



Clues: A Board Game Bar in Northwest Denver Business Plan

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This business plan is intended solely for informational purposes to assist you with a due-diligence investigation of this project. The information contained herein is believed to be reliable, but the management team makes no representations or warranties with respect to this information. The financial projections that are part of this plan represent estimates based on extensive research and on assumptions considered reasonable, but they are of course not guaranteed. The contents of this plan are confidential and are not to be reproduced without express written consent.

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EXECUTIVE SUMMARY

Clues is Denver's first board game bar. Clues will be located in the West Highland neighborhood of northwest Denver, Colorado. Not only does Clues offer an abundance of drinks and comfort food, but it also offers more than one hundred different board, interactive, and DVD games that customers can choose from as a fun way to relax with friends. Clues provides an atmosphere that rivals the comfort of an individual's living room but with accompanying services and a lively social scene that characterizes a bar. Clues concept builds on the trend that bar-goers are shifting from the more traditional pub-style bar in favor of bars with unique concepts and activities. According to NTN, the leader in interactive entertainment, game players stay 39% longer than traditional bar goers and spend 47% more than non-players – significantly boosting Clues revenue along the way.

The Opportunity

Currently there are no board game bars in Denver, despite the fact that the board game bar concept is a proven model with highly successful examples in Chicago, Seattle and San Francisco. Each of these other bars have been open between ten and twenty years and remain popular local choices. Clues' opportunity is to be first to market to introduce the board game bar concept in Denver. The opportunity is strengthened by the fact that 95% of survey respondents stated that they would go to a board game bar if such a bar existed in Denver.

Value Proposition

For the professional twenty- and thirty-somethings, who are looking for an entertaining and comfortable night out, Clues is Denver's first board game bar that allows customers to experience an atmosphere that rivals the comfort of their own living rooms. Unlike ESPN Zone & Dave and Busters, Clues provides over 100 classic board games and DVD games that allow for a socially interactive environment.



Marketing Strategy

By organizing and creating newsworthy events, like the World's Biggest Twister Competition, Clues will generate thousands of dollars of free media publicity, driving customers to our bar. Clues will enhance repeat business through its 'Clues Club' membership program, which will lead to the rapid collection of a large customer database. By collecting and compiling customer names, addresses, email addresses, and key demographic information, Clues can better identify who our customers are, where they live,

how they heard about Clues, and which of our promotional strategies are most effective. This will feed into our e-Newsletter strategy providing a powerful but inexpensive promotional tool for increasing Clues' revenue.

Competitive Advantage

Clues' primary competitive advantage is its first-to-market, game-themed concept. The concept has proven successful in other large cities, and 95% of our local survey respondents said they would visit a board game bar if it existed. 74% of respondents believed that the concept was different from current offerings. People will come to Clues to play stimulating and interactive games while staying longer and buying more. Our unique concept differentiates us from other bars and restaurants.

Management

Clues will be managed by a soon to be hired, highly experienced General Manager, who has an impressive, credible, and proven track record of successfully leading bars. This General Manager will report to the four founders, Amber DeWall, Neal Lurie, Stephanie Rinko and Katarina Svensson, who are each MBA students from the University of Colorado. The founders bring an array of experience ranging from marketing and branding to project management and strategic planning. Clues management team will also be supported by an exceptional Board of Advisors with decades of industry experience.

Financial

Clues will generate revenue from alcohol and food sales. Revenues are estimated to reach just above \$1 million in year one, \$1.5 million in year two, and then close to \$1.8 million shortly thereafter. Break-even will occur in year two. Clues forecasts an average ticket price of \$27 on Thursdays, Fridays, and Saturdays, and an average ticket price of \$23 on the other days. Clues' capacity utilization will range from 50-60% in year one, 55-65% in year two and 60-70% thereafter.

Funding

Clues will require \$350,000 in funding to launch its operations. The four founders will inject \$100,000 of equity and will each be given a 17% ownership stake. The remaining \$250,000 will be raised via debt from family and friends.

COMPANY OVERVIEW

For the professional twenty- and thirty-somethings who are looking for an entertaining and comfortable night out, Clues is Denver's first board game bar that allows customers to experience an atmosphere that rivals the comfort of their living rooms. Unlike ESPN Zone & Dave and Busters, Clues provides over 100 classic board games and DVD games that allow for a socially interactive environment.

A Board Game Bar

Clues is a bar in the West Highland neighborhood of northwest Denver, Colorado. What makes it different? Games, games, and games. Classics such as Chess and Risk; interactive games such as Taboo, Pictionary, and Outburst; and DVD games such as Scene It and Trivial Pursuit's DVD edition. Imagine a bar that offers a relaxed lounge-type ambiance with comfortable couches, a roaring fireplace, soft music, an abundance of games, plenty of drinks and delicious food [see Appendix 1]. You are in Clues!



Within the bar a separate room houses the big screen TV ready to host any DVD game. There is also a pool table and dart board room that provides a secluded nook for these traditional bar games. Over one hundred board games are housed behind the bar for checkout with a valid ID. Drink prices are slightly above average and traditional food is offered for those in need of refueling. Clues 'comfort food' menu includes everything from soups and stews to burgers and sandwiches, spaghetti and meatballs, meatloaf, and macaroni and cheese.

Company Structure

Clues legal form of entity is an S-Corporation. All revenue flow through to the shareholders and is recorded as personal income.

Mission Statement

"To provide customers with any type of board game, traditional and interactive, in an atmosphere that rivals the comfort of their own living room but with the accompanying services and lively social scene that characterizes a bar."

Objectives

- Create a database of 10,000 Clues Club members by April 2007
- Establish net earnings of 110,000 by April 2008
- Keep shrinkage to a maximum of 4% of total revenue

The Opportunity

Currently there are no board game bars in Denver, despite the fact that the board game bar concept is a proven model with highly successful examples in Chicago, Seattle and San Francisco. Each of these other bars have been open between ten and twenty years and remain popular local choices. Clues opportunity is to be first to market to introduce the board game bar concept in Denver. The opportunity is strengthened by the fact that 95% of survey respondents stated that they would go to a board game bar if such a bar existed in Denver.

Location

The area where Clues will be located is called “Highland Square”, at 32nd Avenue and Lowell, in northwest Denver. This area is part of the up-and-coming, increasingly professional West Highland neighborhood. There is an unmet need in the West Highland neighborhood for a comfortable bar and a smoke-free atmosphere where young professionals can go for a fun, relaxing night out. The demographics of the neighborhood could be described as middle income (its median income = \$50,000/yr) with approximately 60% in our target age range of 21 to 39 according to www.census.gov. This neighborhood shares many common demographics with the neighborhoods of the successful board game bars in other cities. Clues will become a staple of the West Highland community and a ‘second living room’ for Denver’s mid-twenty to mid-thirties crowd.

INDUSTRY AND MARKET ANALYSIS

Trends

The Denver Post and Rocky Mountain News both report that bar-goers are shifting from the more traditional pub-style bar to bars with unique concepts and activities. Oxygen bars, tapas and wine bars, nouveau lounges, and ‘mini-entrée’ upscale bars are increasingly popular throughout the Denver metro area as well as around the country. This is a positive trend for Clues who is launching the unique concept of a board game bar.

Market Size

While Clues will primarily attract the local neighborhood crowd it will also attract customers from other parts of Denver, Wheat Ridge, and Westminster. Customer surveys [see Appendix 2] indicated that sixty-three percent of respondents would travel up to twenty minutes to come to a bar like Clues. An additional 26% would drive thirty minutes. There are approximately 241,000 twenty to thirty-nine year olds within twenty minutes of Clues and

this population is expected to grow 29.7% to over 300,000 by 2025. Within the West Highland neighborhood, there were 7,400 individuals ages 20-39 in 2000, and this population is estimated to reach 9,600 by 2025 according to www.denvergov.com. Exhibit 1 outlines the number of potential customers who live within a 20 minute drive from Clues' proposed location.



