

I. Executive Summary

The Grab

The American wine bar will never be the same again. Tastes enters the wine bar/restaurant space as a hybrid to attack the growing casual small-plate dining and wine drinking segments. Much as Starbucks helped a generation of regular coffee drinkers graduate from a “large coffee, extra-light” to a “Grande Mocha Latte”, Tastes will help wine drinkers graduate from a “glass of red” to a glass of Oregon Pinot.

The Problem

While wine and cheese are common European staples, American consumers perceive them as special event fare, i.e., cocktail party items. Most Americans have a preference for red or white wine and also know the difference between chardonnay and merlot and what brie cheese is. But even accomplished wine drinkers do not always make ideal pairings of the cheeses that really go with their favorite wines.

The Solution

Tastes creates a wine bar where the menu does the paring for you. The customer does not have to have a vast memory of vineyard and varietals. Tastes will provide the customer with everything they need to navigate a menu and arrive at a successful pairing in a non-intimidating environment, where the customer may learn and develop a taste for more.

The Opportunity

Merrill Lynch in its Wine Market’s Councils 2005 report states: “The two million case level was surpassed in 2000, and growth has continued through 2004, with an all time record 243 million cases of table wine consumed in the US and adult per capita consumption at a new record of 2.77 gallons.” In the same report, Merrill Research concludes that, “demand for table wine in the US is today surging more strongly than any time since the late 1970’s and immediate prospects for continued growth are favorable.” The Adams Beverage Group reports, “French per capita consumption for 2003 at 12.8 gallons.” Tastes predicts that the American consumer thus has plenty of room to grow into the ranks of the French consumer.

The Competition

Currently, the local scene has no coherent wine bar presence. With the exception of Vines Wine Bar, competition is limited to a few true wine bars and many full service restaurants. There are no national wine bars at this point either. There are at least two franchise wine bars with significant flaws, limited to the southeastern United States.

The Model

Phase one is a unit level concept where revenues will be derived from individual sales. With the successful execution of three to four units, Tastes will enter phase two: franchising. Tastes does not depend on individual operator knowledge or vendor specific support. Its model is completely scalable. Small investment levels for each unit by eliminating the full service kitchen enables new units to be opened in a capitally efficient manner. When compared to industry norms this provides a significant competitive advantage.

The Team

Tastes' management team is initially lean for the concept development and phase one. Daniel Kuhlman, President, is a top-tier MBA graduate and corporate escapee. Daniel is the primary implementer and project manager. Vice-President Kristel Deckx is the business concept creator and driver of many aspects of the venture's design. Tastes is the first foray into the food service world for both founders. To improve chances of success, Tastes has recruited a board of advisors to develop specific area requirements including wine and menu development, industry and franchising, and new venture and business plan creation.

The Promise

Tastes will provide an owner payback of just under three years. In addition, free cash flow will generate significant amounts of working capital by the end of year five.

The Ask

To date, Tastes is a bootstrap-funded S-Corporation. Taste is seeking to place in the top six in the Bard's Business Plan Competition and would like secure prize funding and consulting services in the form of constructive criticism and advice on its business model. Further, Tastes sees the potential for a cash infusion for future unit expansion in the form of an equity investment.

II. Mission Statement

Tastes will simplify and demystify the process of selecting and pairing wine and food. Tastes will do so in a fun and educational manner, bringing a world of wine and food choices to those who never knew there are so many tastes.

III. The Business Idea

Tastes is based on a European “Enoteca” or “Bar au Vin” – a small place serving just wine and tapas. Customers will be able to explore a small plate menu of artesian cheeses, pates, cured meats, tapas and desserts paired with wines, beers and spirits from around the world. More and more people are being exposed to fine wines and foods through the Food Channel, Wine Spectator and other magazines, Bravo’s Top Chef, the movie Sideways and a host of other venues. However, most wine bars cater to an upscale crowd already moderately knowledgeable about wine and food. Tastes will provide newcomers a low-key way to explore a new world by offering a non-intimidating atmosphere coupled with easy menu pairings.

Today, most customer frustration around food and wine pairings stems from a lack of knowledge of the world of wine and cheese. Diners are baffled by imposing-sounding wines on menus that do not tell them anything about the qualities of the grapes or what foods go well with which wines. There are over 23,000 chateaus in France and more than 3,000 vineyards here in the U.S. Worldwide, the number of labels is overwhelming. It is no wonder the average person cannot figure out what to order. Although they may never admit it, even those with more educated palates are merely taking a risk when they make their selections. Tastes will pair wines with each menu item making it easy for customers to choose a food and a wine they are likely to enjoy together.

Tastes will offer 21 artesian cheeses from 7 different countries, 15 different cured meats, pates and terrines, 15 different tapas, and 20 different desserts. Each one of these items will be paired with at least two wines and some with a beer or other spirit. The wine list will be limited to 50 wines representing important grape varietals. Each wine will be chosen for uniqueness and most will come from smaller vineyards. Tastes will also have 20 different bottled beers; predominately Belgian and European. Tastes’ spirit list will include Belgian Jeneviers, infused Vodkas, brandies, and cordials not normally stocked by typical restaurants or bars. Single malt scotches and sakes will round out the opportunity to taste your way around the world. Every category on the menu will have multiple choices so that a customer will have the opportunity to sample new tastes each time they come in. (See Appendix A: Menu)

The differentiating factors that will drive Tastes’ success are keeping it simple and affordable. By serving prepared food and thus eliminating a full kitchen, Tastes will dramatically reduce its cost in terms of equipment and staff. By eliminating mixed drinks and offering only those that are served straight, it will streamline service and make replication of this concept possible without specialized staff or training. By offering an appetizer, tapas, and dessert with wine and coffee for under \$30, Tastes will compete with the full service restaurants hard pressed to offer such value.

