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**OLA'S EXOTIC COFFEE, INC.**  
**FRANCHISE**  
**OFFERING CIRCULAR**

Effective Date: July 1, 2004



Ola's Exotic Coffee  
187 South Main Street  
Milpitas, California 95053  
(408)-956-5378  
[www.Olascorner.com](http://www.Olascorner.com)

The Franchisee will sell coffee drink, coffee beans, ground coffee and teas for both at home and in store consumption.

The initial franchise fee for a 20-year Ola's Coffee Franchise is \$185,000. The franchise fee may be less when the term is less than 20 years. The estimated initial investment, depending on the facility type, including costs of acquiring and improving real estate, ranges from \$250,000 to \$1,000,000. This sum does not include rent for the business location.

**RISK FACTORS:**

1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE ONLY IN THE SANTA CLARA COUNTY SUPERIOR COURT. OUT OF COUNTY LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR YOUR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE OLA'S IN ALAMEDA COUNTY THAN IN YOUR HOME COUNTY.

Information about comparisons of Franchisors is available. Call the state administrators listed in your public library for sources of information.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in the Offering Circular is untrue, contact the Federal Trade Commission and the California Department of Corporations.

Effective Date: July 1, 2004

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Exhibits

- A. Franchise Registration Application
- B. Franchise Agreement
- C. Certification
- D. Corporate Acknowledgement
- E. Uniform Consent To Service Of Process (not required for California Franchisee Corporations)
- F. Sales Agent Disclosure Form
- G. Guarantee Of Performance
- H. Customer Authorization of Disclosure of Financial Records

## Item 1

### THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this Offering Circular, "Ola's" means Ola's Exotic Coffee, Inc., the Franchisor. "You" means the person who buys the franchise (the "Franchisee"). Ola's Exotic Coffee, Inc. is a California corporation that was incorporated on January 28, 2004. Ola's Exotic Coffee, Inc. does business under the fictitious business name "Ola's Exotic Coffee." Ola's principal place of business is 187 South Main Street, Milpitas, California 95035.

Ola's agent for service of process is Ola Robert Hassan, 187 South Main Street, Milpitas, CA 95050.

Ola's currently operates and grants franchises to operate as Ola's Exotic Coffee, which sells coffee drink, premium African coffee beans, ground coffee, teas and pastries. The franchise operation uses Ola's:

- Marks
- Equipment systems
- Color schemes
- Styles of buildings and facilities
- Signs
- Certain standard specifications and procedures of operation
- Quality and consistency
- Standards for products and services offered, and
- Procedures for inventory control and management of the Ola's coffee shop.

Collectively, these elements are the "Ola's System" and coffee shops operated under them are named "Ola's Exotic Coffee."

Ola's Exotic Coffees are specialized as a variety of African-controlled and well-harvested coffee from the fertile volcanic mountains and lakes of several countries on the African continent. Ola's selected wild African coffees rival or surpass any Arabica or Robusta coffee beans around the world both in taste and appearance. Ola's Exotic Coffee beans are from Kenya, Tanzania, Zimbabwe, Uganda, Ethiopia, Rwanda and other West and South African countries. The secret of success of the African coffee beans is a combination of climate, growing conditions, farmers' care and an emphasis on quality wet processing and drying to produce quality "mild" Arabicas. Red ripe coffee cherries are picked and pulped on the same day. They are fermented in a special tank for 48 hours followed by bean washing. Drying begins immediately to stop re-fermentation and is as careful and meticulous as anywhere in the world. The coffee beans are roasted in a controlled temperature environment in California to a dark aromatic perfection to satisfy the taste buds of any coffee lovers around the world. The

roasted beans are packaged in nitrogen sealed bags to give it an "everlasting freshness" that keeps the coffee fresh for up to two years.

Ola's Exotic Coffee will use the solely authentic premium wild African coffee bean and wild African teas. The coffee business will also include a variety of pastries and quick lunches. The choice of Ola's various coffee beans will be limited to African premium ripe beans that rival or surpass any premium Arabica or Robusta coffee beans around the world. The first Ola's Exotic Coffee building has been upgraded with an advanced top of the line computer automated three-point espresso coffee system needing very limited maintenance. Ola's plans in the future, to own its own coffee plantations in the fertile mountain and lake region containing volcanic soils of Zimbabwe, Tanzania, Rwanda, Kenya, Ethiopia, West and South Africa. Ola's also plans to own its own roasting facilities in California and eventually in several of the Africa countries where the coffee originates.

