

## The Business Advantages of This Partnership: It's All About Leverage

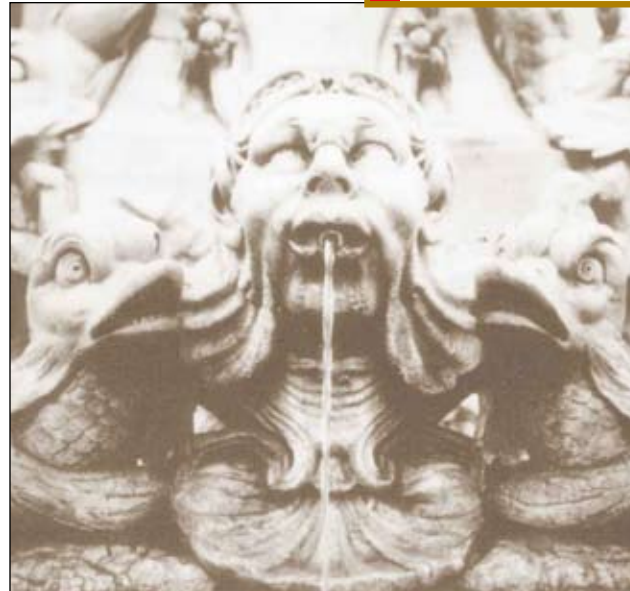
TORREFAZIONE ITALIA AND STARBUCKS BOTH HAVE SPECIFIC STRENGTHS AND AREAS OF EXPERTISE WHICH, WHEN COMBINED, HELP CREATE A BRIGHT FUTURE FOR THIS CONCEPT. Torrefazione enjoys the opportunity to leverage the very best practices from Starbucks, including concept design, ergonomics, engineering, and business modeling. Both companies share many years of experience in establishing relationships with and buying products from some of Italy's best manufacturers. Existing Torrefazione Italia cafes already have in place an efficient menu system with authentic Italian beverages and recipes that are easy to prepare and serve and can be quickly implemented in the new cafes.

Given these respective strengths, it is possible to quickly develop a plan that will move us from the current situation of 21 cafes to the successful opening and operation of several new Torrefazione Italia cafes. The

current vision is to design, develop, and build the new Torrefazione Italia concept in such a way that it is clearly differentiated from Starbucks, thus creating a distinctive, attractive, and profitable new addition to the corporate portfolio. Correctly executed, this expansion will create a new category that is both sustainable and scalable, and will soon become a valuable asset to the corporation.

### Opportunities for Capturing New Market Share

MORNING	NOON	EVENING
<b>Coffeehouses/Cafes</b> Starbucks Independents Chains <b>Bakeries</b> Ala Francais Panera <b>Restaurants</b> Breakfast Independents Fast Food Chains	<b>Coffeehouses/Cafes</b> Starbucks Independents Chains <b>Bakeries</b> Ala Francais Panera <b>Delis</b> Independents <b>Restaurants</b> Lunch Sandwich Quick Serve Independents	<b>Coffeehouses/Cafes</b> Starbucks Independents Chains <b>Ice Cream</b> Cold Stone Creamery Baskin Robbins Gelatiamo/Independents <b>Dessert</b> Dilettante / Chocolate Bars <b>Restaurants</b> Bistros Bars
<b>TORREFAZIONE ITALIA ADVANTAGE</b> <b>MORNING</b> <b>6:30 - 9:30AM:</b> Features authentic Italian coffeehouse menu and presentation, targeting up-scale coffee connoisseurs. The Simple breakfast menu includes items that range from sweet to savory that are hand-held and portable.	<i>We see the incremental opportunity for revenue in two day parts that are not consistently well served by the premium end of this category. The first is breakfast, from 6:30-9 am; the second is after work and early evening from 4-8 pm.</i>	<b>TORREFAZIONE ITALIA ADVANTAGE</b> <b>EVENING</b> <b>4 - 8 PM:</b> The Italian-inspired late-afternoon and evening menu offers freshly prepared light fare, including antipasto and desserts, served with coffee, wine or beer.

