



QUALITY FAST FOOD

THE POMO GROUP INC. LAKE COMO NEW YORK

The Pomo Group, Incorporated

Executive Summary	6
Business Model	6
Market Potential	6
Sustainability	9
Competitive Advantage	9
Mission	10
Location.....	10
Objectives	10
Keys to Success.....	11
Financial Summary	11
Start-up Funding.....	11
Table: Projected Business Startup Costs 2010	12
Chart: Financial Highlights	12
Future Plans.....	12
Company Summary.....	13
Overview.....	13
Franchising	13
Pomodora con basilica	15
Potential Location	15
Restaurant Interiors.....	15
Proposed Layout.....	16
Business Model	17
The Franchise Opportunity	18
Market Analysis Summary	19
Target Market Profile	19
Neighborhood Profiles	20
Manhattan	20
Franchising and Intellectual Property Overview.....	21
Chart: Market Segmentation	22
Chart: Projected Revenue to 2015	22
Fast Food Industry Definition	23
Main Activities	23
Industry Summary	23
Tables: Industry Statistics and Key Facts 2010	23
Industry Segmentation.....	24
Products and Services Segmentation.....	24
Chart: Product and Services Segmentation	24
Major Market Segments	25
Chart: Major Market Segments.....	25
Factors Influencing the Industry	25
Demand Determinants	26
Cost Structure Benchmarks.....	27
Table: Cost Structure.....	27
Investment Requirements	27
Barriers to Entry.....	27
Structural Risk Index	28

Chart: Structural Risk Index.....	28
Technology and Systems	29
Industry Life Cycle	29
Life Cycle Stage.....	29
Life Cycle Reasons.....	30
Market Characteristics and Industry Conditions.....	30
Tables: Market Characteristics and Industry Conditions	30
SWOT Analysis	30
Industry Outlook	31
Table: Projected Revenue to 2015.....	31
Competitive Analysis	32
General Business and Consumer Environment.....	32
Economic Sector Concentrations	32
Table: Economic Sector Concentrations.....	32
Market Area.....	32
Table: Personal Income Breakdown (IRS Reporting Units)	33
Competitive Market Concentrations and Vitality	33
Industry Market Size and Projections.....	34
Market Analysis and Business Valuation Benchmarks.....	35
Competitive Summary.....	35
Table: Competitive Indicators: Local Industry Market to National Industry.....	35
Table: Competitive Analysis Table	36
Strategy and Implementation Summary.....	37
Strategy	37
Business Development Strategy	37
Marketing Strategy	37
Franchise Promotion.....	37
Sales Forecasts	38
Sales Forecast Scenario One.....	39
Table: Sales Forecast.....	39
Chart: Monthly Sales.....	39
Chart: Annual Sales	40
Sales Forecast Scenario Two.....	40
Table: Sales Forecast.....	40
Chart: Monthly Sales.....	41
Chart: Annual Sales	41
Sales Forecast Scenario Three.....	42
Table: Sales Forecast.....	42
Chart: Monthly Sales.....	43
Chart: Annual Sales	43
Balanced Scorecard Financial Metrics.....	45
Table: Balanced Scorecard Financial Metrics.....	45
Company Complexity	46
Financial Plan	49
Scenario One Financials.....	50
Chart: Financial Highlights	50

The Pomo Group, Incorporated

Break-even Analysis.....	50
Table: Break-even Analysis	50
Chart: Break-even Analysis	50
Key Financial Indicators.....	51
Chart: Benchmarks	51
Cash Flow	51
Table: Cash Flow	51
Chart: Cash Flow	52
Profit and Loss.....	52
Table: Profit and Loss	52
Chart: Profit Monthly	53
Chart: Profit Yearly	53
Chart: Gross Margin Monthly.....	54
Chart: Gross Margin Yearly.....	54
Balance Sheet.....	55
Table: Balance Sheet	55
Scenario Two Financials.....	56
Chart: Financial Highlights	56
Break-even Analysis.....	56
Table: Break-even Analysis	56
Chart: Break-even Analysis	56
Key Financial Indicators.....	57
Chart: Benchmarks	57
Cash Flow	57
Table: Cash Flow	57
Chart: Cash Flow	58
Profit and Loss.....	58
Table: Profit and Loss	58
Chart: Profit Monthly	59
Chart: Profit Yearly	59
Chart: Gross Margin Monthly.....	60
Chart: Gross Margin Yearly.....	60
Balance Sheet.....	61
Table: Balance Sheet	61
Scenario Three Financials.....	62
Chart: Financial Highlights	62
Break-even Analysis.....	62
Table: Break-even Analysis	62
Chart: Break-even Analysis	62
Key Financial Indicators.....	63
Chart: Benchmarks	63
Cash Flow	63
Table: Cash Flow	63
Chart: Cash Flow	64
Profit and Loss.....	64
Table: Profit and Loss	64

The Pomo Group, Incorporated

Chart: Profit Monthly	65
Chart: Profit Yearly	65
Chart: Gross Margin Monthly.....	66
Chart: Gross Margin Yearly.....	66
Balance Sheet.....	67
Table: Balance Sheet	67
Business Industry Ratios.....	68
Table: Ratios	68

La cucina italiana cucina veloce la più fresco...

