

**CONFIDENTIAL BUSINESS PLAN
OF
V'S TEA BAR**



V's Tea Bar
11831 Wilshire Boulevard
Los Angeles, CA 90049
P: (310) 592-3619
F: (310) 338-3101
vicky.hwang@gmail.com

This business plan contains confidential and proprietary information and may not be copied or distributed without the expressed written permission of V's Tea Bar, LLC. Upon request, it must be returned to the above listed address.

CONFIDENTIAL

CONFIDENTIALITY AGREEMENT

This agreement is to acknowledge that the information provided by V's Tea Bar, LLC in this business plan is unique to this business and confidential; therefore, anyone reading this plan agrees not to disclose any of the information in this business plan without the express written permission of V's Tea Bar.

It is also acknowledged by the reader of this business plan that the information furnished in this business plan, other than information that is in the public domain, may cause serious harm or damage to V's Tea Bar and will be kept in the strictest confidence.

Your signature below executes this agreement. Thank you in advance for your cooperation and understanding.

Signature _____

Name (typed or printed) _____

Date _____

I. Table of Contents

I.Table of Contents.....	3
II.Executive Summary.....	4
III.Company Summary.....	6
IV.Products/Services Description.....	7
V.Market Analysis.....	12
VI.Location and Competition.....	20
VII.Strategy and Implementation.....	22
VIII.Management Team.....	25
IX.Startup Expenses and Capitalization.....	26
X.Financial Projections.....	29
XI.Exit Strategy.....	32

II. Executive Summary

V's Tea Bar is a start-up bubble tea cafe that will also offer a selection of bakery products, located in Los Angeles, California. V's Tea Bar expects to catch the interest of a regular loyal customer base with its broad variety of bubble tea as well as pastry products.

Bubble tea is specialist drink increasingly being offered in cafés, coffee shops and bars. It originates from Asia and is made up of hot or cold tea, milk, sugar and giant black tapioca balls. Ice is then added and the drink shaken to create the bubble effect. Bubble tea is often referred to as pearl shake, tapioca ball drink; boba ice tea and bubble drink among other things.

The term "bubble" refers to the tapioca balls in the drink. These chewy tapioca balls, or "pearls," are consumed along with the beverage through a wide straw. Bubble tea is especially popular in many East Asian and Southeast Asian regions such as Taiwan, Brunei, China (including Hong Kong and Macau), Malaysia, the Philippines, Singapore, South Korea, Thailand, Indonesia, Vietnam and Australia.

V's Tea Bar will be Asian-themed in décor and we will also sell Asian snacks and food.

V's Tea Bar will be situated in one of the busiest locations on all of the Westside, populated with urban professionals with high disposable incomes and an interest in alternative eating and drinking venues. This drink cafe is located in the heart a heavily trafficked Wilshire Boulevard, in the midst of: (i) numerous high-rise office buildings; (ii) a dense and wealthy residential neighborhood; (iii) retail shops, and (iv) directly in between two of the most longstanding, popular and profitable restaurant-bars in all of the Westside of Los Angeles.

Compared to opening a full size restaurant, the start up costs to open a bubble tea cafe are low. The wide range of our contacts & relationships mean we will open a bubble tea cafe with minimal investment ensuring we get the biggest bang for our buck.

A bubble tea cafe is not labor intensive, is simple to operate and does not necessitate that the owner be on site. The key is to get things set up correctly in the early stages and to use effective operating systems to save valuable time, effort, and money.

CONFIDENTIAL

The Management Team is composed of Vicky Hwang and hired managers with expertise in this type of business. V's Tea Bar mission is to provide a home away from home, a bastion of hospitality and services.

III. Company Summary

Mission

V's Tea Bar aims to offer high quality bubble tea, as well as food and snack products, at a competitive price to meet the demand of the middle- to higher-income local market area residents and tourists.

Objectives

- Beverages and entertainment are our products. They must be of the high quality and value.
- Service: Our patrons are paying to have a good time. Their experience will suffer if service is not of the highest caliber. Each member of the staff will be courteous, efficient, and attentive.
- Marketing: We will need to target our audience early and often. While the business is located in a central and accessible location, many people will have to be reintroduced to the neighborhood.
- Management: We will need to have a firm grasp on beverage, and labor costs. The bubble tea cafe experience must be delivered in a fashion that will not only inspire repeat business, but also encourage word-of-mouth recommendations to others.
- Proper inventory, employee management, and quality control are key.

Keys to Success

Keys to success for V's Tea Bar will include:

- Providing the highest quality product with personal customer service.
- Competitive pricing.

V's Tea Bar will be a Limited Liability Corporation (LLC) to restrict the owner's legal financial responsibilities of the amount invested in the business.