Ola's franchises the right to sell its imported coffee and tea to the public. Competitors include local coffee shops and cafes, grocery and national chains of department stores that sell coffee and tea, and other national chains of coffee shops. There may be special regulations for the sale of imported products in a particular state.

During the past two years Ola's has operated the coffee shop that is similar to the franchised shops being offered. The shop has achieved tremendous success by providing different beans (African beans) than those that have been offered on the market. Ola's processes and roasts the beans in Emeryville and San Francisco, California. The coffee is sold in 12-ounce nitrogen sealed bags to preserve taste and freshness.

## Item 2

### BUSINESS EXPERIENCE

#### Chief Executive Officer and President: Ola Robert Hassan

From February 1995 until July 2001 Mr. Hassan was the Senior Staff Engineer and Project Manager for The Quantum/ Maxtor Corporation, a Milpitas, California manufacturer of computer disk drives. In September 2001, he joined Wavesplitter as the hiring manager of the quality and reliability engineering division, and currently is the Director of Quality Assurance. From April 2004 until the present, Mr. Hassan has owned and operated Ola's Exotic Coffee Shop in Milpitas, California. Additionally, Mr. Hassan has held various other engineering and senior engineering management positions in other companies such as Apple Computers, Intel/Memtech, and KLA instruments.

Vice Chairman of the Board: Bob Olinger

Mr. Olinger is the Owner of Olinger Realty, a Milpitas, California company, and is a member of many corporate boards, including Milpitas Bank. Additionally, Mr. Olinger has owned and operated shopping centers throughout the United States.

Chief Financial Officer: Janet Phifer

From October 1992 until the present, Ms. Phifer has been the Owner of Place 2 Be Hair Studio, a Santa Clara, California company.

Director of Sales/Marketing and Development: Patricia Osby

From 1994 until 1998, Ms. Osby was the document control coordinator and Customer Service liaison for Divicom/C-Cube, a Milpitas, California corporation. From 1998 until 2002, she was the head auditor, document control coordinator, and customer service liaison for Genmark Automation, a Sunnyvale, California corporation. From 2002 until 2003 she was the escrow coordinator for Century 21, a Milpitas, California company.

Board Member: Barbara Robinson

Ms. Robinson has been under the employ of the United States Postal Service for 25 years. She is currently the postmaster for the Alviso branch, in San Jose, California.

Board Member: Dr. Gangadhar Mallaya Pujari

Dr. Pujari has served as Chief General surgeon in the United States Air Force before opening his successful practice as a medical practitioner in Oklahoma. Additionally, Dr. Pujari has served as Senior Staff surgeon in several hospitals around the world, and is also a funding partner of the Oklahoma Ambulatory Surgical Center in Oklahoma.

Board Member: William Diamond Junior

Mr. Diamond is currently the CEO of Wavesplitter Technology, a technology corporation in Fremont, California. He has also served as CEO of Denselight Semi Conductor, a multi-national Singapore Corporation. Additionally, Mr. Diamond served as Vice President of Marketing for Etail Dynamics, a San Jose, California company. Furthermore, he has served as Director of Marketing for Lucent Technologies, a Sunnyvale, California corporation. In conjunction with his role as CEO of Wavesplitter Technologies, Mr. Diamond also serves as a partner of the Technology Growth Partners, a Campbell, California company.

**Item 3**

LITIGATION

No litigation is being conducted by Ola's and none is threatened.

**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 FRANCHISE FEE

As Franchisee, you must pay a non-refundable \$500 application fee when you submit your application. All Franchisees pay a \$185,000 franchise fee, payable in two installments. The first installment of \$92,500 must be paid upon the execution of the Franchise Agreement. The second installment of \$92,500 must be paid upon the approval by Ola's (the Franchisor) to open the Franchisee's franchise. To "open" is defined at the start of the grand opening process pursuant to Sections 12.2 and 6.9 of the Franchise Agreement. Ola's will refund \$55,000 if Ola's does not approve your application within 60 days of receipt of the application. Ola's will refund \$50,000 of the first installment if you do not satisfactorily complete the pre-opening Franchisee training.

