



FRANCHISE OFFERING CIRCULAR

For Use Only With Respect to Franchises and Franchisees Located In

Alaska, Arizona, California, Colorado, Florida, Idaho, Iowa, Kansas, Missouri, Montana, Nevada, New Mexico, Oklahoma, Oregon, South Carolina, Texas, Wisconsin (offers only), Wyoming, American Samoa, Federated States of Micronesia, Guam, Marshall Islands, North Mariana Islands (including Saipan) and Palau.

Caffino Franchise Corporation
A California Corporation
4070 Nelson Avenue, Suite G
Concord, CA 94520
(925) 363-3204

Information for Prospective Franchisees
Required by the Federal Trade Commission

To protect you, we've required your franchisor to give you this information. We haven't checked it, and don't know if it's correct. It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read your entire contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything important that's been left out, you should let us know about it. It may be against the law. There may also be laws on franchising in your state. Ask your state agencies about them.

FEDERAL TRADE COMMISSION, Washington, DC

Issuance Date: _____

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As a franchisee, you will operate a CAFFINO outlet that sells premium-quality coffee-
espresso beverages and affiliated products. Generally, the outlet will be a double drive
thru, free-standing facility.

The initial franchise fee is \$25,000 for the first outlet, \$15,000 for the second outlet, and
\$10,000 for the third and all additional outlets. Although initial training is included with
payment of the initial franchise fee, replacement trainee training will cost \$1,000 to
\$2,000 per person, if necessary. You must also pay to CFC \$25,000-\$30,000 for grand
opening expenses and pre-opening training support services in the amount of \$30,000
for the first outlet and \$20,000 for each additional outlet. In addition, you must purchase
in advance, in cash, inventory from CFC, Caffino, Inc., Sonofresco or other CFC-
approved vendors for about \$4,000 to \$5,000. The estimated initial investment required
if you are acquiring and developing a new CAFFINO outlet ranges from \$288,000-
\$516,000. This sum does not include rent for the business location.

Risk Factors:

1. THE FRANCHISE AGREEMENT REQUIRES BINDING ARBITRATION. THE ARBITRATION WILL OCCUR IN THE COUNTY OR CITY IN WHICH YOUR FRANCHISE BUSINESS IS THEN LOCATED, EXCEPT THAT ARBITRATION INVOLVING ALL FRANCHISEES LOCATED IN CALIFORNIA WILL OCCUR IN THE COUNTY OR CITY IN WHICH FRANCHISOR'S HOME OFFICE IS THEN LOCATED (CURRENTLY, SAN FRANCISCO, CALIFORNIA) WITH THE COSTS BEING BORNE BY THE NON-PREVAILING PARTY IN THE PROCEEDING. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.
2. ALL ASPECTS OF THE PROPOSED FRANCHISE BUSINESS ARE HIGHLY COMPETITIVE WITH NUMEROUS COMPETITORS IN THE MARKETPLACE. COMPETITORS MAY BE ABLE TO SUBSTANTIALLY UNDERCUT YOUR PRICING OR MARKETING STRATEGIES AND THERE EXIST NO LEGAL OR TECHNOLOGICAL BARRIERS TO IMPEDE THE DEVELOPMENT OF SIMILAR OR SUPERIOR PRODUCTS, CONCEPTS OR STRATEGIES BY COMPETITORS.
3. YOUR CHANCES OF SUCCESS MUST BE EVALUATED IN LIGHT OF, AMONG OTHER RISKS, THE PROBLEMS, EXPENSES, COMPLICATIONS

AND DELAYS FREQUENTLY ENCOUNTERED IN CONNECTION WITH NEWLY ESTABLISHED ENTERPRISES GENERALLY, INCLUDING, BUSINESS LOCATION, AVAILABILITY OF A QUALIFIED WORKFORCE, CONSTRUCTION DELAYS, CHANGES IN ECONOMIC CLIMATE, CHANGES IN THE POPULARITY OF COFFEE AND COFFEE RELATED BEVERAGES, AND OTHER RELATED RISKS.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information comparing franchisors is available. Call the state administrators listed in Exhibit F or your public library for sources of information.

Registration of this franchise with the state does not mean that the state approves, recommends or endorses it or has verified the information in this offering circular. If you learn that anything in this offering circular is untrue, contact the Federal Trade Commission and the appropriate agency listed in Exhibit F.

Issuance Date: _____

Item 1
THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this offering circular, “CFC” means Caffino Franchise Corporation, the franchisor; “Caffino, Inc.” means Caffino, Inc., the parent company of CFC; and “you” means the person or legal entity that may buy a CAFFINO® franchise. If you are a legal entity, certain provisions of the franchise agreement and related agreements will apply to your officers, directors, shareholders, members and partners. These provisions are noted in this disclosure document or in the agreements.

Caffino Franchise Corporation and Its Affiliates

CFC is a California corporation formed on March 16, 2001. CFC does not do business under any other name. CFC’s principal business address is 4070 Nelson Avenue, Suite G, Concord, California 94520.

Caffino, Inc. is a California corporation formed on November 4, 1993. It does not do business under any other name. Its principal business address is 4070 Nelson Avenue, Suite G, Concord, California 94520. Caffino, Inc. owns 100% of the issued and outstanding common stock of CFC.

MRPC Holding, LLC is a Delaware limited liability company formed on August 15, 2010. It does not do business under any other name. Its principal business address is 3100 Richmond Avenue, Houston, TX 79098. MRPC Holding, owns 100% of the issued and outstanding common stock of Caffino, Inc. It purchased the stock in May 2011.

Caffino, Inc., and CFC will each be providing products and services to you.

CFC’s state agents for service of process are listed in Exhibit F. Another agent for service of process is Martin Lauzze, 4070 Nelson Avenue, Suite G, Concord, California 94520.

As a subsidiary and licensee of Caffino, Inc., CFC grants franchises for coffee-espresso retail outlets under the CAFFINO trademark in California since 2001. CFC has engaged in no other business or franchising activities.

As of June 30, 2011, Caffino, Inc. operated 9 company-owned drive thru CAFFINO outlets in California that are substantially similar to the drive thru outlets franchised by CFC. Caffino, Inc. has operated CAFFINO outlets since 1993. Caffino, Inc. has not offered any franchises.

The Franchised Business

A double drive thru, free-standing CAFFINO outlet provides premium-quality coffee-espresso beverages, blended drinks, muffins, pastries and other products to the public, namely retail customers/commuters, with the goal of providing those products within 60 seconds of order, by means of a uniform system created and developed by Caffino, Inc. and CFC (the "CAFFINO System") consisting of high standards of personal service, live roast coffee and quality products. It is generally

located in a shopping center parking lot or other similar space leased by you directly from the property owner or manager. Management and operation of a CAFFINO outlet must be in accordance with uniform standards and methods of operation, sales and distribution, and with the products that incorporate the experience and trade secrets developed and offered by Caffino, Inc. and CFC.

Double drive thru, free-standing CAFFINO outlets are designed to reach the public/commuters in the general market for up-scale coffee-espresso beverages. You will have to compete with other businesses targeting the same general market, including, other local, regional and national franchise operations; local, regional and national retail chains; and local independently-owned outlets offering premium quality coffee-espresso beverages and affiliated products. Seasonal considerations may affect the demand for CAFFINO beverages and other products, depending on the location of the CAFFINO outlet.

You must honor CAFFINO discount coupons, repeat customer coupons and other promotional campaigns in effect. Your business must comply with applicable food safety, health and sanitation codes and regulations, and it is up to you to investigate the impact of those codes and regulations on your proposed business.

CFC and Caffino, Inc. procure their coffee products, other products and supplies from a variety of vendors around the world, with the goal of obtaining high quality products and supplies at competitive prices. Although CFC and Caffino, Inc. currently have 3 primary vendors that provide about 90% of the products and supplies used at CAFFINO outlets, neither CFC nor Caffino, Inc. can guarantee specific vendors for any products or supplies. You must purchase certain products, equipment, supplies and marketing materials from CFC or Caffino, Inc. You must purchase blended coffee beans from Coffee Kinetics, LLC dba Sonofresco (“Sonofresco”), a Washington company owned by the 3 shareholders of Caffino Live Roast, LLC. Sonofresco’s principal business address is 1365 Pacific Drive, Burlington, Washington 98233.

Other Activities

CFC and Caffino, Inc. may operate or franchise others to operate CAFFINO outlets that are not double drive thru, free-standing facilities. Those outlets could be in facilities like end-cap units with drive thru windows, urban storefronts, storefronts in town-like neighborhoods, shopping malls, strip shopping centers, office buildings, airports or other transportation facilities, sports facilities, hotels, hospitals, college or university student unions, convenience stores or similar locations.

Although CFC and Caffino, Inc. have no current plans to offer franchises other than as provided in this offering circular, CFC and Caffino, Inc. retain the right to offer, sell and support franchises in similar and other lines of business.

Item 2 BUSINESS EXPERIENCE

Caffino, Inc.

The following are all of the directors, principal officers and other officers of Caffino, Inc. with management responsibility involving the franchises offered by this offering circular:

Robert L. Grove, CEO and Director

Robert L. Grove has been the CEO and Director as well as the Chief Financial Officer of Caffino, Inc. and CFC since May 2011. He is a principal of MRPC Holding, LLC, a Delaware limited liability corporation based in Houston, Texas. MRPC Holding is sole stock holder of Caffino Inc. and CFC. He is one of the co-owners of MRPC Holding, and has over 20 years of business and financial experience. A proven track record in all facets of sales, operations, and finance, he has developed strong financial business acumen with proven performance. He has specialized client services, credit, collections, and financial recovery. Roberts brings a solid analytical mind to the table, and one of his fortes is strategic planning and forecasting. A representative list of companies he has led and successfully grown includes On-Site Sourcing (Director of Financial Operations), First USA Bank, Inc. (Team Manager-Credit Card Officer), Mid AM Recovery Services (Director of Collections), Wood County Hospital (Credit & Collections Manager), General American Credits (Project Manager Supervisor), Pepsi Bottling Group (AM). Mr. Grove holds a BS from Oral Roberts University and a MS from Indiana Wesleyan University.

Caffino Franchise Corporation

The following are all of the directors, principal officers and other officers of CFC with management responsibility involving the franchises offered by this offering circular:

Robert L. Grove - CEO (described above)

Mr. Grove has been CEO since May 2011.

Brokers

CFC generally does not use franchise brokers. If a broker refers you to CFC, or if CFC uses a broker in its dealings with you, CFC will provide you with information on the broker that is similar to the information in Items 2, 3 and 4 of this offering circular.

Item 3
LITIGATION

No litigation is required to be disclosed in this offering circular.

Item 4
BANKRUPTCY

No person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

Item 5 INITIAL FEES

Initial Franchise Fee

You must pay a \$25,000 initial franchise fee to CFC when you sign the franchise agreement for the first outlet, a \$15,000 initial franchisee fee for the second outlet, and a \$10,000 initial franchise fee for the third and all additional outlets. The initial franchise fee is fully earned when paid and is non-refundable except as follows: If CFC decides at any time before you successfully complete initial training that you should not operate a CAFFINO outlet, or if you fail to secure an approved location evidenced by a signed lease or purchase agreement within 6 months after the execution of the franchise agreement, or if you fail to open a CAFFINO outlet within 12 months after the execution of the franchise agreement, CFC may (at its sole discretion) cancel your franchise agreement and refund 50% of the initial franchise fee if you agree to comply with certain continuing obligations.

Inventory Purchases

In addition, you must purchase in advance, in cash, inventory from CFC, Caffino, Inc., Sonofresco or other CFC-approved vendors for about \$4,000 to \$5,000. As cash flow is established, CFC may, in its sole discretion, arrange "net 30" or other credit terms. The purchase price for the initial inventory is non-refundable.

Replacement Trainee Training

Although initial training is included with payment of the initial franchise fee, replacement trainee training will cost \$1,000 to \$2,000 per person, if necessary - see Item 7, Note (1).

Grand Opening Expenses / Pre-Opening Training Support Services

You must also pay to CFC \$25,000-\$30,000 for grand opening expenses (see Item 7, Note (14)) and pre-opening training support services (see Item 7, Note (15)) in the amount of \$30,000 for the first outlet and \$20,000 for each additional outlet.