IV. Products/Services Description

Finally there's a drink that's fun to eat! Move over trendy coffee drinks and make way for the new drink craze that is going on right now, especially in communities with large Asian populations.

Over the last year or so, Bubble Tea has moved beyond their roots in the predominately Asian suburbs and gained in popularity across the World. Especially popular with young adults in larger cities; others are now accepting this drink craze.

What is Bubble Tea?

Bubble Tea is the catch-all name for endless unusual names of this drink such as: tapioca pearl drink, tapioca ball drink, pearl shake, pearl tea, black pearl tea, big pearl, boba tea, boba ice tea, boba nai cha, milk tea, bubble drink, zhen zhu nai cha, momi, momi milk tea, QQ, BBT, PT, and possibly many other names.

This drink is far from the plain-looking tea that you are generally familiar with and it is hard to explain to the uninitiated. It is non-alcoholic and non-carbonated. The tea is sweet, though it has less sugar than a typical soft drink. There are a huge variety of flavors to try, depending on the tea house or stand you visit. The drink is usually a mix of tea, milk, sugar, and giant black tapioca balls. The "bubble" refers to the foam created by shaking the freshly brewed tea with ice (the drink must always be shaken and not stirred).

For the first-timers, ordering a Bubble Tea can be an event. The tea is likely to be in pastel colors of pink, green or yellow. The unique ingredient of Bubble Tea is the tapioca pearl. About the size of pearls or small marbles, they have a consistency like gummy candy (soft and chewy). Being heavier than the drink they tend to always stay near the bottom of the glass. These drinks are usually served in large see-through plastic containers with an extra-wide straw to sip these jumbo pearls. Just sucking on the translucent straw creates a show, with pearls floating up in succession. Children like to blow the balls out from the straw to shoot at targets or at each other.

Some people find the tapioca balls bizarre and repelling. If you try it and like it - you'll crave the drink and never look at coffee the same way again!

The Bubble Tea craze has been huge in Taiwan and other parts of Southeast Asia for the last 15 years. In fact, Bubble Tea has taken Taiwan by storm over the past decade. The drink originally started as a childhood treat in Taiwan in the late 1980's at small tea stands in front of the schoolhouses. Teenagers and elementary school children looked forward to their after school tea. Tapioca pearls are made mostly from tapioca starch. Tapioca starch is starch made from tapioca or bitter-cassava plant, sometimes called manioc or yuca in some parts of the world. The bitter-cassava plant is native to South America and was introduced into Asia sometime during the 19th century. Someone came up with the idea of adding tapioca pearls as a bit of novelty, and the idea spread. This created a new fad of adding tapioca pearls into the children's favorite tea drinks.

When ordering, customers may be asked whether they want 'pearls' or 'boba' in their drinks, and both terms refer to the tapioca balls. The tapioca pearls require an hour for preparation, and they expand considerably when cooked. After they are cooked through but before they become too soft, the pearls are drained and poured into a sugar-water solution, and are ready for use.

Some cafes use a non-dairy milk substitute, instead of milk because many East Asians are lactose intolerant. This adds a distinct flavor and consistency to the drink.

As time has moved on new generations of bubble drinks have come into being, such as, the 'Snow Bubble.' This 'Snow Bubble' drink is a slushie-like drink where you choose one of many fruit flavors and it is mixed in with shaved ice to make a smooth refreshing drink, after that the boba balls can be added from their assorted types, black boba which are the original, colored, lychee bubbles, and rainbow boba; some of the many that are offered today.

Bubble tea can be made at home, but preparing tapioca pearls can be quite labor intensive as the tapioca pearls must be consumed immediately to maintain freshness and not lose their soft gummy texture. It's easier to skip making it yourself and head down to the various Bubble Tea shops which have sprung up.

Sample Bubble Teas Menu

- Tapioca Milk Tea
- Tapioca Milk Green Tea
- Milk Tea
- Milk Green Tea
- Barley Powder Milk Tea

- Barley Powder Milk Green Tea
- Thai Tea
- Royal Milk Tea
- Almond Milk Tea
- Barley Milk Tea
- Coffee Milk Tea
- Lavender Milk Tea
- Taro Milk Tea
- Rose Milk Tea
- Brown Sugar Milk Tea
- Wintermelon Milk Tea
- Peppermint Green Tea
- Mango Black Tea
- Mango Green Tea
- Plum Green Tea
- Plum Black Tea
- Honey Black Tea
- Honey Green Tea
- Lemon Black Tea
- Lemon Green Tea
- Passion Fruit Green Tea
- Rose Black Tea
- Rose Green Tea
- Peach Black Tea
- Peach Green Tea
- Green Apple Green Tea
- Lychee Green Tea
- Chrysanthemum Tea
- Strawberry Green Tea
- Mixed Fruit Tea
- Lavender Beauty Tea

Choice of these coffees:

- House Coffee
- Mocha Coffee
- Brazil Coffee
- Coffee Milk Tea Coffee
- Pecan Coffee

Try our new frozen Bubble Teas. Here are some sample flavors:

Served with Milk

- Almond

- Banana
- Coconut
- Classic Bubble Tea
- Coffee
- Honeydew
- Mango
- Papaya
- Strawberry
- Taro

Served without Milk

- Blueberry
- Green Apple
- Honey
- Kiwi
- Lemon
- Lychee
- Mango
- Passion Fruit
- Peach
- Pineapple
- Strawberry
- Watermelon
- Yogurt

Sample Food/Desserts Menu:

- Tea Boiled Eggs
- Sticky Rice Tamale
- Taiwanese Sausages
- Fried Buns
- Butter Toast
- Sweet Butter Toast
- Fried Taro Balls
- Fried Sweet Potato Balls
- Condensed Milk Dessert
- Small Savory Pastries
- Fried Spicy Chicken
- Fried Tofu
- Fried Wontons
- Fried Spicy Chicken Wings
- Fried Squid Balls
- Fried Shrimps
- Fried Fish Balls

- Cream Corn Croquette

Future Products

As seasons change, V's Tea Bar will be offering products that will enhance sales and satisfy its customers' desires. During summer months, V's Tea Bar will subsidize lower hot beverage sales with frozen coffee drinks, as well as soft drinks, and other cold beverages. V's Tea Bar will also have special beverages during holiday seasons, such as Egg Nog during the Christmas season and Hot Apple Cider in the fall.

V's Tea Bar primary desire will be to listen to its customers to ascertain what they are looking for most, and to provide it.

V. Market Analysis

Bubble tea is a specialist drink increasingly being offered in cafés, coffee shops and bars. It originates from Asia and is made up of hot or cold tea, milk, sugar and giant black tapioca balls. Ice is then added and the drink shaken to create the bubble effect. Bubble tea is often referred to as pearl shake, tapioca ball drink; boba ice tea and bubble drink among other things.

Owing to their influences, bubble tea cafés are often Asian-themed in décor and may also sell Asian snacks and food. They are often situated in urban cities, populated by young professionals with high disposable incomes and an interest in alternative eating and drinking venues.

Bubble tea is a tea beverage that originated in Taiwan in the 1980s. The term "bubble" refers to the tapioca balls in the drink. These chewy tapioca balls, or "pearls," are consumed along with the beverage through a wide straw. Bubble tea is especially popular in many East Asian and Southeast Asian regions such as Taiwan, Brunei, China (including Hong Kong and Macau), Malaysia, the Philippines, Singapore, South Korea, Thailand, Indonesia, Vietnam and Australia.

Bubble tea is a mixture of iced or hot sweetened tea, milk, and often other flavorings. The distinctive characteristics of bubble tea are the black gummy balls made of tapioca (or, more commonly in East Asia, yam starch), called "pearls" or "boba" or balls that sit at the bottom of the cup. The pearls are larger than those found in tapioca pudding, with a diameter of at least 6 millimeters, but smaller ones are occasionally used. They are generally translucent brown with a darker brown center, although pearls of other colors or 'jelly cubes' have also recently become available.

The original bubble tea consisted of a hot Taiwanese black tea, tapioca pearls, condensed milk, and honey. As this drink became more popular, variations were created. Initially iced versions with a hint of peach or plum flavoring began to appear, and then more fruit flavors were added until, in some variations, the tea was removed entirely in favor of real fruits. Today you can find shops entirely devoted to bubble tea, similar to bubble tea cafés of the early 1990s. They usually contain colored pearls that are chosen to match whatever fruit juice is used, in addition to brightly colored oversize straws for sucking up the pearls.

Bubble tea is generally split into two types: fruit-flavored teas, and milk teas. Milk teas may use dairy or non-dairy creamers.

The mixtures that make up bubble tea vary. Several examples of flavors are strawberry, passion fruit, mango, chocolate, and coconut, and may be added in the form of powder, fruit juice, pulp, or syrup to hot black or green tea, which is shaken in a cocktail shaker or mixed in a blender with ice until chilled. The mixture is usually combined with milk and cooked tapioca pearls.

Bubble tea bars often serve bubble tea using a machine to seal the top of the cup with plastic cellophane. This allows the tea to be shaken in the serving cup. The cellophane is then pierced with a straw. Other cafés use plastic dome-shaped lids. Even fruit slushies and smoothies can have boba added to the drinks.

These tapioca pearls are made mostly of tapioca starch, which comes from the tapioca, or bitter-cassava plant. In other parts of the world, the bitter-cassava plant may be called manioc or yuca. Cassava is native to South America, and was introduced to Asia in the 1800s. The balls are prepared by boiling for 25 minutes, until they are cooked thoroughly but have not lost pliancy, and then cooled for 25 minutes. After cooking they last about 7 hours. The pearls have little taste, and are usually soaked in sugar or honey solutions.