EXECUTIVE SUMMARY



Whether used to describe fast food or fine dining, flavor and cuisine are watchwords that characterize the current American palate and drive consumer demand. Exotic has replaced bland; fresh and healthy have replaced foods laden with trans-fat. Under the Company's registered trademark, Pomodora con Basilico, The Pomo Group will offer high-quality fast food that fills the current void in the fast food market for healthy and flavorful food.

The branded company name will itself be associated with quality as well as the superior food it serves. This startup Company will capitalize on the target market's increasing preference for fresh quick cuisine and increasing support of sustainable business models to provide Italian style takeout meal solutions. The Company will be under the stewardship of Agostino Ruggieri and Paolo Albano.

Targeting a market area that is home to over 6.5 million residents, The Pomo Group will introduce its business model into this arena. While there are arguably thousands of other eateries in this area, not all are structured as gourmet fast food franchise business models.

Business Model

This startup Company will provide a healthy menu under its flagship restaurants, Pomodora Con Basilica, the first ten of which will form the basis for its franchise network throughout the United States. Owners Agostino Ruggieri and Paolo Albano will eight flagship restaurants in Manhattan, and one each in the neighboring communities of Brooklyn and Queens. They will offer a variety of ordering avenues including telephone, website, text-ordering, and an iPhone application. The business model for this is unique in that the franchisors will not only provide franchisees for the entire operational framework and support for the franchises, they will provide them with the food products they sell to ensure that quality is maintained at the highest level possible.

Market Potential

This business model is being introduced into two arenas: the fast food industry and the franchise industry. Given the current economic conditions, both the franchising and restaurant industries are proving resilient. Eating out in restaurants and the purchasing of

take-out and delivery meals is an essential part of the American lifestyle; and this well-established habit is the cornerstone of a successful franchise. The convenience and value offered by the restaurant industry makes management of consumers' time easier.

It is anticipated that franchising revenue will constitute \$11.06 billion by 2015 and that the fast food sector will be worth \$73.4 billion after the share of the major players such as McDonald's is removed.

Research by the National Restaurant Association indicates that consumers, although worried about the economy, intend to continue their patronage of restaurants. It is expected that quick service, takeout and delivery style restaurants will benefit at the expense of upscale and casual dining. It is predicted also that moderating gas prices and other commodities will mean that consumers may have more disposable income in 2010.

The United States fast food market is a mature, developed market and highly competitive. Also, the trading down by cash strapped consumers from casual and upscale dining to less expensive alternatives is expected to benefit pizza businesses. Operators are considering what they can do to elicit consumer cravings through adding new items to their menus and emphasizing them through their marketing message.

Recent trends include the following:

Franchising

During the next five years, the popularity of brand licensing is likely to grow faster than it has in some time, with revenue forecast to increase 4.3% annually, to \$31.64 billion in 2015.

The Franchise Business Economic Outlook for 2010, prepared by PricewaterhouseCoopers LLP (PwC) for the International Franchise Association's Educational Foundation, forecasts that the number of business-format franchise establishments will increase in 2010 by 2.0 percent, from 883,292 to 901,093—a net gain of nearly 18,000 establishments. Overall economic output, the gross value of goods and services produced by franchise businesses, is forecast to increase 2.8 percent to \$868.3 billion—an increase of \$23.6 billion in 2010.

As the economy recovers, this Company will introduce its business model into an industry subsector whose revenue will arguably constitute \$11.06 billion of the \$31.64 billion parent industry by 2015.

Innovation

Close to one-fifth of consumers (17 percent) say that new items influence where they buy fast food, highest among those aged 18-24 years (22 percent).

The Pomo Group will continually introduce new menu varieties based on feedback from the target market.

Healthier Options

There is increasing demand among consumers for healthy meals eaten outside the home. Consumers are also more interested in where their food comes from and how it is produced, with a growing demand for locally produced and organic ingredients. Fast food operators are responding by producing food with healthier fats, offering whole wheat options, healthier vegetable-based menu items and salads. Serving size and portions are also becoming an important factor.

Two out of five consumers (41 percent) say they would like fast food establishments to offer healthier ingredients, examples being whole wheat products (42 percent), organic ingredients (30 and 28 percent, respectively), and all-natural and locally-sourced ingredients (50 and 38 percent).

This trend is not specific to this market but is reflective of changing tastes and consumer demands overall as far as fast food. One of the competitive features of this business model is that by offering the freshest ingredients—many from Italy—the Company will be filling this consumer demand. The menu itself will also diverge from traditional Italian fast food to provide takeout meals of exceptional quality.