**Item 6
OTHER FEES**

Name of Fee	Amount	Due Date	Remarks
Royalty Fee (1)	5% of Store Sales (\$250 per week minimum)	Weekly by electronic transfer	
Local Advertising Expenditures (2)	2% of Store Sales (1% if you contribute to a Local Cooperative ("Ad Co-op") Advertising Fund) (3)	As arranged with vendor	
Local Ad Co-op Fund Contributions (3)	2% of Store Sales, if implemented by CFC (3)	When required by Ad Co-op.	
Advertising Fund Contributions (4)	Up to 2% of Store Sales	Weekly by electronic transfer	
Transfer Fee (franchise) (5)	\$2,500	Before transfer	
Transfer Fee (area grant)	\$2,500	Before transfer	Payable when area grant or controlling interest transfers; no charge if transfer is to legal entity you control.
Audit Costs (6)	Cost of audit plus 10% interest on any understatement	30 days after billing	
Late Payment Fees (7)	1.5% per month	Monthly	
Renewal Fee (8)	\$2,500	180 days before renewal	
Indemnification (9)	Varies	Varies	

Notes:

Except as noted below, all fees are imposed by and are payable to CFC. The fees and costs in this Item 6 are uniform as to prospective franchise purchasers. All fees are non-refundable.

(1) You must pay to CFC, by electronic transfer (see Attachment 5 to the franchise agreement), a continuing non-refundable weekly royalty fee for your franchise equal to 5% of your Store Sales in the preceding week. A minimum royalty fee of \$250 per week will apply after the first full month your business is open. THIS ROYALTY FEE

PAYMENT STRUCTURE IS IN NO WAY INTENDED TO IMPLY THAT YOU WILL ENJOY STORE SALES OF ANY PARTICULAR LEVEL.

“Store Sales” means all receipts of your business, including all amounts received on a cash, credit or time basis, and including the value of all products or services received for products or services provided, without reserve or deduction for inability to collect, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes separately stated to and collected from customers for transmittal to appropriate taxing authorities, and also excluding bona fide discounts and refunds to customers. Coupons (gift or other) generate receipts included in Store Sales upon sale to customers, but not when customers redeem them. “Gross Sales” means Store Sales, plus the value of bona fide discounts to customers and the value of coupons (gift or other) redeemed by customers.

CFC must receive the royalty fee, which is non-refundable, by Wednesday for the preceding week throughout the term of the franchise. Each week shall begin on Monday and end on Sunday.

(2) You must spend annually 2% of your Store Sales (the "Local Advertising Expenditures") on individual local advertising within your designated territory defined in Item 12 below and in the manner described in Item 11 below. You, by the terms of the franchise agreement, must submit to CFC an annual report, on a form provided by CFC, showing that you have fulfilled your annual requirement for Local Advertising Expenditures. CFC will reduce the Local Advertising Expenditures requirement to 1% if you participate in and contribute 2% of your Store Sales to a Local Advertising Cooperative of the type described in Note 3 below.

(3) At any point after there are 3 or more franchises in your local media area, a Local Advertising Cooperative will be established by CFC or the franchisees in the local media area and operated in the manner described at Item 12 below. Your monthly contribution in this cooperative, when established, must be at least 2% of your Store Sales. The members of a Local Advertising Cooperative may, by 2/3 vote, increase the Store Sales percentage contribution to the Local Advertising Cooperative.

(4) As described at Item 11 below, CFC has established an advertising fund. The advertising fund is an account separate from all other CFC monies. You must, along with all other franchisees, by electronic transfer (see Attachment 5 to the franchise agreement), contribute to the advertising fund a non-refundable weekly fee equal to up to 2% of your Store Sales in the preceding week. For company-owned outlets, CFC or Caffino, Inc. will make contributions to the advertising fund on the same percentage basis as franchised outlets. Advertising fund contributions are due at the same time royalty fees are due.

CFC will use advertising fund contributions for the development and placement of promotional and advertising materials for the benefit of all franchisees, and the promotion of the sale of franchises to build brand recognition. CFC will allocate the contributions in the advertising fund in its sole discretion. CFC reserves the right to charge an administrative fee of not more than 10% of contributions to the advertising fund. CFC will provide you with an annual accounting of advertising fund income and expenses.

(5) Under the franchise agreement, you must pay a non-refundable transfer fee of \$2,500 to CFC to cover CFC's administrative, legal, accounting and other expenses for the transfer of your franchise by you, unless the transfer is made by you to a corporation formed solely for the convenience of ownership (you must personally guaranty all obligations of the transferee as a condition of that transfer). All transfers must be in accordance with the terms of the franchise agreement and consistent with the transfer guidelines provided to you by CFC. CFC cannot unreasonably withhold consent to a transfer if your proposed transferee meets CFC's financial and other requirements set forth in the franchise agreement. This transfer fee is fully payable before any transfer. In addition, at the transferee's expense, the transferee, its manager and employees must complete any mandatory training programs then in effect. The transfer fee is non-refundable.

(6) CFC has the right to audit the books and records of your franchise. An audit will be conducted at CFC's expense unless the audit discloses an understatement of your Store Sales in any report of 2% or more, in which case you must pay for all costs of the audit (including reasonable accounting and attorneys fees), and must pay interest on undisclosed or under reported royalties of 200% of the prime rate of interest being charged by Wells Fargo Bank, on the date payment was due, or, if lesser, the maximum rate permitted by applicable law. This is payable immediately on receipt of written notice from CFC, and is non-refundable. If an audit occurs, your audit costs will range from \$2,400 to \$6,000.

You must maintain and preserve during the term of the franchise and for the time period specified in the CFC's Confidential Operations Manual ("Manual"), full, complete and accurate books, records and accounts and all supporting materials in accordance with CFC's procedures and guidelines. You must periodically submit to CFC, at your expense, certain reports, records, information and data as CFC may reasonably request or as specified in writing.

You must submit to CFC, along with the weekly royalty payments during the term of the franchise, statements on forms provided by CFC accurately reflecting all Gross Sales and Store Sales during the preceding week and other data and information regarding the operation of your franchised business as CFC may reasonably require.

At your expense, you must submit to CFC within 30 days after the end of each month during the term of the franchise, a signed financial statement for the preceding month using the format provided by CFC. If you are a corporation, your President or Treasurer must sign the financial statement and attest that the financial statement is true and correct.

(7) Any amounts due from you to CFC after the invoice due date are subject to a maximum interest rate of 1.5% per month or, if lesser, the maximum amount permitted under applicable law.

(8) You must pay a non-refundable renewal fee of \$2,500 to renew the franchise.

(9) You must at all times defend at your own cost, and indemnify and hold harmless to the fullest extent permitted by law, Caffino, Inc. and CFC, any corporate subsidiaries, affiliates, successors, assigns and designees of Caffino, Inc. and CFC, and the respective directors, officers, employees, agents, shareholders, designees, and representatives of Caffino, Inc. and CFC from all losses, costs and expenses for any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement which is based on any of the following: your alleged infringement or any other violation or any other alleged violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; your alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive or of any industry standard; any alleged libel, slander or any other form of defamation by you; your alleged violation or breach of any warranty, representation, agreement or obligation in the franchise agreement; any acts, errors or omissions of you or any of your agents, employees, contractors, partners, affiliates or representatives; latent or other defects caused by your franchise, whether or not discoverable by Caffino, Inc., CFC or you; the inaccuracy, lack of authenticity or nondisclosure of any information by any customer of your franchise; any products sold or services rendered by you at, or related to the operation of your franchised business; any products sold or services rendered by any affiliated or nonaffiliated entity; any action by any customer of your franchise; and, any damage to your property, Caffino, Inc.'s or CFC's property, their agents or employees, or any third person, legal or business entity including your customers, except if those losses, claims, expenses, damages, or liabilities were caused by the intentional or willful conduct of Caffino, Inc., CFC or any of their agents or employees.

**Item 7
ESTIMATED INITIAL INVESTMENT**

Expenditure	Amount	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee (1)	\$25,000 for the first outlet, \$15,000 for the second outlet, and \$10,000 for the third and all additional outlets	Lump sum	At franchise signing	CFC
Initial Training (1)	\$0 – (included with payment of Initial Franchise Fee) Replacement trainee training cost from \$1,000 to \$2,000 per person	Lump sum As incurred	At franchise signing Before occupancy	N/A CFC
Initial Training Travel Costs (2)	\$2,500 – \$4,000	As incurred	Before occupancy	Vendor
Site Acquisition Services, Architectural Services (3)	\$0- \$10,000	As arranged	Before occupancy	Vendor
Rent/Location Lease Deposit (4)	\$0- \$10,000	Lump sum	Before occupancy	Property owner
Utility deposit(5)	\$500-\$1,000	As arranged	Before occupancy	Utilities
Architecture	\$2,000-\$5,000	As arranged	Before occupancy	Vendor
Civil Engineer	\$0- \$5,000	As determined by engineer	Arranged by engineer	Engineer
Landscape Architecture	\$0- \$5,000	As arranged	Before occupancy	Landscape Company
Traffic Engineering	\$0- \$2,000	As incurred	Before occupancy	Vendor
Planning / Entitlement	\$0- \$10,000	As incurred	Before occupancy	Vendor
City/County Permits/Fees	\$500- \$2,000	Varied	Before occupancy	City/County
Utility fees (6)	\$0- \$8,000	Varied	Before occupancy	Utility
Site Construction (7)	\$0- \$80,000	As incurred	Varied terms	Vendors, etc.
Building (8)	\$130,000-\$165,000	As incurred	Varied terms	Vendors

Expenditure	Amount	Method of Payment	When Due	To Whom Paid
Landscaping	\$0-\$15,000	As arranged	Before occupancy	Landscape Company
Signage (9)	\$7,000-\$12,000	As incurred	Before occupancy	Vendor
Espresso Equipment	\$17,000	As incurred	Before occupancy	Vendor
Beverage production (coffee/blenders) (10)	\$6,000-\$9,000	As incurred	Before occupancy	Vendor
Ice machine / Refrigeration	\$7,000 - \$10,000	As incurred	Before occupancy	Vendor
Smallwares and Misc. Equipment	\$5,000	As incurred	Before occupancy	Vendor
Monument / Pole Sign	\$0- \$8,000	As incurred	Before occupancy	Vendor
Computer Hardware / Point of Sale System (11)	\$15,000	As incurred	Before occupancy	Vendor
Misc. and Permits Licenses	\$2,000 - \$3,000	As incurred	Before occupancy	Vendor
Insurance (12)	\$1,500-\$3,000	As arranged	Before occupancy	Vendor
Office Equipment	\$1,500	As arranged	Before occupancy	Vendor
Subtotal: Construction and Development Costs	\$204,500-\$418,500			
Legal and Accounting (13)	\$2,500	As arranged	Before occupancy	Vendor
Inventory/Store Supplies	\$4,000-\$5,000	As incurred	Before occupancy	Vendor
Grand Opening (14)	\$25,000-\$35,000	Lump sum	Before occupancy	CFC
Opening Training Support (15)	\$30,000 for the first outlet and \$20,000 for each additional outlet	Lump sum	Before occupancy	CFC
Operational Losses	Varies	As incurred	Varies	Varies
Working Capital / Additional Funds (Initial Phase) (16)	\$5,000-\$20,000	As incurred	As required	Vendors
Subtotal: other expenses	\$71,000-\$125,000	Subtotal: other expenses	\$56,000-\$104,000	Subtotal: other expenses
TOTAL ESTIMATED INITIAL INVESTMENT	\$288,000-\$516,000			

Notes:

(1) Initial Franchise Fee. You must pay an initial franchise fee of \$25,000 for the first outlet, \$15,000 for the second outlet, and \$10,000 for the third and all additional outlets. See Item 5 for the conditions when this fee is partly refundable. The initial franchise fee covers Initial Training (exclusive of travel costs and expenses – see Item (2)). CFC does not finance the initial franchise fee or any other fee. The initial franchise fee is fully earned when paid and is non-refundable except as follows: If CFC decides at any time before you successfully complete initial training that you should not operate a CAFFINO outlet, or if you fail to secure an approved location evidenced by a signed lease or purchase agreement within 6 months after the execution of the franchise agreement, or if you fail to open a CAFFINO outlet within 12 months after the execution of the franchise agreement, CFC may cancel your franchise agreement and refund 100% of the initial franchise fee if you agree to comply with certain continuing obligations.