A. Features and Benefits

Feature Benefit

Customer Centric Menu By offering well organized menu with clear choices, customers get pairs that work to increase understanding and satisfaction.

Extensive Menu Selection By offering a variety of menu items, customers have choices that are not available elsewhere, increasing opportunity for trial and exposing people to new tastes.

Central Menu and Sommelier Customers can receive personal attention in a small setting without the high costs of a full time sommelier, cheese monger, or barista.

Neighborhood Accessibility Wine and cheese have previously been reserved for more expensive venues. At Tastes lower prices and closer proximity means more accessibility.

B. Strategy

Most American wine bars have a full menu and start-up costs to match. Tastes will only serve previously prepared foods, thereby eliminating the need for a full-service kitchen. The initial unit startup costs will be approximately \$75,000 and officer sweat equity. Future unit startup costs will be kept under \$100,000 for stores with footprints (or sizes) under 1,000 square feet. Small seating floor plans, ranging from 35 to 50 people will make it easier to find locations and keep the new units in line with the neighborhood approach. In short, affordable start up costs with minimal space requirements and simple and easy to replicate model make this a financially accessible business model.

Given the flexibility of the model, urban saturation will not be reached quickly. A city with 50 neighborhoods could conceivably house that many new locations given the right demographics. The "small footprint" concept will make it possible to locate a new unit in close proximity to another without scavenging the existing customer base. In addition, Tastes lends itself to a suburban strip mall setting. There the critical component for expansion will be to pinpoint the right mix of businesses that will support and compliment the Tastes concept.

The first store is on track to open August 1, 2006 and Tastes plans to open two more Denver-area locations by the end of 2008. With the success of the first three units in Denver, it is possible to franchise this concept in any city across the country, in both urban and suburban settings.

C. Execution

Whether the unit is company owned or franchised, the Tastes program will include:

Location Selection

It is important that future unit owners select a location based on appropriate demographics, cost, and traffic patterns, which will be finalized as the company develops the initial units.

Real Estate or Leasehold Improvement Development

The less than 1,000 square feet concept limits the possibility of too much feature creep. At the same time there are certain features that must be present in order for success. Developing an effective floor plan will enable the effective use of space and maximize traffic flow and work patterns (See Appendix B: Facility Floor Plan).

Design

Design is the one area that may vary from one location to the next. Different environments and clientele will dictate the type and style of design execution. Consistent elements will include logo, color, and theme. Tables and small wares (plates and utensils) may vary.

Server Training

Tastes' minimalist concept requires limited server training, thereby reducing human resource expenditures. Given that the wine and food combinations will come already paired, the wait staff will be required to have a basic understanding of wines so that they may engage in intelligent conversation with patrons. The concept is as much about the "show" as the wine. Wine training might be institutionalized as the concept evolves. Disney's Napa Rose restaurant in Anaheim, California trained 42 sommeliers. While this has increased wine as a percent of sales from 25 percent to 35 percent, this level of training will not be necessary for Tastes (Oenophile in a Strange Land, Fast Company, May, 2006).

Sourcing (Local Market)

Tastes has developed sources for product that allow it to stand out from the crowd. The overall experience of the Tastes concept centers on food and beverages as well as the décor. Therefore, it is important that sourcing be designed with replication in mind.

Wine

Burke Imports provides wine from French, German and Italian producers of less than 20,000 cases per year. While this may not lend itself to national distribution, Colorado law forbids a multi-unit chain from centralized ordering for more than one unit at a time. Southern and National Distributors will enable Tastes to round out offerings with wines from large producers that are more widely available.

Beer

Specialty distributors such as Summit and Belgian Beers online provide the European connection. Since Tastes will not offer Coors, Miller or Budweiser, it is important that we have the appropriate distributors lined up.

Cheese and Meat:

Cheese Importers is the primary link to artesian cheeses. Gourmet Foods is based in Southern California and the local distributor will provide items not normally seen in full service restaurants.

Dessert

Since Tastes has no commercial kitchen, all desserts initially will be purchased. As Tastes grows to include more stores, a commercial kitchen can be developed to service multiple units with consistent and high quality desserts. Until then, Tastes can use a variety of local bakers and larger distributors to satisfy local needs.

General Food Products

Shamrock Foods is a three-state, Phoenix based distributor with ties to products such as San Francisco's French Patisserie and Colorado's Mountain Flour Gelato. While this purveyor is not national, the quality of the food is superior to Sysco's. Similar quality vendors will be located in other states as Tastes expands.

Sourcing (National Market)

New markets will demand new wine sources given that liquor laws license wholesale distributors at the state level. Many of the wines available in Colorado will not be available in other states. In order to maintain a level of consistency across state lines, wines and other foods will be categorized. For instance an Oregon Pinot Noir may be substituted for another as long as the category Oregon Pinot Noir is filled on the menu. This same approach will work for meats, desserts, cheeses, and just about any other item on the menu. Eventually national distribution of some items would be beneficial but at this stage, categorization is an adequate solution.

