





September 17, 2018

Lakehouse Home Store Letter of Intent

Re: Lakehouse Cooking School ("Cooking School")

OVERVIEW OF EXISTING OPERATIONS:

Lakehouse Home Store ("Lakehouse") operates a 4,200 square foot store at the corner of Bernard and Ellis in downtown Kelowna. Lakehouse opened December 5, 2011 after being conceived in the winter of 2010 by husband and wife Ben and Sue Boschman. Ben and Sue remain the owner-operators of the business.

The main categories of business include sales of Gourmet Kitchen and Housewares, as well as Furniture and Home Décor. Kelowna residents and tourists alike have embraced the store with its expertly showcased products, that hold both purpose and world-class design. With the slogan "Live. Cook. Play," Lakehouse captivates customers with a retail environment that reflects the upscale home and cottage culture of the region.

In March of 2016, Lakehouse was awarded the prestigious IHA Global Innovation Awards ("GIA") at the Chicago International Housewares Show. The GIA's were created to foster innovation and creativity among home and houseware retailers worldwide. Since the launch of GIA in 2000, there have been winners from 40 countries on six continents. Five other Canadian retailers have received the GIA including *The Hudson's Bay* and Montreal's *Le Touilleurs*. Other notable winners from North America include *Crate & Barrel* and *Sur La Table*.

One of the elements that makes Lakehouse unique, is the in-store demonstration kitchen. This kitchen provides an array of in-store experiences from hosting guest chefs, product demonstrations, cooking classes, and book signings. In other major North American centres, cooking classes are often managed by houseware retailers such as Lakehouse.

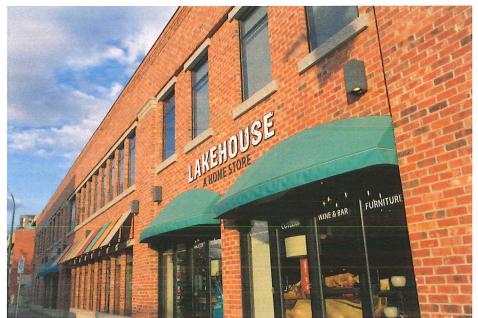
From opening day, it has been determined that there is significant demand for cooking classes in the Okanagan. However, the small demonstration kitchen within the existing Bernard Avenue store is not suitable for demand in terms of wear-and-tear and scalability. Economies-of-scale are only achieved when classes have a capacity of up to 16 students. As well, the correct business-model calls for two distinct classroom designs: 1) Demonstration-style classroom and 2) Participation-style classroom.

Demonstration style classrooms are designed such that students can sit back and watch the Instructor Chef prepare a meal. This design calls for over-head mirrors in place that allow students to comfortably view the Chef's techniques. At the end of the class, students gather at tables, family-style and enjoy the completed meal.

Participation-style classrooms are designed such that students are hands-on. This is a larger classroom, set up much like a university lab, where there are multiple stations and the

Instructor Chef patrols the room providing guidance. TV shows such as Master Chef provide an example of this style of classroom.

Such a facility derives 50% of sales from commercial clients who are looking for team-building activities. Marketing and bookings for the cooking classes will take place at the flagship Bernard Avenue store as well as the Lakehouse website. Other social media platforms such as Facebook and Instagram become essential tools for marketing.



Lakehouse flagship store located at 510 Bernard Avenue on the corner of Bernard and Ellis



Lakehouse demo kitchen located at 510 Bernard Avenue

PROPOSED EXPANSION:

Located just down Ellis Street from the main Bernard Avenue store, Lakehouse will open a new facility comprised of 12,051 square feet on Floors 1 and 2, at 1264 Ellis Street. Space will be allocated as follows:

Floor 1

• 5360 sq ft. - Furniture and Home Décor showroom

Floor 2

- 3509 sg ft. Furniture and Home Décor showroom
- 3182 sq ft. Cooking classroom facility

Designated as a City of Kelowna heritage building which was originally built in 1912, the building was in use within the fruit and vegetable industry until the early 1970's. At this time its use was changed to entertainment. For decades, a long history of liquor use in the premises, used as a Nightclub under various names and operators culminating with Flashbacks which closed permanently in 2015.

The area is a combination of commercial, industrial and residential, near the core of Kelowna's Arts and Culture district. An area in which the agriculture produced in the Okanagan is celebrated through various Wine and Food events throughout the year.

Restaurants, urban wineries, craft breweries, and event centres are situated within a 2 kilometre radius, making the area a hub of the local and tourism community alike. Both public transit and taxis are accessible during the evenings, directly outside of the building.

Because the Cooking School will be located at the back of the building, it will be nearest to a lane, Prospera Place (the local arena), and will be sharing a wall with a bowling alley. Noise will be a minimum as classes will be small and monitored throughout.

The intent is to operate 2 cooking classrooms in the 3,300 square feet of space at the rear of the premises. Lakehouse will create and manage a calendar of classes on the Lakehouse website that will involve many different local Chefs and Cooks. Customers will be able to peruse the online calendar, makes selections, view availability, and purchase seats for classes directly on the website.

Liquor service is not the primary focus of the establishment. However, modern culinary practices closely tie food together with wine, and at times with beer and other spirits. It is essential to be able to provide wine, beer, and spirits as each offering relates to the Chef's menu for every individual class. The facility will focus entirely on locally sourced wines, beer, and spirits.

Classes will be conducted typically between the hours of 6:00pm and 8:00pm, not during regular store hours of 10:00am to 6:00pm, when the store will be focusing on the sale of household products. Initially we expect to be marketing classes for Friday and Saturday nights. Additional nights will be added as demand dictates.

COOKING CLASS INCOME AND CAPACITY:

Sales projections for the first year are based on the chart below. Prices range from \$25 to \$200 dollars dependent upon the cost of the menu items and the duration of the class. Typically, one 6oz wine pour is provided as part of the class fee. At this time, prepared appetizers are also served. Additional pours are provided at a designated fee per pour.



March 2017 – cooking class being conducted at Chicago's The Chopping Block.

As Kelowna grows, it will be needing facilities like this one for several reasons: to promote a sense of community through activity, to act as a place to hold events for local businesses and visitors, to educate the people of the city on the prosperous ingredients produced here, and, to showcase what Kelowna has to offer in the way of food and wine.

In Kelowna, food, wine and culture have always been at the heart. We believe that to educate on the plethora of beautiful produce, dairy, meats, and other items being harvested locally, we must be able to showcase the wine, beer, and spirits also being made here. With adhering to *Serving It Right* guidelines and continually keeping staff educated of such, we believe that this will be an incredibly valuable addition to the community.



1264 Ellis Street, Kelowna, BC