**Item 6**

OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty	10% of gross sales	Payable on the 15 <sup>th</sup> day following the end of each calendar quarter.	Gross sales include all revenue from the franchise location. Gross sales do not include sales tax or use tax.

Advertising	4% of monthly Gross sales	Payable monthly on the 10 <sup>th</sup> day of the following month.	
Cooperative Advertising	Maximum - 2% of total gross sales.	Established by the Franchisee.	
Additional Training	\$1,000 per person	2 weeks prior to beginning of training.	Ola's will train two employees for free - See Item 11
Additional Assistance	\$500 per day	30 days after billing	Ola's provides opening assistance See Item 11
Transfer	\$2,000	Payable on sale of franchise or other transfer.	
Audit	Cost of audit plus 10% interest on underpayment.	30 days after billing.	Payable only if audit shows an understatement of at least 2% of gross sales for any month.
Renewal Fee	\$1,000	30 days before renewal.	Payable at the time of renewal interval.



Item 7

INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE	\$185,000 (Note 1)	Lump Sum	At signing of Franchise Agreement	Ola's Exotic Coffee, Inc.
TRAVEL AND LIVING EXPENSES WHILE TRAINING	\$2,500 to \$5,000	As Incurred	During Training	Airlines, Hotels & Restaurants
REAL ESTATE & IMPROVEMENTS	(Notes 2&8)	(Notes 2&8)	(Notes 2&8)	(Notes 2&8)
SIGNS	Part of \$92,500 (Note 8)	Lump Sum	Prior to Opening	Franchisee's selected printer
MISCELLANEOUS OPENING COSTS	\$8,000 (Note 4)	As Incurred	As Incurred	Suppliers, Utilities, etc.
OPENING INVENTORY	\$8,000 (Note 5)	Lump Sum	Prior to Opening	Ola's or Vendors
ADVERTISING FUNDS 3 months	\$500	Lump Sum	Monthly	Ola's

ADDITIONAL FUNDS	\$50,000 to	As Incurred	As Incurred	Employees,
3 months	\$75,000			Suppliers,
	(Note 6)			Utilities
TOTAL	\$254,000-			
	\$281,500			
	(Note 7)			

Notes:

- (1) See Item 5 for the conditions when this fee is partly refundable. Ola's does not finance any fee. See Item 5 for initial fee requirements.
- (2) If you do not own adequate shop space, you must lease the land building for your Ola's franchise. Typical locations are light industrial and commercial areas. The typical Ola's Exotic Coffee shop has 900 -1500 square feet.
- (3) This payment is fully refundable before equipment installation. After installation, Ola's deducts \$5,000 installation costs from your refund.
- (4) Includes security deposits, utility costs, and incorporation fee.
- (5) This payment is fully refundable before Ola's delivers your inventory. After delivery Ola's deducts 10% restocking fee from your refund.
- (6) This estimates your initial start up expense. These expenses include patrol costs. These figures are estimates and Ola's cannot guarantee that you will not have additional expenses in starting the business. Your costs will depend on factors such as: how much you follow Ola's methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for Ola's product, the prevailing wage rate, competition, and the sales level reached during the initial period.
- (7) Ola's relied on its own experience in the coffee business to compile these estimates. These totals are estimates and may differ from your franchise total amount. You should review the figures carefully with a business advisor before making any decision to purchase the franchise.
- (8) Ola's does not offer direct or indirect financing to Franchisees for any items.

**Item 8**

**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase your coffee and teas from Ola's. One of the approved suppliers of other non-coffee beverages is 7up. Another approved supplier of espresso maker machines is La Spaziale. Any other items sold in the store must be pre-approved in writing by Ola's.