D. Operations

Staffing

In terms of staffing, lean is the operative word. Many larger full service facilities carry significant employee overhead. With a small footprint and seating plan, unit operations will carry one full time manager and one full time and one part time service staff.

Menu Planning

Menu options are flexible and will change at the drop of a dime and as the market demands. Tastes will not have a mandated "McTastes" on the menu. If the Key Lime Pie is not selling well, then it will be substituted with another suitable item. Additionally, the menu pairing lends itself towards promoting slower selling items. If each dessert has three types of wine that may be appropriately paired and an unpaired wine has languished in inventory, so long as that wine is a viable pairing candidate, then substitution is as easy as printing a new menu. This allows the customer to choose the new wine or to choose the old familiar wine but the menu suggestion will provide a strong incentive to try this wine.

Just In Time Inventory

With limited storage space, Tastes will order often and in smaller quantities. This allows Tastes to keep on top of current demand for specific products. It also means that vendors will make frequent stops. Some larger vendors are less likely to provide the frequency of service or have too high minimum order levels to make this financially viable. However, there are enough vendors with appropriate delivery options to make this inventory solution possible.

Training

Wine requires slightly more knowledge than the typical server might possess. Tastes' concept will not require the server to become a sommelier. Tastes will provide once-a-week tasting for employees to familiarize them with the different qualities of the wines in stock. The pairing component is not a big concern, as the menu will provide that. However, the server will be expected to catalogue customer behavior and provide feedback to management about pairing success and changes required.

IV. Stages of Development

Tastes is well on its way towards opening the first unit. (See Appendix G) Zoning Use and Sewer Permits have been obtained. Building and environmental health permits have been tentatively approved in discussions and are awaiting the submission of final architectural and engineering plans. The liquor license application is in place and the hearing date is set for June 14th, 2006. To facilitate approval of the application by the hearing officer, Tastes has met with the local neighborhood association and received a vote in favor, supporting the liquor license application. Pending the outcome of the hearing, construction will start the next day. With the minimal amount of construction required, it is possible that construction should take less than 45 days.

Milestones

Phase One - Unit One

TASK	DATE	Completed
Concept Development	Jan 1, 2006 (Begun)	Jan 31, 2006
Site Selection (Previously purchased property)	Jan 31, 2006	Jan 31, 2006
Zoning Use Permit (Req. for Liq. Lic. Application)	Mar 31, 2006 (NLT)	Mar 24, 2006
Liquor License Hearing	Jun 14, 2006	
Building Permit	Jun 14, 2006 (NLT)	
Construction Begins	Jun 15, 2006 (NLT)	
Grand Opening	Aug 1, 2006 (Estimated)	

Phase One - Unit Two

TASK DATE

Site Selection	Mar 1, 2007
Liquor License Hearing *	Apr 15, 2007
Construction Begins	Apr 16, 2007
Grand Opening	Jun 1, 2007

* If purchasing existing location then no hearing is necessary

Phase One - Unit Three

TASK DATE

Site Selection	Jan 31, 2008
Liquor License Hearing *	Mar 14, 2008
Construction Begins	Mar 15, 2008
Grand Opening	May 1, 2008

* If purchasing existing location then no hearing is necessary

Phase Two – Franchising

TASK DATE

Program Development	Nov 1, 2008
UFOC – Disclosure Document	Dec 15, 2008
Marketing Plan	Dec 15, 2008
Implementation	Jan 1, 2009
1st Franchise Agreement	May 1, 2009
1st Franchise Unit Grand Opening	Oct 1, 2009

V. The Market

Industry Codes

Primary SIC Code	Primary NAICS Code
5812: Eating places	722110: Full-Service Restaurants

A. Industry Data

The Wachovia Capital Markets Restaurant Index of 35 companies decreased 0.1 percent during the second half of February, which was below the S&P 500 (+0.1%), the Russell 2000 (+0.8%), and the NASDAQ Composite (+0.2%). On a year-to-date basis, the index is up 8.0 percent and has outperformed the S&P 500 (+2.6%) and the NASDAQ Composite (+3.4%), but has underperformed the Russell 2000 (+8.5%).

The recent top line performance of the restaurant industry relative to the grocery store segment supports favorable Street views of restaurant demand even during potentially challenging consumer times. Nominal restaurant sales growth has been trending in the 6 to 10 percent range, outpacing grocery store sales growth that has been in the 2 to 6 percent range. Adjusting for inflation, restaurant sales have also outpaced the supermarket segment.

Wachovia's thesis for continued restaurant industry sales growth is based in part on positive consumer lifestyle and demographic trends as well as enhanced and expanded restaurant services. These factors should contribute to continued growth in restaurant demand at the expense of the food at home industry.

A recent study by the NPD Group analyzed alcoholic beverages and the benefit of red wine on average check. Within Wachovia's coverage universe, some concepts with stronger bar and wine programs include: Ruth's Chris, The Capital Grille (RARE Hospitality), and Fleming's (Outback Steakhouse).