(2) Initial Training / Initial Training Travel Costs. You must attend and successfully complete an 18 day training program (“Initial Training”) at least 30 days before opening your business. Additionally, your full-time Manager must attend additional training, and up to 2 additional persons representing you may attend Pre-Opening Training. **Failure to attend will cause your franchise to be relinquished.** You must pay for all transportation, lodging, meal and other expenses for the Initial Training program for you, your managers and your other trainees. Travel costs for training will depend on travel distance, mode of travel and other related personal costs. If one or more of your employees/representatives fails to successfully complete the Initial Training, you must send a replacement trainee for Initial Training but you must also pay CFC’s costs for this training (in addition to training travel costs). You must successfully complete replacement training at least 15 days before opening or you will relinquish your franchise.

(3) Site Acquisition Services. You are encouraged to find your own location, subject to approval by CFC. CFC does not require you to engage the services of outside individuals or firms to assist with your selection and acquisition of a site on which to locate your business. At your option, you may choose to engage the services of real estate brokers and/or other real estate professionals to assist in the selection and acquisition of a site on which to locate your outlet. Additionally, CFC provides architectural services to You, at no cost to You, to develop a Caffino coffee bar from a standard set of plans (which plans must be modified by You as necessary to suit local requirements and conditions).

(4) Rent. Section I(B) of the franchise agreement requires you to either locate and obtain leased open space (or purchase open space) meeting CFC's proposed criteria. The landlord may require advance monthly rent and will vary depending on the location and size of the space and other related factors. Typical locations are about 13,000 square feet of open space. CFC estimates that you can anticipate paying about \$3.00 per square foot per year for the space. This amount may vary depending on the location of the space and local market conditions. Any proposed space must meet each of the criteria in the franchise agreement. The landlord may require you to pay a security deposit for the space you will lease. Typically, the security deposit will be equal to 1

month's rent but the amount and refundability will vary depending on your negotiations with the landlord.

(5) Utilities. You must procure telephone numbers and service for your business, and you must pay all fees and charges for the service. CFC currently estimates the monthly fees for local and long distance service to cost you between \$100 and \$300. Utility companies will vary from one location to another. You must procure all necessary utilities (electricity, heating, gas, cooling, telecommunications, sewer, water) and pay for the expenses of installing all utilities. CFC is unable to provide a meaningful estimate of the expenses involved as the fees generally involve factors and local market conditions unknown to CFC.

(6) Utility Fees. Actual utility connection and construction costs will vary, but CFC estimates they will range from \$0, for sites where utilities are already in place, to \$8,000 for sites where a new connection must be made to municipal water and sewer services.

(7) Site Construction. Actual site construction costs will vary, but are estimated to range from \$0 when the real estate owner agrees to construct and improve the site for you, to \$80,000 if you must directly pay for the costs of site construction.

(8) Building. Actual building and improvement construction costs will vary, but are estimated to range from \$130,000 to \$165,000 depending on local conditions and requirements, building size, and site-specific building customization.

(9) Signage. You must purchase certain exterior and interior signs and signs for the operation and identification of your franchise business. These signs must be to CFC's size, color and other specifications, however, you may order these signs from any third-party sign provider.

(10) Beverage production (coffee/blenders). CFC provides the coffee roasters at no cost because they are supplied with the purchase of green beans from Sonofresco. You must purchase other coffee equipment, like espresso machines, coffee makers, and grinders as specified by CFC.

(11) Computer/Point of Sale System. You must purchase or lease the Aloha software or an approved CFC software provider. You must purchase or lease a 2-Terminal Radiant Model 1510 computer system with APG cash drawer and Epson TM-88 printer. The computer must be able to catalog your franchise number, address, phone number, size of order, inventory level established and inventory purchases. The computer system will track all inventory levels, orders, purchases and sales, and CFC delivery schedules. It must be able to communicate via Internet connection and e-mail with CFC's California offices. CFC has arranged through Abacus Business Solutions, Clearwater Florida, a purchase price of approximately \$15,000 for the system; however, you may purchase the computer system from any vendor as long as the model number is identical to that described in this Note (11). No other computer hardware or software is required by CFC for you to conduct your franchise business.

CFC reserves the right to require you, on notice by CFC delivered to you during the term of your franchise, at your sole cost and expense, to change, upgrade or update

the cash register/point of sale hardware and software used in your franchise business (including purchasing new hardware and software), in conformance to CFC's standards and specifications in the manner and in the time frame directed by CFC. (See Item 11).

(12) Insurance. During the term of the franchise, you must pay for all insurance premiums relative to general liability, products liability, property damage and vehicle insurance covering all hazards, injuries, losses or damages caused by or arising out of the possession or sale of the CAFFINO products by you in the amounts and with reputable insurance companies as CFC reasonably approves. You must name CFC and Caffino, Inc. as additional insureds at your expense and furnish CFC with certificates of insurance, along with evidence that you have paid the premiums. You will be liable for any expenses, including attorneys' fees, incurred by CFC or Caffino, Inc. for any proceedings arising out of insurance provisions relative to your business.

(13) Legal and Accounting. This item is the estimated cost of legal and accounting services provided to you by third parties.

(14) Grand Opening. Beginning 30 days before the opening of your franchised business, and continuing until up to 90 days after the opening of your franchised business, CFC will plan and oversee grand opening training, events, and promotions, which may include advertising via direct mail, radio, print, product sampling events, and similar activities. You will pay Grand Opening expenditures in a lump sum 30 days before opening. CFC will provide to you a reconciliation of all Grand Opening expenditures at the conclusion of the Grand Opening period. CFC will promptly refund to you any unused funds (from the Lump Sum you paid to CFC 30 days before opening).

(15) Opening Training Support. CFC and/or Caffino will provide opening training support staff to each Franchised Business outlet that you open. The fees paid by you will pay for this support staff and all transportation, meals and lodging for this support staff. All training fees, if any, paid by You are non-refundable. This support staff for your first Franchised Business outlet, selected by CFC and/or Caffino, at their sole discretion, consists of:

(a) 1 training manager, who will train your staff for 23 consecutive days starting 8 days before you open your first Franchised Business outlet and concluding 15 days after you open your first Franchised Business outlet, with an additional training manager (for a total of 2 training managers) who will train your staff for 15 consecutive days, starting the 8 days before you open your first Franchised Business outlet and ending 7 days after you open your first Franchised Business;

(b) 1 engineering representative who will supervise construction of your first Franchised Business outlet, on site, for 2 consecutive days starting when you begin construction of your first Franchised Business outlet, 2 days during construction of your first Franchised Business outlet (at the engineering representative's discretion) and 3 consecutive days starting 3 days before you open your first Franchised Business outlet;

(c) 1 quality assurance representative who will assist you, on site, for 5 consecutive days starting 3 days before you open your first Franchised Business outlet

and concluding 2 days after you open your first Franchised Business outlet. The quality assurance representative must approve local vendors you desire to use and suppliers of all ingredients and menu items you desire to use in your Franchised Business; and

(d) 1 operations representative who will provide assistance, on site, for 5 consecutive days starting 30 days after you open your first Franchised Business outlet.

After you open your first Franchised Business outlet, CFC and/or Caffino will provide support staff services for your second and additional Franchised Business outlets. The fees paid by you will pay for this support staff and all transportation, meals and lodging for this support staff. This support staff for your second and additional Franchised Business outlets, selected by CFC and/or Caffino, at their sole discretion, consists of:

(a) 1 training manager, who will train your staff for 15 consecutive days starting 8 days before you open each Franchised Business outlet and concluding 7 days after you open your each Franchised Business outlet;

(b) 1 engineering representative who will supervise construction of each Franchised Business outlet, on site, for 2 consecutive days starting when you begin construction of each Franchised Business outlet, 2 days during construction of each Franchised Business outlet (at the engineering representative's discretion) and 3 consecutive days starting 3 days before you open each Franchised Business outlet; and

(c) 1 operations representative who will provide assistance, on site, for 5 consecutive days starting 30 days after you open each Franchised Business outlet.

(16) Working Capital / Additional Funds. Expenditures payable out of working capital are intended to cover items like rent, insurance, security deposits, pre-opening costs, salaries, legal and accounting fees and payments to any governmental agency that is necessary to open your business and all other normal operating costs. In addition, you should have cash available to pay your personal living expenses during the first 6 to 12 months of operation. The required working capital will vary considerably with each franchise.

This estimates your initial start up expenses for an initial 3-month period. These expenses do not include payroll costs. These figures are estimates and CFC cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on the extent to which you follow CFC's system and procedures; your management skill, experience and business acumen; local economic conditions; the local market for CAFFINO products; the prevailing wage rate; competition; and the sales level reached during the initial period.

CFC relied on its experience in coffee-espresso retail sales to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Neither CFC nor any of its affiliates provide financing arrangements for you. If you obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchised business, the cost of financing will depend on

many factors including creditworthiness, collateral, lending policies, financial condition of the lender and the regulatory environment.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To maintain quality and uniformity throughout the CAFFINO system, CFC requires that the products, equipment, supplies, services, marketing materials, computer hardware/software, fixtures, and real estate improvements (including design, signage, and related appurtenances) used to operate a CAFFINO outlet be purchased from approved suppliers, or meet quality standards and specifications established by CFC and Caffino, Inc.

You must purchase coffee products, other products, equipment, supplies and marketing materials from CFC, Caffino, Inc., Sonofresco and other vendors approved by CFC. You must purchase blended coffee beans from Sonofresco or another vendor approved by CFC.

You must purchase or lease a 2-Terminal Radiant Model 1510 computer system with APG cash drawer and Epson TM-88 printer. CFC has arranged through Abacus Business Solutions, Clearwater Florida (a vendor not affiliated with and/or owned or under common control with CFC, Caffino, Inc. or Sonofresco and a vendor not required by CFC), a purchase price of approximately \$15,000 for the system; however, you may purchase the computer system from any vendor as long as the model number is identical to that described in Item 7, Note (11). No other computer hardware or software is required by CFC for you to conduct your franchise business.

CFC reserves the right to require you, on notice by CFC delivered to you during the term of your franchise, at your sole cost and expense, to change, upgrade or update the cash register/point of sale hardware and software used in your franchise business (including purchasing new hardware and software), in conformance to CFC's standards and specifications in the manner and in the time frame directed by CFC. CFC anticipates that software upgrades will be necessary over the expected 10-year life expectancy of the Aloha or an approved CFC software provider software system. As part of the software package you will purchase from Aloha or an approved CFC software provider, software upgrades are included at no additional cost. CFC does not require that you purchase any computer hardware upgrades.

Vendors affiliated with and/or owned or under common control with CFC, Caffino, Inc. or Sonofresco are not the only vendors approved for purchase of products by you. Other vendors currently approved by CFC, and not affiliated with and/or owned or under common control with CFC, Caffino, Inc. or Sonofresco, are (approved products identified in parenthesis): Gossner Foods (fresco mix); Kerry Foods (jet tea); Monin (flavor syrups); Sweetheart/Solo (paper cups/products, plastic products); Mighty Leaf (tea); Café Style (Mocha, white chocolate mocha, milk beverages); Posh, Inc. (pastry bags/napkins) and Aloha or an approved CFC software provider (point of sale computer software).

Products, equipment and supplies purchased by you from CFC or Caffino, Inc. will be billed at cost, plus applicable out-of-pocket shipping/handling charges, and plus up to a 20% administrative fee. CFC will bill you for marketing materials purchased by

you from CFC or Caffino, Inc. at cost, plus applicable out-of-pocket shipping/handling charges.

You must purchase or lease certain products, equipment, supplies, services and marketing materials meeting CFC's standards and specifications. Also, you must purchase or lease initial products, equipment, supplies, services and marketing materials in amounts that we recommend, to use our experience in the business and to provide proper initial planning, training and record keeping. The initial equipment and supplies include items like point of sale computer hardware and software, menus, stationery and business cards. See Item 11 for more information.

You may request new vendors, products or services to be reviewed and approved by CFC, subject to payment of the review fees and testing costs described in Items 6 and 16. During 2011, neither CFC nor Caffino, Inc. received any revenue from product sales to franchisees, review fees and/or testing costs.