Item 9

FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition/lease	Section 3	Items 6 and 11
b. Pre-opening purchases/leases	Section 6	Item 8
c. Site development and other pre-opening requirements	Section 6	Items 6, 7 and 11
d. Initial and ongoing training	Section 7	Item 11
e. Opening	Sections 9 and 12	Item 11
f. Fees	Sections 6 and 4	Items 5 and 6
g. Compliance with standards and policies/ Operating Manual	Section 8	Item 11

- |    |   |                    |                 |
|----|---|--------------------|-----------------|
| h. | Trademarks and proprietary information              | Sections 14 and 11 | Items 13 and 14 |
| i. | Restrictions on products/ services offered          | Section 13         | Item 16         |
| j. | Warranty and customer service requirements          | Section 18C        | Item 11         |
| k. | Territorial development and sales quotas            | None               |                 |
| l. | Ongoing product/service purchases                   | Section 9          | Item 8          |
| m. | Maintenance, appearance and remodeling requirements | Sections 13        | Item 11         |
| n. | Insurance   | Section 22         | Items 6 and 8   |
| o. | Advertising   | Section 12         | Items 6 and 11  |
| p. | Indemnification                                     | Section 19         | Item 6          |
| q. | Owners' participation/ management/ staffing         | Sections 11, 12    | Items 11 and 15 |

r.	Records/ Reports	Section 15	Item 6
s.	Inspections/ Audits	Section 15	Items 6 and 11
t.	Transfer	Section 16	Item 17
u.	Renewal	Section 17	Item 17
v.	Post- termination	Section 18	Item 17
w.	Non- competition covenants	Sections 11, 18 and 20	Item 17
x.	Dispute Resolution	Section 21	Item 17

#### Item 10

#### FINANCING

Ola's does not offer direct or indirect financing. Ola's does not guarantee your note, lease or obligation.

#### Item 11

#### FRANCHISOR'S OBLIGATIONS

Except as disclosed below, Ola's has no requirement to provide any assistance to you. Before you open your business, Ola's will:

- 1) Within 60 days of your signing the Franchise Agreement, provide written specifications for store construction or remodeling and for all required and replacement equipment, inventory and supplies (Franchise Agreement - paragraph 6.7). See Item 8 of this Offering Circular.
- 2) Within 60 days of your signing the Franchise Agreement, train you and one other person as follows:

The training will be on the origin of Ola's coffee and tea products, customer satisfaction, marketing, sales, and profitability management. The training will last for 6 days, at our headquarters in Milpitas, California. After the completion of training, a franchise expert will be assigned to you to monitor the day-to-day operations for a 10-week period. The training will commence as follows:

Subject	Time Begun	Instructional Material	Hours of Classroom Training	Hours of On the Job training	Instructor
Product	Day 1 9a.m.	<ul style="list-style-type: none"> <li>• Familiarization</li> <li>• Placement</li> <li>• Storage</li> <li>• Handling</li> <li>• Preparation</li> </ul>	3 hours	3 hours	Ola Robert Hassan
Employees	Day 2 9 a.m.	<ul style="list-style-type: none"> <li>• Cleaning</li> <li>• Appearance</li> <li>• Uniform</li> <li>• Handbook</li> </ul>	3 hours	3 hours	Ola Robert Hassan

<b>Employees</b>	Day 3 9 a.m.	<ul style="list-style-type: none"> <li>• Contracts</li> <li>• Management training</li> <li>• Interviewing</li> <li>• Hiring/Firing</li> <li>• Team building</li> <li>• Scheduling</li> <li>• Benefits</li> <li>• Opening and Closing procedures</li> <li>• Theft</li> <li>• Point of sale training</li> </ul>	3 hours	3 hours	Ola Robert Hassan,  Patricia Osby
	Day 4 9 a.m.	<ul style="list-style-type: none"> <li>• Compliments</li> <li>• Authorized specials</li> </ul>	3 hours	3 hours	
<b>Customer Service</b>	Day 5 9 a.m.	<ul style="list-style-type: none"> <li>• Trademark protection</li> <li>• Product Placement</li> </ul>	3 hours	3 hours	Ola Robert Hassan,  Patricia Osby
<b>Marketing Sales</b>		<ul style="list-style-type: none"> <li>• Authorized Accessories</li> <li>• Local Advertising</li> <li>• National Advertisements</li> <li>• Competition</li> <li>• Sales Techniques</li> </ul>			Ola Robert Hassan,  Patricia Osby

Note: Ola's does not charge for this training or service, but you must pay the travel and living expenses for you and your attending employees. All training occurs at Ola's Milpitas, California headquarters.

Note: During the training week participants will have one day without classroom or on the job training.