There are two shops that claim to be the first creator of Bubble Tea. One is Liu Han Chie who worked in Chun Shui Tang teahouse Taichung City, Taiwan in the early 1980s, and experimented with cold milk tea by adding fruit, syrup, candied yams, and tapioca balls. Although the drink was not popular at first, a Japanese television show generated interest among businessmen. The drink became well-known in most parts of East and Southeast Asia during the 1990s.

An alternative origin is the Hanlin Teahouse in Tainan City, Taiwan, owned by Tu Tsong He Hanlin Bubble tea is made by adding traditional white fenyuan which have an appearance of pearls, supposedly resulting in the so-called "pearl tea." Shortly after, Hanlin changed the white fenyuan to the black, as it is today.

In the late 1990s, bubble tea began to gain popularity in the major North American cities with large Asian populations, especially those on the West Coast and East Coast and in Texas. The trend in the United States started by Lollicup in the city of San Gabriel, California and quickly spread throughout Southern California. The beverage has received much attention from mainstream American media, including covers on National Public Radio show Morning Edition and the Los Angeles Times.

Bubble tea has spread internationally through Chinatowns and other overseas Asian communities.

In the U.S., major chains such as Boba Bee in Chicago are expanding into suburban areas, particularly those with large Asian populations. Bubble tea can also be found in major European cities such as London and Paris. Bubble tea is also gaining in popularity in Canada, particularly in and around the cities of Vancouver, British Columbia; Toronto, Ontario; and Montreal, Quebec where there are large Asian-Canadian communities. It is also gaining popularity in Australia, especially in Sydney, Brisbane and Melbourne where there are also high concentrations of Asian immigrants and descendants.

V's Tea Bar's focus is on meeting the demand of a regular local resident customer base, as well as a significant level of tourist traffic from nearby highways.

Market Segmentation

Customers are likely to be:

- Young professionals may consider bubble tea a novelty and luxury alternative to the commuter, lunchtime or after-work coffee.
- Although it contains sugar, bubble tea is a much healthier alternative to carbonated fizzy drinks and may therefore appeal to health conscious consumers.
- It is popular for people to hold meetings such as craft circles and book groups in local cafés and coffee shops and a bubble tea café could appeal as an unusual alternative.
- Due to its fairly new status, bubble tea has a certain novelty value that might appeal to people looking to try different tastes and flavors.
- Office workers looking for a quick snack and drink or a relaxing meeting place.
- Travelers will be attracted to bubble tea cafes situated at transport locations such as bus stops or airports; these can provide a useful way of relaxing before or during journeys. Increasingly bubble tea cafes or outlets are being located at transport terminals servicing clients throughout journeys, even short distance commutes.

V's Tea Bar will focus on two different market segments: Commuters and Captive Consumers.

Commuters are defined as any one or more individuals in a motorized vehicle traveling from point "A" to point "B." V's Tea Bar greatest concentration will be on commuters heading to or from work, or those out on their lunch break.

Captive Consumers would include those who are tethered to a campus environment, or in a restricted entry environment that does not allow free movement to and from.

Examples would include high school and college campuses, where there is limited time between classes, and corporate campuses where the same time constraints are involved, but regarding meetings and project deadlines, and special events; such as carnivals, fairs or festivals--where there is an admission price to enter the gate, but exiting would mean another admission fee, or where refreshments are an integral part of the festivities.

V's Tea Bar focuses on the middle and upper-income markets. These market segments consume the majority of bubble tea.

Local Residents

V's Tea Bar wants to establish a large regular customer base. This will establish a healthy, consistent revenue base to ensure stability of the business.

Tourists

Tourist traffic comprises approximately 35% of the revenues. High visibility and competitive products and service are critical to capture this segment of the market.

Target Market Segment Strategy

The dominant target market for V's Tea Bar is a regular stream of local residents. Personal and expedient customer service at a competitive price is key to maintaining the local market share of this target market.

Market Needs

Because Los Angeles has a sunny climate for about eight months out of the year, bubble tea products are very much in demand. During the remaining four months of the year, warm drinks are in significantly higher demand, along with a slower but consistent demand for bakery products. Much of the day's activity occurs at lunchtime, with a relatively steady flow for the remainder of the day.

Service Business Analysis

The retail bubble tea industry in the U.S. has recently experienced rapid growth. The climate in Los Angeles stimulates consumption of cold beverages throughout

the year. Bubble tea drinkers in the U.S. are finicky about the quality of beverages offered at the numerous cafes across the region.

Despite low competition in the immediate area, V's Tea Bar will position itself as a place where customers can enjoy a cup of delicious bubble tea with a fresh pastry in a relaxing environment.