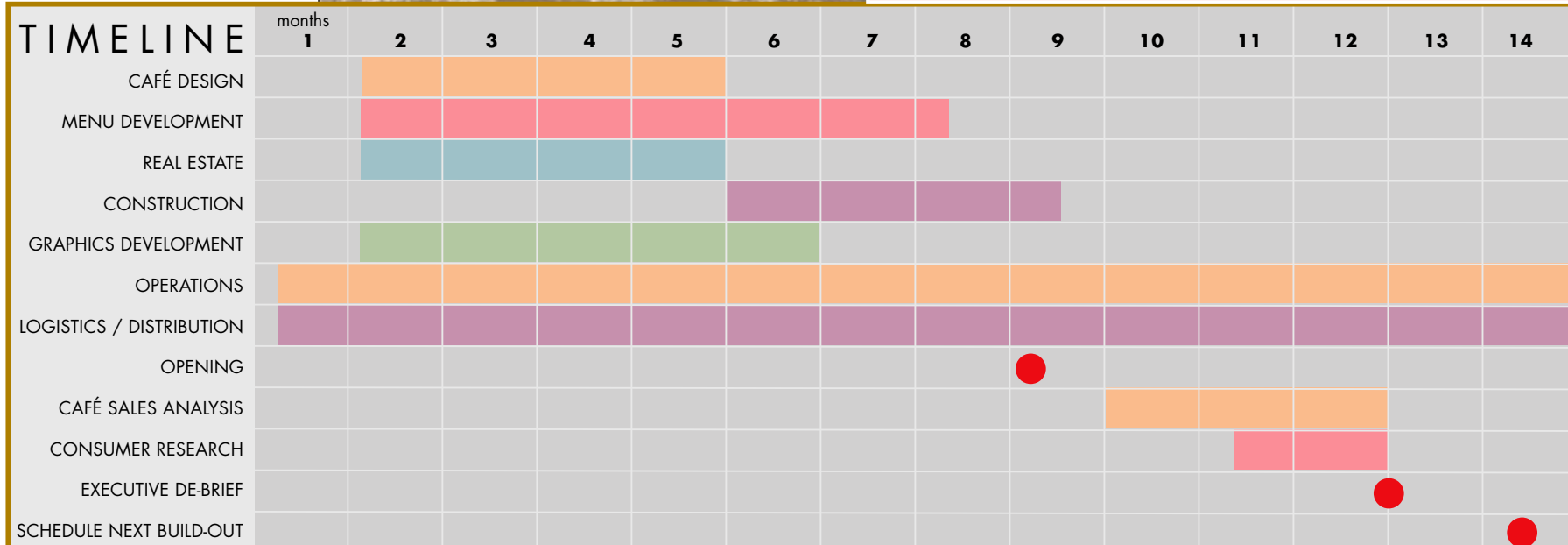


## The Big Payoff: A Glimpse Into Il Futuro

As Project Perugia unfolds, we anticipate a very bright future that by 2009 could include:

- 000-050 new cafes
- \$000-000 MM in sales
- \$00-000MM profit contribution
- 00-00% profit contribution percentage
- \$000-000MM required investment capital.

We expect the project will be self-funding by the year 2010.



# La CREMA

della TORREFAZIONE ITALIA CAFFÈ



A New Era Begins for Torrefazione Italia



A Concise History of Coffeehouse Culture



Coming Soon: Your Own Private Italy



# L'Antica Tradizione, Il Giorno Nuovo.

An ancient tradition, a new day.

# from the Editors

In the grand tradition of Italian explorers, allow us to introduce you to a whole New World.



We have developed a plan that starts with the existing Torrefazione Italia cafes and creates a new retail coffee concept that will become a unique and exciting addition to the Starbucks portfolio of companies. This plan delivers sustainable, scalable, and incremental value in a new business category, puts us ahead of any competitors who are trying to establish a foothold in that category, and builds a brand platform for developing premium wholesale, grocery, and retail business.

## My Only Regret In Life Is That I Haven't Spent More Time Drinking Espresso With My Friends

EUROPEANS HAVE BEEN IN LOVE WITH COFFEE SINCE ITALIAN MERCHANTS FIRST BROUGHT IT TO THE CONTINENT OVER 400 YEARS AGO. According to the food historian Alexander Dumas, the first recorded mention of coffee in Europe was made by Prosper Alpin of Padua, in a letter to Jean Morazini, written as he was accompanying the Venetian consul to Egypt in 1580. Venetians brought the delicious beverage home and the first coffeehouse in Europe opened in Venice in 1640.

The passion for enjoying good coffee in congenial surroundings traveled from Italy to France, and it eventually found its way, via Italian immigrants, to America in the late 1800's. From Brooklyn (or "Bruculinu" as the immigrants called it) to Berkeley, authentic Italian-American coffeehouses and restaurants became an essential part of urban life, creating a love and appreciation for Italian food and culture that thrives today.