Exhibit 1

Exhibit 2 displays historical restaurant sales numbers for Denver. The estimated growth rate for 2004 is 6.1% which would lead to total sales of \$489 million. Should sales increase in proportion with population growth, sales are estimated to reach \$606 million by 2025. The information in Exhibit 2 was provided by the Downtown Denver Partnership Organization.

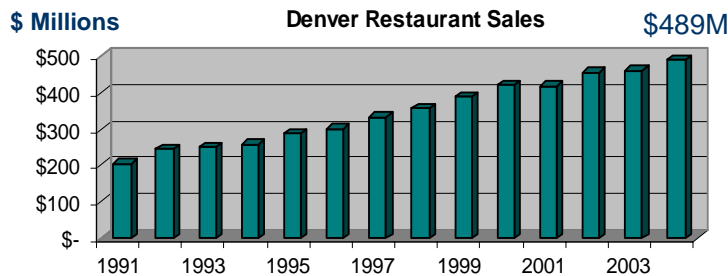


Exhibit 2

Customer Decision-Making

Our customers primarily make buying decisions based on their own individual, partners', and friends' preferences. Unless pricing is extreme, atmosphere and location play the primary roles in how individuals select which bars to frequent. The fact that customer switching costs are minimal in the bar industry is a double-edge sword – the desire for new concepts will initially entice customers to visit Clues, but programs must be put in place to offer customers incentives to keep coming back.

Competitor Analysis

The perceptual map to the right, Exhibit 3, illustrates how Clues will position itself compared to its competition. Clues will be less traditional than the neighborhood competitors, such as Mead Street Station, but more comfortable and interactive than other game bars, such as ESPN Zone. For more detailed competitor information see Appendix 3. West Highland has much less competition than Denver's Lodo & Cherry Creek neighborhoods. In the past two years only one restaurant/bar opened in West Highland (Swimclub 32).



Exhibit 3

Neighborhood Competitors

Mead Street Station is the old guard in the West Highland neighborhood. It has been open for 10 years, has loyal customers, and is a staple in the neighborhood. It offers live music 5-6 times per week, but it is usually smoky and crowded, presenting a much different feel than Clues.

Common Grounds is a coffee shop in West Highland. It draws a similar intellectual and professional crowd as Clues. Its aura is very comfortable and welcoming, but it closes early and does not serve alcohol.

Swimclub 32 is a trendy new tapas and wine bar in West Highland. Its ambiance is exclusive and chic but is much less comfortable and more expensive than Clues.

Indirect Competitors

ESPN Zone & Dave and Busters attract individuals looking for a more active alternative to a traditional bar. They are sports-themed bars, with many entertainment options for adults and kids. Clues is more interactive, interpersonal, and comfortable than these sports bars.

Concerts, theater, and sporting events are plentiful in large cities like Denver. Clues will aggressively compete for disposable income with Denver's vast nightlife, four professional sports teams, and thriving cultural scene.

Cocooning at home will remain a serious competitor to our board game bar. People who love playing games during small dinner parties at home often avoid the busy, smoky, crowded atmosphere that most bars offer. Clues is an ideal option for people interested in their usual comforts within a more social setting.

Clues' Competitive Advantage

Clues' primary competitive advantage is its first-to-market, game-themed concept. The concept has proven successful in other large cities like Chicago and San Francisco, and 95% of our local survey respondents said they would visit a board game bar if it existed. 74% of respondents believed that the concept was different from current offerings. Currently there are no board game bars in Denver. This will give us the opportunity to build a loyal customer base with branding and our 'Clues Club' (see page 10) before other bars are able to replicate our concept. People will come to Clues to play stimulating and interactive games while enjoying their vodka tonics. Our unique concept differentiates us from other bars and restaurants.

Additional advantages include:

Location: Our neighborhood, West Highland, is another competitive advantage. Clues is entering the market while the neighborhood is still in a growth phase and will claim its spot upon their busiest avenues with a visible storefront. West Highland is an up-and-coming neighborhood with continual growth in the population of our target market (business professionals aged 21-39). Establishing a presence in the area early on will give Clues a competitive edge.

Service: Clues has put several operational plans in place to ensure that our personnel is capable of providing excellent customer service. First, our hiring process gives preference to referrals and each potential employee will go through a detailed reference check. Second, Clues will schedule monthly training seminars emphasizing important aspects of service such as "never an empty glass" and "the customer is always right". All employees will be required to attend these seminars. Third, Clues will assign a slightly higher number of wait staff (compared to industry average), to ensure that customers receive fast and friendly service. Fourth, we will incorporate a profit-sharing policy that will reward all employees that have been with us for more than 6 months. Clues will take 15% of its year-end profits and split the sum between our employees. This will be a differentiator for hiring as well as an incentive to encourage long-term commitments. Lastly, we will have a comprehensive feedback system including comment cards on every table, drop boxes, and outside auditors ranking our services.

From our customer's perspective, good service will show itself as: accurate orders, hot food, a server greeting them within 90 seconds, never an empty glass, managers empowered to comp up to \$50 in free items for unhappy customers, and our culture of 'anyone's problem is everyone's problem' (to a customer, this means that any server, not just their server, can and

will run a credit card bill or refill a drink). Clues' customers will use three words to describe our staff: friendly, proactive, and dependable.

MARKETING PLAN

The benefits to our target market are primarily emotional and social. The determinant that will attract repeat customers is the overall 'feeling' and amount of fun that customers will experience while in our bar. For more detail, see Exhibit 4

Features	Benefits
Unique activities (numerous games to play)	Fun and happiness
Comfortable environment (couches, fireplace)	Cozy and at ease
Relaxing ambiance (dim lights, soft music)	Calm, stress-free and peaceful
Welcoming setting (friendly staff)	Appreciated and valued
Trendy place to be (good word-of-mouth)	Socially knowledgeable and stylish

Exhibit 4

Target Market

Clues target customers are singles (both males and females), couples, and married couples without children, ages 21-39. They are college educated professionals and intellectuals with annual incomes of more than \$30,000. They are socially and culturally active individuals who have some board games at home, but they would prefer a fun, relaxed bar to their all-too-familiar living room.



Source: www.fotoresearch.com

Pricing Strategy

Our pricing is based on a value-pricing strategy. We want to be seen as a premium venue and will charge slightly above-average prices on our drink menu. Other entities with unique activities and atmosphere are able to successfully charge a premium price: dinner theaters and sporting events, for example, charge an incredibly high premium for drinks. People are

willing to pay extra for the atmosphere and activity. Clues will be unique enough in every detail (games, décor, music, and menu) to convince customers of the value of the experience. We will implement neighborhood prices for our food menu while charging above average for drink compared to our local competition.

- **Food:** Clues will serve appetizers (\$4-7), burgers and sandwiches (\$7-9) and entrees (\$9-16). We plan to be competitively priced throughout our food menu. Selections will include comfort food such as macaroni and cheese, meatloaf, and spaghetti and meatballs.
- **Drinks:** Clues will serve above-average priced drinks. We will serve beer (\$3.75-5.25), wine (\$6.25-8.75) and mixed drinks (\$5-9). For both food and drink, we don't foresee a dramatic increase in pricing.

Channel Pricing

Mark-up in the bar and restaurant business is generally about 3.3x (cost of goods sold is about 30%). Food is generally a smaller margin, while liquor is the highest margin. In other words, if Clues spends \$3 on an item (bought from supplier), Clues would sell that product for \$10.