During the operation of the franchised business, Ola's will:

- 1) Develop new products and methods and provide you with information about developments. (Franchise Agreement - Paragraph 10.1.)
- 2) Loan you a copy of Ola's Operations Manual which contains mandatory and suggested specifications, standards and procedures. This manual is confidential and remains Ola's property. Ola's Coffee will modify this manual, but the modification will not alter your status and rights under the Franchise Agreement. (Franchise Agreement - paragraph 8.2.) The Operations Manual Table of Contents is as follows:

- 1. Introduction..... 1
- 2. Coffee Shop Workplace Design..... 1
  - 2.1 Menu..... 1
- 3. Miscellaneous Opening Supplies..... 2
- 4. Initial Inventory..... 2
- 5. Commercial Espresso Machines & Espresso Equipment..... 3
  - 5.1. Detailed Cleaning Procedures..... 3
  - 5.2. Grinders..... 4
  - 5.3. Regular Coffee Brewer..... 4
- 6. Employees..... 5
  - 6.1 Managers Duties..... 6
  - 6.2 Hiring..... 6
    - 6.2.1 Practical Suggestions on Hiring..... 6
- 7. Daily Shop Operations..... 6
  - 7.1 Opening..... 6
  - 7.2 Closing Procedure..... 7
- 8. Advertising..... 8
- 9. Drink and Product Preparation..... 8
  - 9.1. Grinding Beans..... 8
  - 9.2. Frothing Milk..... 9
  - 9.3. Drink Recipes..... 10

Table of Contents..... i.

Each week for the first 90 days after you open your shop, Ola's will telephone you to discuss your operational problems.

Ola's will hold annual conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. There is no conference fee, but you must pay



all of your travel and living expenses. These elective conferences are held at Ola's Milpitas, California headquarters.

You may develop advertising materials for your own use, at your own cost. Ola's must approve the advertising materials in advance.

#### Item 12

#### TERRITORY

You will not receive an exclusive territory. Ola's Coffee may establish other franchised or company-owned outlets that may compete with your location.

#### Item 13

#### TRADEMARKS

You must follow Ola's rules when using these marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which Ola's licenses to you. You may not use Ola's registered name in connection with the sale of unauthorized products or services or in a manner not authorized in writing by Ola's.

#### Item 14

#### PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or copyrights are material to ownership of the franchise. Although Ola's has not filed an application for a copyright registration for the Operations Manual, it claims a copyright; and the information is proprietary. Item 11 describes limitations on the use of this manual by you and your employees. You must also promptly tell Ola's when you learn about unauthorized use of this proprietary information. Ola's is not obligated to take any action but will respond to such information as Ola's thinks is appropriate. Ola's will indemnify you for losses brought by a third party concerning your use of such information.

## Item 15

### OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Ola's has three different forms of Franchise Agreement, corresponding to three different types of franchise ownership: "Individual" (or "Owner/Operator"); "Entity;" and "Corporate."

Individual or "Owner/Operator" Ownership: An individual who signs the Franchise Agreement personally is personally responsible for operating the franchised coffee shop. This form of ownership is referred to as "Individual" or "Owner/Operator" ownership. If more than one individual is to be the Franchisee, either the "Entity" or "Corporate" forms of ownership must be utilized. A copy of Ola's current form of Franchise Agreement is attached to this Offering Circular as Exhibit B.

Entity Ownership: "Entity" ownership and management allows different forms of franchise ownership and management and equity investment in franchised businesses. Under the Entity ownership program, a corporation (not publicly traded), a limited partnership, or a limited liability company can directly execute the Entity form of Franchise Agreement (a copy of the current form is attached as Exhibit B) if it and its owners satisfy Ola's then current guidelines for approval of franchise ownership distribution plans ("Entity Guidelines"). One of the conditions for Entity ownership is that one or more individuals, designated as "Owners," must personally guarantee and be responsible for the Entity Franchisee's obligations to Ola's. One of those Owners must be designated, with Ola's approval, as the "Managing Owner" responsible for ensuring the Entity Franchisee's compliance with the Franchise Agreement and with authority to make certain decisions. All owners must sign the Franchise Agreement regardless of the percent of ownership. In addition, the Entity Franchisee and its Owners must satisfy Ola's financial and other requirements, including the then-current Entity Guidelines, Ola's may allow ownership interests in the Entity Franchise to be issued to investors, who must be personally liable to Ola's.