Torrefazione Italia is a continuation of the ancient and richly textured coffee house tradition that has drawn patrons to the great

coffeehouses for four centuries. And the key to it all is serving excellent coffee prepared with respect for quality and attention to detail. Every espresso made here is crowned with that essential golden crema and every espresso beverage is personalized by the barista with a distinctive signature design in the foam that is the mark of our dedication to the art of coffee.

This, of course, can only happen when there are dedicated baristi behind the counter. The profession of barista is a respected and honored calling in Italy. The same is true at Torrefazione. Our baristi understand how important well-made espresso is to our customers. They understand the love of good food and congenial surroundings. They are hip, friendly and attired in the traditional uniform of the professional baristi: white shirt and tie with a black apron. They make it their business to understand how to make perfect espresso and cappuccino and to know enough coffeehouse Italian to infuse their technique, conversation, and service with that unmistakable Italian style.

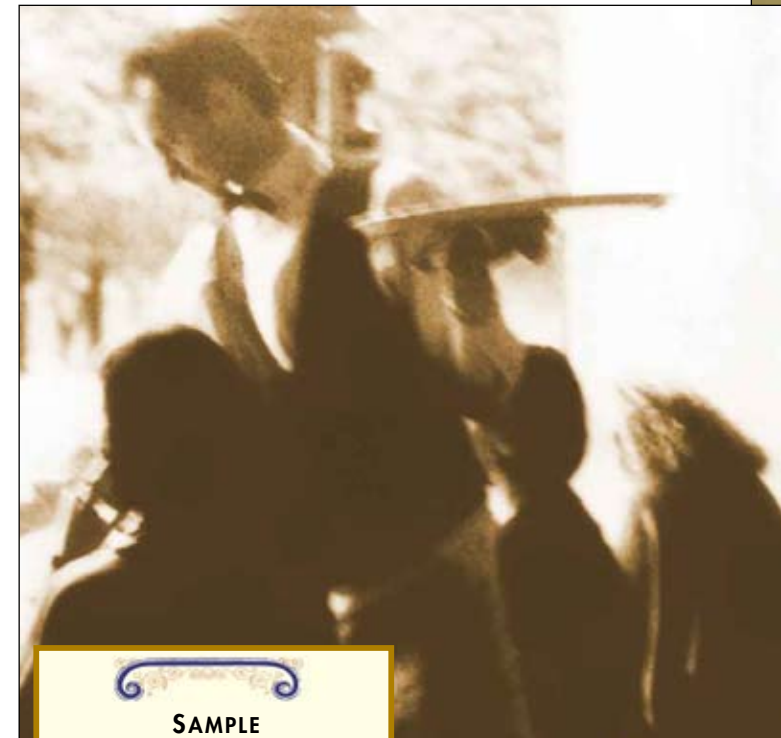


## Torrefazione Italia, Your Own Private Italy

ALTHOUGH IT SOMETIMES SEEMS SO, ITALIAN CULTURE WAS NOT INVENTED IN COFFEEHOUSES. But it has been kept alive there. And that goes a long way toward explaining the popularity of Italian coffeehouses, especially here in America among people who value good food, good coffee and good company. It is often said that "important

decisions are made at Torrefazione Italia". Looking around at the crowd gathered it isn't hard to imagine.

Coffeehouses are the best of all places to meet for contemplation, conversation, relaxation, and stimulation. They are gathering places for poets, writers, politicians, philosophers, and businessmen