Kickoff Parties

Clues will host a grand opening bash for important socialites in Denver. We will invite local magazine and newspaper reviewers, as well as local sports and music celebrities. The party will include free food, drinks and giveaways. Clues will also host a major kickoff party for the public upon its opening promoted by outdoor banners, neighborhood drop-offs of promotional materials, and targeted print-based advertisements. The kickoff will include free food and giveaways.

Clues Club

To build a strong relationship with our customers, each customer will be strongly encouraged to become a member of the Clues Club. Through a free, simple signup form at every table, customers will receive incentives to become members. The benefits will include branded prizes for club members visiting for the nth time, larger beer mugs for the same draft prices, 'Clues' t-shirt, mug and magnet giveaways and reduced tournament entry fees. Clues Club membership will lead to the rapid collection of a large customer database. By collecting and compiling customer names, addresses, email addresses, and basic demographic information, Clues can better identify who our customers are, where they live, how they heard about Clues, and which of our promotional strategies are most effective. This will feed into our e-Newsletter strategy.

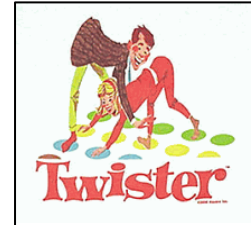
e-Newsletter

The Game Club database will lead to an email-based newsletter that will allow us to build an on-going relationship with our customers, informing them of upcoming tournaments and special promotions, and encouraging them to view Clues as their home away from home. The

end result will be an increased number of repeat customers and the conversion of first-time visitors into loyal customers who come back and bring their friends.

Events

To get the word out about this new bar we will host and promote a series of tournaments with games like Monopoly, chess, and trivia – including an annual block party with the World’s Largest Twister Competition. Winners of each tournament will be prominently profiled on the walls of the bar and winners of special events will earn prizes such as gift certificates and merchandise. This will help to reinforce the game-focused theme of this bar, promoting the uniqueness of this concept in the Denver-area. Clues will also sponsor events from dating services like Match.com and e-Harmony since board games offer a fun, low-stress activity for those who are dating to be paired-up.



Public Relations

Press releases to local newspapers, television stations, radio stations, and magazines will quickly spread the word about Clues. Each press release distributed will work to reinforce the game theme to build this new brand. Initial press releases and published reviews will introduce the bar's game theme, while subsequent press releases will promote the bar's tournaments, especially the ones where winners can receive gift certificates and merchandise.

Hiring and Training

Clues will hire its staff using personal recommendations to the greatest extent possible. Personal recommendations can come from existing staff or the management’s network. In addition, Clues will conduct in-depth reference checks. If we need to hire staff without a personal recommendation, the reference checks will be more substantial. All employees will undergo a one-week training session to set clear expectations, learn Clues’ level of service, and clarify Clues’ business values. To ensure that the staff buys into the training we will relate how superior customer service leads to bigger tips for them.

OPERATIONS

Bars and restaurants have fairly straight-forward operations. The little things make the difference. How much food does your chef throw away due to spoilage? How much revenue is lost because of shrinkage? Is the venue at the right location?

Enhancing Productivity

Waste is a serious issue in food management. The key for minimizing food waste, according to many current bar owners, is simply close surveillance. Clues will monitor and track its precise food consumption and waste for every night of the week. Clues will also minimize

inventory by ordering food 2-3 times per week. Only through operational discipline and regular analysis of key cost metrics will the margins continually be improved.

Shrinkage is another common problem in the bar and restaurant industry. According to Bevinco, a company who provides solutions to minimize shrinkage, a well run bar can minimize shrinkage from 20% to 3-5% of sales. To ensure that shrinkage does not become a problem, Clues will incorporate surveillance systems, inventory monitoring systems and outside audits. In addition, referrals and reference checks during the hiring process will help ensure that only the best and most honest people will be brought onboard.

Key Suppliers

Nobel Sysco in Denver will be the primary supplier for Clues in nearly every area except alcohol. Nobel Sysco sells and delivers some 18,000 products, including produce, refrigerated food, kitchen supplies, table linens, silverware, and furniture. They will provide invaluable insight into the bar and food service industry as they work with thousands of other bar owners. They even have experienced analysts and chefs who can offer menu planning tips and advice. Nobel Sysco's standard delivery service includes next-day and sometimes same-day service. National Distributing Company, the fourth largest alcoholic beverage distributing company in America, will be the primary supplier for beer, wine, and mixed drink supplies. We initially expect to order our food supplies every other day and our alcoholic beverages on a twice-per-week basis. Once we can better validate and more accurately predict daily customer demand we will look to re-order our food inventory twice per week and alcoholic beverages once a week. This equals about 100 inventory turns per year.

Outsourcing

Clues will outsource payroll services, accounting, and website development and maintenance. Clues will hire someone on a project basis to assist in the remodeling of the bar after we have leased a location to create the right feel for our customers. The bar must be remodeled to fit our needs in a short amount of time. We will have to hire a qualified team in order for this to happen quickly and according to our development plan.

Facility Requirements

Clues requires a leased commercial space somewhere within a several-block radius of 32nd Street and Lowell Blvd in Northwest Denver. We are estimating 3,000 sq ft; a space approximately 50 feet x 60 feet [see Appendix 1]. Since we are hoping for a cozy, home-like atmosphere, we will first look at homes in the area that might fit these qualifications and have the right zoning characteristics. We will then look at commercial real estate.

DEVELOPMENT PLAN

In order for Clues' opening and critical first eighteen months to be successful, there are several key foundational activities that must take place. We have developed a fourteen week timeline of key events that must happen before opening.

1. Secure Funding: Clues' founders will need \$350,000 in order to successfully launch the bar. Of that amount, the founders will invest \$100,000 of their own funds and will secure \$250,000 in debt for the rest. Before any other activities can take place, this funding must be secured.
2. Property Leased: Clues will be looking for a unit in the 32nd and Lowell area of northwest Denver. We are searching for a space of approximately 3,000 square feet. Preference would be for spaces designed more like a large house, in order to facilitate layout renovation, and potentially a previous restaurant complete with kitchen. Furniture and appliances will be ordered in week 5.
3. Website Launched: Once the space has been secured, the website will be launched and initial marketing tasks will be started. An advertising campaign will be started in week 5.
4. Facility Renovation: With funding and space secured, renovations will begin in order to turn the Clues space into the vision of the owners. A diagram can be seen in Appendix 1.
5. Hire Chef/Managers: The head chef and managers will be hired and training will begin for this level of staff. With help of the head chef, the owners will create the menu at this time.
6. Additional Staff: Additional wait and bar staff will be hired in week 10, four weeks prior to opening. This will give Clues ample time to train the staff to the owners' satisfaction.
7. Inventory Ordered: Bartenders, managers and chefs will order initial inventory two weeks prior to the opening; in week 12.
8. Grand Opening & Kick Off Party: We will have a kick off party for the press, restaurant critics and other key local people several days prior to the official grand opening of Clues. The official grand opening will be in week 14.

An outline summarizing these tasks can be found in Exhibit 5 on the following page.