Competition and Buying Patterns

Competition in the local area is somewhat sparse and does not provide nearly the level of product quality and customer service as V's Tea Bar. Local customers are looking for a high quality product in a relaxing atmosphere. They desire a unique, classy experience.

In addition to sales through company operated retail stores, leading competitors sell drinks through other channels of distribution (specialty operations). Larger chains vary their product mix depending upon the size of each store and its location.

Larger stores carry a broad selection of drinks in various sizes and types of packaging, as well as accessories such as storage containers, travel tumblers and mugs. Smaller stores and kiosks typically sell a limited line of drinks and, maybe, a few accessories such as travel tumblers and logo mugs.

Technologically savvy competitors make fresh bubble tea and bubble tea-related products conveniently available via mail order and online. Additionally, a few larger competitors have made mail order catalogs offering bubble tea, certain food items, and select bubble tea-making equipment and accessories, available.

Websites offering online stores that allow customers to browse for and purchase bubble tea, gifts, and other items via the Internet have become more commonplace as well.

Marketing Strategy

V's Tea Bar will be implementing a low cost advertising/promotion campaign which could involve drive-time radio, but not much more.

V's Tea Bar will rely on building relationships with schools, charities and corporations to provide significant free publicity because of its community support program. By giving charitable contributions to these institutions, they will get the word out to their students/faculty/employees/partners about V's Tea Bar.

Word of mouth has always proven to be the greatest advertising program a company can instill. In addition, the media will be more than willing to promote the charitable aspects of V's Tea Bar and provide the opportunity for more exposure every time V's Tea Bar writes a check to another organization.

Pricing Strategy

V's Tea Bar pricing will be comparable to the competition, but with the value-added feature of immediate convenience.

Promotion Strategy

The long-range goal is to gain enough visibility to leverage the product line into other regions and generate inquiries from potential inventors. To do that, V's Tea Bar needs:

- Public relations services at \$1,000 per month for the next year intended to generate awareness of editors and product information insertions, reviews, etc. It is anticipated that the school fundraising program will generate a fair amount of publicity on its own and will, perhaps, minimize--or even eliminate--the need for a publicist.
- Advertising at \$1,000 per month concentrating on drive time radio. V's Tea Bar will experiment with different stations, keeping careful track of results. As with the school fundraising program, V's Tea Bar expects the facilities and signage to be a substantial portion of our advertising. However, in the start-up phase, V's Tea Bar needs to let people know where to look for the facilities.

Marketing Programs

Distinctive Logo:



V's Tea Bar wants to imply sophistication yet simplicity in their logo. The leaves signify the organic nature of the business while the boba tea in the center of the right leaf gives meaning to what this shop serves. It is a unique company identifier.

Distinctive Buildings:

V's Tea Bar has worked closely with the manufacturer to make the building distinctive, so that it is easy to recognize, and functional.

Advertising and Promotion:

In the first year, V's Tea Bar plans to spend \$20,000 on advertising and promotion, with the program beginning in 2012. This would not be considered a serious advertising budget for any business, but V's Tea Bar feels the exposure will come from publicity and promotion, so most of the funds will be spent on a good publicist who will get the word out about the charitable contribution program and how it works in conjunction with the website.

V's Tea Bar also believes that word-of-mouth advertising and free beverage coupons will be better ways to drive people to the first and second locations.

In the second year, V's Tea Bar is increasing the budget to \$40,000, since it will need to promote several locations, with particular emphasis on announcing these openings and all the other locations. V's Tea Bar will continue to use publicity as a key component of the marketing program.

In the third year, V's Tea Bar will increase its advertising and promotion budget to \$80,000, with the majority of the advertising budget being spent on drive time radio.

Sales Strategy

There will be several sales strategies put into place, including posting specials on high-profit items at the window. The staff will also hand out free drink coupons to those who have purchased a certain number of cups or something similar.

V's Tea Bar will also develop window sales techniques such as the staff asking if the customer would like a fresh-baked item with their bubble tea.

Sales Programs

- Corporate Tasting Events - V's Tea Bar plans to host tasting events for customers on a quarterly basis. Each quarter, at the introduction of each season, V's Tea Bar will be adjusting its menu to reflect the changes in the flavors served.

- Drink Coupons - At fundraising events for schools and corporate events, we will be giving away drink coupons as door prizes or awards. This encourages the person to come in for their free beverage and bring a friend or buy a baked item or a package of our bubble teas.
- Chamber of Commerce and Professional Memberships - Because of the need to sell our services, V's Tea Bar will be an active participant in the Regional Chamber, local Chambers of Commerce, Foodservice Associations, and Specialty Beverage Associations. The exposure and education that these organizations provide is outstanding, but equally important are the contacts and opportunities made available.