CFC will provide you with a copy of CFC's Manual at Initial Training. CFC's Manual provides you with the names of CFC's approved and recommended vendors (who may or may not be affiliated with CFC or Caffino, Inc.), and with CFC's current standards and specifications. CFC reserves the right to change its list of approved and recommended vendors, and to change its standards and specifications, effective on written notice to you. We will consider your written request for a modification of a standard or specification, if you explain the reason for the requested modification and provide us with sufficient technical data to enable us to evaluate your request. We will provide you with notification of approval or disapproval within 60 days after receipt of your request. We will approve a request if we determine that a modified standard or specification is appropriate.

CFC must approve the purchase or lease agreement for your CAFFINO outlet, and the design of the outlet. All signs, logos, emblems or pictorial materials used for the outlet must conform to CFC's standards and specifications.

To ensure adequate insurance coverage, your insurance policies must meet the specifications in Section 11 of the franchise agreement. See Note 12 to Item 7 for additional information.

CFC will derive revenue from products, equipment, supplies and marketing materials you purchase from it, as well as from certain vendors that sell products, equipment, supplies, services or marketing materials to you. This revenue will vary from item to item, but generally will range from 5% to 20% of the item's selling price to you. CFC will contribute this revenue to the CAFFINO advertising fund or will use it to offset CFC's operating expenses.

During 2011, CFC and Caffino, Inc. had no revenue from sales to its franchisees, but had about \$1,500 in revenue, representing less than 1% of Caffino, Inc.'s and its subsidiaries' \$3,737,040 total revenues, from vendors based on their sales to CFC franchisees. During 2011, Sonofresco received \$196,679 in revenue, representing approximately eighteen percent (18.0%) of its revenue, from purchases of products, equipment and supplies by CFC/Caffino, Inc. franchisees.

CFC estimates that the following purchases and leases of services and products will represent the following percentages of your total purchases and leases of services and products to establish and operate your CAFFINO outlet:

	<u>% of Total to Establish</u>	<u>% of Total to Operate</u>
Purchases/leases from CFC	0%-10%	0%-10%
Purchases/leases under CFC's specifications	75%-90%	75%-90%
Purchases/leases from approved suppliers	75%-90%	75%-90%

CFC provides no material benefits to you based on your use of approved suppliers. CFC has no purchasing or distribution cooperatives. CFC and Caffino, Inc. have negotiated and will negotiate volume purchasing arrangements with vendors of products, equipment, supplies, services and marketing materials in order to be able to offer favorable prices and terms to you and other CAFFINO franchisees.

Item 9
FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

Obligation	Section of Franchise Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	V (B),(C),(V)	5, 7, 8 & 11
(b) Pre-opening purchases/leases	V(B),(U)	5, 7, 8 & 11
(c) Site development and other pre-opening requirements	V(B),(C),(T)	5, 7, 8 & 11
(d) Initial and ongoing training	V(B), (D), (E), (F), (G)	5, 6, 8 & 11
(e) Opening	V(B)	7, 8 & 11
(f) Fees	III; V(B)	5, 6 & 7
(g) Compliance with standards and policies/Confidential Operations Manual	V(A),(B),(H),(J), (K),(L),(M),(O),(P), (R),(W); VII	8, 11 & 14
(h) Trademarks and proprietary information	V(R),(T); VI; VII	13 & 14
(i) Restrictions on products/services offered	V(I),(M),(O)	8, 11 & 16
(j) Warranty and customer service requirements	V; VIII(F)	None
(k) Territorial development and sales quotas	I(D); V(C)	12
(l) Ongoing product/service purchases	V(M),(N),(O),(P), (W)	6 & 8
(m) Maintenance, appearance and remodeling requirements	V(T),(V)	6, 7 & 8
(n) Insurance	XI	6, 7 & 8
(o) Advertising	V; X	6, 7, 8 & 11
(p) Indemnification	XX	6 & 8
(q) Owner's participation/management/-staffing	V(J),(D)	6 & 15
(r) Records and reports	IX	8
(s) Inspections and audits	V(Q); IX	6, 8 & 11
(t) Transfer	XII	6 & 17
(u) Renewal	II(B)	6 & 17
(v) Post-termination obligations	XIV	17
(w) Non-competition covenants	XV(B)-(G)	17
(x) Dispute resolution	XVI	6 & 17

Obligation	Section of Franchise Agreement	Item in Disclosure Document
(y) Other: Transfer of telephone numbers and listings, and of Internet email addresses, domain names and comparable electronic identities, to us.	Attachment 9	11 & 13

Item 10
FINANCING

Neither CFC nor any affiliate offers direct or indirect financing to you, or guarantees your notes, leases or obligations.

CFC does not know whether you will be able to obtain financing for part or all of your investment and, if so, the terms of the financing.

CFC is a participant in the U.S. Small Business Administration's Franchise Registry Program, www.franchiseregistry.com. As a result, you may be eligible for expedited and streamlined SBA loan processing.

Item 11
FRANCHISOR'S OBLIGATIONS

Except as provided below, CFC need not provide any assistance to you.

Before Opening Franchised Business

Before you open your franchised CAFFINO outlet, CFC will:

(1) Designate a geographic area to serve as the designated territory for your franchised business. **CFC's DESIGNATION OF THE DESIGNATED TERRITORY FOR YOUR FRANCHISED BUSINESS IS NOT A REPRESENTATION OR WARRANTY AS TO THE LIKELIHOOD OF SUCCESS OF THE FRANCHISED BUSINESS.** You acknowledge and agree that your success will be due, in part, to factors beyond the control of CFC or Caffino, Inc. (Franchise Agreement - Section I(B)).

(2) Assist you in identifying an approved location for your franchised business by providing you with CFC's location selection criteria. You must select your own location, but CFC assists in the location selection by considering population density, traffic patterns, proximity of the proposed locations of other CAFFINO outlets or any other reasonable criteria. CFC must approve or disapprove your location ("Location") within 15 days after CFC receives notice of the proposed location from you (Franchise Agreement, Section V(C)). If no Location is submitted by You for approval or approved within 3 months after execution of this Agreement, Franchisor may terminate the Franchise and retain all fees paid to Franchisor as compensation for services rendered by Franchisor. (Franchise Agreement, Section V(C)). CFC will be available at its sole discretion, to provide general location selection assistance to you. **CFC's ASSISTANCE IN AND APPROVAL OF THE LOCATION FOR YOUR FRANCHISED BUSINESS IS NOT A REPRESENTATION OR WARRANTY BY CAFFINO, INC. OR CFC AS TO THE LIKELIHOOD OF SUCCESS OF THE FRANCHISED BUSINESS.**

The typical length of time between the signing of the franchise agreement and the opening of the business should be no greater than 12 months. Factors affecting this length of time usually include obtaining a satisfactory location, financing arrangements, delivery and installation of furniture and equipment, if applicable, hiring of staff, financing or building permits, zoning and local ordinances, lack of training, shortages, or delayed installation of equipment, fixtures and signs. (Franchise Agreement - Section IV). **CFC's ASSISTANCE IN NEGOTIATIONS REGARDING ANY REAL ESTATE LEASE OR PURCHASE IS NOT A REPRESENTATION OR WARRANTY AS TO THE LIKELIHOOD OF SUCCESS BY YOU OR THE ADVISABILITY OR MERITS OF THE LEASE OR PURCHASE.**

(3) Assist you in negotiating the lease or purchase of a location for your franchised business (Franchise Agreement – Section IV). You will lease or purchase your location from independent third parties. If you are purchasing an existing CAFFINO outlet, you will purchase or lease the location from Caffino, Inc.

(4) Within 30 days of your submitting plans for architecture, engineering, construction, or planning, CFC will approve or disprove plans in CFC's sole discretion. Construction should begin as soon as possible after signing the franchise agreement and

must begin within 300 days (subject to use permits, inclusive of conditional use permits) after signing the franchise agreement. On request, CFC will assist in the development and planning of any construction (Franchise Agreement – Section IV). **Approval by CFC of your plans means only that the location and plans meet CFC's minimum specifications and is not a representation or warranty of your success or the appropriateness of the location.**

(5) Provide you with franchise business guidelines and specifications that must be adopted by you at your franchised business. The typical length of time between the signing of the franchise agreement and the opening of the franchised business should be no less than 1 month and no more than 12 months. Factors affecting this length of time usually include obtaining a satisfactory location; finalizing lease/purchase arrangements; finalizing construction plans and permits; financing arrangements, completion of construction of premises; delivery and installation of equipment; hiring of staff; financing; obtaining building permits; zoning and local ordinances; lack of required training; shortages of equipment or delayed installation of equipment, fixtures and signs. (Franchise Agreement - Section V(B)).

(6) Provide you with Initial Training at CFC’s Concord, California offices. Initial Training includes 18 days of training. You and your trainees must pay for all food, travel, lodging and other costs of attending the Initial Training sessions. (Franchise Agreement - Sections IV(A) and V(A)).

Initial Training includes instruction in operations, marketing and negotiations for the services of your business, as well as related instructional materials. **You must attend Initial Training and successfully complete it at least 30 days before you open your business or the franchise may be terminated.**

As of May 30, 2011, CFC’s Initial Training covered the following subjects:

Subject	Hours of Classroom Training	Instructional Material	Hours of on the job Training
Orientation	Segments during day	Live instruction and written materials	None
Drink Training	Segments during day 2-3	Live instruction and written materials	May be included in “store training”
Customer Service	Segments during day 4	Live instruction and written materials	May be included in “store training”
Speed-n-Teamwork Training	Segments during day 5	Live instruction and written materials	May be included in “store training”
Store Training	Segments during day 6-12	7 shifts included	Included in Days 10-16
Management Training	Segments during day 13-17	Live instruction and written materials	May be included in “store training”
Final Management Training	Segments during day 18-20	Live instruction and written materials	None

As of May 30, 2011, Initial Training was conducted by CFC staff. Additional information on CFC’s staff may be found in Item 2 of this document. CFC, in its sole discretion, shall make available additional mandatory training programs and meetings as it deems advisable, and you and other designated employees must attend and successfully complete all additional mandatory training programs, and must attend all mandatory meetings, at your cost.

The additional mandatory training programs will cover subjects similar to the subjects covered in the annual conferences discussed below and will occur no more than 1 or 2 times per year and will last no more than 1 or 2 days. You will pay all meal, travel, lodging or other expenses incurred by the trainees.

You must attend mandatory annual conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs, merchandising procedures and other subjects related to the operation of CAFFINO outlets. These conferences will be held at CFC offices in Concord, California, or at other locations selected by CFC in its sole discretion, and at times elected by CFC in its sole discretion. You must pay a fee for each conference (currently \$1,500), whether or not you attend the conference. You must pay for your own travel, lodging, meal and other expenses for each conference.

(7) Loan you a single copy of CFC’s Manual that will include standards and specifications for procedures, equipment, supplies, management and operation. The primary portion of CFC’s Manual is Standard Operating Procedures. Other portions include Management Trainee Training Workbook, Team Leader Training Workbook, Senior Barrista Workbook, Ordering, Safety, and Repair & Maintenance.

As of May 30, 2011, CFC’s Standard Operating Procedures covered the following subjects:

Subject	Number of Pages
Financials	8
Operations	45
Food & Beverage	13
Marketing	8
Administration	14
Facilities	10
Standard Operating Procedures	22
Human Resources I	25
Human Resources II	22
TOTAL	167

During Operation of Franchised Business

During the operation of your franchised CAFFINO outlet, CFC will:

(1) Deliver to you the specified CAFFINO products ordered by you from CFC or Caffino, Inc. in accordance with the franchise agreement. For each delivery, you will pay or reimburse CFC or Caffino, Inc. for all taxes, fees, duties or other governmental charges and for all shipment and shipping insurance imposed. (Failure to pay amounts due may subject your franchise to termination by CFC under Section XIII of the franchise agreement.) If you are permitted to purchase on "net 30" terms maximum, a late charge of 1.5% per month will be added to all invoices not collected by CFC or Caffino, Inc. within the due date of the invoice. CFC or Caffino, Inc. will allocate CAFFINO products available for distribution among CFC's franchisees in a fair and equitable manner, in CFC's sole discretion. CFC will ship to you CAFFINO products by the type of transportation, route, and from whatever point CFC may select.