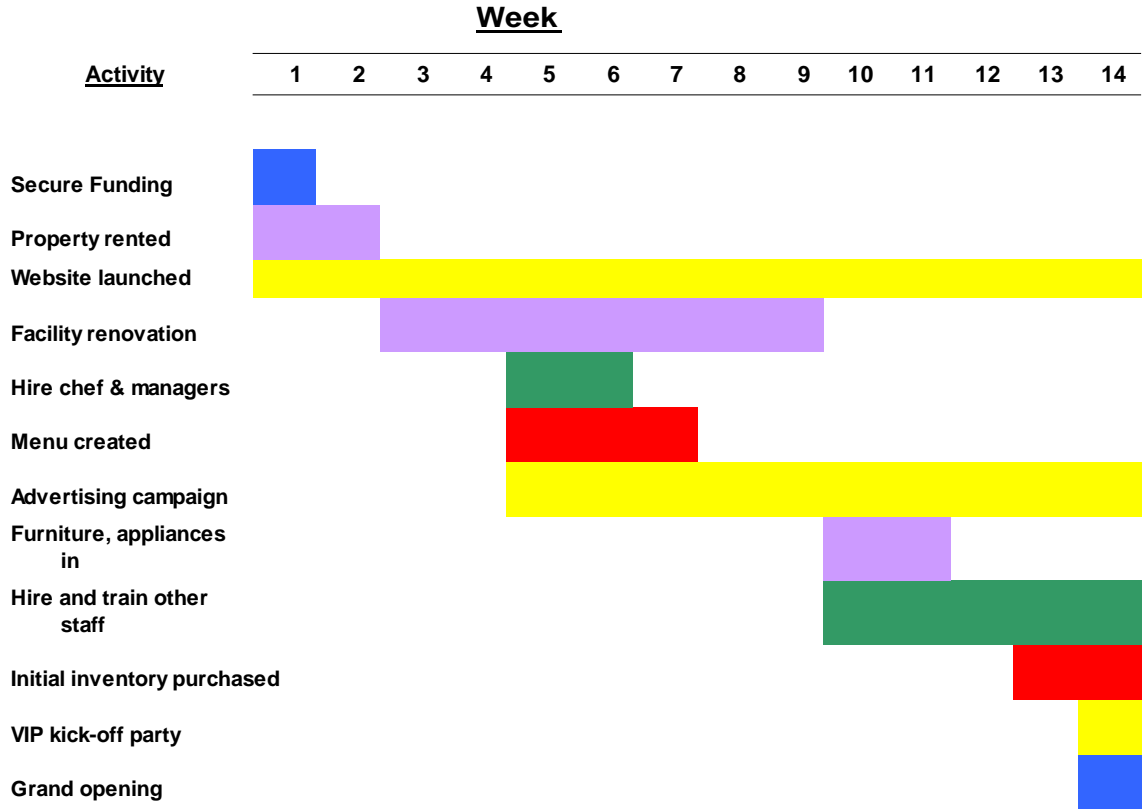


Exhibit 5

MANAGEMENT TEAM

Founders

The founders are Amber DeWall, Neal Lurie, Stephanie Rinko and Katarina Svensson, who are each MBA students from the University of Colorado. Brief bios of each owner follow below:

Amber DeWall

Amber DeWall has several years' experience as Senior Center Director for SCORE! Educational Centers, a supplementary learning company. She worked at impacting hundreds of children's education and boosting confidence in both Chicago and Denver as well as managing all aspects of the center's operations, including marketing, fiscal activity, member service and staff. During her tenure at the Leeds School of Business, Amber was elected President of the Graduate Entrepreneur's Association and to the Net Impact team. She has worked as an associate for the branding and strategy consulting firm Greenhouse Partners in Boulder, as well as doing projects for a Boulder management consulting firm, Blue Wing Consulting. Amber received her Bachelor of Science in Communication Studies from Northwestern University in 1998 and is on track to earn her MBA from the Leeds School of Business at the University of Colorado.

Neal Lurie

Neal Lurie brings proven management experience, most recently from his many years at Sun Microsystems. At Sun, Neal has successfully led a variety of large, complex projects driving development and operations for products that represent more than \$10 million in annual sales. He also brings extensive PR and communications experience through his Build the Bikeway organization where he leads a community of hundreds of volunteers and runs its e-Newsletter communication program. Neal received his BS in Management from Indiana University's Kelley School of Business and is on track to earn his MBA from the Leeds School at the University of Colorado.

Stephanie Rinko

Stephanie Rinko is highly skilled in the areas of marketing and strategic operations. Stephanie has acquired an extensive network of contacts through her work at *Denver Public Schools* and several non-profit organizations which is expected to prove to be an invaluable asset in the promotion of Clues. Since moving to Denver from San Francisco some years ago, she has spent a considerable amount of time scouting the West Highland neighborhood and analyzing its customer trends. She earned two Bachelor of Arts degrees from Boston University and is a candidate for her MBA degree from the University of Colorado's Leeds School of Business.

Katarina Svensson

Katarina Svensson has several years of extensive experience in the areas of brand management and marketing communications. Most recently she worked as a marketing consultant, helping companies develop brand positioning strategies for its products. She has also spent much time over the past few months developing Clues' financial plan and its key to success. She will play a key role in building the brand image of Clues as well as applying her extensive financial capabilities to the business. Katarina received her BS in marketing and international business from Iowa State University and is a 2005 MBA candidate in the Leeds School of Business at the University of Colorado.

Key Managers

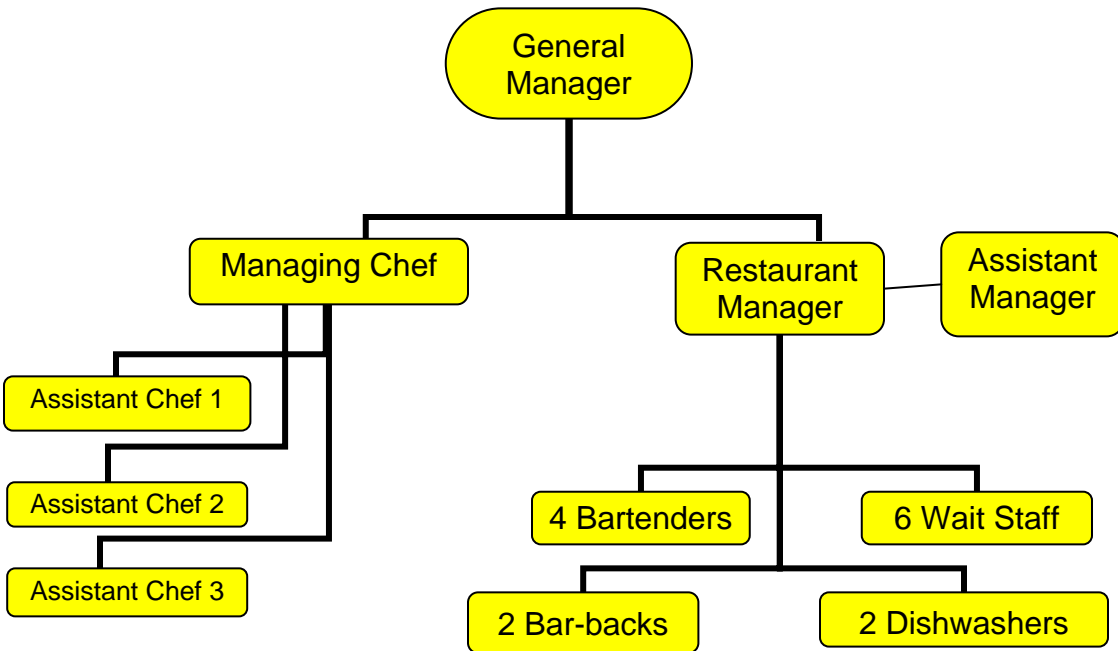
Clues will hire a General Manager several months prior to its opening. This manager must be very experienced in restaurant management or ownership. We require that the GM have strong references or that he or she knows one of the owners well. This manager will be experienced in being a self starter, extremely motivated and a strong manager. We plan to hire Stan Caldwell for this position. Stan is an experienced restaurant manager with seven years' experience as an Assistant Manager and four years' experience as a Restaurant Manager in Dallas, Texas. Stan is a close friend of one of the owners and we feel confident that he is the best candidate for the job. Stan is planning to move to the Denver area prior to Clues' opening and as the General Manager, will be the main link between Clues and its owners.

