held the head winemaker positions at Santa Ynez Winery, Mosby and Buttonwood wineries.

2002 February: Opening of Kalyra Winery and Tasting room in Santa Ynez

2002 July: Establishment of the Kalyra Wine Thieves Wine Club

2004 September: Expansion of the tasting room in conjunction with filming of the movie "Sideways".

2007 July: Kalyra by the Sea tasting room opened.

The Kalyra tasting room in Santa Barbara is a space of 1150 sq feet. It was renovated and refitted in just less than 30 days (June – July 2007) to be a complete operating wine tasting room and retail sale centre.

2008 January: Kalyra wine club reaches 3,000 members

2008: Gross sales for the Santa Barbara site reach \$ 295,000

**Since its opening in 2002 Kalyra winery in Santa Ynez has had over 400,000 visitors
Since its opening in 2007 the Kalyra Santa Barbara tasting room has seen over 25,000 visitors.**

Since its opening in 2007 the Kalyra Santa Barbara tasting room has shown average sales per customer of \$ 37.44

This tasting room has become an integral part of the Urban Wine Trail and the soon to be created association.

Member American Institute of Wine

Member SB chamber of Commerce

Member SB Conference and Visitors Bureau

SEP 16 2010
#7

Kalyra has recently received the following awards;

- ❖ **Santa Barbara Independent: Best Place to Taste Wine 2009**
- ❖ **SB News Press: Runner Up, Best Tasting Room 2010**

Since 2007 the tasting room in Santa Barbara has been featured in and reported on in the following publications and media outlets:

- Wine and Dine Magazine**
- Sunset Magazine**
- Coast Magazine**
- LAX magazine**
- SB Independent**
- Santa Barbara News Press**
- KEYT**
- National Geographic**
- Qantas in Flight Magazine**
- World Travel Journal**

5. FINANCIAL INFORMATION

Documentation attached

Bank
Santa Barbara Bank and Trust
Solvang Branch
2010 Mission Drive
Solvang
CA 93463
805 688 2511

SUMMARY OF REQUEST

Kalyra is pleased to submit this request for Qualifications to the City of Santa Barbara for the business lease on the property at 217-G Stearns Wharf. The information contained herein is made in good faith, truthful and where possible, up to date.

When considering the choices of occupants Kalyra Winery would like to present the following positive criteria;

- Substantial and proven understanding of the winery and wine tasting room business
- Evidence of strong financial growth in this business
- Substantial business assets
- Proven track record with similar projects
- Enthusiastic and lively approach to the tasting room business
- Accurate financial bookkeeping practices.
- Knowledgeable staff and management
- Strong local business relationships
- Experienced understanding of customer demographics and patterns
- Extensive marketing and sales experience
- Strong existing client base and support, including a wine club of over 3,000 members
- Ability to facilitate a turn key operation of business
- Local recognition of performance and business practices
- Strong philanthropic and local community involvement
- Substantial knowledge of inbound and local tour operators.

Submission prepared by
Martin Brown
General Manager
Kalyra Winery

ATTACHMENT #3

SEP 16 2010
#1

RECEIVED

JUN 16 2010

WATERFRONT
DEPARTMENT

TASTING

BY METROPULOS FINE FOODS MERCHANT

Proprietors: Craig and Ann Addis
216 East Yanonali Street, Santa Barbara, CA 93101
Metropulos Phone: (805) 899-2300
Ann's Cell: |
|metrofinefoods.com
June 15, 2010

ATTACHMENT #3

6/16/2010

EXECUTIVE SUMMARY

Project Description

This business plan is for a tasting room on Stearns Wharf that offers a new twist to the term "tasting room". Called "Tasting" by Metropulos, we will offer our guests the opportunity to taste wines from the Central Coast of California, primarily Santa Barbara County and Paso Robles, as well as tastes of cheeses, jams, olive oils, vinegars, cured meats, salads, soft drinks, beers, and other foodstuffs that do not need to be served hot.

The idea of tasting many foods instead of just wines opens the concept of tasting to family-style food entertainment (foodertainment), which we believe is an important component to a facility located in such a family-friendly location and owned by a municipality such as Santa Barbara.

We understand the need to limit perceived competition to other food service providers on the wharf, and so are limiting the offerings to samples, not full meals. In order to keep this project a family-friendly operation and also serve beer and wine, we do need to serve substantial foods, and this concept would be in compliance with a Type 41 license from the ABC.