Currently, Street analysts are seeing about 1 to 2 percent annual unit growth industry wide. Instead of seeing an overbuild cycle every ten years or so, analysts think we are now in a period of rationalization led by the majors that may last a while. Part of the change reflects the fact that investors are not paying companies to grow as fast as they used to, and part reflects the unfortunate consequences of expanding too fast. The larger, more mature companies seem to be exhibiting more discipline. They seem to feel they do not need to grow units so fast in order to grow the business. Instead, they are investing in better food and more attractive stores, and they have found they can capture market share more profitably than by growing units and discounting food. The competitive landscape chart below indicates strong sales and a healthy market capitalization for publicly traded companies in the casual dining space.

B. Industry Changes

After three years of higher costs, restaurateurs are seeing lower cheese, chicken, and ground beef prices. However, Street analysts are getting many questions about avian flu, as some companies are seeing reduced chicken demand in Asia and Europe. If consumers swap into beef, those prices could stay higher for a while, since mad cow has not appeared to be such a big concern. Nevertheless, over all, commodity prices appear to be decreasing.

The Street believes the next evolution will be in the form of better eating environments, especially at lower-price-point restaurants. Most fast-food companies are doing well and have positive free cash flow (see Competitive Landscape in the Competitor Assessment Section), and understand that dining rooms are underutilized assets. Fast food could move toward low-end casual dining, and could really be successful in taking market share.

C. National Demographic and Economic Data

Consumers have proven to be exceptionally resilient, and Street analysts do not see that changing any time soon. Through 9/11, multiple, terrible hurricanes, \$3.00 gas prices, and huge home heating bills, everything that has been thrown at them, they keep on coming. Restaurants are core to many people's lifestyles now. They are not seen as especially "discretionary" or expendable—they have become more of a habit.

D. Local Demographic and Economic Data

This past January, The Denver Post described the Berkeley neighborhood as the new hot spot, "With roughly a dozen new boutiques and eateries, new condo buildings, talk of a new pub and a wine bar moving in soon, Tennyson Street between West 38th and 44th avenues is poised to become Denver's next trendy shopping nook."

The Berkeley neighborhood is approximately three miles from the heart of downtown Denver. Berkeley is Tract 1.02 on the 2000 Census Tracts and Neighborhoods developed by the City and County of Denver Community Planning and Development Agency. (See Appendix C: 2000 Census Track) More specifically, the Berkeley neighborhood is bordered by Federal Boulevard to the East, Sheridan Boulevard to the West, and West 44th Avenue to the South, and I-70 to the North.

The Berkeley neighborhood had a population of 8,891 in 2000, increasing five percent since 1990. In 2000, the number of families was 2,054 and growing. The prominent age group meets Tastes demographic profile with 65.68 percent of the population aged 19 to 64 in 2000. The average mean household income in 2000 was \$48,202 slightly below the Denver mean of \$55,129, in line with Tastes Value target market. The average home price in 2002 was \$215,223. Further, the average price per square foot was \$198.05 in 2002 approximately 6 percent above the Denver average.

E. Customer Target

Tastes targets the casual diner who enjoys wine. Wine drinkers are segmented as core and marginal. According to the Wine Market counsel, a core wine drinker represents 42 percent of all wine drinkers and consumes wine at least once per week. According to the Wine Market counsel, the marginal wine drinker represents 58 percent of all wine drinkers and consumes wine two to three times per month or less. The core drinker will find Tastes to be a satisfying experience. The marginal wine drinker may in time move to the core segment as a result of the education received at Tastes.

Tastes is not intended to be a destination dining area such as a Kevin Taylor or Ruth Chris Steakhouse. Rather, Tastes will emphasize the Berkeley neighborhood and focus marketing and public relations to a two-to-four mile radius around the location depending on density. Sub-segment targets include: older couples, younger families without children, and singles of any age.

F. Feasibility of Service

While the Tastes concept lends itself to many different locations, the initial unit is opening in the growing Berkeley, sometimes referred to as North West Highlands. This community is experiencing gentrification typical of many neighborhoods that are juxtaposed to inner cities throughout the country. Two key factors in locating to an upcoming newly gentrified community are walking proximity to amenities and an increasing income base.

A survey of a 10-square-block area surrounding the location revealed that 98.0 percent of the sample were in favor of the concept and would patronize the bistro. Further, 97.1 percent of the neighboring businesses felt that it would be a positive addition to the community and would bring additional traffic to the neighborhood. (See Appendix D: Market Survey)

Comments from local business owners and potential patrons interviewed were highly favorable:

“The neighborhood really needs a place like this.”

“Finally a place where I can have a dessert without having an entire meal,”

“I love wine and desserts! Who doesn't?”

“I have been looking for a place where I can bring my family and the [bar down the street] is not it.”

VI. Competitor Assessment

Tastes believes it can capture and keep market share by offering competitive prices, utilizing superior and simplified service and processes. At this point, the local and national wine bar market is not overly saturated. The competition takes different forms but can be broken up in to four distinct groupings: Local Wine Bar Direct, Local Restaurant Indirect, National Wine Bar Direct, and National Restaurant Indirect.

Local Wine Bar (Denver-Area) Direct Competitors

The local competition consists of five significant and identifiable wine bars. A wine bar is defined as a facility whose main focus is wine with limited food offerings.

1. Village Cork

The Village Cork offers a very small menu and no pairing suggestions. Only sixteen wines, two desserts, one meat and one cheese plate. Even though the setting is very cozy, once you have experienced the limited and consistent offerings, there is very little reason to return.