Board of Advisors

Clues will have a Board of Advisors made up of marketing specialists, local entrepreneurs and restaurant managers. We plan to include:

- *Rakesh Thakkar*; Owner & General Manager of the bar *Narcisse* in Chicago, IL
- *Gerry Green*; Owner & General Manager of the *Extreme Pita* restaurant
- *Arjun Sen*; Marketing professor at University of Colorado
- *Erick Mueller*; Serial Entrepreneur from Boulder area
- *Mike Anastos*; *Pizzeria Uno*'s General Manager, Boston

Organizational Chart



Ownership

The four founders will each own an equal share of the business:

Amber DeWall	17%
Neal Lurie	17%
Stephanie Rinko	17%
Katarina Svensson	17%

The General Manager will own 6% and the restaurant manager and managing chef will own 3% each. Ownership will only be provided to management after a 2-year tenure where they showcase great performance and dedication to Clues. An additional 20% ownership will be assigned to the individuals who Clues intend to borrow money from (see Offering, page 19).

Clues will also incorporate a profit-sharing policy that will reward all employees that have been with us for more than 6 months. Clues will take 15% of its year-end profits and split the

sum between our employees. It will be a differentiator for hiring as well as an incentive for our employees to see Clues as a long-term commitment.

FINANCIAL PLAN

Revenue Sources

Clues will mainly generate revenue from alcohol and food sales. Less than 1% of revenues will come from merchandise and games. Revenues are estimated to reach just above \$1 million in year one, \$1.5 million in year two and then stabilizing around \$1.8 million. For Clues detailed revenue model, see Appendix 5. Break even will occur in year two. Summary financials are available in Exhibit 6 below. For more detailed financial information, see Appendix 6.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Summary Financials (\$)					
Revenue	1,063,257	1,580,587	1,748,867	1,783,685	1,819,201
Gross Profit	151,959	393,041	494,562	505,146	516,175
EBIT	(71,388)	113,687	185,918	188,750	189,837
EBITDA	(31,505)	168,570	238,051	241,717	245,803
Net Earnings	(96,388)	94,937	113,230	118,625	123,394
Net Cash from Operating Activities	(69,519)	166,154	201,104	172,280	180,110
Capital Expenditures	233,500	54,500	54,500	56,500	54,500
Interest Income/(Expense)	(25,000)	(18,750)	(12,500)	(6,250)	0
Dividends	0	0	0	0	250,000
Cash	46,981	158,635	242,739	296,018	109,128
Total Equity	3,612	98,549	211,778	330,403	203,797
Total Debt	250,000	187,500	125,000	62,500	0
Growth					
Revenue Growth Rate - CAGR:		49%	11%	2%	2%
Net Earnings Growth Rate - CAGR:		Nil	19.3%	4.8%	4.0%
Ratios					
Current Ratio	4.7	2.0	2.1	2.4	1.0
Debt to Capital (LT Debt + Equity)	1.0	0.7	0.5	0.3	0.2
Profitability					
Gross Profit %	14.3%	24.9%	28.3%	28.3%	28.4%
Operating Expenses %	20.4%	17.7%	17.6%	17.7%	17.9%
Net Earnings %	-9.1%	6.0%	6.5%	6.7%	6.8%
Returns					
Return on Assets	-35.7%	24.9%	24.1%	22.5%	36.3%
Return on Equity	-2668.4%	96.3%	53.5%	35.9%	60.5%
Return on Capital (LT Debt + Equity)	-38.0%	27.2%	28.4%	26.0%	46.3%

Exhibit 6

Key Revenue Drivers

Average Customers per Day

Clues expects to average 155 customers per day in the first year. This is an overall average knowing that the number will vary depending on the day of the week. In year three, Clues will reach its maximum capacity of 180 customers per day. These numbers have been derived from Clues overall seating capacity of 90, hours operated per day (ranging from 7 to 15 hours), turnover rate and capacity utilization.

Turnover Rate

Clues' expected turnover rate is 3 hours; this is based on our extensive research where most respondents stated they would stay at a bar like Clues for 3-4 hours. It is also based on statistics from NTN, the leader in interactive entertainment. NTN states that customers who play interactive games stay at a bar on average 161 minutes versus non-players who stay for 116 minutes (39% longer). They also spend more money (see Average Ticket Price, below).

Capacity Utilization

Clues' capacity utilization ranges from 50-60% in year one, 55-65% in year two and 60-70% thereafter. According to Colin, the restaurant manager at Walnut Brewery, most successful restaurants/bars operate around 65-70% capacity utilization. Since it takes about 18 months to develop a stable customer base, our conservative assumption is that we will reach this level in year three.

Average Ticket Price

Clues estimates an average ticket price of \$23 on Mondays, Tuesdays, Wednesdays and Sundays. During the other days of the week, Clues estimates an average ticket price of \$27. These estimations are based on our customer surveys and data from NTN. According to our customer surveys 39.5% of our respondents spend between \$11-\$30 when they go out for a night and 62.8% of our respondents spend more than \$30. According to NTN, players spend an average of \$35.50 per visit which is 47% more than non-players (\$24.10).

Cost of Revenue Assumptions

Cost of Sales

Clues' cost of goods sold averages 30% of revenue. This is in-line with the industry average, but slightly higher than our comparables who benefit from economies of scale with their larger operations.

Salaries

Clues' salaries will be around 39% of total revenues. This is higher than the industry average of around 30%. Our higher cost is reflected by Clues' strategy to staff additional personnel, assuring faster service to our customers than our competitors.

OFFERING PLAN

Funding Requirements

Clues will need \$350,000 in funding to launch its operations. Uses of funds will include:

- Renovation: \$55,000
- Furniture, Kitchen Equipment, Cash Registers, Surveillance System: \$120,000
- Salaries for 6 months (General Manager, Restaurant Manager, Managing Chef): \$73,000
- Licenses and permits: \$40,000
- Marketing expenses: \$12,000

The funding also provides a \$50,000 cushion after year one. This equates to approximately 3 months of operating expenses. For a more detailed breakdown of capital expenditures, please see Appendix 7.

Offering

Clues intends to secure needed capital via equity and debt. The four founders will inject \$100,000 of equity and will each be given a 15% ownership stake.

The remaining \$250,000 will be raised via debt from family and friends. The debt will be established as a 5-year loan at an interest rate of 10%. Only interest will be paid in the first year of operations. The principal, together with interest, will be paid back in years 2-5. For each 12,500 raised in debt, Clues will provide a 1% ownership stake. In total, 20% ownership will be given out to individuals who lend money to Clues.