Corporate Ownership: Companies whose stock (or whose parent company's stock) is publicly traded and who control locations not accessible (or with limited access) to the general public may be considered as "Corporate" Franchisees who would be offered a franchise on the terms of Ola's then current form of Corporate Franchise Agreement (Exhibit B). Such Corporate Franchisees are typically food service companies that provide a variety of contract feeding services ("Contract Feeders") in a single "institutional" location (as described below) or at multiple institutional locations; or they are large net worth companies with diversified business ownership. If a Corporate Franchisee is a direct or indirect subsidiary of one or more other corporations ("Holding

Companies”), such Holding Companies must also execute the Corporate Franchise Agreement for purposes of being bound by certain of its provisions and guarantying the performance of the Corporate Franchisee’s obligations to Ola’s. A person will be appointed by Ola’s who will have certain responsibilities and authority with respect to the Ola’s Coffee operations of the Corporate Franchisee.

Definitions: Locations and Facility Types:

Institutional Locations: “Institutional locations” include governmental buildings and facilities, medical facilities, airports, train and bus stations, sports facilities, factories, corporate campuses, turnpikes, limited access toll roads, theme parks, zoos and educational facilities.

Traditional Ola’s Coffee Shop: A self-contained, full size coffee shop which is located and operated on a site as a freestanding building or within another building structure such as a shopping mall. A Traditional Ola’s Coffee shop will not share any common areas with non-Ola’s businesses and will serve the standard approved Ola’s menu.

Non-traditional Ola’s Coffee Facility: A coffee shop at a site which may also include other non-Ola’s businesses, such as retail, food service stores, gas stations, convenience stores, other franchised MRS (Modular Retail System, see below) or in-line facilities, and may or may not have dedicated seating. Ola’s does not offer for sale any other non-traditional concept or franchised business. If you are interested in establishing a non-traditional facility which encompasses other concepts, you must obtain independent information regarding those non-Ola’s coffee shop uses.

Ola’s Coffee Location (OCL): If Ola’s leases you restaurant premises (land and building), it is an “OCL.”

Business Facilities Lease (BFL): On an infrequent basis, for qualified individuals, OCL may lease an operating restaurant facility under a “Business Facilities Lease” (“BFL”) for a maximum period of 5 years. A BFL may, but does not necessarily, lead to the grant of a standard Franchise Agreement to the lessee in conjunction with a purchase by the lessee of restaurant equipment and other property at the end of the BFL term. To the extent a BFL may become available, the terms and conditions will vary depending on the circumstances. You should not assume Ola’s will be willing to offer a BFL to you. BFLs may be used to introduce qualified minority candidates to the Ola’s system.

Ola’s Coffee Ground Lease (OCG): If Ola’s leases you the land only, it is an “OCG.”

Third Party Lease (TPL): If you own or lease the restaurant premises from a third party, it is a “TPL.”

A Modular Retail System (MRS): The MRS units have limited production capability and offer a limited menu which can vary by location.

Applying for an Ola's Coffee Shop Franchise: You will become an Ola's Coffee Shop Franchisee either by developing a new Ola's Coffee Shop or by purchasing an existing Ola's Coffee Shop that is owned by Ola's or by another Franchisee. Ola's has the absolute discretion and right to approve or disapprove your application or the contemplated transaction. Ola's will decide whether or not to approve your application based upon several factors, including your experience, qualifications, financial status, net worth and the availability of opportunities for development of new coffee shops in the relevant geographic area.

In order to apply for an Ola's franchise you must complete and submit a Franchise Application (current form is in Exhibit "A"). If you are already a Franchisee, you must complete the Multiple Franchise Application, which includes a General Release. THE PROCESSING OF YOUR APPLICATION CANNOT BEGIN UNTIL ALL INFORMATION HAS BEEN SUBMITTED AND CONFIRMED.

Your submission of a Franchise Application authorizes Ola's to obtain a credit check on you and to check your records with the Department of Motor Vehicles and the courts. All information received from these confirmations will be held in confidence and will be made available to the applicant upon request. A separate Franchise Application must also be submitted for any entity proposed to have an interest in the franchise.

You must successfully complete Ola's initial interview process, which may take place locally or in Milpitas. If there is continuing mutual interest following these interviews, you must complete an orientation that is conducted at either a designated company owned coffee shop, or, if possible, at a Franchisee-owned shop within the general area of your residence. This orientation must be completed and will be a major factor in Ola's determination of your likely suitability for operating a franchised Ola's Coffee Shop.