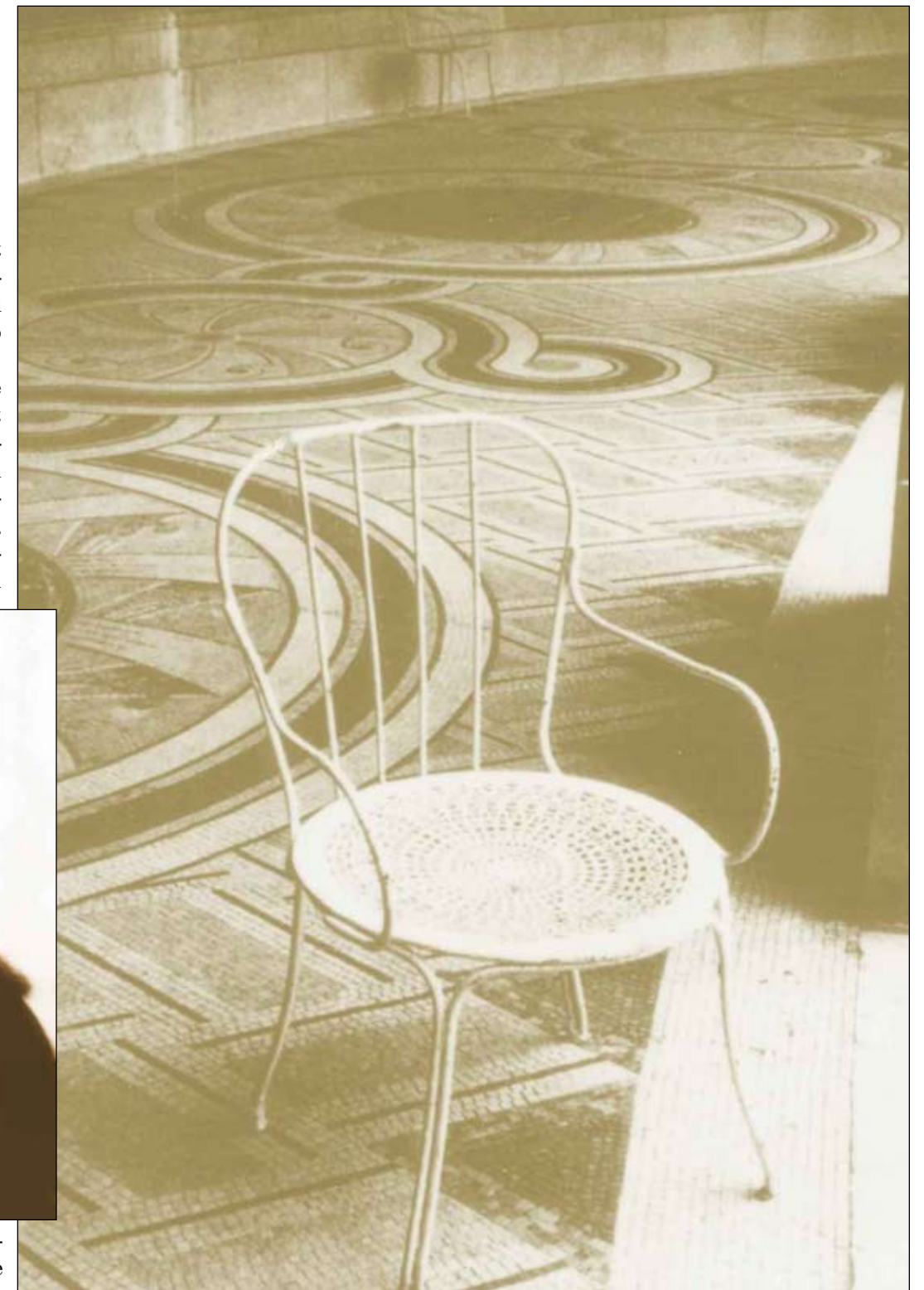


### SAMPLE SELECTIONS FROM THE TORREFAZIONE ITALIA ESPRESSO MENU

- Espresso
- Espresso Macchiato
- Espresso con Panna
- Espresso dello Zio
- Espresso Shakerato
- Espresso Affogato
- Caffé Americano
- Latte Macchiato
- Cappuccino
- Caffé Latte
- Caffé Moka

where friends and strangers trade quips, recite poetry, exchange information, gossip, and conduct business. The famous Cafe Procope in Paris (created, naturally, by a Sicilian) became one of the first to begin displaying the latest political news and serving light meals, ice cream, and other delicacies to its patrons.

At Torrefazione Italia, we are dedicated to preserving and promoting that tradition. We are steeped