Valuation

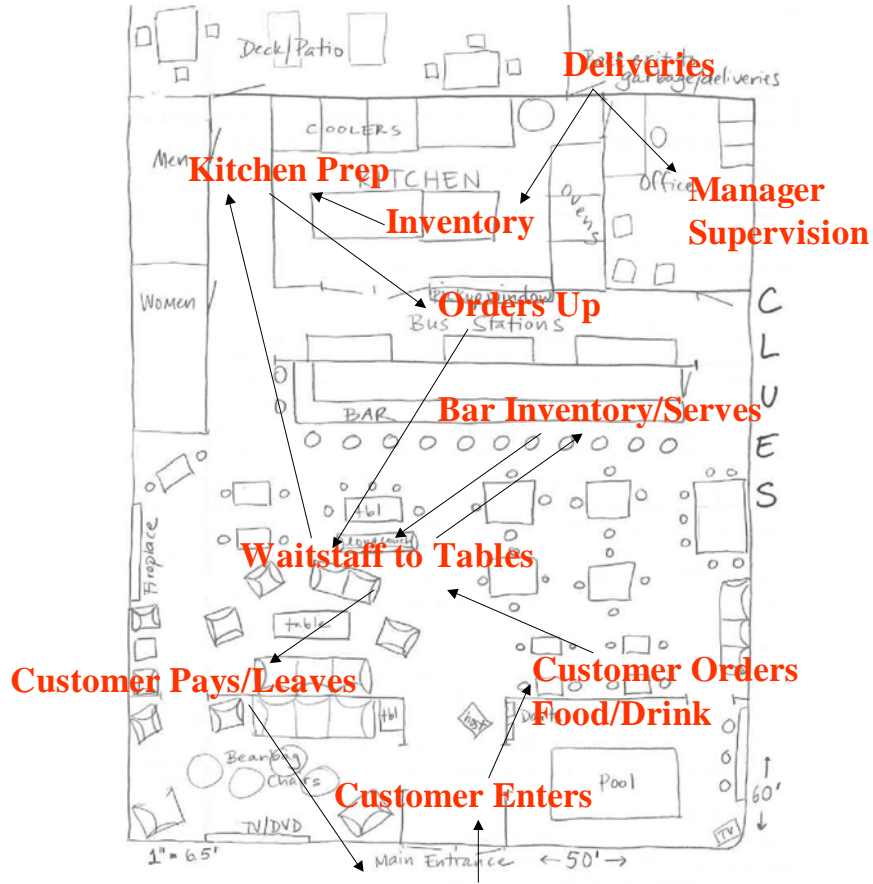
Clues is valued at \$730,000 based on a small business valuation formula multiple of .40. The revenue multiple is based on available drinking establishment multiples ranging from a low of .32 and a high of .47. These multiples have been collected by BIZCOMPS.

Small Business Valuation

Year 5 revenue	1,819,000
Valuation multiple	.40
+ Cash	109,000
+ Accounts receivable	14,700
+ Inventory	18,400
+ Real estate	-
- Liabilities	136,000
Valuation	\$734,000

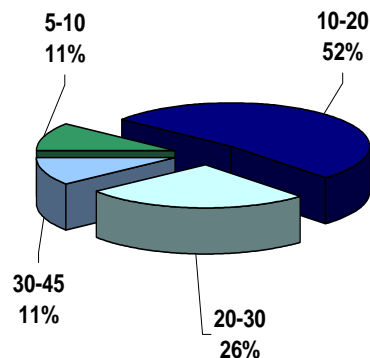
APPENDICES

Appendix 1: Clues' layout with accompanying flow chart.



Appendix 2: Survey data breakout indicating that customers are generally willing to drive up to 20 minutes to get to Clues. Source: survey by the Owners Oct-Sept 2004

How many *minutes* would you travel to go to this bar?



Appendix 3: Competitor Analysis - Detailed

Bar	Location and hours	Atmosphere	Key features	Competitive Advantage (Strengths)	Weaknesses
ESPN Zone	Denver (16 th & Lawrence) Also: Anahiem, Atlanta, Baltimore, Chicago, Las Vegas, N York, Wash DC Mon – Thu: 11:30am – midnight Fri: 11:30am – 1:30 am Sat: 10:00am – 1:30 am Sun: 10:00 am - midnight	Loud, active, fast, energetic, busy	16 foot bigscreen TV 23,000 square feet 150 monitors and interactive games 'Game card' which Celebrity broadcasts	Brand name recognition First to market (pioneered the concept along with Dave and Busters) Kid friendly You are guaranteed to see your favorite sports team play on TV	Too loud for some people Difficult parking Sterile – no one will know you
Guthrie's Tavern (model to follow – not a direct competitor)	1300 W. Addison St. -Wrigleyville – Chicago, Illinois: Guthrie's is off the beaten path – it is a home on a corner, turned into a tavern, with few bars in the immediate vicinity Mon – Thu: 4pm – 2am Fri-Sat: 2pm – 3am Sun: 2pm – 2am	Comfortable! Controlled 'buzz' – not loud, but very active Dark – 12 tables w/ red & white checkered tablecloths	Nooks and crannies - there are many walls, corners, and places for people to hide Screened in back porch with tables set up for the summer Couches and fireplaces Paintings by local artists on walls	Guthrie's is known as the place to go for a relaxing bar night – surrounded by the craziness of Wrigleyville, it is tucked a couple blocks away, on a prominent avenue, and is guaranteed to provide a quieter fun night. They are the only place around that offers such an atmosphere and activity selection – their unique service is really their competitive advantage.	Lack of marketing Out-of-the-way location (people won't be walking by and decide to stop in) Limited food menu Difficult parking
Mead Street Station	32 nd street, between Meade & Lowell (W. Highland) Mon-Sat: 11am -midnight	Dark, old feel, comfortable. Busy and loud. Smoky bar late at night. Usually pretty crowded.	Exposed brick, wood floors, high ceilings Art by local artists Bands and 'open stage' available 5-6 nights weekly	Great location and a loyal crowd. Full menu; has been around for almost 10 years; a staple in the neighborhood.	No marketing; trying to be both a bar and a restaurant; smoking atmosphere (bar crowd), therefore families are less interested; have long lines on weekend nights.
Swimclub 32	32 nd & Lowell Tues-Sat: 5pm – 2am Sun: 5pm – midnight Mon: closed	Trendy Lounge-like	Large wine list (125) Exposed brick, high ceilings	Trendy and unique (food and decor) Personable staff (Denver Post review)	Brand new, expensive, some say easier to eat at bar than at tables, hard time bringing in customers during dinner time.
Common Grounds	32 nd & Lowell 7 days: 6am – 11pm	Bright, lively	Local artwork, books line the walls, exposed brick, cozy tables Occasional live music Board games available	Very comfortable and welcoming	No alcohol choices; not open late

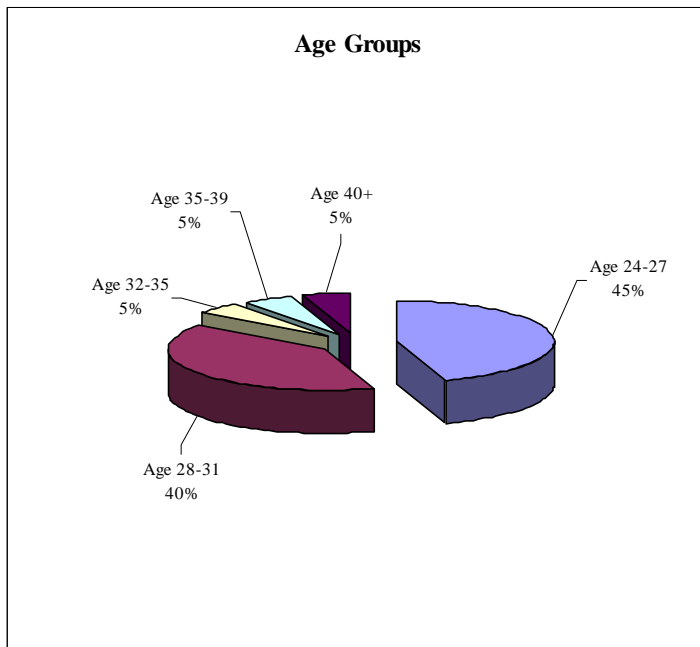
(continued on next page)