VI. Location and Competition

V's Tea Bar is located at 11831 Wilshire Boulevard in Brentwood. The restaurant is located one block east of Westgate between Cabo Cantina and Q's Billiards, two restaurant-bars with the highest sales in all of Los Angeles for its category.

The main survival obstacle that this cafe faces is that beverage sales can be inconsistent and that sales come and go in waves, leaving the ownership at the mercy of these fluctuating trends, reducing working capital reserves and the resulting short lifespan these cafes go through. However, this particular location is relatively immune to this obstacle because of its exceptional location. Q's Billiards has been in its current location for 22 years and Cabo Cantina, at least 6 years; both of establishments continue to generate significant profits year after year for their owners, even during these last few years of economic depression.

This is such a prime location that almost any drink/cafè concept would do very well here. This ideal urban location already has an existing built-in clientele. This venue is located within minutes of UCLA and Santa Monica beach. V's Tea Bar is in the heart of the student hang out neighborhood and also surrounded by small businesses and numerous high rise office buildings that employ thousands of workers looking for an affordable and quality place to relax. The venue, matched with our concept, will provide an unparalleled oasis for the food and drink enthusiast. The space measures approximately 2,450 square feet, of which approximately 500 square feet are located upstairs as storage and office and 1,950 square feet are downstairs for business. The restaurant is large enough to accommodate a varied crowd of wi-fi business/student patrons. It has a patio that faces Wilshire Boulevard that has extremely high visibility and will be an integral part of V's Tea Bar experience.

Hours of Operation: V's Tea Bar will be open for breakfast, lunch and late night hangout seven days a week. Service will begin at 9:00 AM and end at 11:00 PM Sunday through Wednesday and 10:00 AM-12:00 AM Thursday through Saturday. V's Tea Bar will be open 365 days of the year.

Lease Comps

Our lease is a percentage lease (6%) with a rate of \$3.29/sq. ft. + \$0.41/sq. ft. for NNN for a total of \$9,054 per month rent (\$8,054 + \$1,000 = \$9,054). Percentage lease means that the minimum base rent we are obligated to pay is \$8,054 plus 6% of the gross sales exceeding this breakeven point. The breakeven point is calculated by the base rent divided by 6% or \$8,054/6% = \$134,235. This base lease rate is far below the market rate for sit-down or fast food type restaurants. The lease will run for another six (6) years before it expires. At that time, we will renegotiate our lease rate.

Below are lease comps for nearby restaurant spaces that are either vacant or looking for someone to take over their lease.

Address SF \$/ft

2408 Wilshire Boulevard, Santa Monica, CA 90403 1,500 \$ 5.33
 1251 Third Street Prom., Santa Monica, CA 90401 3,750 \$ 6.70
 12400 Wilshire Blvd, Los Angeles, CA 90025 4,697 \$ 4.73
 11645 Wilshire Boulevard, Los Angeles, CA 90025 3,348 \$ 3.75

LOCAL DEMOGRAPHICS:

Ring Radius:	1 Mile	3 Miles	5 Miles
Total Population	45,560	231,237	503,382
2009 Income:			
Median HH Income	\$62,405	\$67,305	\$65,368
Per Capita Income	\$50,703	\$57,610	\$54,676
Average HH Income		\$92,143	\$119,075
	\$116,308		
2009 Households:			
Total Households	24,650	109,379	233,933
Average Household Size	1.81	1.98	2.08
2009 Housing:			
Owner Occupied Housing Units	20.30%	33.70%	
34.00%			
Renter Occupied Housing Units	73.90%	59.50%	
58.90%			
Vacant Housing Units	5.80%	6.70%	7.10%
Population:			
2000 Population	45,705	226,308	498,256
2009 Population	45,560	231,237	503,382
2014 Population	43,762	225,065	484,426
2009-2014 Annual Rate	-3.90%	-2.70%	-
3.80%			
Households:			
2000 Households	24,785	107,394	232,036
2009 Households	24,650	109,379	233,933
2014 Households	24,822	111,841	236,710
2009-2014 Annual Rate	0.70%	2.30%	1.20%

VII. Strategy and Implementation

Strategy and Implementation

Bubble tea cafes shops are heavily reliant on impulse buying and passing trade. Therefore they will benefit from a strong image that is attractive to clearly identifiable types of customer.

They are at the forefront of 'lifestyle' branding and as such reflect the changes in the US's demographic make-up.