After you complete the orientation, Ola's will advise you whether you may proceed to the next stage of training in the application and approval process. If you successfully complete the next stages of training, on which Ola's bases its preliminary "operational" assessment, Ola's may offer you the opportunity to open a franchise.

When you have found a site at which you want to develop a coffee shop, you must submit a "Site Approval Package" in a form prescribed by Ola's. Ola's will review the Site Approval Package and accept or reject the proposed site in its sole discretion. If Ola's approves the proposed site in writing ("Site Approval"), you may proceed to secure the proposed site. YOU SHOULD NOT LEASE, PURCHASE OR OTHERWISE COMMIT FINANCIALLY TO A POTENTIAL SITE UNTIL YOU HAVE RECEIVED

WRITTEN SITE APPROVAL FROM OLA'S. Any such unauthorized commitment is made at your sole risk.

Regardless of whether Ola's grants site approval, Ola's makes no representation about the suitability, viability or potential sales at any site. Site approval is granted or denied by Ola's based on its own business interests, and you must make your own business judgment about any potential site.

You must construct, equip and furnish the coffee shop at the approved site in accordance with plans and specifications approved by Ola's. Ola's approval of such plans and specifications is for its own purposes. You are responsible for ensuring that your coffee shop is constructed, equipped and furnished in a manner that complies with all applicable local laws, regulations, codes and additional requirements.

Approximately (1) month before the planned opening of the coffee shop, you will receive an execution copy of the Franchise Agreement and will be required to return the signed Franchise Agreement and the balance of the required Franchise Fee.

THE PROCESS OF APPLYING FOR A FRANCHISE, OBTAINING NECESSARY APPROVALS (INCLUDING THE COMPLETION OF TRAINING), AND DEVELOPING A COFFEE SHOP TAKES A SUBSTANTIAL PERIOD OF TIME AND INVOLVES RISKS. IF YOU CHOOSE TO MAKE CHANGES IN YOUR EMPLOYMENT STATUS, FINANCIAL ARRANGEMENTS OR LIFESTYLE IN ANTICIPATION OF OBTAINING FRANCHISE APPROVAL FROM OLA'S OR OF OPENING YOUR COFFEE SHOP AFTER YOU HAVE OBTAINED PRELIMINARY APPROVAL, YOU DO SO AT YOUR OWN RISK. DO NOT MAKE SUCH DECISIONS WITHOUT CAREFUL THOUGHT.

Ola's approval of your application for a franchise does not ensure the success of your franchised Ola's Coffee Shop. Your success will depend upon your own ability as an independent businessperson and on other factors. Ola's makes no representation or warranty as to your success. No employee or representative of Ola's is authorized to make any such representations or warranties. You should make an independent investigation regarding the purchase of an Ola's Coffee Shop and use of the Ola's System. You should visit and speak to existing Franchisees and obtain the advice of an attorney and an accountant who have franchise relations and ownership experience.

## Item 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Ola's requires you to offer and sell only those goods and services that Ola's has approved (See Item 9).

You must offer all goods and services that Ola's Coffee designates as required for all franchisees. These required services are beans, bean grinding and hot, to go coffee and tea items. Only Ola's brand of coffee can be used in your shop unless prior written approval is given otherwise (See Item 8).

Ola's has the right to add additional authorized services that you, the franchisee, are required to offer. There are no limits on Ola's right to do so except that the investment required of a Franchisee (for equipment, supplies and initial inventory) will not exceed \$5,000 per year.

## Item 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise 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	Section 17	Term is 5 years
b. Renewal or extension of the term	Section 17	If you are in good standing you can add additional term equal to the renewal term of lease (5 years)
c. Requirements for you to renew/extend	Section 17	Sign new agreement pay fee, remodel and sign release
d. Termination by You	Section 18	Franchisee has 30 days after giving default notice.