NEITHER CFC NOR CAFFINO, INC. MAKES ANY REPRESENTATION OR WARRANTY REGARDING ANY CAFFINO PRODUCTS AND EXCLUDES AND DISCLAIMS, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ALL IMPLIED WARRANTIES INVOLVING ANY CAFFINO PRODUCTS, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. CFC'S AND CAFFINO, INC.'S LIABILITY SHALL BE LIMITED TO THE REPLACEMENT OF ANY DEFECTIVE OR FAULTY CAFFINO PRODUCT OR, AT CFC'S OPTION, A REFUND OF THE PURCHASE PRICE PAID BY YOU OR THE END-USER CUSTOMER, AS APPROPRIATE. NEITHER CFC NOR CAFFINO, INC. SHALL BE LIABLE TO YOU OR YOUR CUSTOMER(S) FOR ANY LOST PROFITS OR FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER LEGAL THEORY.

(2) Continue its efforts to establish and maintain high standards of quality, and customer satisfaction and service, and shall (i) conduct inspections of your business and its operations, evaluations of the methods and the staff employed, (ii) provide you with written standards and specifications for items not deemed to be trade secrets and not otherwise described in CFC's Manual. (Franchise Agreement – Section IV).

(3) Coordinate and conduct periodic training programs, conferences and product development updates for all franchisees. (Franchise Agreement – Section IV).

(4) Provide to you written updates, revisions and amendments to the Manual. All modification to the Manual will apply to your franchise on written notification by CFC to you. (Franchise Agreement – Section IV).

(5) Provide helpful general advisory assistance to you for the ongoing operation, advertising and promotion of your franchise. CFC may provide assistance involving lease negotiations and management consultant services on a fee basis. (Franchise Agreement – Section IV).

(6) Formulate advertising and promotional programs. (Franchise Agreement – Section X), including the advertising fund, local advertising expenditures and local advertising cooperatives described below:

A. Advertising Fund.

1. CFC has established an advertising fund, which will be used for advertising, marketing and public relations programs and materials as deemed appropriate by CFC. CFC, in its sole discretion, will direct all expenditures and programs financed by the advertising fund, including all creative concepts, materials and endorsements used and geographic, market and media placement and allocation. Funds within the advertising fund will be used to pay the costs of preparing marketing materials, administering regional and multi-regional marketing and advertising programs, including purchasing trade journals, direct mail and other media advertising and employing advertising, promotion and marketing agencies to provide assistance; supporting public relations, market research and other advertising, promotion and marketing activities; and promoting the sale of franchises to build brand recognition. The advertising fund will periodically provide you with samples of advertising, marketing and promotional formats and materials at no cost. CFC will furnish multiple copies of these materials at cost, plus any applicable out-of-pocket shipping and handling charges.

2. You must contribute to the advertising fund up to 2% of your Store Sales, which payments are due on a weekly basis in the same manner as the weekly royalty fee. For company-owned outlets, CFC or Caffino, Inc. will contribute to the advertising fund on the same basis as franchised outlets. In 2010, CFC contributed \$38,350 to the CAFFINO advertising fund. CFC has the right, in its sole discretion, to periodically suspend, rebate or refund all or a part of the advertising fund contributions made by you and other franchisees.

3. All sums contributed by you (or any other CAFFINO franchisee) to the advertising fund must be deposited by CFC in an account or accounts with financial institutions maintained by the advertising fund, separate from CFC and Caffino, Inc. funds. The advertising fund will be accounted for separately from CFC's and Caffino, Inc.'s other funds, and will not be used to defray any of CFC's or Caffino, Inc.'s general operating expenses, except that CFC may charge up to a 10% administrative fee to the advertising fund for salaries, administrative costs, travel expenses and overhead CFC may incur in activities related to administering the advertising fund. The advertising fund is not an asset of CFC or Caffino, Inc. All contributions to the advertising fund will be held for the benefit of those who have contributed to the advertising fund and used solely for the purposes for which the contributions were made.

4. Although the advertising fund is to be used only to develop advertising and marketing materials and programs and to place advertising and marketing that are intended to benefit all CAFFINO franchisees, including yourself, or to solicit the sale of CAFFINO franchises in order to build brand recognition, **CFC makes no warranty that expenditures by the advertising**

fund in or affecting any geographic area will be proportionate or equivalent to the contributions to the advertising fund by you or any other CAFFINO franchisees operating in your geographic area, or that you will benefit directly or in proportion to your contributions to the advertising fund from the marketing materials developed by the advertising fund or the placement of advertising and marketing by the advertising fund.

5. CFC will provide you with an annual accounting as to the expenditures of the advertising fund. CFC will allocate advertising production funds, as it considers appropriate, in its sole discretion, and you may not challenge or otherwise contest these allocations by CFC. In 2010, CFC used the advertising fund for advertising and promotional material design and production (64.4%); administrative expenses (4.6%); and other items (31.0%). In 2010, CFC did not use the advertising fund for soliciting the sale of franchises.

6. Although the advertising fund is intended to be of perpetual duration, CFC reserves the right to terminate the advertising fund at any time, in its sole discretion (termination will also terminate your requirement to pay any fees to the advertising fund, but your requirement to pay Local Advertising Expenses and make contributions to a Local Advertising Cooperative will continue unless terminated in writing by CFC). CFC may not terminate the advertising fund until all monies in the advertising fund have been spent for advertising and promotional purposes.

7. CFC reserves the right to take and use photographs and films of your business, employees and business operations for publicity or advertising purposes, without any payment to you of any kind. You must cooperate with CFC and its personnel, including hired photographers, in obtaining these photographs and films and obtaining written consents of any persons under your control as reasonably requested by CFC.

8. The advertising fund may periodically borrow funds from CFC, Caffino, Inc. or third parties to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the advertising fund will be used to pay advertising costs before other assets of advertising fund are used. The advertising fund may be incorporated or organized and operated through a separate entity at any time CFC deems appropriate, which entity will have all the rights and responsibilities specified in the franchise agreement.

9. Except as expressly provided in the franchise agreement, CFC assumes no direct or indirect liability or obligation to you for collecting amounts due to, or maintaining, directing or administering, the advertising fund.

10. Your participation in the advertising fund is in addition to your obligation to conduct local advertising, either through the Local Advertising Expenditure and a "Local Advertising Cooperative" described below.

B. Local Advertising Expenditures.

You must spend annually 2% of your Store Sales (the "Local Advertising Expenditures") on individual local advertising within your designated territory (described above). Local Advertising Expenditures generally are non-refundable. You, by the terms of the franchise agreement, must submit to CFC an annual report, on a form provided by CFC, showing that you have fulfilled your annual requirement for Local Advertising Expenditures. The Local Advertising Expenditure is reduced to 1% if you participate in and contribute at least 2% of your Store Sales to a Local Advertising Cooperative described at (C) below.

C. Local Advertising Cooperatives.

1. At a point in time where there are 3 or more franchises in a "Local Media Area", CFC may establish a "Local Advertising Cooperative" in which you must become a member. "Local Media Area" means an area covered by primary advertising media (television, radio and print) as designated by CFC. You must participate in a Local Advertising Cooperative if it exists or is established by CFC in the Local Media Area where your business is located.

2. In addition to the advertising fund contribution described at (A) above, you must contribute 2% of your Store Sales to the Local Advertising Cooperative established for and in your Local Media Area. The Local Advertising Cooperative may, by 2/3 vote of all members, increase the contribution to the Local Advertising Cooperative. An increase in the contribution to the Local Advertising Cooperative will *not* decrease the amount you must pay to the advertising fund described at (A) above. If you contribute or participate in a Local Advertising Cooperative, the Local Advertising Expenditure described at (B) above is reduced to 1% of your Store Sales.

3. A Local Advertising Cooperative will be organized and governed in a form and manner, and will begin operating on a date, determined by CFC. The purpose of each Local Advertising Cooperative is to administer advertising programs and develop promotional materials for the Local Media Area that the Local Advertising Cooperative covers.

4. CFC will provide support and guidance to the members of each Local Advertising Cooperative, and each Local Advertising Cooperative will be comprised of members appointed by CFC as well as each CAFFINO franchisee. CFC will form each Local Advertising Cooperative as a separate and autonomous franchisee organization by the consent and vote of a majority of CAFFINO franchisees in the local advertising area.

5. You must submit to CFC and to the Local Advertising Cooperative established for your Local Media Area any reports CFC or the Local Advertising Cooperative require regarding your Store Sales and amounts paid to the Local Advertising Cooperative by you. CFC or its designee will maintain and administer each Local Advertising Cooperative's account according to the Local Advertising Cooperative's governing documents. CFC must collect and spend each Local Advertising Cooperative's contributions for the purposes described above. No Local Advertising Cooperative may use any advertising or promotional materials

not already approved by CFC without CFC's prior written consent (as described below).

6. CFC will make available to each Local Advertising Cooperative all advertising and promotional material used by CFC and other CAFFINO Local Advertising Cooperatives. Each Local Advertising Cooperative will receive 1 sample of each type of advertising and promotional material at no charge. If a Local Advertising Cooperative desires additional copies of advertising and promotional materials, the Local Advertising Cooperative must pay the duplication costs for the same. Each Local Advertising Cooperative may develop advertising materials for its own use, at its own cost, which materials must be approved by CFC before use (as described below).

7. Each Local Advertising Cooperative must adopt written governing documents. Local Advertising Cooperative must determine its own voting procedures; however, each business owned by CFC in a Local Media Area, if any, will be entitled to 1 vote in the Local Advertising Cooperative in which it is located and must contribute to the Local Advertising Cooperative in which it is located in the same manner and amount as all other franchisees within the Local Media Area. The members and officers of each Local Advertising Cooperative must administer their respective Local Advertising Cooperative (or provide for administration).

8. Each Local Advertising Cooperative must arrange for preparation of quarterly and annual financial statements. An independent certified public accountant must prepare the annual financial statement at the Local Advertising Cooperative's sole cost and expense, and each Local Advertising Cooperative must provide all financial statements to CFC and each franchisee that is a member of the Local Advertising Cooperative.

D. Advertising, Promotion and Marketing Generally.

Advertising, promotion and marketing that you conduct must be factual and not misleading in conformance with the highest standards of ethical advertising and marketing and CFC's advertising and marketing policies provided to you. Samples of all advertising, promotional and marketing materials you wish to use which CFC has not prepared or previously approved, must be submitted by you to CFC for approval before you may use these materials and must be revised as required by CFC before you may use advertising materials which have not been approved by CFC. CFC will notify you of CFC's approval or revision requirements involving the advertising, promotion, and marketing materials within 20 days after your submission of these materials to CFC. None of CFC's or Caffino, Inc.'s trade names, trade marks, copyrights, or other intellectual property may be used by you in any advertising created by you without CFC's express, prior written consent in each instance.

As described at Item 7, Note (11) and Item 8 above, You must purchase or lease the Aloha or an approved CFC software provider computer software and Radiant computer hardware specified by CFC as your point of sale system. You must purchase or lease a 2-Terminal Radiant Model 1510 computer system with APG cash drawer and

Epson TM-88 printer. CFC has arranged through Abacus Business Solutions, Clearwater Florida, a purchase price of approximately \$15,000 for the system; however, you may purchase the computer system from any vendor as long as the model number is identical to that described in this Note (11). No other computer hardware or software is required by CFC for you to conduct your franchise business.

CFC reserves the right to require you, on notice by CFC delivered to you during the term of your franchise, at your sole cost and expense, to change, upgrade or update the cash register/point of sale hardware and software used in your franchise business (including purchasing new hardware and software), in conformance to CFC's standards and specifications in the manner and in the time frame directed by CFC. CFC anticipates that software upgrades will be necessary over the expected 10-year life expectancy of the Aloha or an approved CFC software provider software system. As part of the software package you will purchase from Aloha or an approved CFC software provider, software upgrades are included at no additional cost. CFC does not require that you purchase any computer hardware upgrades.

CFC will have access to the audio-video information via connection to the Internet. You will also ensure that CFC will have access to the Franchised Business for the purpose of maintenance and provision of the Monitoring System (including a license to access all software used in the Monitoring System) and you will cooperate with interfacing the Monitoring System with any equipment or other devices within the Franchised Business. CFC currently applies no other restrictions on Your Internet access or use of electronic materials.

Item 12 TERRITORY

The method used by CFC to select the designated territory for your business is based on location demographics and driving times. Generally, you will receive a designated territory defined by 5-digit ZIP codes, county or city boundaries, or fixed geographical boundaries like rivers, streets or highways, with a minimum population of 15,000 persons and a minimum drive-time radius of 5 minutes in moderate traffic as determined using "AnySite" or comparable software. The "AnySite" software uses U.S. Census Bureau data. Your designated territory is established in the franchise agreement and Attachment 2.