Bar	Target Market	Marketing/ Advertising Strategy	Food served	Drinks served / specials	Merchandise sold	Misc. Information
ESPN Zone	Families with kids (ages 7-14) Young adults (18-25) Sports crazed older men (25-40)	Benefit from amazing ESPN TV and radio advertising (branding)	Bar appetizers, burgers, soups and salads, entrees (pasta, chicken, steak) Kids menu	Full bar M-F: 4:30-6:30 and 9:30-close: \$3 well drinks, \$3 25oz brews	Extensive list – shirts, hats, key chains, mugs, etc.	3 hour validated parking Nightly contests (ex. Monday night football drawings)
Guthrie's Tavern	21-35 year olds Singles, unmarried couples Well educated	Relies heavily on reputation and word of mouth in local crowds	Infamous for pretzels with spicy mustard (served to all for free) A few bar food items available: pizza, sandwiches, frozen TV dinners Differentiator: Patrons able and encouraged to order take-out from local eateries (there is a book of menus available at the bar)	Full bar Large beer selection on tap	T-shirts and sweatshirts	Crowded on weekends – a bit different feel depending on the day of week
Mead Street Station	21-30 Neighborhood locals	Include live band lists in local publications; word of mouth and reputation	Salads, sandwiches, entrees Nightly specials Very average prices (\$7 burger)	Full bar		Crowded on weekends, often a line for dinner on weekends, open for lunch.
Swimclub 32	All of Denver and surrounding areas; 21-40	Create buzz in Denver	Asian Tapas: monkfish (\$10), Tuna tartare (\$9), unagi (\$6)	Trendy martinis, 125 wines Full bar	None	Stemless, bulb shaped wine glasses (mentioned in 3 reviews!)
Common Grounds	Neighborhood locals	Word of mouth and neighborhood crowd, word of mouth	"Food is not the draw" – Citysearch Bagels and pastries, sandwiches, cookies, pies, breakfast burritos – all from different vendors	Full coffee bar plus large selection of teas		Neighborhood hangout

Appendix 4: Customer Survey Results

Clues' customer surveys included two rounds of surveys. The first determined the preferred location, interest in the concept, demographics, differentiation, and level of food/drink service expected and desired. The second survey specified types of food, costs, interest in tournaments, types of games and average spending habits for our target. The results of survey one can be seen on the first two pages of Appendix 4 and the results of survey two can be seen subsequently.

Survey One:

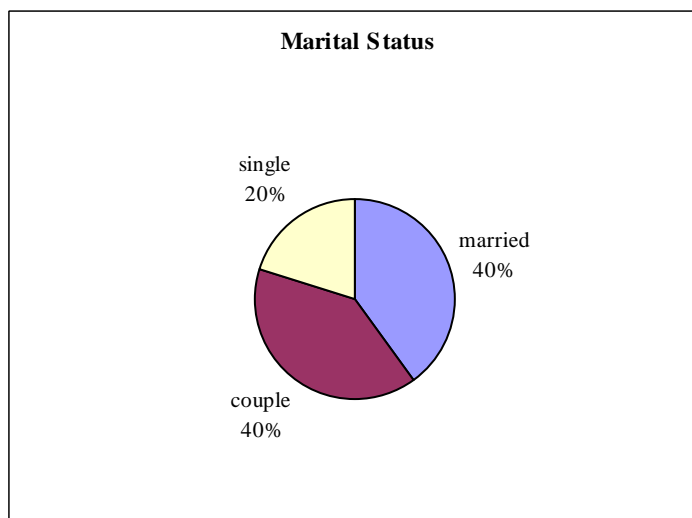


Demographics:

95% fell within our target age group of 24 to 39.

85% fell within the 24 to 31 age range. This is our point of entry and right in the middle of our target market.

80% of our respondents are either married or part of a couple. 20% are single.

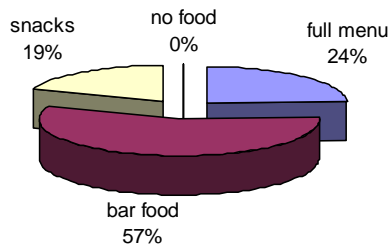


Customer Preferences:

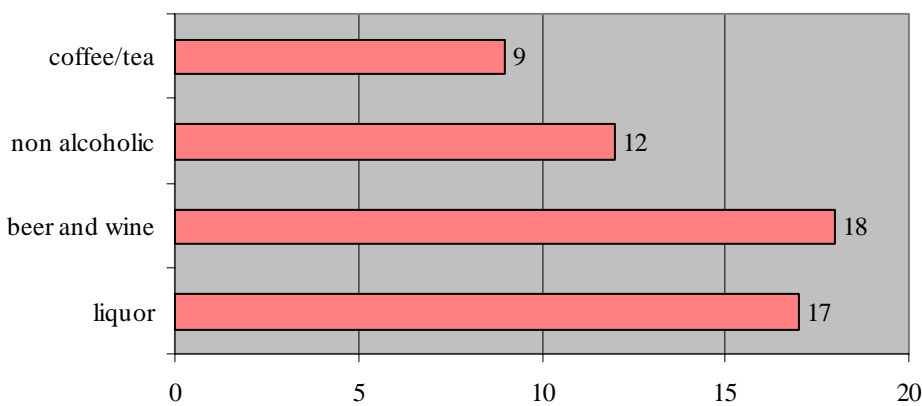
Ideal age group: mid twenties to early thirties
Respondents favored: non-smoking, privacy, soft music and a little bit darker

57% think bar food is sufficient
 76% think a full menu is not necessary
 0% thought that no food was necessary, i.e. 100% thought some sort of food offering was needed. This goes along with the trends we have found that say people are eating and drinking in the same establishment instead of splitting their evening into two different places.

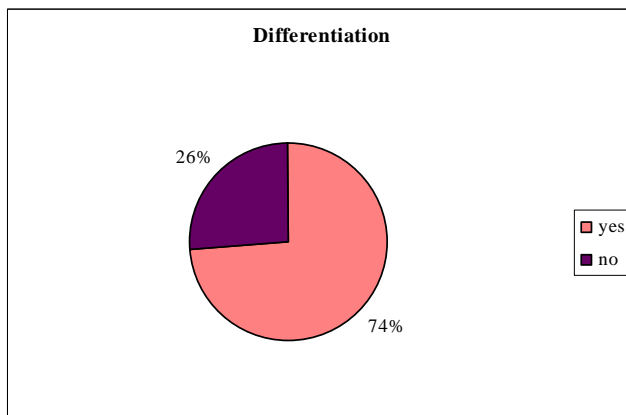
Food Preferences



Drink Selection Preferences



Differentiation



Responses:

74% of respondents believe that this bar is different from the current selection

95% of respondents go to bars, think this is a good idea, would want a bar like this in their neighborhood, and would try it out.

50% of respondents would travel between 10 and 20 minutes to go to a bar like this (26% more 30 minutes)

60% of respondents do not think live music is important

Attributes in order of importance:

- Close/easy parking
- Safe neighborhood
- Others your own age
- Proximity to public transportation

Survey Two:

How often would you go to this type of bar?							
Less than once per month		14					32.56%
1-2 times per month		28					65.12%
3-4 times per month		2					4.65%
5-6 times per month		0					0.00%
7+ times per month		0					0.00%
Other (please specify)		0					0.00%
How long would you stay?							
Less than one hour		1					2.33%
1-2 hours		12					27.91%
3-4 hours		30					69.77%
5-6 hours		1					2.33%
7+ hours		0					0.00%
Other (please specify)		0					0.00%
How much do you spend on a typical night out?							
Under \$10		2					4.65%
\$11 to \$30, all on drinks		3					6.98%
\$11 to \$30, drinks and food		14					32.56%
\$31 to \$50, all on drinks		6					13.95%
\$31 to \$50, drinks and food		12					27.91%
\$51 to \$80, all on drinks		1					2.33%
\$51 to \$80, drinks and food		5					11.63%
\$81+, all on drinks		0					0.00%
\$81+, drinks and food		3					6.98%

Appendix 5: Revenue Model.

Year 4 and 5 equals year 3 and takes 2% of inflation into account. For a detailed explanation of key revenue drivers, see page 18 under the financial plan section.