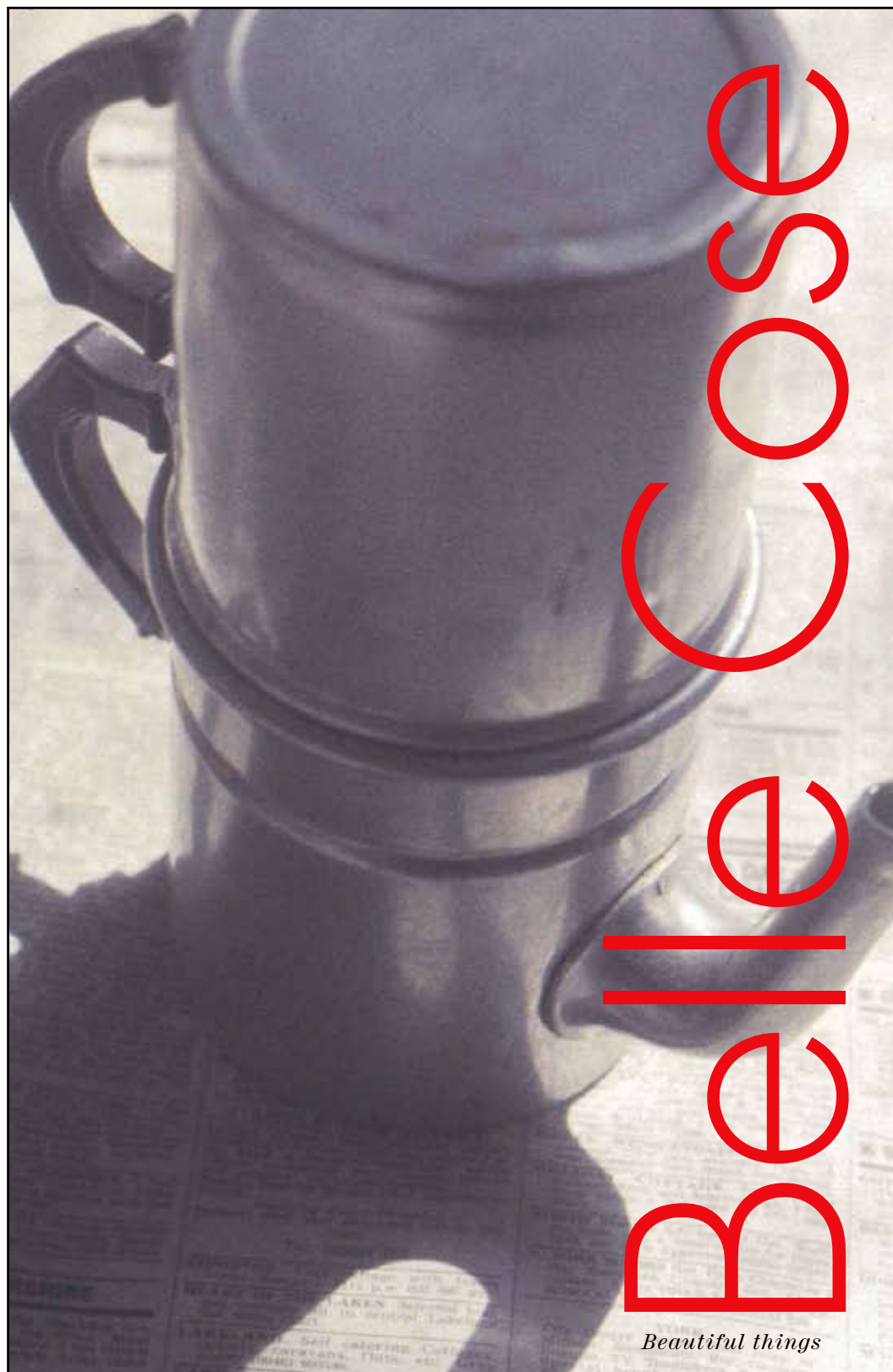


in the authentic Italian atmosphere that all other coffeehouses try to capture with varying degrees of success. While Starbucks has taken the Italian coffeehouse culture and made it uniquely and successfully American, Torrefazione Italia remains unabashedly Italian in design, ambiance, and fare. It's the coffeehouse of choice for those who love

all things Italian.

Like the earliest coffeehouses, Torrefazione Italia cafes have their own particular style but reflect their surroundings in subtle and appropriate ways so that they blend in effortlessly and feel as if they have been there forever. The typical location will be a fashionable urban neighborhood that provides a seven-days-a-week traffic

pattern. Each location, while remaining true to authentic Italian design and the basic conventions of the brand, will have its own distinctive feel depending on the character of its neighborhood. Some will seem more modern, others more traditional in style, but they will all possess the unmistakable flavor and authentic culture that is Torrefazione Italia.