2. Paris Wine Bar

Paris Wine Bar was more like a regular bar than a wine bar, dark and uninviting. The wine list was confusing and poorly organized with reds arranged in one way on one page and whites arranged in a different way on another page. Further, the wines were listed from one to fifty (or there about) with the heaviest wine being 50 and the lightest one being 1. However, only an experienced person knowledgeable in wines would deduce this because the menu did not clearly state it. Paris Wine Bar offered very little in the way of quality food and made no attempt to pair wines and food or provide information about the selections.

3. Capuvino

Capuvino is best described as a confused coffee shop. A decent wine, list but it looks and feels like a coffee shop that just happens to serve evening fare. The cheese selection, while reasonably priced at \$6.00, lacked cheese. More specifically, the cheese plate arrived with too many extraneous items: olives, fruit, roasted garlic, and minimal cheese.

4. Vines Wine Bar

Clearly the best of the breed is Vines Wine Bar located in Parker. It is well executed with both wine and food offerings to satisfy varied palates. Vines offered a unique infused vodka menu that astutely targets a growing trend of upscale mixed drinks. The décor and ambience is also superior to any other competitor. Located in Parker, Vines is too far for the Denver crowd, thus not a threat to Tastes. However, Vines provides important insights for creating a world-class wine bar that thrives in a slightly different market.

5. Bistro Al Vino

Centennial's Bistro Al Vino is a good example of bar pretending to be a wine bar, but truly catering to a young bar customer base. Bistro Al Vino's wine list was the most expensive in the market paired with the least classy décor. Suburban customers, because they do not like travel far and thus are less likely to commute to the city for an evening out, will be more forgiving of less than enticing surroundings and willing to overpay.

Local Restaurants (Denver-Area) — Indirect Competitors

Other types of competitors are full service restaurants that specialize in wine and or use Wine Bar in the name or cater to wine drinkers. By providing a full menu they are really a restaurant and thus not an appropriate substitute for a wine bar. The full meal versus small plate decision is not comparable. A customer who frequents one may well frequent the other on a rotational basis. A comprehensive list of these restaurants is available from Wine Spectator. Wine Cru, Adega (now closed) and a few others have consistently rated the magazines Award of Excellence or better.

National Wine Bar—Direct Competitors

PJ's Coffee and Wine Bar

This franchise concept was introduced in 2003 as a compliment to PJ's Coffee and Tea, which started in 1979 in New Orleans. There are approximately 40 coffee locations and 5 coffee/wine bars primarily located in the Southeast and all are franchised. PJ's goal was to have 200 franchises signed by the end of 2005. However, with build out costs of approximately \$375,000, they have fallen far short of goal.

The Grape

This franchise wine bar and retail wine store concept first opened in Atlanta in 2000, currently with 16 locations in five Southeastern states. The Grape projects 75 total units in three to five years. The Grape offers 120 wines by the glass and bottle with a food menu of appetizers and entrees. Similar to PJ's, build out cost estimated at \$450,000 to \$600,000 for 2,400 square feet limits potential growth. Additionally, some states do not allow the owners of wine retailers to own on site liquor licenses. Some states only license state run operations further limiting this concept.

Nationwide Restaurant Indirect Competitors

This category provides much the same alternative as the Locally Based Indirect Competitors but provides a national presence. The availability of consistent quality and selection provides a powerful draw to the customer and keeps them from experimenting outside their comfort zone.

Darden

With more than 1,300 locations in the US and Canada, Darden is the leading operator of casual-dining restaurants, including flagships like Red Lobster and Olive Garden. Red Lobster is the number one seafood chain (with approximately 680 units), while Olive Garden leads the Italian-dining segment (with

approximately 560 outlets). Both chains cater to families with mid-priced menu items, themed interiors, and primarily suburban locations. Darden also operates a small chain of tropical-themed Bahamas Breeze restaurants that offer Caribbean-inspired food, along with Smokey Bones Barbeque & Grill, a growing chain of barbecue eateries.

Brinker International

Brinker is the number two casual-dining restaurant operator (behind Darden). Chili's, with more than 1,000 locations, trails only Applebee's as the largest full-service chain. The restaurants offer southwestern-style dishes, such as fajitas, margarita grilled chicken, and its popular baby back ribs. In addition to Chili's, Brinker operates the Italian-themed Romano's Macaroni Grill and the Mexican-flavored On The Border Mexican Grill & Cantina. Its smaller chains include Maggiano's Little Italy and 43 percent owned Rockfish Seafood Grill.

Outback Steakhouse

Outback Steakhouse is the number three operator of casual-dining spots (behind Darden Restaurants and Brinker International), with almost 1,200 locations in the US and 20 other countries. Its 881-unit signature concept offers steak, chicken, and seafood served in an Australian-themed atmosphere. Outback also operates 200 Carrabba's Italian Grill restaurants, which offer pasta, chicken, and seafood dishes. Other concepts include Bonefish Grill, Cheeseburger In Paradise, Fleming's Prime Steakhouse, Lee Roy Selmon's, and Roy's. The company owns about 86 percent of its locations.