	Year 1				Year 2				Year 3			
	M-W	Th-F	Sa	Su	M-W	Th-F	Sa	Su	M-W	Th-F	Sa	Su
Seating Capacity	70	70	70	70	70	70	70	70	70	70	70	70
Standing Capacity	20	20	20	20	20	20	20	20	20	20	20	20
Hours Operated / Day	7	9	15	13	7	9	15	13	7	9	15	13
Turnover Rate / Day	2	3	5	4	2	3	5	4	2	3	5	4
Capacity Utilization	50%	60%	55%	50%	55%	65%	60%	55%	60%	70%	65%	60%
Avg. Customers / Day	105	162	248	195	116	176	270	215	126	189	293	234
Avg. Ticket Price / Person	23	27	27	23	23	28	28	23	24	28	28	24
Total Revenue / Day	2,415	4,374	6,683	4,485	2,710	4,833	7,436	5,032	3,015	5,309	8,217	5,599
Days / Year	117	78	39	39	156	104	52	52	156	104	52	52
Revenue (Food & Drink)	\$1,059,260				\$1,573,697				\$1,740,937			
Games	\$2,048				\$2,730				\$2,730			
Merchandise	\$1,950				\$4,160				\$5,200			
Total Revenue	\$1,063,257				\$1,580,587				\$1,748,867			

Appendix 6: Income Statement, Balance Sheet and Cash Flow Statement

<u>INCOME STATEMENT</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
NET REVENUES	1,063,257	1,580,587	1,748,867	1,783,685	1,819,201
COST OF REVENUE	911,298	1,187,546	1,254,305	1,278,540	1,303,025
GROSS PROFIT	151,959	393,041	494,562	505,146	516,175
% of Revenues	14.3%	24.9%	28.3%	28.3%	28.4%
OPERATING EXPENSES					
Sales & Marketing	39,949	40,209	42,733	43,255	43,788
General and Administration	177,398	239,145	265,911	273,140	282,551
Total Operating Expenses	217,347	279,354	308,644	316,396	326,339
% of Revenues	20%	18%	18%	18%	18%
EARNINGS FROM OPERATIONS	(65,388)	113,687	185,918	188,750	189,837
EXTRAORDINARY INCOME / (EXPENSE)	(6,000)	0	0	0	0
EARNINGS BEFORE INTEREST & TAXES	(71,388)	113,687	185,918	188,750	189,837
INTEREST INCOME / (EXPENSE)	(25,000)	(18,750)	(12,500)	(6,250)	0
NET EARNINGS BEFORE TAXES	(96,388)	94,937	173,418	182,500	189,837
TAXES	0	0	(60,188)	(63,875)	(66,443)
NET EARNINGS	(96,388)	94,937	113,230	118,625	123,394
% of Revenues	-9.1%	6.0%	6.5%	6.7%	6.8%

BALANCE SHEET

	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
ASSETS						
CURRENT ASSETS						
Cash	350,000	46,981	158,635	242,739	296,018	109,128
Accounts Receivable		13,014	13,277	14,204	14,454	14,726
Inventories		16,268	16,596	17,755	18,067	18,408
Other Current Assets		0	0	0	0	0
Total Current Assets	350,000	76,263	188,508	274,697	328,540	142,263
PROPERTY & EQUIPMENT	0	193,617	193,233	195,600	199,133	197,667
TOTAL ASSETS	350,000	269,880	381,741	470,297	527,673	339,929
LIABILITIES & SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short Term Debt	0	0	0	0	0	0
Accounts Payable & Accrued Expen		16,268	33,192	71,019	72,270	73,632
Other Current Liab		0	0	0	0	0
Current portion of long term debt	0	0	62,500	62,500	62,500	62,500
Total Current Liabilities	0	16,268	95,692	133,519	134,770	136,132
LONG TERM DEBT (less current portion)	250,000	250,000	187,500	125,000	62,500	0
STOCKHOLDERS' EQUITY						
Common Stock	100,000	100,000	100,000	100,000	100,000	100,000
Preferred Stock	0	0	0	0	0	0
Retained Earnings		(96,388)	(1,451)	111,778	230,403	103,797
Total Equity	100,000	3,612	98,549	211,778	330,403	203,797
TOTAL LIABILITIES & EQUITY	350,000	269,880	381,741	470,297	527,673	339,929

<u>CASH FLOW STATEMENT</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
OPERATING ACTIVITIES					
Net Earnings	(96,388)	94,937	113,230	118,625	123,394
Depreciation	39,883	54,883	52,133	52,967	55,967
Working Capital Changes					
(Increase)/Decrease Accounts Receivable	(13,014)	(263)	(927)	(250)	(273)
(Increase)/Decrease Inventories	(16,268)	(328)	(1,159)	(313)	(341)
(Increase)/Decrease Other Current Assets	0	0	0	0	0
Increase/(Decrease) Accts Pay & Accrd Expenses	16,268	16,924	37,826	1,251	1,363
Increase/(Decrease) Other Current Liab	0	0	0	0	0
Net Cash Provided/(Used) by Operating Activities	(69,519)	166,154	201,104	172,280	180,110
INVESTING ACTIVITIES					
Property & Equipment	(233,500)	(54,500)	(54,500)	(56,500)	(54,500)
Other					
Net Cash Used in Investing Activities	(233,500)	(54,500)	(54,500)	(56,500)	(54,500)
FINANCING ACTIVITIES					
Increase/(Decrease) Short Term Debt	0	0	0	0	0
Increase/(Decrease) Curr. Portion LTD	0	62,500	0	0	0
Increase/(Decrease) Long Term Debt	0	(62,500)	(62,500)	(62,500)	(62,500)
Increase/(Decrease) Common Stock	0	0	0	0	0
Increase/(Decrease) Preferred Stock	0	0	0	0	0
Dividends Declared	0	0	0	0	(250,000)
Net Cash Provided / (Used) by Financing	0	0	(62,500)	(62,500)	(312,500)
INCREASE/(DECREASE) IN CASH	(303,019)	111,654	84,104	53,280	(186,890)
CASH AT BEGINNING OF YEAR	350,000	46,981	158,635	242,739	296,018
CASH AT END OF YEAR	46,981	158,635	242,739	296,018	109,128

Appendix 7: Detailed Capital Expenditures

RENOVATION	
Carpentry, painting, flooring, electrical, etc.	50,000
Extra	5,000
GAMES	
Pool table: \$1,700	1,700
DVD/TV screen: \$2,000	2,500
DVD games: \$40/game (6 total)	240
Board games: \$20/game (100 total)	2,000
Dart boards	260
Extra	800
KITCHEN AND DINING WARE	
Kitchen	80000
Wine, beer, cocktail, soda, martini (10z each) + champagne glasses (5dz) (55*60)	3300
Utensils - knife, fork, dessert fork, spoon, dessert spoon (10dz each) (60*12)	750
China - large plates, small plates, bowls, mugs (10dz each) (40*100)	4000
Extra	4950
OFFICE SUPPLIES	
2 computers + software	7000
2 chairs (2*150)	300
2 desks (2*250)	500
Extra	2200
FURNITURE	
Bar	15000
13 bar stools (13*250)	3250
45 chairs (45*120)	5400
5 couches (5*750)	3750
9 big comfy chairs (9*300)	2700
15 tables (15*300)	4500
4 bean bags (4*150)	600
TV	1,000
Extra	5800
CASH REGISTER + SURVEILLANCE	
Cash register system (3 stations)	
Hardware (450+900+2500+450)	4300
Software (750+700+500)	1950
Support (400/year)	400
Surveillance system	3000
Extra	1350
Other	\$15,000
Aggregate Total	\$233,500

Renovation statistics - www.entrepreneur.com/article/print/0,2361,290299,00.html

Kitchen - interview with chef

Dining ware - www.restaurantsource.net

Office supplies & furniture - www.thebarstoolsuperstore.com, www.kpetersen.com, www.furniturefind.com

Cash Register system - www.nurol.com

Surveillance system - www.cctvwholesalers.com