Beautiful things



## A Movable Feast

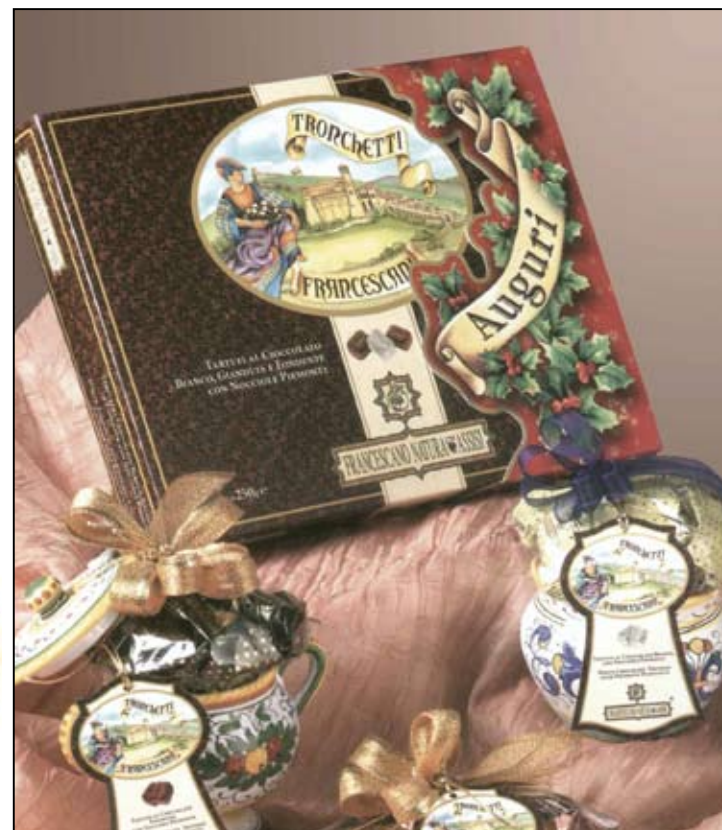
THE ATMOSPHERE AT TORREFAZIONE IS SO SEDUCTIVE AND SATISFYING AND EVOCATIVE OF EVERYTHING THAT IS WONDERFUL ABOUT ITALY, that our customers often want to bring some of that magic home with them. In order to oblige this craving, we sell a distinctive selection of beautiful, charming, and unusual products from Italy, many of which will be available exclusively at Torrefazione Italia:

- Distinctive hand-painted ceramic mugs, plates, serving platters and candlesticks



- Exquisitely packaged Italian biscotti, cakes, pastries, and chocolates
- Top-of-the line brewing equipment
- Hand-made paper, stationery, postcards and writing implements
- Beautiful and unusual toys.

Our many years of experience in locating, buying, and artfully merchandising the best and most beautifully packaged Italian products assures that our gifts, brewing equipment, and packaged food offerings will become a seamless and attractive part of the cafe ambiance.



## What We Serve, Besides Authentic Italian Ambiance and Beautiful Espresso



In order to ensure cost-efficient operation and a consistently high-quality experience for our guests, every item on the Torrefazione Italia menu will meet these three criteria:

1. It will be produced by a third party.
2. It will be delivered through a standard distribution system.
3. Preparation and presentation will be simple enough to be performed by an entry-level barista.

ALTHOUGH COFFEE IS A BEVERAGE THAT MANY PREFER TO SAVOR ON ITS OWN, COFFEE DOES LOVE FOOD. Food, after all, is edible culture. What people choose to eat is the most immediate and powerful expression of any culture. The true test of whether or not an establishment serves authentic cuisine or coffee is if you were taken there blindfolded and tasted the fare, would you be able to tell where you are. That's what makes the food is such an important part of Torrefazione Italia because together with the coffee, it defines the Torrefazione experience. And that's also why

everything we serve is attractive, fresh, delicious, and authentically Italian in preparation or origin. Especially the coffee. The founders of Torrefazione Italia have been roasting and blending coffee in Italy for more than two generations and here in America for the past 18 years. The different blends of our exclusive coffee line are named for Italy's best-loved cities and are inspired by the coffee-drinking preferences of each region. The flavor and tradition of authentic Italian culture is brewed into every cup.



### SAMPLE SELECTIONS FROM THE TORREFAZIONE ITALIA MENU

#### Prima Colazione • Breakfast

- |   |   |
|---|---|
| Assorted Cornetti e Pasticcini<br>Assorted European breakfast pastries  | Crepes con Cipolle Caramelizzate, Pancetta, e Fontina<br>Crepes filled with caramelized onions, pancetta and fontina cheese |
| Cornetto con Prosciutto Cotto, Spinaci, e Fontina<br>Croissant filled with prosciutto cotto, spinach and fontina cheese | Crespelle con Ricotta Fresca, Fragola, e Banana<br>Crepes filled with fresh ricotta, strawberries and banana                |
| Yogurt con Frutta<br>European style yogurt with fresh seasonal fruit  |   |