- The primary objective of the tasting room will be to sample customers on a variety of flavors, foods, and beverages.
- The tasting menu includes a wide array of cheeses, charcuterie, olives, artisanal breads, olive oils, balsamic vinegars, wines, craft beers, artisan soft drinks, and in-season local produce, with a heavy emphasis on locally produced, California grown food and drink.
- In addition to the tasting menu, we will offer a retail selection of artisan food products from California and the world.
- In early discussions with several local wine makers, we have received enthusiastic support for our concept. In order to work synergistically with these wine makers, we would offer samples of wine not only from traditional bottles, but also from stainless steel bulk tanks. This is a unique concept not currently being used anywhere in Santa Barbara. Much more eco-friendly than individual bottles, the tanks can be sterilized and refilled, thus avoiding the costs and environmental impact of bottles; this also supports the winemakers who can more easily move wine from their inventory that may need a greater audience.

Two Synergistic Businesses

Metropulos Fine Foods Merchant is an existing business located within a couple blocks of Stearns Wharf. Serving locals and visitors since 2004, Metropulos has filled a niche market previously untapped in Santa Barbara. It has grown organically, 100% through word-of-mouth customer promotions. In-store sales are projected at \$613K for FY 2010, an increase of 16.5% over 2009, which saw a slight dip due to the economic downturn, and an increase of approximately \$50k over 2008, the prior largest yearly sales to date.

We believe the feasibility of our proposal lies in the synergies that are inherent in the two businesses operating and supporting each other in two very different but complementary locations. Metropulos would prepare all foods that would be tasted at Tasting. Metropulos already enjoys favorable relationships with distributors of cheeses, wines, olives, oils, etc., so sourcing our products will come naturally and easily. Metropulos market includes a fully-stocked professional kitchen employing a team of ten talented locals (many of them graduates of the SBCC culinary program) who will provide the food for Tasting. Our kitchen is fully approved by the County Health Department.

SEP 16 2010
#17

Success of the Operation

The success of this proposal can be found in several factors:

- Synergies with Metropulos, including vendor relations, proximity to Stearns Wharf, access to a full kitchen that is offsite but nearby.
- An experienced management team consisting of local talent with proven food and wine business successes. Please see our enclosed resumes.
- A loyal following of local customers (we think this concept will draw locals as well as visitors to Stearns Wharf).
- A very tight relationship with many local winemakers and wineries, due to the extensive experience of one of the principals in the local wine industry.

Interior Design

- The interior design will focus around a low-slung tasting counter, similar to those found in sushi bars, with a central area from which staff will serve the customers. Rimming the counter, at eye level, would be the assorted foods and beverages available for sampling. Customers would make their selections visually, from the wines, beers, soft drinks, and foods on display, and also from a tasting menu printed and written on a daily-specials blackboard on the wall.
- The exterior walls of the space will be filled with shelving that will be filled with assorted retail foods from Santa Barbara specifically, and California generally: chocolates, olive spreads, jams, olive oils, tapenades, sauces, vinegars, etc, that visitors can purchase as souvenirs of their visit to Santa Barbara.
- The artwork we are considering includes many old photos of the wine business in Santa Barbara County, mostly black and whites, blown up into large images to add a touch of history and an old world feel, complementing the new world feel of the tasting program.

Licensing

Metropulos Inc. currently holds a Type 41 ABC license, and our intention would be to obtain the same type of license for Tasting. We intend to operate a family-friendly site where children can join in tasting of foods, while parents are sampling wines and foods. Additionally, consumers will be allowed to purchase wine and beer for consumption off-site, bringing those beverages back to their hotel rooms or homes.

Financial

On behalf of Metropulos, the management team has secured a preliminary verbal financial commitment from the president of [redacted] to fund 80% of the startup costs. Should our RFQ be selected to move forward, [redacted] has offered to put additional details in writing.

The principals also have cash and other liquid assets available to support a portion of the startup costs. Net worth of the principals is in excess of [redacted] a [redacted] of [redacted]. Should this proposal proceed to the next phase of the selection process, full financials will be made available to the selection committee for review.

Legal Structure

Metropulos Inc., an S-corporation that operates [dba] Metropulos Fine Foods Merchant, will also be the operator of record for Tasting by Metropulos. Metropulos Inc. has two members, and is solely owned by the management team of Craig and Ann Addis.

EXECUTIVE SUMMARY

Conway Family Wines was launched just over three years ago with the mission of producing and marketing high-quality, high-value wine from California's Central Coast. In that short time, we have assembled a top-notch team of experienced and passionate individuals, built out a major winery production facility and created and launched two brands (both of which are already receiving national recognition and accolades). We have already captured a significant consumer base in California and recently launched with the state's largest wine and spirits distributor. We are expanding steadily and joining with other distributors throughout the United States; we continue to grow even in this time of great challenges in the wine industry.

We have long recognized the value in having a high-profile tasting room that would reinforce our brand positioning while allowing us access to an audience not yet familiar with our wines. In fact, prior to our becoming aware of the opportunity at Stearns Wharf we had identified the Santa Barbara Waterfront area as an ideal location for us. Our family has a long held connection to Santa Barbara, its wine and its people; we would be enthusiastic proponents of continuing and building the strength of the visitor business at Stearns Wharf.