Competitive Landscape: Casual Dining

	Outback Steakhouse	Applebee's	Brinker	Darden
Key Numbers				
Annual Sales (\$ mil.)	3,601.70	1,216.70	3,912.90	5,278.10
Employees	80,000	32,260	108,500	150,100
Market Cap (\$ mil.)	3,120.60	1,738.70	3,436.30	6,036.70
Profitability				
Gross Profit Margin	18.48%	27.63%	-9.38%	22.81%
Pre-Tax Profit Margin	6.15%	12.88%	6.44%	8.38%
Net Profit Margin	3.56%	8.38%	4.45%	5.89%
Return on Equity	11.10%	24.70%	17.30%	26.40%

Return on Assets	6.70%	11.60%	7.90%	10.90%
Return on Inv. Cap.	10.30%	17.20%	11.80%	17.40%
Financial				
Current Ratio	0.52	0.46	0.63	0.5
Quick Ratio	0.2	0.3	0.2	0.1
Leverage Ratio	1.65	2.13	2.18	2.42
Total Debt/Equity	0.14	0.46	0.47	0.55

VII. Marketing Plan

Tastes' target market is the core wine drinker. Age groups may further divide this segment. The target sub-segment is actually a moving target. While the over 40+ age group represents the largest consumer of wine, currently the 21 to 39 years old segment represents the largest increase in consumption. Given this changing dynamic, it would be prudent to target both markets. The danger is creating a place that does not appeal to either. However, if you examine the older generation and design a facility tailored to its needs, does it mean that the younger crowd will not feel comfortable in this setting? No, the younger generation may well be more refined and thus at ease in a more quiet and comfortable setting. The fact remains that as younger people grow older, their tastes change with maturity. Given the physical environment that Tastes will be creating, it is really a matter of targeting both segments via appropriate mediums.

The goal of Tastes' marketing plan is to increase revenue. There are three basic ways to accomplish this; (1) to increase the number of people who try Tastes, (2) to increase the number of repeat visits, and (3) to increase the average revenue per check. Tastes has developed marketing around each of these three tasks.

One— Exposing Tastes

The initial launch of the first unit demands a local campaign. Targeted public relations, local newspaper advertising, and First Friday Coupons will generate the appropriate buzz and translate into customer trial. Later trial efforts can include direct contact with hobby groups for specific events and corporate marketing toward direct sales of company outings.

•A. Public Relations

Dewinter Communications, Tastes' public relations firm, is developing a launch program designed at maximizing Tastes' exposure during the critical opening months. Courtney Dewinter is a former restaurant critic and familiar with the specifics of our business model. A Tastes Grand Opening Countdown Campaign is planned, i.e., 45 days until TASTES, 44 days until Desert is served, 43 Bottles of Wine on the wall, etc...

- B. First Friday

Unique to the Berkeley neighborhood is First Friday, a neighborhood-sponsored art walk. Each month, the Tennyson Street Art walk attracts 500 to 1,000 people to stroll the 6-block strip in search of art and an evening out. The local restaurants are packed starting at 5pm. This presents an opportunity to participate in the art walk by removing the center tables and providing quality art. During the event, coupons will be passed out to encourage visitors to come to Tastes another day of the week. The only risk presented here is that coupons will be passed out to local residents. However, this will generate significant goodwill and will increase local loyalty.

- C. Newspaper

Local newspaper advertising in the North Denver News and the Denver Tribune will be most effective at reaching the audience within 2-4 mile radius.

- D. Corporate and Association Events

As Tastes is not located in a high traffic lunch time area, Tastes will utilize space to offer private parties to groups like the Red Hat Society, a prominent Denver woman's group, and the Highland Mommies, a stay-at-home mom's group. Small corporate events are possible as proximity to downtown is less than four miles. Alumni groups from Carnegie Mellon and the Bard Center for Entrepreneurship have expressed interest in possibly hosting an event at Tastes.

- E. Artist Receptions

Tastes' art gallery offers a unique lure to attract people to the bistro on weeknights. Tastes will have artists' receptions that target specific crowds and will be versatile from ski to floral art. This will enable Tastes to partner with clubs that have artists that want to show and locals who want to enjoy mingling with their peers.

Two—Generating Repeat Business

Tastes will draw a certain amount of repeat customers. It will generate additional repeat customers by a number of internal and external promotions.

Colorado Eats

- Colorado Eats, Tastes' web developer/host, with its unique approach to the web will develop the Tastes site. In addition, Colorado Eats has an email capture program and newsletter that will put our name next to Kevin Taylor's, 1515, and Yia Yia's. Colorado Eats' list of over 10,000 email addresses is

targeted at those who want information about food and wine. This Denver site is a relatively new entrant, and the number of subscriptions is eventually expected to rival their Phoenix Arizona site which currently has over 26,000 email addresses.

Three— Increasing Average Revenue per Check

Tastes has intentionally not increased average check revenue in our financial projections as this is the most difficult area to drive. Coupons do not always have a positive effect on increasing the average check. In fact, coupons may do the opposite by allowing the customer to eat for a reduced amount without buying additional food or wine. One way to increase the average check revenue is to offer paired wine and food at a discount. If done during no peak hours, this may increase the non-peak average check. If the customer also remains after the special is no longer being offered, he may also purchase a peak price wine as well. Tastes will develop other methods as opportunities become apparent.

During phase two, the marketing plan will maintain each of the phase one venues and will add a city or regional level campaign. Unevaluated options for these include: radio, newspaper, TV and outdoor advertising.