#### Pranzo • Lunch

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|---|--|
| Insalata • Salad  | Panini • Sandwiches  |
| Panzanella<br>Grilled bread, mozzarella, artichoke hearts, olives, tomatoes, red onions, and parsley        | Michelangelo<br>Turkey breast, chicken, provolone cheese, and spinach with pesto   |
| Insalata di Finocchio<br>Fennel, roma tomatoes and fresh orange with citrus vinaigrette                     | Cristoforo Colombo<br>Tuna, artichoke hearts, sun-dried tomatoes, olives, red onions and capers in balsamic vinaigrette topped with baby spinach |
| Insalatina di Tonno<br>Canellini beans, tuna, parsley, tomatoes, and celery with white balsamic vinaigrette | Casanova<br>Whole milk mozzarella, arugula, and roma tomatoes with pesto   |

#### Antipasti • Appetizers

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|---|--|
| Antipasto TI<br>Assorted cheeses, cured meats, and marinated vegetables                                       | Salumi Misti<br>Assorted cured meats                     |
| Bresaola, Arugula, e Parmigiano Reggiano<br>Cured beef, arugula, shaved parmigiano, and olive oil with lemons | Bruschette Miste<br>Grilled bread with assorted toppings |
|   | Vini e Birra<br>Wine and beer                            |

#### Dolci • Desserts

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|--|---|
| Tiramisu<br>Lady fingers soaked in espresso and liquor with mascarpone cheese                          | Mangia e Bevi<br>Gelato and fresh fruit                         |
| Crespelle Dolci con Gelato e Cioccolato Fondente<br>Crepes topped with gelato and dark chocolate sauce | Biscotti con Vin Santo<br>Italian cookies with dessert wine     |
|  | Fonduta di Cioccolato<br>Dark chocolate fondue with fresh fruit |





**Our Customers Are Hardly "Typical," But Here is a General Profile**

The people who frequent Torrefazione Italia are usually urban adults, 25 to 45 years old. A slight majority of them are female. They are college educated and enjoy a household income of \$75,000 or more. They are discriminating and loyal and most of them tend to visit anywhere from 12 to 22 times a month.



**A profile of a typical Torrefazione Italia location looks something like this:**

Size:	2100-2700 sq.ft.
Seating:	70-90 patrons
Annual sales target:	\$000k-0.0M
Free cash flow:	00-00%
Build-out cost:	\$00-000k
Cash on cash return:	00-00%
Investment ratio:	00-00%

**Creating The Brand: It's All About Style**

TORREFAZIONE ITALIA POSTERS AND PROMOTIONAL EFFORTS WILL BE DONE IN A STYLE THAT CELEBRATES THE ITALIAN ROOTS OF THE BRAND. The unique merchandise and careful visual presentation, combined with the frequency of customer visits, diminishes the need for excessive and intrusive merchandising graphics. In keeping with the Italian style, the communication will be subtle and succinct; this concept is not suited to a hard-sell approach.

In addition to recognizing American holidays, our seasonal promotions will celebrate traditional Italian holidays such as Giorno della Donna, Giorno della Mama and Pasgra (Easter eggs).

**The Torrefazione Italia Promise**

**QUALITY, AUTHENTICITY AND PRESENTATION OF ESPRESSO AND FOOD WILL BE THE PRIMARY POINTS OF DIFFERENCE FOR THE BRAND.** The customer experience will be true to Italian heritage in every way, from food to cafe design. The artful, handcrafted, sophisticated atmosphere and careful attention to detail will enhance our customers' sense of themselves as *conoscenti*. In order to bring this vision to life, we promise our guests:

- Perfect espresso beverages every time.*
- Every beverage will be finished on the bar in front of the guest and served in Italian ceramic ware.*
- The food will always be fresh and delicious traditional Italian fare.*
- Merchandise will be high quality and authentically Italian.*

**From Customer Experience to Operations, Everybody Wins**

The plan for the new era of Torrefazione Italia has been designed to provide a satisfying experience and optimum benefits to everyone involved. Our guests will enjoy spending time in surroundings that are warm, comfortable, attractive, and uniquely Italian. The operations have been streamlined and simplified so that operators are able to provide an authentic Italian flavor in an uncomplicated, straight-forward style. Espresso and other beverages are prepared simply and traditionally, without a lot of extra ingredients and unnecessary embellishments. Food service will also be quick and simple, in the classic Italian coffeehouse style, taking advantage of previously prepared items that need only a few final touches before they are presented to the guest.