Issues to consider when developing a bubble tea cafes client base include:

- Visibility - location will be vital. However, high street sites may be difficult to obtain due to high rent and intense competition, particularly from major chains.
- Ease of access - other locations to consider includes those close to transport, e.g. near bus stops and metros
- Shop design - bubble tea cafes usually cater for both the leisure and takeaway market by having separate areas, e.g. a lounge area and a walk-in area. Many chains have been modeled on specific themes such as Asian style. However, an independent bubble tea cafe may need to differentiate itself from the large chains.
- Advertising in a variety of local publications will increase knowledge of your bubble tea cafe and a favorable review in the local media will increase interest.
- Consideration should be given to additional activities that may attract custom. For example displaying art works of local artists or students may bring in customers. Live music could increase interest or hosting 'reading group' meetings (an increasingly popular leisure activity) could bring in additional and regular custom.
- Promotional offers - most bubble tea cafes attract younger customers, therefore promoting the business to older age groups may be worthwhile or offering deals such as 'bubble tea and...' deals.
- Good quality food and drink will be an essential element as the market is highly competitive.
- If other drinks are served this could be promoted along with any other unusual elements of the business.
- Word of mouth recommendation will also be important therefore it is important that you offer good customer service and staff are aware of this requirement.

V's Tea Bar will succeed by offering consumer's high quality bubble tea, as well as food products with personal service at a competitive price.

Competitive Edge

V's Tea Bar's competitive edge is the relatively low level of competition in the local area in this particular niche.

V's Tea Bar will involve the customers in community support efforts by explaining that a portion of their purchase price will be donated to a charity of their choosing.

In so doing, V's Tea Bar has:

- Provided a customer with a quality product at a competitive price.
- Provided the customer with a more convenient method for obtaining their desired product.
- Demonstrated how V's Tea Bar appreciates their loyalty and patronage by donating money to their personal cause.

Marketing Strategy

Our plan is to create and sell a product that will generate customer buzz and excitement. Getting our name to the scores of local businesses and residences quickly will greatly improve our business. A satisfied customer will be an integral in spreading the word about our company and products; this positive word of mouth network will push sales and drive business.

Most importantly, V's Tea Bar will garner a strong reputation as a great neighborhood food/drink and social hangout. This will be invaluable to the success of the business. This is the perfect high profile location to promote our brand for future expansion.

Social Media

Advertise through promoter friends that utilize Facebook/Twitter/ASmallWorld databases with a collective social network of 10,000 plus. Email blasts announcing the opening of the restaurant will be sent out to everyone in the network and periodically thereafter, participate in charity events that will introduce new customers V's Tea Bar.

Direct Advertising

Our location fronts on Wilshire Boulevard in between two well known establishments with regular clientele. There is a lot of foot traffic and visibility from cars driving by on Wilshire Boulevard.

Public Relations

Professional public relations contacts that are personal friends have offered to help publicize our tea cafe for free. Create and execute promotional press materials for the grand re-opening and monthly events thereafter.

Business Accounts

Establish Corporate Accounts - Aggressively seek out deliveries and contracts with local businesses.

Website

Create a highly effective website on which takeout orders can be taken and payment received.

VIII. Management Team

Vicky Hwang, Owner/Operator

Growing up in San Diego, Vicky started working in the restaurant industry at Burger King during high school. Moving to LA to pursue higher education, Vicky obtained her Bachelor of Arts in Economics from University of California, Los Angeles. While obtaining her B.A., she began working at the campus cafes where they serve bubble tea and other foods. She worked her way up to manager and eventually regional manager for UCLA Restaurants. When she got her degree, she started working for an eBay company called ZBilliards where she led e-commerce development, sales and marketing communications. The cumulative experience has led her to open her own business where her passion for the beverage industry, particularly bubble teas, will contribute to the success of the company.

Jerry Huynh, Co-owner/Operator

Jerry graduated from UCLA in 1993 and had started several successful companies since then in the Entertainment and Telecommunication industry under EMC Group Inc. Sensing the increasing demand for alternative beverage in the US market, and the lack of sufficient supply, he started a business called Bee Bee Café where they license products from Tea Station.

As CEO of the company, Alan is the undisputable leader guiding the company with his vision for Bee Bee Cafe to become the industry leader in the boba, tea & coffee and restaurant supplies business. Attempting to further expand the company, he constantly seeks various business partnerships and joint venture opportunities. As the leader, he injects entrepreneurial spirits and serves as the visionary of the company. In support of the company's growth strategy, he takes a leadership role in efforts to integrate and optimize the functional areas of both the existing and future business opportunities.

IX. Startup Expenses and Capitalization

Company Summary

V's Tea Bar is a bubble tea cafe managed by two partners. These partners represent sales/management and finance/administration areas, respectively. The partners will provide funding from their own savings, which will cover start-up expenses and provide a financial cushion for the first months of operation.

A ten-year Small Business Administration (SBA) loan will cover the rest of the required financing. The company plans to build a strong market position in the town, due to the partners' industry experience and mild competitive climate in the area.

Company ownership

V's Tea Bar is incorporated in the state of Los Angeles. Its two partners equally own it.