Your territorial exclusivity is not dependent upon achievement of a certain sales volume, market penetration or any other contingency, and may not otherwise be altered by CFC, except as follows: If you are in compliance with your obligations under the franchise agreement, CFC will not grant any additional franchises for the operation of drive thru coffee-espresso retail outlets within your designated territory, and neither CFC nor Caffino, Inc. will open any company-owned drive thru coffee-espresso retail outlets within your designated territory. If you are in compliance with your obligations under the franchise agreement, and if CFC or Caffino, Inc. deem it appropriate to franchise or operate non-drive thru coffee-express retail outlets within your designated territory in facilities like urban storefronts, storefronts in town-like neighborhoods, shopping malls, strip shopping centers, office buildings, airports or other transportation facilities, sports facilities, hotels, hospitals, college or university student unions, convenience stores or similar locations, CFC will give you a 60-day option to operate each outlet on a franchised basis. If you do not exercise the option, CFC or Caffino, Inc. will have the right to franchise or operate the outlet. CFC or Caffino, Inc. may fulfill orders placed within your designated territory for packaged CAFFINO products through CFC's or Caffino, Inc.'s web site, and may sell packaged CAFFINO products within your designated territory through marketing channels other than coffee-espresso retail outlets (supermarkets, smaller food stores, gift stores and similar channels). CFC or Caffino, Inc. may sell packaged products within your designated territory that are not identified by the CAFFINO marks through any channels it chooses. If you fail to fulfill your obligations under the franchise agreement, CFC reserves the right to grant franchises for additional coffee-espresso retail outlets within your designated territory, or to place CFC-owned or Caffino, Inc.-owned coffee-espresso retail outlets within your designated territory. There are no other circumstances that permit CFC to modify your territorial rights.

You must operate at 1 location within your designated territory. This location must have the prior written approval of CFC, which written approval or disapproval is granted or withheld in CFC's sole discretion, and which written approval or disapproval will be delivered to you by CFC within 30 days after your written request for approval or relocation (see Item 11(2)). You must receive CFC's prior written approval before relocating, even within your designated territory.

Except when advertising cooperatively with other franchisees, you may not advertise outside of your designated territory. Additionally, you may not advertise

independently on the "Internet" or "world-wide-web." CFC or Caffino, Inc. will create and maintain CAFFINO "web pages" or "web sites".

You do not receive the right to acquire additional franchises under the franchise agreement. Each franchise agreement is a separate and distinct transaction between CFC and you. CFC intends to promote multi-franchise ownership and, if qualified, you will be encouraged to purchase additional franchises for CAFFINO outlets located within or outside of your designated territory.

**Item 13
TRADEMARKS**

CFC grants you the right to market, sell and distribute products only under the trademark "CAFFINO" or other names as CFC instructs (the "Proprietary Marks") and only for the term of the franchise. You must follow CFC's rules when you use the Proprietary Marks. You must discontinue any advertising or marketing that CFC considers injurious to CFC's business or reputation or to the Proprietary Marks or that are likely to violate applicable laws or regulations.

Caffino, Inc. has registered the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office (PTO):

<u>Mark</u>	<u>Registration No.</u>	<u>Date</u>
CAFFINO FRESCO	2132355	1-27-98
CAFFINO (Services)	2840292	5-11-04
CAFFINO Logo* (Products)	2899572	11-2-04

*The CAFFINO trademarked logo is reproduced on the cover of this UFOC.

Caffino, Inc. intends to file all necessary affidavits and renewals for the registered Proprietary Marks. By having PTO Principal Register trademark registrations for these Proprietary Marks, Caffino, Inc. and its licensees, including CFC, have certain presumptive legal rights granted by registration.

Caffino, Inc. has licensed Caffino Development, LLC to use the trademark "Caffino" in the promotion/sale by Caffino Development, LLC of Shops as described at Item 1 according to the terms and provisions of the Development Agreement. The initial term of the Development Agreement is five (5) years and automatically renews for successive one (1) year renewal terms until terminated by written notice delivered by either Caffino or Caffino Development, LLC to the other party at least thirty (30) days before the date of expiration of the then-applicable term.

There is no presently effective determination of the PTO, the trademark administrator of this state, or any court, no pending interference, opposition or cancellation proceeding or any pending material litigation involving the Proprietary Marks or other commercial symbols of the System.

If any infringement of, or challenge to, your use of any name, mark or symbol you are obligated to immediately notify CFC, and CFC will have the sole discretion to take any action it deems appropriate to preserve and protect the ownership, identity and validity of the Proprietary Marks. If CFC, in its sole discretion, decides to modify or discontinue the use of any name or mark or use 1 or more additional or substitute names or marks, you must pay for the tangible costs (e.g., replacing signs and materials).

You must not directly or indirectly contest CFC's or Caffino, Inc.'s ownership, title, right or interest in the Proprietary Marks, trade secrets (including customer

information) or business techniques that are a part of the System or contest CFC's right to register, use, license or sublicense others to use the Proprietary Marks.

You cannot use any Proprietary Mark as part of a corporate name, trade name, fictitious name, Internet domain name or with any prefix, suffix or other modifying words, designs or symbols. In addition, you may not use any Proprietary Mark in connection with the sale of any unauthorized product or service in any manner.

CFC and Caffino, Inc. know of no infringing uses of the Proprietary Marks that could materially affect your use of them.

Your authorized use of the Proprietary Marks is limited to your use and designation as "an authorized CAFFINO franchisee".

There are no agreements currently in effect that significantly limit the rights of CFC and/or Caffino, Inc. to use the Proprietary Marks or to license the Proprietary Marks material to Your Franchised Business.

Item 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or copyrights are material to the franchise. You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the Manual and training materials provided to you by CFC. The Manual is described at Item 11. Although CFC and Caffino, Inc. have not filed an application for copyright registration for the Manual or CAFFINO training materials, they claim a copyright and that the information is proprietary. You must also promptly tell CFC when you learn about unauthorized use of this proprietary information. CFC is not obligated to take any action but will respond to this information as deemed appropriate.

CFC and Caffino, Inc. deem information in the Manual, the System and the contents of confidential documents to be proprietary information, whether or not the information constitutes a "trade secret" under state law. You must keep this information (and all other information identified as confidential) secret and must not use this information to compete with CFC or Caffino, Inc. or share this information with any other persons unless permitted in writing by CFC. After termination of your franchise, you must return the Manual and all confidential/proprietary information and documents concerning CFC, Caffino, Inc., the Proprietary Marks, the System and other confidential or proprietary information of CFC or Caffino, Inc. to CFC.

CFC considers its methods, systems, processes, "trade dress" and other items to be its proprietary property.

Item 15
**FRANCHISEE'S OBLIGATION TO PARTICIPATE IN THE ACTUAL
OPERATION OF THE FRANCHISED BUSINESS**

You don't need to directly supervise your franchise but the business must be directly supervised, on-premises, by a manager who has successfully completed the Initial Training program described at Item 11. The on-premises manager cannot have an interest or business relationship with any of CFC's or Caffino, Inc.'s business competitors. The manager need not have an ownership interest in the business or legal entity. The manager must sign a written agreement to maintain confidentiality of the information described in Item 14 and to conform to the covenants not to compete described in Item 17.

Each individual who owns a 5% or greater interest in the franchisee entity must sign a guarantee agreement (attached to the franchise agreement) assuming and agreeing to discharge all obligations under the franchise agreement.

Under the franchise agreement, you and your employees, officers, directors, shareholders, members and independent contractors, if any, must sign nondisclosure agreements that name CFC as a party. You must use the Proprietary Marks and Confidential Information solely for the sale and promotion of CAFFINO products. Additionally, during the term of the franchise, you must not operate a business similar to a CAFFINO outlet or a business competitive with CFC anywhere in the United States or Canada, and for 2 years following expiration or termination of your franchise, you may not operate a business similar to a CAFFINO outlet within your designated territory or within a 5 minute drive-time radius any CAFFINO outlet operating or planned at the time of expiration or termination, or solicit any of Caffino, Inc.'s or CFC's employees to leave their employment. Failure to comply with any of these provisions may result in CFC terminating your franchise *or* seeking injunctive relief (including a temporary restraining order) from a court of law.

You must operate your CAFFINO outlet 7 days per week during regular business hours – 6:00 a.m. through 8:00 p.m., local time, with the exception of Christmas Day.

You must provide conscientious and competent customer service throughout your franchise, before, during and after all sales. You must not permit any claim by a customer involving CAFFINO products to remain outstanding for more than 30 days without making a reasonable effort to resolve the claim.

You must indemnify and save CFC harmless from loss, cost, liability damage or expense (including the cost of suit of the ultimate purchaser) which CFC may suffer or incur in consequence of any acts or omissions by you or your agents or employees. **The franchise agreement also provides at Section XXI(C) that you waive your right to a jury trial if litigation occurs (to the extent permissible under applicable state law).**

Item 16

RESTRICTIONS ON WHAT THE FRANCHISED BUSINESS MAY SELL

The franchise agreement provides that you must offer certain products and services that CFC authorizes. You must offer all products and services that CFC designates as required for all franchisees. CFC, in its sole discretion, may change, modify, amend or otherwise alter its lists of products and services that you must sell by your franchise business. You may not sell products or services that are not authorized by CFC unless you receive CFC's prior written permission. You are strictly prohibited from offering or selling competing products or services not authorized by CFC and from using your business premises for any purpose other than the operation of a CAFFINO outlet. In addition, you may not advertise, offer for sale or sell, damaged, deteriorated or "out of date" products. You must honor all reasonable complaints by customers by replacement without charge or by refund in full of the purchase price. CFC will not unreasonably withhold approval to sell food or beverage items that may have a local appeal and are related to the overall coffee theme.

If you desire CFC's approval of a new vendor, good or service, you may submit a request to CFC for its review. CFC's review time generally will be about 3 weeks. If testing is required, CFC will provide an estimate of charges to you before testing, and the new vendor or you must pay the charges directly to the testing facility. CFC may charge you its then-current review fee (currently \$100 for a review involving only visual inspection, \$300 for a review involving 1 test, and \$500 for a review involving multiple tests).

The Manual and CFC's policies and procedures provide the procedures you must use for obtaining approval by you to sell products with local appeal.

Item 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists important provisions of the franchise agreement and related agreements. You should read these provisions in the agreements attached to this offering circular.