We are in the process of building up our winery business, and will continue to put substantial effort and resources into Conway Family Wines. We feel that our operation of a Conway Deep Sea Tasting Room at Stearns Wharf will strongly benefit both the wharf business community and us.

Key Points to be considered in this proposal:

We will have a well-trained, motivated and knowledgeable tasting room staff. We will maintain dedicated management on-site, plus the oversight of experienced officers of the company. We will make good use of outside advice and consulting both at the beginning and on an ongoing basis to make sure that we maintain the best most successful practices and have the right message and offerings in place.

We will build out a beautiful space that complements the wharf, captures the spectacular setting, while being efficient and effective in communicating to our guests while creating powerful memories. Our offerings will be compelling and interesting to a variety of visitors. The quality and value of the wines, companion products and the variety of tasting experiences will make it easy for people to find something that suits their desires.

We have a strong story to tell and we will communicate it. Although we know that we will draw in wharf visitors on-site, we also intend to become a destination for visitors to Santa Barbara. We have a solid marketing and advertising budget, plus a PR effort that can really put the Conway Deep Sea Tasting Room at Stearns Wharf on the map.

We have realistic expectations of what this will take and we are committed to making it a great success!



CONWAY FAMILY WINES OVERVIEW

INTRODUCTION

Conway Family Wines is a family run winery that produces several distinctive wine brands which represent the finest qualities of wine possible. Our Central Coast emphasis is important to our brand identity, especially our broader market wines produced under DEEP SEA. Our philosophy of making the best wine possible (at the right price) drives our winemaking. We choose to work with experienced and talented individuals who bring their passions and knowledge of the best industry practices to our company.

Conway Vineyards, Inc. is a California corporation founded in 2007 that is wholly owned by members of the Conway family, who are long-term residents of Santa Barbara. The winery is in Santa Maria and our estate vineyards are at Rancho Arroyo Grande.

The winery occupies 20,000 square feet of leased space at 2717 Aviation Way, Santa Maria. It began operations with the 2008 harvest, producing about 35,000 cases of premium table wine. The 2009 vintage will be about 50,000 cases. The grapes are sourced from various vineyards in Santa Barbara, San Luis Obispo and Monterey counties, and from the family estate vineyards of Rancho Arroyo Grande.

Rancho Arroyo Grande is an original Spanish land grant of about 3,500 acres, adjacent to Los Padres National Forest and about 12 miles east of the village of Arroyo Grande. About 200 acres are planted with grapes. In 2007 the Conway family began construction of an additional winery at Rancho Arroyo Grande which will be completed over the next several years.

THE WINE

Wine is our focus and purpose. We offer a varied and representative selection of Santa Barbara County and Central Coast wines. Ours is a selection of wines across styles and price points, offering something for every preference or taste.

To date, Conway Family Wines has produced Chardonnay, Sauvignon Blanc, Viognier, Rosé, Syrah, and Rhône influenced blends, Mourvèdre, Pinot Noir, Cabernet Sauvignon and Zinfandel. The wines are of very high quality and, though new on the market, have already begun receiving accolades and won a number of gold medals.

Many of the world's great wines are blends. Oftentimes, a blended wine transcends the individual varietals from which it is made. We find that blended wines have great depth of character and vibrancy not always found in single-varietal wines. Blends are also quite complex, and have multiple layers of flavors and aromatics, and often pair very well with food because the breadth of their flavors is varied and interesting.

THE WINE (CONT'D)

DEEP SEA WINES

Deep Sea wines are made from grapes grown in California's moderate coastal climates. The vineyards along the California coastline are cooled by fog and ocean breezes; grapes grown here are distinctively different from those grown in warmer inland areas. Our winemakers' art preserves that difference so the wines reflect their oceanic terroir. The ethereal fog-like wave on the Deep Sea label represents this cooling influence of the Pacific Ocean, which is one of our key brand messages.

Deep Sea wines are light and well-balanced. Delightful to drink alone, they also pair well with food. Our wines can be found in many of California's leading restaurants. For a list of retailers and restaurants nearest you, use our Retail Locator.

Whether you're celebrating with friends, sitting down for a family dinner or having a quiet glass after work, there is a Deep Sea wine that fits the moment.

RANCHO ARROYO GRANDE WINES

Rancho Arroyo Grande wines are made exclusively from grapes grown in our estate vineyards. They are limited production wines for the fine wine connoisseur who wants something uncommon. These wines showcase the unique terroir of this exceptional place, with its varied topography, microclimates and fossil-rich soils.

The wine from our vineyards, which have been "dry-farmed", is especially rich in flavor. Our current offerings of Mourvèdre and Zinfandel from our Potrero Vineyard are full-bodied, complex and delicious reds which have met with awards and accolades from some the industry's finest critics.