Company History

Substantial capital may be required to set up a bubble tea cafe; but it can be possible to set up quite cheaply. Suitable premises will need to be leased and some thought should be given to location, as passing trade will be important.

A central location will be expensive.

The appearance of the shop will also be vital, therefore some consideration should be given to appropriate fixtures and fittings. It may be possible to lease some of the equipment needed and drinks companies such as Coca-Cola may offer advantageous rental terms for drinks fridges.

It will be necessary to register the business with the environmental health department of the local authority at least 28 days prior to commencing trade.

Sourcing supplies will be an important consideration, particularly due to the specialist nature of bubble tea. Many suppliers are based in the US so there's no need to think about ordering goods from abroad.

Some sample suppliers include www.lollicup.com, www.bruceandclark.com, and www.bubbleteasupply.com.

Possible initial and ongoing costs include:

- Drinks machines – \$200-\$500.
- Chairs, tables, sofas. - \$2000-2500
- A display counter. A refrigerated counter costs approximately \$800-\$1,100.
- A glass fronted refrigerator for cold drinks – from \$400.
- A pastry display case – \$850-\$1,400.
- A till - from \$100.
- A dishwasher – \$600-\$1,100.
- Crockery and cutlery. For example cups (\$50-\$60 for a box of 24). However, the shop may also want to use disposable cups and cutlery.
- Insurance.
- Staff costs.
- Staff uniforms.
- A Phonographic Performance license and Performing Right Society license is required if playing background music.

V's Tea Bar is a start-up company. Financing will come from the partners' capital and a ten-year SBA loan.

Start-up Expenses

Legal	\$1,000
Advertising	
	\$1,000
Stationery	
	\$1,000
Premise renovation	
	\$20,000
Expensed equipment	
	\$30,000
Other	\$1,000
Total Start-up Expense	\$54,000
 Cash Balance on Starting Date	\$35,000
Other Short-term Assets	\$11,000
 Total Short-term Assets	\$46,000
Total Requirements	
	\$100,000

CONFIDENTIAL

Funding Investment	
Hwang	\$50,000
Huynh	\$50,000
Total Investment	\$100,000

X. Financial Projections

PLEASE NOTE: THE FINANCIAL INFORMATION CONTAINED IN THE FINANCIAL PLAN IS BEING PROVIDED FOR INFORMATIONAL PURPOSES ONLY. IT IS NOT INTENDED TO BE A PREDICTION OR A GUARANTEE OF THE ACTUAL FINANCIAL RESULTS OF THE COMPANY. IT IS BASED ON MANAGEMENT ESTIMATES. ACCORDINGLY, THE ACTUAL RESULTS MAY BE SIGNIFICANTLY HIGHER OR LOWER THAN PROJECTED HEREIN.

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

12-Month Profit and Loss Projection

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. This section is for those who want to carry their forecasts beyond the first year.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn't be taken by surprise.

There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the *Profit and Loss Projection*. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory buildup, that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity.

Use a startup expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet.

Optional: Some people want to add a projected balance sheet showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors.

Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.

Expressed as a formula, break-even is:

$$\text{Breakeven Sales} = \frac{\text{Fixed Costs}}{1 - \text{Variable Costs}}$$

(Where fixed costs are expressed in dollars, but variable costs are expressed as a percent of total sales.)

Include all assumptions upon which your break-even calculation is based.

XI. Exit Strategy

We are under contract to purchase Hana Sushi's Type 47 liquor license (On-Sale General Eating Place), its existing business and all of its improvements and inventory for a total of \$500,000 of key money. The purchase structure is \$300,000 in cash with the Seller carrying a note of \$200,000 at a 10% interest rate amortized over two (2) years. This purchase price is significantly below market value for such a location and a full liquor license. The chart below shows how much each of the following bars paid in key money for their locations and licenses.

Name	Address	Key Money
South	3001 Wilshire Blvd., Santa Monica, CA 90403	\$780,000
Parlor	1519 Wilshire Blvd., Santa Monica, CA 90403	\$850,000
Cabo Cantina	30 Washington Blvd., Marina Del Rey, CA 90292	\$1,300,000

If the investors and management decided to sell this business at a later time, the license and business would easily sell for as much as we paid, if not more. Just over a month ago, another party was in contract to purchase this business for \$650,000 but the transaction fell apart due to the Buyer's inability to transfer the ABC license. The Buyer was in violation of his liquor license in one of his other restaurants. Within the past two weeks, after our deal was signed, there have been 5 unsolicited, all cash, offers to purchase this business for at least 30% more than our contract price. These offers were based on Hana Sushi currently being a turnkey Japanese Restaurant. With minimal improvements to a mainstream restaurant-bar, the market value of the business will be considerably higher.

A major part of our capitalization is to build out to a turn-key bar. The finished resale value is expected to be over \$1 million before we even open our doors for business.