Actually, the Italian coffeehouse style of operations and service is an old idea that's new again. The segment now known as "quick-casual," where customers order at the coun-

ter, is similar to what coffeehouses have been doing for years and we plan to continue doing it for many more. The only difference is that we will provide table service to our guests after

they have ordered and we will extend the food and beverage service into the evening hours to attract more customers. On-premise dining will become an important source of revenue.

**RESTAURANT REVIEW**

**It's More Than an Espresso, It's a Little Journey to Italy**

Some places just blend in and become part of your everyday life. And some places take you out of your everyday life. Torrefazione Italia cafe is one of those places. The first time I went there I was with a friend who told me that they made a real cappuccino, just like the one I had in Italy. He was right about the coffee and the presentation was even more impressive. We ordered at the espresso bar and when the barista placed my cappuccino in front of me, it was topped with a perfect cap of foam decorated with a heart-shaped design and was served on an oval Deruta plate along with a beautifully wrapped piece of Italian chocolate and a chaser of sparkling water in a shot glass! It was a little trip to Italy right there on the plate!

But that wasn't my first clue that Torrefazione Italia is no ordinary coffeehouse. Just walking in the front door is a sensual pleasure. As I stepped over the threshold I noticed the amazing terrazzo floor and then looked back up to see a curved glass shelf filled with gleaming espresso makers, hand-painted ceramic ware, artfully wrapped boxes of imported cookies, and

beautiful stationery. Even the handmade paper from Venice looked good enough to eat. Well, I should probably admit that the aroma from the fresh crepes they were cooking just behind the next counter may have had contributed to that sensation.

The thing that strikes you immediately, before you even sit down here, is how this place looks like it has been here forever. After ordering my coffee, I stood at the serving bar and decided where we should sit. There were the elegantly curved banquettes with little tables for food and beverages, individual window seats ideal for enjoying a coffee while taking in the passing parade, and larger tables for people who want to linger over lunch or a plate of antipasto in the evening.

Before I had time to completely soak up the atmosphere, my coffee was ready so we chose a table at the banquette, which offered the best view of the other tables. Although this place is so well designed that it feels exactly like an upscale Italian coffeehouse, the mood is very relaxed and casual. I've never felt so at home and comfortable in such handsome sur-

roundings. When the waiter asked if we would like another coffee we ordered two more and then it was time for lunch so we decided to stay and eat.

The food was simple, beautiful, authentically Italian, and served with unpretentious yet professional style. My salad was arranged like a little still-life painting and tasted as fresh and delicious as it looked. The plate of cheese and cured meats we ordered we also nicely presented and the dessert was a lemon gelato that sparkled on the palate. What started out as coffee break with a friend turned into one of the most delightful afternoons of my life.

There was no doubt as I left that I would be coming back again and Torrefazione Italia would become one of my most treasured places in the city. In fact, in the interest of full disclosure, I should tell you that I am writing this while sitting at my favorite window table as I enjoy my second perfect espresso, delivered to me by a waiter who now knows me by name. Torrefazione Italia has won me over completely. Does anyone know a good place to take Italian lessons?

**It's Not Just What's on the Table that Matters, It's What's on the Chairs.**

OUR CUSTOMERS CHOOSE TORREFAZIONE BECAUSE IT OFFERS AN AUTHENTIC AND TIME-HONORED CULTURAL TRADITION OF QUALITY AND ATTENTION TO DETAIL. Many of them come here because they love and appreciate all things Italian, which Torrefazione offers in abundance. But many of them also come here because, whether or not they care about Italian culture, they do care about taste, quality, and simpatico surroundings. These people are intensely loyal to what they value and they're willing to pay a premium for what they find

here because they know that this combination of qualities can't be found anywhere else.

Exceptionally high quality of food and beverages, enhanced by informal but efficient service are the hallmarks of the traditional Italian cafe experience and that's what our customers expect when they come here. They expect that the presentation will be flawless but not fussy. They come here to relax, unwind, look around, talk with other patrons or just linger over a great cup of coffee and enjoy a quiet moment in beautiful, comfortable, and congenial

surroundings.

They are proud of the care they have taken to choose and visit this place often enough to become recognized and welcome patrons. They appreciate the sense of tradition and craftsmanship that is expressed by the style of service, the authentic Italian ceramic ware, and the simple but sophisticated fare. Torrefazione Italia appeals to those customers who care about setting themselves apart from the mainstream. They are, as the Italians say, "conoscenti" which means "the knowing ones", people of superior knowledge and taste.