Pricing

Meat and Cheese: A competitive analysis of cheese plate pricing indicates that a price point of \$8 for a smaller plate of three cheeses and \$12 to \$14 price point for a large plate is not unreasonable. The key is to offer more than the competition. Cheese plates without much cheese, even at lower prices, are perceived as poor value. Healthy sized portions at reasonable prices are acceptable.

Wine: Wine price points have been established from \$5 up to \$12. Key to acceptance is providing a quality wine at each point. With the preponderance of wines at the \$5 to \$7 level, customers are likely to purchase two glasses. This is according to some distributors who sell wine to establishments that sell wine by the glass. While offering wine at a higher price point is important for serious core drinkers and thrill seekers, it cannot be the only price point available-- especially in a neighborhood where gentrification is not 100 percent complete.

Beers and Specialty Spirits: With beers unavailable at other locations there is no comparison shopping so it is possible to charge a premium for this product. While the cost may be higher, it should result in a similar margin to other beverages on the menu. Growing popularity of Single Malt Scotch and Sake means that people are not afraid to spend in order to experience.

Dessert: Price points for dessert can be problematic. Customers are used to higher price points at fine restaurants but the perception will be that Tastes is not the top echelon full service restaurant. Therefore, while Tastes will offer desserts at \$7 to \$8 range, the majority will be between \$5 and \$6.

VIII. Management Team

Initial management requirements are minimal and are not expected to increase until after the third or fourth unit is in place. Co-founder and President, Daniel Kuhlman, will manage the first unit for six to nine months in order to refine the concept and build standard operating procedures for future units. With the addition of the second unit, a store manager will be required to run the first. This manager will come from the ranks of the service staff and initial hiring will reflect this decision. Future managers will come from any unit in the chain or from outside competitive establishments.

First unit salary is limited to the Manager at \$38,400 representing 28 percent of estimated initial annual gross revenue (AGR). After the second unit opens, salary for President will be limited to free cash flow from operations. Subsequent managers in future units will receive similar salaries to the initial unit. The vice-president will not receive a salary during the first fiscal year.

After the concept proves successful; franchising, sales, real estate, sourcing, construction and financial management team members will be required and will be added only as needed.

Officers

Daniel Kuhlman, President and Co-founder

Daniel brings to Tastes years of business experiences having spent six years running his own construction company. This, coupled with strong business and financial skills developed during his graduate education; receiving with an MBA from Carnegie Mellon University's Tepper School of Business. Before owning his own business, he spent four years training and working as a United States Army Paratrooper. (See Appendix: E)

Kristel Deckx, Vice-President and Co-founder

Kristel is a Belgian citizen. She has traveled the world extensively and frequented many international wine bars and bistros. She speaks five languages (Flemish/Dutch, English, French, German, and Spanish) and brings to Tastes her knowledge of wine, beers, and fine spirits from around the globe. In addition, she is a best selling artist at Gallery Gustave in Denver and worked as a physical therapist for over 23 years. (See Appendix: F)

Board of Advisors

Daniel Kuhlman will provide much of the financial skills necessary to effectively manage the operation and strategic expansion. Kristel's international knowledge of different types of wine bars and bistro was instrumental in forming the business model. However, specific culinary, industry and franchising, and venture formation assistance was required in order to hone the business model and create a business plan. Thus a small Board of Advisors was selected to compliment the management team including:

Helene Champ

Helene provides Tastes with menu and wine consulting. Previously, Helene owned a retail wine shop, provided menu development services to Sysco Foods and was head chef instructor at the Viking Culinary Institute in Memphis.

Mak Azadi

Mak is advising Tastes from a franchising and development perspective. He currently works for Starbucks Corporation in the Mergers and Acquisitions department. Mak is a graduate of Carnegie Mellon University and previously held a position at Amazon.com.

Leslie Minna-Budman

Leslie is consulting with Tastes on the creation of the business plan. She is a private real estate investor and pursuing a MBA and a Masters in Finance. Leslie's previous experience includes work as an associate at an investment bank, a business analyst at an e-Commerce company, and an intern at Aweida Capital Management.

Board of Directors

Kristel Deckx, Chairperson of the Board

Daniel Kuhlman, Board Member

Support Personnel

Tastes is supported on a contract basis by an Maureen Toy, Accountant; Jim Beimford, Beimford & Associates, Attorney; Kelly Brooks, Brooks Studio, Architect, Carl Fretwell, KVA Engineering, Engineer; Courtney Dewinter, Dewinter Communications, Public Relations, Warren Fitch, Colorado Eats, Web hosting and Development; and other personnel necessary to conduct business in an ongoing fashion.

IX. Financials

Appendix H has five year financials for single unit operations. Appendix I has sales projections for multi unit operations. Appendix J is seasonality and day of week headcount.