Provision	Section in Franchise Agreement	Summary
(a) Term of the franchise	II	10 years.
(b) Renewal or extension of the term	II	Successive 5-year renewal terms.
(c) Requirements for you to renew or extend	II	You must: give written notice; not be in default under the franchise agreement; have satisfied all monetary obligations; execute then-current franchise agreement; pay renewal fee; be in compliance with then-current qualifications and training requirements; execute general release; prove right to premises for renewal term.
(d) Termination by you	NA	None.
(e) Termination by CFC without cause	NA	None.
(f) Termination by CFC with cause	XIII	Bankruptcy or general assignment for benefit of creditors; ceasing to do business for 5 or more consecutive days without permission; violation of in-term non-competition covenant; material misrepresentation; non-compliance with any law applicable to franchised business; repeated defaults; business premises are seized or foreclosed; conviction of felony; failure to pay any amounts due within 5 days of notice; imminent danger to public health or safety; unauthorized transfer; any cause permitted under applicable state law; failure to maintain standards and procedures; misuse of Marks; engaging in business under similar marks; default under the franchise agreement; failure to submit reports.
(g) "Cause" defined – defaults that can be cured	XIII.B	30 days to cure: Failure to maintain standards and procedures; misuse of Marks; engaging in business under confusingly similar marks; default under the franchise agreement; failure to submit reports.
(h) "Cause" defined – defaults that cannot be cured	XIII.A	Bankruptcy or general assignment for benefit of creditors; cease to do business for 5 or more consecutive days without permission; violation of in-term non-competition covenant; material misrepresentation; non-compliance with any law applicable to franchised business; repeated defaults; business premises are seized or foreclosed; conviction of felony; failure to pay any amounts due within 5 days of notice; imminent danger to public health or safety; unauthorized transfer; any cause permitted under applicable state law

Provision	Section in Franchise Agreement	Summary
(i) Your obligations on termination/non-renewal	XIV	No operation of franchised business; no use of system, trademarks, confidential information, materials; de-identification; cancellation of any assumed name or equivalent registration; assignment of interest in leased premises to CFC, at CFC's option, or modifications to premises to remove all distinguishing signs, etc.; payment of all sums owed to CFC including damages and attorney's fees incurred by CFC in obtaining injunctive relief; return of all proprietary and confidential materials to CFC; transfer telephone number(s) to CFC; execution of any legal document related to termination.
(j) Assignment of agreement by CFC	XII.A	No restriction on CFC's right to assign.
(k) "Transfer" by you – defined	XII.B	Includes voluntary or involuntary assignment, sale or transfer of agreement, franchise or ownership of franchise.
(l) CFC's approval of transfer by you	XII.B	CFC must approve all transfers but will not unreasonably withhold approval.
(m) Conditions for CFC's approval of transfer	XII.B	Monetary obligations satisfied; compliance with franchise agreement; general release; written transfer agreement; transferee's completion of training requirements; transfer fee paid.
(n) CFC's right of first refusal to acquire your business	XII.E	CFC can match any offer.
(o) CFC's option to purchase your business	XIII.D, XIII.E	CFC may, but is not required to, purchase your business on termination or expiration.
(p) Your death or disability	XII.F	Must be assigned to estate within 120 days of death; CFC has option to terminate franchise or purchase business if no qualified heir or transferee exists.
(q) Non-competition covenants during the term of the franchise	XV.B	No involvement in competing business anywhere in the U.S. or Canada
(r) Non-competition covenants after the franchise expires or is terminated	XV.B	No similar business within your designated territory or within a minimum five (5) minute drive time radius from any existing Caffino franchise for 2 years.
(s) Modification of the agreement	XVIII	Both parties must agree in writing to modifications to franchise agreement; Manual and Marks may be changed at any time without notice.
(t) Integration/merger clause	XXIV	Only terms of franchise agreement and attachments are binding.
(u) Dispute resolution by arbitration or mediation	XVI	Disputes are subject to binding arbitration in San Francisco, California or in the county or city in which CFC's home office is located at the time, except that CFC may seek relief in court for certain matters.
(v) Choice of forum	XXVI	All dispute resolution or legal proceedings will be held in San Francisco, California for franchised businesses/franchisees located in California and the city in which the franchised business is located for all non-California franchisees
(w) Choice of law	XXVI	California law governs for franchised businesses/franchisees located in California and the law of the state/jurisdiction in which the franchised business is located governs all non-California franchisees.

CFC is not obligated by the franchise agreement to do so, but, if the franchise expires or is terminated, CFC's policy is to buy back equipment and inventory at fair market value. This policy is subject to change at any time.

Restrictions on Termination or Non-Renewal Under State Laws

These states have statutes which may supersede the franchise agreement in your relationship with CFC including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, tit.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [Rev. Stat. Chapter 121 1/2 par 1719-1720], INDIANA [Stat. Section 23-2-2.7]. IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decision which may supersede the franchise agreement in your relationship with CFC including the areas of termination and renewal of your franchise.

Reinstatements and Extensions

If any termination or expiration of the franchise would violate any applicable law, CFC may reinstate or extend the term of the franchise for the purpose of complying with the law.

Termination on Bankruptcy

A provision in your franchise that terminates the franchise on your bankruptcy may not be enforceable under Title 11, United States Code Section 101 *et seq.*

Restrictions on CFC's Post-Termination Rights

These and other states have laws that may limit CFC's ability to restrict your activity after the franchise expires or has been terminated: CALIFORNIA [Bus. & Prof. Code Section 16,600], FLORIDA [Statutes Section 542.33], MICHIGAN [Compiled Laws Section 445.771 *et seq.*], MONTANA [Codes Section 30-14-201], NORTH DAKOTA [Century Code Section 9-08-06], OKLAHOMA [Statutes Section 15-217-19], and WASHINGTON [RCW Section 19.86.030].

Item 18
PUBLIC FIGURES

CFC does not use any public figure to promote any franchise; however, CFC reserves the right to do so in the future in its sole discretion.

Item 19
EARNINGS CLAIMS

Except for Exhibit B, CFC does not furnish or authorize its employees, officers or directors to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a CFC franchise. Actual results vary from franchise to franchise and CFC cannot estimate the results of any particular franchise.

**Item 20
OUTLETS**

**FRANCHISED OUTLET STATUS SUMMARY
FOR YEARS 2010/2009/2008 (CFC)**

STATE	TRANS-FERS	CANCELED OR TERMINATED	NOT RENEWED	REACQUIRED BY FRANCHISOR	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS	FRANCHISES OPERATING AT YEAR END
CA	0/0/0	0/0/0	0/0/1	0/0/1	0/0/1	0/0/3	18/18/18
FL	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	1/0/0
MD	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
NC	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
NJ	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
SC	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0
TN	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/1/1
TX	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
VA	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
TOTALS	0/0/0	0/0/0	0/0/1	0/0/1	2/0/1	2/0/3	23/20/19

Note: Numbers are as of the last Sunday in December of each year.

**STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2011/2010/2009 (CAFFINO, INC.)**

STATE	OUTLETS CLOSED DURING YEAR	OUTLETS OPENED DURING YEAR	TOTAL OUTLETS OPERATING AT YEAR END
CA	0/0/0	0/0/0	9/9/9
TOTALS	0/0/0	0/0/0	9/9/9

PROJECTED OUTLET OPENINGS IN 2011 (CFC)

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPEN AS OF YEAR END 2010	PROJECTED FRANCHISED NEW OUTLETS IN 2011	PROJECTED COMPANY OWNED OUTLETS OPENINGS IN 2011
CA	2	0	2
FL	0	0	0
GA	1	0	0
MD	0	0	0
NC	1	0	0

NJ	1	0	0
SC	2	0	0
TN	0	0	0
TX	1	0	0
VA	0	0	0
TOTALS	8	0	0

See Exhibit C for a list of current CAFFINO franchisees' names, telephone numbers and addresses.

See Exhibit D for a list of CAFFINO franchisees and who had their franchises terminated, canceled or not renewed, who otherwise voluntarily or involuntarily ceased to do business under their franchise agreements or who did not communicate with CFC during the 10 weeks before May 30, 2011.

Item 21
FINANCIAL STATEMENTS

Exhibit G includes our parent company's (Caffino, Inc.) audited financial statements for the years ending December 30, 2011, December 25, 2010 and December 26, 2009 and unaudited financial statements within ninety (90) days of the date hereof (as of January 27, 2011). Caffino, Inc. guarantees our performance under the franchise agreement.

The unaudited financial statements have been prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no independent certified public accountant has audited these figures or expressed an opinion with regard to their content or form.

On June 6, 2010, CFC obtained additional cash on hand through promissory notes payable to CFC's directors in the aggregate amount of \$150,000, which amount provides CFC with cash on hand sufficient to meet all of CFC's pre-opening obligations to franchisees and without reliance on initial franchise fees payable by such franchisees. As a result of the recent purchase of CFC by MRPC Holding, the principals of MRPC Holding is providing the same amount of cash on hand to meet the existing requirements for performance and financial liquidity by the State of California. No payment(s) will be made by CFC with respect to these promissory notes if CFC's cash on hand (after such payment(s)) would be insufficient for CFC to meet all of its pre-opening obligations to franchisees and without reliance on initial franchise fees payable by such franchisees.

Item 22
CONTRACTS

Exhibit A includes the franchise agreement and related agreements, as follows: Attachment 1-Personal Guaranty; Attachment 2-Reserved Area/Location/Designated Territory; Attachment 3-Proprietary Marks; Attachment 4-Acknowledgments by Franchisee; Attachment 5-Sample ACH Origination Authorization; Attachment 6-Sample General Release; Attachment 7-Franchise Compliance Questionnaire; Attachment 8-Manager/Supervisor Confidentiality and Noncompetition Agreement; and Attachment 9-Telephone and Internet Service Transfer Consent and Authorization.

Item 23
RECEIPTS

Exhibit H includes detachable documents acknowledging your receipt of this offering circular.

**EXHIBIT A
TO UFOC**

FRANCHISE AGREEMENT

**EXHIBIT B
TO UFOC**

**SALES, COSTS AND NET INCOMES OF
7 CAFFINO DRIVE THRU OUTLETS IN CALIFORNIA OPERATED BY CAFFINO,
INC. (PARENT COMPANY OF CFC) – 2010**

In 2010, Caffino, Inc., the parent company of CFC, operated 9 CAFFINO drive thru coffee-espreso retail outlets in California, all of which were in operation for the full year

The chart on the next page shows the actual sales, costs and net incomes of the 7 outlets in operation in 2010.

If you operate a CAFFINO outlet, you will experience the same categories of costs, except that: you will be paying CFC 5% of Store Sales as royalty fees (not included in "Other Costs" in the chart); and your wages and benefits will be covered under "Labor Costs" in the chart if you function as the on-site manager of the CAFFINO outlet. Since the leases for the 7 outlets were negotiated a few or more years ago, and since commercial real estate rental rates have increased in some areas of the country during the past few years, your rent costs (covered under "Other Costs" in the chart) may be higher than the rent costs experienced by the 7 outlets. Also, if you finance a portion of your building costs, your occupancy costs will be affected based on the type and amount of financing.

The sales, cost and net income figures shown in the chart are substantiated by unaudited financial statements prepared on a cash basis by Caffino, Inc. in accordance with generally accepted accounting principles. Relevant portions of the financial statements will be made available to a prospective franchisee on reasonable request.

CAUTION

THE SALES, COST AND NET INCOME FIGURES SHOWN IN THE CHART ON THE NEXT PAGE REFLECT THE ACTUAL RESULTS OF 9 CAFFINO DRIVE THRU OUTLETS IN CALIFORNIA DURING THE FISCAL YEAR ENDING DECEMBER 30, 2010 AND SHOULD NOT BE CONSIDERED AS THE ACTUAL OR POTENTIAL SALES, COSTS OR NET INCOMES THAT WERE REALIZED BY OTHER CAFFINO OUTLETS OR THAT MAY BE REALIZED BY ANY PROSPECTIVE FRANCHISEE. CFC DOES NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN THESE SALES, COSTS OR NET INCOMES.

Sales, Costs and Net Incomes of CAFFINO Drive Thru Outlets in California Operated by Caffino, Inc. (Parent Company of CFC) – 2010

2010

	Outlet 1		Outlet 2		Outlet 3		Outlet 4	
Gross Sales (1)	437,547	100.00%	553,684	100.00%	492,658	100.00%	549,020	100.00%
Less COGS (2)	106,134	24.26%	131,624	23.77%	128,810	26.15%	145,018	26.41%
Gross Income	331,413	75.74%	422,060	76.23%	363,848	73.85%	404,002	73.59%
Less Labor Cost (3)	164,204	37.53%	190,775	34.46%	190,151	38.60%	189,071	34.44%
Less Controllable Cost (4)	46,799	10.70%	40,965	7.40%	53,753	10.91%	62,538	11.39%
Less Other Cost (5)	55,857	12.77%	63,803	11.52%	70,716	14.35%	102,934	18.75%
Net Income (6)	66,619	15.23%	127,445	23.02%	51,439	10.44%	52,034	9.48%

Outlet 5		Outlet 6		Outlet 7	
730,019	100.00%	770,423	100.00%	503,689	100.00%
195,590	26.79%	189,793	24.63%	124,476	24.71%
534,429	73.21%	580,630	75.37%	379,213	75.29%
205,349	28.13%	209,419	27.18%	160,003	31.77%
77,523	10.62%	61,542	7.99%	47,242	9.38%
115,230	15.78%	89,402	11.60%	73,578	14.61%
139,314	19.08%	223,388	29.00%	99,560	19.77%

Notes and Assumptions:

1. “Gross Sales” means Store Sales, plus the value of bona fide discounts to customers and the value of coupons (gift or other) redeemed by customers. “Store Sales” means all receipts of your business, including all amounts received on a cash, credit or time basis, and including the value of all products or services received for products or services provided, without reserve or deduction for inability to collect, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes separately stated to and collected from customers for transmittal to appropriate taxing authorities, and also excluding bona fide discounts and refunds to customers. Coupons (gift or other) generate receipts included in Store Sales when they are sold to customers, but not when they are redeemed by customers. All percentages are based on “Gross Sales.”
2. “Cost of Goods Sold” includes all food, beverage and paper goods costs.
3. “Labor Costs” include wages and overtime paid to all hourly and management employees working in the CAFFINO outlet, management bonuses, training costs, payroll taxes, workers’ compensation costs, and employee benefit costs for items such as health insurance, holidays, vacation days and sick days. If you are the

on-site manager of your CAFFINO outlet, your wages and bonuses would be covered by this item.