- |   |            |   |
|---|------------|---|
| e. Termination by Ola's without cause               | None       |   |
| f. Termination by Ola's with cause                  | Section 18 | Ola's can terminate only if Franchisee defaults.  |
| g. "Cause" defined - defaults which can be cured    | Section 18 | You have 30 days to cure: non-payment of fees, sanitation problems, non-submission of reports and any other default not listed in Section 21A |
| h. "Cause" defined - defaults which cannot be cured | Section 22 | Non-curable defaults: conviction of felony, repeated defaults even if cured, abandonment, trademark misuse and unapproved transfers           |
| i. Your obligations on termination/renewal          | Section 18 | Obligations include complete de-identification and payment of amounts due (also See "r" below)  |
| j. Assignment of contract by Ola's                  | Section 16 | No restriction on Ola's right to assign   |
| k. "Transfer" by you - definition                   | Section 16 | Includes transfer of contract or assets or ownership change   |
| l. Ola's approval of transfer by Franchisee         | Section 16 | Ola's has the right to approve all transfers but will not unreasonably withhold approval  |



m. Conditions transfer for Ola's approval of transfer	Section 16	New Franchisee qualifies, fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new Franchisee (also see r, below)
n. Ola's rights of first refusal to acquire your business	Section 16	Ola's can match any offer for purchase of the Franchisee's business
o. Ola's option to purchase your business	Section 16	Ola's has 30 days to purchase after a proposed transfer.
p. Your death or disability	Section 16	Franchise must be assigned by estate to approved buyer within 3 months of death
q. Non-competition covenants during the term of the franchise	Section 20	No involvement in competing business anywhere in U.S.A.
r. Non-competition covenants after the franchise is terminated or expires	Sections 20	No competing business for two years within 20 miles of another Ola's Coffee franchise (including after assignment)
s. Modification of the agreement	Section 23	No modifications generally, but Operating Manual is subject to change
t. Integration/ merger clause	Section 21	Only the terms of the franchise agreement are binding (subject to state law). Any other promises may not be enforceable.



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|---|------------|---|
| u. Dispute resolution by arbitration or mediation | Section 21 | Except for certain claims, all disputes must be arbitrated in the arbitration district for Milpitas, California |
| v. Choice of forum                                | Section 21 | Litigation must be in Santa Clara County, California  |
| w. Choice of law                                  | Section 21 | California law applies  |

#### **Item 18**

#### PUBLIC FIGURES

Ola's does not currently use any public figure to promote its franchise.

#### **Item 19**

#### EARNINGS CLAIMS

Ola's does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of an Ola's Coffee franchise. Actual results vary from unit to unit and Ola's Coffee cannot estimate the results of any particular franchise.

#### **Item 20**

#### LIST OF OUTLETS

- A. There are no other franchises of a type substantially similar to those offered.
- B. Not applicable
- C. See Projected Openings Chart below.
- D. Not applicable.
- E. Not applicable.

PROJECTED OPENINGS  
AS OF DECEMBER 31, 2004

STATE	PROJECTED FRANCHISE AGREEMENTS SIGNED BUT STORE NOT OPEN	PROJECTED FRANCHISED NEW STORES IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR
Florida			
Arizona			
Illinois			
California			
Colorado			
Nevada			
Texas			
Georgia			
Montana			
<b>Total</b>		<b>15</b>	

Item 21

FINANCIAL STATEMENTS

See Uniform Registration Application (Exhibit A)

Item 22

CONTRACTS

See Uniform Registration Application (Exhibit A)

Item 23

RECEIPT

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

IF OLA'S OFFERS YOU A FRANCHISE, OLA'S MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OLA'S FRANCHISE; OR
- (2) TEN BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR
- (3) TEN BUSINESS DAYS BEFORE A PAYMENT TO OLA'S COFFEE.

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

IF OLA'S COFFEE DOES 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 CALIFORNIA DEPARTMENT OF COPORATIONS.

Ola's authorizes Ola Robert Hassan at 187 South Main, Milpitas, California to receive service of process for Ola's. This Offering Circular includes the following exhibits:

- A. FRANCHISE REGISTRATION APPLICATION
- B. FRANCHISE AGREEMENT
- C. CERTIFICATION
- D. CORPORATE ACKNOWLEDGEMENT
- E. UNIFORM CONSENT TO SERVICE OF PROCESS
- F. SALES AGENT DISCLOSURE FORM
- G. GUARANTEE OF PERFORMANCE

Date: \_\_\_/\_\_\_/\_\_\_\_\_ Franchisee:\_\_\_\_\_