Key Ratios

Year 1 Working

Capital Current Ratio Quick Ratio Cash

Turnover Debt to

Equity Return on

Investment Return on

Sales Return on

Assets

1st Quarter	\$6,906	8.40	0.14	2.64	0.18	-7%	-28%	-6%
2nd Quarter	\$6,880	5.13	0.37	5.25	0.20	8%	14%	6%
3rd Quarter	\$7,919	8.13	0.04	3.93	0.18	2%	5%	2%
4th Quarter	\$10,675		5.52	1.99	4.41	0.19	14%	21% 12%

Year 2 \$35,377 18.22 14.09 4.97 0.14 30% 16% 27%

Year 3 \$67,842 32.34 28.33 2.86 0.10 31% 19% 28%

Year 4 \$106,675 47.70 43.83 1.90 0.07 29% 22% 27%

Year 5 \$149,511 62.96 59.49 1.42 0.05 25% 23% 24%

Five-Year Financials

Additional Revenue Sources

Art Gallery

The site selected for the first unit is currently an art gallery that has been in operation for the past six months. Thereby it is possible to estimate approximate revenues from art. All art will be sold on a commission basis with payments not due until after the piece is sold. All art is sold at a commission of 50 percent of retail with the exception of photography which is sold at 50 percent of the amount over artists cost of product.

Retail Items

Retail items will sold such as coffees, teas, cheeses by weight, and whole desserts. For instance, if Tastes sources Illy Café as the coffee, it brings its strong retail program to Tastes. The decision to source Illy Café over a locally brewed roast will depend on whether the local blend fits better with Tastes menu concept.

Funding

To date, Tastes is a bootstrap-funded S-Corporation. Equity for the first unit comes from the savings of the corporate officers. The second unit will be a combination of home equity lines of credit (HELOC) and Small Business Administration or City of Denver (depending on site selected) loan programs. The third unit, in addition to debt financing, will present an opportunity to reinvest free cash flow.

Future Investment Opportunities

The management foresees a possibility of future capital requirement and investment under certain conditions. As Tastes expands the number of units in operation, it will become more visible. Should a competitor with deeper pockets enter this same segment with a similar model, Tastes would have to act quickly to secure additional market penetration. At that time, an infusion of capital would be required to open 10 to 20 new units or more depending on the magnitude of the threat. With each unit costing approximately \$100,000 in current dollars Tastes can expect to spend between \$125,000 and \$150,000 under a forced expansion scenario. This would represent a potential external investment of between \$1 to \$3 million or more.

Exit Strategies

Tastes recognizes that building a multi-unit chain is a long-term endeavor. However, should management wish to exit the venture, there are a few options albeit limited by the scope of the venture. Where a single unit is relatively easy to sell to another independent operator, the development of more than one unit means that buyers will be limited to larger companies looking to expand. Darden, Brinker and Outback, Starbucks and lesser known franchisers are all candidates for an external sale.

X. Barriers to Entry

Barriers to Entry are very low because Tastes is creating a model with low startup costs per unit; competitors may be tempted to attempt replication. However, Tastes will mitigate the risk of replication and be more nimble to respond to potential threats. The following sections highlights Tastes various risk mitigation strategies.

XI. Risks/Risk Mitigation

- Liquor Licenses

Liquor Licenses are not a guarantee. Some neighborhoods are opposed to the addition of new liquor licenses. Downtown Denver is perhaps the most difficult. The 32nd and Lowell neighborhood recently opposed an application that was eventually declined and approved a more recent application, with no apparent trend, so it is site specific. The first unit is quickly approaching the Liquor License Hearing milestone. Tastes has already secured a vote in favor of the application by one of the two neighborhood associations. This support is crucial in securing city approval for the application. Since an application for the liquor license cannot be made prior to site selection and either owning or leasing the target property, however advance support for the concept may be obtained prior to application. Petitioning services are available for \$1,000 to \$1,200. This pre-petition will not be admitted by the hearing officer but it will gauge the temperature of the neighborhood. The first Taste unit is currently in the application petition phase and has gathered 183 total signatures representing approximately 8 percent of the 10 square block area required to petition in.

- Construction Costs

The building department may add additional requirements that cost the unit owner more money. While the process can be refined to account for many of the large contingencies, there is always the possibility of something unforeseen arising. Only thorough knowledge of the building codes and communication with the zoning, building and environmental health departments will lessen this potential risk. Tastes' first unit has experienced one minor setback with regard to the ventilation system causing an unexpected \$10,000 expense. Since requirements for each municipality are different, this area should receive additional focus in considering future units.

- Sourcing

Smaller sources or even larger suppliers of items with less demand sometimes discontinue items or even operations altogether. Consistency was ranked as the most important factor by 41 percent of restaurant diners when they decide whether to return to a restaurant. If a menu item is discontinued, customers may become dissatisfied and choose to go elsewhere unless a suitable substitute is quickly sourced. Dealing with multiple vendors for only a few items each will lessen the potential that Tastes will not be dependent on one source.

- Patronage

This plan calls for minimal staffing levels. The forecasts call for only 20 people to come to Tastes Tuesday through Thursday. Counts at the Village Cork were conducted from 6:30 to 8:00 pm where no less than 28 people came and went on a Thursday night. Should Tastes find that patronage exceeds these expectations it might be forced to hire additional staff earlier than anticipated and/or increase the anticipated part-time staff to a full-time staff member.

XII. Business Model Assumptions

- Operating six days per week
- One full-time manager
- One part-time wait staff until Mar 2006
- One full-time wait staff and one part time wait staff for the months of April through September 2006
- One full-time wait staff for the months of October through March
- Planned 50% reduction in volume for August 2006
- Planned 35% reduction in volume for September 2006
- Planned 0% reduction in volume for October 2006
- Projected 100% of estimated volume for October 2006
- Projected 10% volume growth Years Two and Three
- Projected 5% volume growth Years Four and Five
- Tastes is not anticipating a natural increase in average check size cost.