4. "Controllable Costs" include store and office supplies, uniforms, hiring and training, employee relations, underages and overages, utilities, trash service, telephone, security, postage and delivery, printing and reproduction, repair and maintenance of building and equipment, pest control, cleaning, laundry service, equipment and rental, and obsolete inventory.
5. "Other Costs" include auto mileage, parking and tolls, meals, customer discounts, advertising (including a 1% of Store Sales contribution to the CAFFINO advertising fund), marketing, shopper service, rent, property tax, insurance, taxes and licenses, and payroll processing. Under our current policy, you must contribute 1% of Store Sales to CFC's advertising fund, and spend 2-3% of Store Sales on local advertising. In the future, we may require you to contribute up to 2% of Store Sales to CFC's advertising fund.
6. "Net Income" is before certain expenses, such as debt service, interest, bank charges, income taxes, depreciation, automobile or vehicle expenses, out-of-state travel expenses, and royalty fees. You must pay CFC 5% of Store Sales as royalty fees.

With respect to each of the CAFFINO Drive Thru Outlets identified above, note the following additional *average* information (subject to change at any time and from time to time):

1. The average hourly wage for the 7 stores identified above is currently \$8.30. The average yearly salary (including base salary and bonus) for store managers, for the 7 stores identified above is currently \$45,000.00. **The average wage paid to your employees and/or manager's compensation may be higher or lower.**
2. The average yearly rent cost for the 7 stores identified above is currently \$31,918. **Your cost of occupancy may be higher or lower.**
3. None of the 7 stores identified above currently pays any royalty as they are company-owned stores. You will have to pay royalties as required under the Franchise Agreement attached to this UFOC.

CFC DOES NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN THE SALES, COST OR INCOME FIGURES SHOWN IN THE ABOVE CHART.

THE FIGURES SHOWN IN THE ABOVE CHART MAY BE INFLUENCED BY THE FACT THAT THE CAFFINO, INC.-OWNED OUTLETS ARE LOCATED IN ESTABLISHED MARKETS, AND MAY NOT BE RELEVANT IN NEW OR EMERGING MARKETS.

YOUR RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS OF THE CAFFINO, INC.-OWNED OUTLETS.

CFC DOES NOT REPRESENT THAT YOU MAY OR WILL DERIVE INCOME FROM YOUR CAFFINO OUTLET.

YOU ARE URGED TO CONSULT WITH YOUR FINANCIAL, BUSINESS AND LEGAL ADVISORS IN CONNECTION WITH THE SALES, COST AND INCOME INFORMATION SHOWN IN THIS EXHIBIT.

THERE MAY BE OTHER COSTS AND EXPENSES NOT IDENTIFIED IN THIS EXHIBIT B AND THE COSTS AND EXPENSES OF FRANCHISOR-OWNED OUTLETS MAY DIFFER FROM FRANCHISEE-OWNED LOCATIONS.

EXHIBIT C TO UFOC

CAFFINO FRANCHISEES AS OF MAY 30, 2011

Corporate Owned Coffee Bars

Bel Aire

3950 Bel Aire Plaza
Napa, Ca 94558
707-254-8389

American Canyon

3939 Highway 29
American Canyon, Ca 94503
707-645-2025

Treat Plaza

4411 Treat Blvd.
Concord, Ca 94521
925-609-8775

Concord Ave.

2301 Meridian Park Blvd.
Concord, Ca 94520
925-356-6906

Hesperian

27150 Hesperian Blvd.
Hayward, Ca 94545
510-783-9275

Kelly Hill

22600 Center St.
Hayward, Ca 94541
510-581-9425

Oakley

1092 Main St.
Oakley, Ca 94561
925-706-2703

Rock Hill, SC

1675 Ebenezer Road
Rock Hill, SC 29732
803-980-8840

Santa Rita

6730 Santa Rita Rd.
Pleasanton, Ca 94588
925-463-3557

Franchisee Owned Coffee Bars

TEK Management

Owner - Boris Teksler

Dumbarton

2797 El Camino Real
Redwood City, Ca 94061
650-299-9816

Woodside

528 Woodside Road

Redwood City, Ca 94061
650-365-9880

Souraya Management Owner – Abraham Batshon Westborough

2240 Westborough Blvd.
SSF, Ca 94080
650-588-4813

Half Moon Bay

198 San Mateo Road
Half Moon Bay, Ca 94019
650-712-7255

The Legacy FNB Group

Owner – Angela Pace
Sold 6/1/07

#7 - W. Hamilton
788 W. Hamilton
Campbell, Ca 95008
408-379-6891

#26 - Homestead
2790 Homestead Rd.
Santa Clara, Ca 95051
408-243-9973

APLY

Owner – Linda Yu & Ai Pu

Acquired 6/1/07

Homestead

2790 Homestead Rd.
Santa Clara, Ca 95051
408-243-9973

Voniffac LLC

**Owner – Jon & Julie Von
Kahle**

Acquired 3/22/07

Manzanita

4140 Manzantia Ave.
Carmichael, Ca 95608
916-979-1106

Citrus Heights

7445 Madison Ave.
Citrus Heights, Ca 95610
916-965-3197

Dalup Enterprises

Owner – Alex Zammataro

Clarkwood

1947 W. El Camino Real
Mountain View, Ca 94040
650-428-0970

W. Calaveras

315 W. Calaveras Blvd.

Milpitas, Ca 95035
408-934-5804

Sierra Coffee Co. Owner–Hendrik & Laura Kirleis

Lafayette

3489 Mt. Diablo Blvd.
Lafayette, Ca 94549
925-299-0960

R & J Enterprises Owner – Ken & Barbara Johns and Marc Renspurger

Monument

2250 Monument Blvd.
Concord, Ca 94520
925-609-7499

Virginia Hills

6710-A Alhambra Ave.
Martinez, Ca 94553
925-979-1122

Santa Rosa

1300 Mendocino Ave.
Santa Rosa, Ca 95401
707-575-4212

FiveTees, Inc.

**Owner – Tim & Trish
Langfitt**

W. Olive

980 W. Olive Drive
Davis, Ca 95616
530-758-2616

Vallejo

53 Admiral Callaghan Lane
Vallejo, Ca 94591
707-645-7392

New Age Coffee

Owner- Ed Hein

W. Hamilton

788 W. Hamilton
Campbell, Ca 95008
408-379-6891

Doty

Contract signed 6/14/07
2570 Craneford Way

San Ramon, CA 94582

Weiss

Contract signed 5/17/07
8015 Halethorpe Dr
Raleigh, NC 27613

Macklin

Contract Signed 6/27/07
1715 Scenic Shore
Kingswood, TX 77345

Rathin

Contract signed 9/17/07
5306 Woodbury Dr
Castro Valley, CA 94552

Wall

Contract signed 6/13/07
121 Black Point Road
Rumson, NJ 07760

**EXHIBIT D
TO UFOC**

FORMER CAFFINO FRANCHISEES

No CAFFINO franchisees had their franchises terminated, canceled or not renewed in 2010.

Two (2) CAFFINO franchisees voluntarily or involuntarily ceased to do business under their franchise agreements in 2010:

Dellwood South, LLC
Owner – John Dell
Nippers Corner
15590 Old Hickory Blvd
Nashville, TN 37211
615-781-8448

Gandy
4479 West Gandy Blvd
Tampa, FL 33611
813-574-0811

No CAFFINO franchisees failed to communicate with CFC during the 10 weeks before May 30, 2011.

No franchisee locations were sold by the franchisee to another brand and therefore ceased operation in 2010 or in 2011 as of May 30, 2011.

**EXHIBIT E
TO UFOC**

STATE-SPECIFIC DISCLOSURES

CALIFORNIA ADDENDUM

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

Neither Caffino, Inc., CFC or any other person previously identified in Items 1 or 2 of this offering circular is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in that association or exchange.

California Business and Professions Code Sections 2000 through 20043 provides rights to you concerning termination or non-renewal of the franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damage clauses are unenforceable.

THE FRANCHISE AGREEMENT REQUIRES BINDING ARBITRATION. THE ARBITRATION WILL OCCUR IN SAN FRANCISCO, CALIFORNIA WITH THE COSTS BEING BORNE BY THE PARTIES. PROSPECTIVE FRANCHISEES ARE ENCOURAGED TO CONSULT PRIVATE LEGAL COUNSEL TO DETERMINE THE APPLICABILITY OF CALIFORNIA AND FEDERAL LAWS (SUCH AS BUSINESS AND PROFESSION CODE SECTION 20040.5, CODE OF CIVIL PROCEDURES SECTION 1281, AND THE FEDERAL ARBITRATION ACT). TO ANY PROVISIONS OF A FRANCHISE AGREEMENT RESTRICTING VENUE TO A FORUM OUTSIDE THE STATE OF CALIFORNIA.

YOU MUST SIGN A GENERAL RELEASE OF CLAIMS IF YOU RENEW OR TRANSFER THE FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE § 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE § 20000 THROUGH 20043).

California Corporations Code, Section 31125 requires CFC to give you a disclosure document, approved by the Department of Corporations before a solicitation of a proposed material modification of an existing franchise.

CFC'S WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.

**EXHIBIT F
TO UFOC**

AGENTS/AGENCIES FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as CFC's agents for service of process (to the extent that CFC is registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as CFC's agents for service of process (to the extent that CFC is registered in their states).

State	State Agency	Agent for Service of Process
CALIFORNIA	California Corporations Commissioner Department of Corporations 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	California Corporations Commissioner
CALIFORNIA (alternate agent for service of process)		Martin Lauzze, 4070 Nelson Avenue, Suite G Concord, CA 94520
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of Department of Commerce and Consumer Affairs
MARYLAND	Maryland Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
SOUTH DAKOTA	Department of Revenue and Regulation Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823	Director of South Dakota Division of Securities
VIRGINIA	Virginia State Corporation Commission Virginia's Division of Securities and Retail Franchising P.O. Box 1197 Richmond, Virginia 23218 (804) 371-9051	Clerk, State Corporation Commission

State	State Agency	Agent for Service of Process
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions

**EXHIBIT G
TO UFOC**

FINANCIAL STATEMENTS

Exhibit G includes our parent company's (Caffino, Inc.) audited financial statements for the years ending December 30, 2010, December 25, 2009 and December 26, 2008 and unaudited financial statements within ninety (90) days of the date hereof (as of January 27, 2011). The financial statements are consolidated with respect to each of CFC and Caffino, Inc.

All unaudited financial statements have been prepared without an audit. Prospective Franchisees or sellers of franchises should be advised that no independent certified public accountant has audited these figures or expressed an opinion with regard to their content or form.

**EXHIBIT H
TO UFDD**

RECEIPTS

**RECEIPT
(YOUR COPY)**

THIS OFFERING CIRCULAR SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- A. THE 1ST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR**
- B. 14 DAYS BEFORE SIGNING A BINDING AGREEMENT; OR**
- C. 14 DAYS BEFORE ANY PAYMENT TO US.**

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST 14 DAYS BEFORE YOU SIGN ANY FRANCHISE AGREEMENT.

IF WE DO NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED ON EXHIBIT G.

The respective agencies or agents identified on Exhibit F are authorized to receive service of process for Caffino Franchise Corporation in the states indicated.

The effective date of this offering circular is: _____.

Your signature(s) below indicate that you received this offering circular on the date(s) indicated below, including the following Exhibits:

- A. Franchise Agreement and Related Agreements
- B. Sales, Cost and Profit Information
- C. CAFFINO Franchisees
- D. Former CAFFINO Franchisees
- E. State-Specific Disclosures
- F. Agencies/Agents for Service of Process
- G. Financial Statements
- H. Receipts

Prospective Franchisee Date: _____

Prospective Franchisee Date: _____

**RECEIPT
(CFC'S COPY)**

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Prospective Franchisee Date: _____

Prospective Franchisee Date: _____