Obesity

We live in an age where 60.5% of American adults are currently overweight, 23.9% are obese, and 3% are extremely obese. Beyond that, every one in six school-age children is not just overweight, obese. The Centers for Disease Control and Prevention contends that the prevalence for obesity in school-age children has tripled since the 1970s. This is especially troubling when taking into account that obesity leads to earlier onsets of obesity-associated such health problems as: diabetes, high blood pressure, heart disease, asthma, complications pregnancy, arthritis, certain cancers, and depression. It has been estimated that between 300,000 and 400,000 deaths a year can be attributed to poor eating habits and obesity. This number is just shy of smoking-related deaths and the number of such deaths surpasses those caused by alcohol, car accidents, guns, or sexual disease. Obesity costs Americans an average of 117 billion dollars for obesity-related medical problems as well as lost wages from illness and premature death.

In a nation struggling to resolve the dichotomy between the requirement for convenience and the requirement to improve a national diet that has long since replaced nourishment with empty calories, Pomodoraconbasilico's menu of Mediterranean origin will be offered in line with the current administration's initiatives to reduce obesity, in particular the \$400 million Healthy Food Financing Initiative.

Value

As consumers increasingly look for value, fast food operators are expected to respond with lower prices and promotions. Falling commodity prices will enable more aggressive pricing. Consumers have less to spend, but they still want to dine out for convenience and enjoyment. By responding with value pricing, fast food operators will meet this ongoing consumer need. The vast majority of consumers (93 percent) eat fast food at least once a

month, and the average consumer eats fast food nearly three times per month. Consumers indicate they have been trading down to fast food by cutting back on restaurant purchases.

The prices charged by The Pomo Group will be in line with those charged by other fast food vendors in the area with the value-added benefits of target-specific food and superior customer service.

Technology Trends

The capacity to place an online ordering and text ordering from mobile phones, PDAs and other web enabled mobile devices are being touted as future competitive advantages, as is the ability to place an online order.

The Pomo Group will utilize to the greatest extent possible website technology, web-enabled mobile devices and its telephone ordering system.

Sustainability

With an increased focus on green initiatives in the restaurant industry as a whole, fast food operators are introducing energy efficient equipment such as high speed ovens.

The Pomo Group will capitalize on consumer interest in sustainability initiatives.

Competitive Advantage

The Company's primary advantage over its competitors is that as a franchised entity the quality of the food served and the setting in which it is served will be established by the overriding values of the franchisor, The Pomo Group. A major competitive advantage is that The Pomo Group can offer original menu items not offered by traditional fast food operations with ingredients never before offered in the fast food market. Competitive pricing coupled with a high-quality efficient operation make this business model a very lucrative one for potential franchisees and fast food consumers alike.

Specifically, the Pomo Group offers a healthy fast food business model to fill a void not currently met, one that holds the following advantages:

- Convenience
 - A simple, healthy and delicious menu
 - An average cost in line with that typical of fast food
 - Quality similar to that recommended for a balanced and healthy diet based on the principles of the Mediterranean diet
 - Flavorful menu choices that can reduce cholesterol, create fewer health problems and obesity in the medium term
 - The nature of the Pomodoraconbasilico products, distributed at points
 - A franchise opportunity with a highly-visible brand and private label rights
- Menu items that promote a healthy diet consisting of:

➤ Carbohydrates

- Proteins
- Vitamins
- Natural Salt
- Natural Sugars

Most importantly, the food offers the taste and flavors typical of a gourmet kitchen while keeping prices the cost average of about nine dollars for breakfast, lunch and dinner. This is a major competitive advantage and is going to be one of the primary reasons why the business model fills the current void in which consumers cannot easily obtain convenient, tasty and healthy food.

Mission

Pomodoraconbasilico will provide a healthy one-stop venue for the average consumer who aspires to an active and healthy lifestyle, to those whose tastes will no longer accept grease-laden bland but want fresh and flavorful. By introducing Italian cuisine at its traditional best onto the American fast food scene, Pomodoraconbasilico will redefine the way that Americans view fast food. This business model will demonstrate unequivocally that convenience and taste are not mutually exclusive food terms.

Location

Based in Lake Como, Italy and New York City, New York, The Pomo Group will market its business model to a nation already receptive to food innovation, freshness and healthfulness; and one that has seen an exponential growth in the number of franchises over the last decade.

Objectives

- To properly represent the fast food industry with standards equivalent to fine dining establishment while creatively adapting a healthy Italian menu
- To offer a better solution to other fast food, which has still failed to change substantively the content of its food products
- To be present in all food markets in the United States
- To be set up for business within two months from the time of funding
- To achieve a net profit by the end of year one
- To create a flexible marketing program that aggressively and appropriately targets the local market
- To achieve net profit in year one, increasing in year two, by containing costs, putting profits back into the business and meeting sales goals
- To develop a viral marketing base from an Internet presence, word-of-mouth referral throughout the community, periodic surveys, special incentives, and the use of social media
- To establish a branded presence in the target market area by the end of year one with an expanding presence in years two and three

- To expand the first location to ten and then to expand to the extent that the market will bear
- To maintain one of the highest customer satisfaction rates in the arena for similar vendors and to develop a solid customer base of repeat business
- To establish an operational framework for franchisees that enables each one to run an operation that reflects company values.

Keys to Success

Key success factors for this Company include:

- **Branding:** Establishing the Pomodoraconbasilico brand will be essential not only as far recognition among consumers who buy the food but among those who choose to franchise the operation.
- **Business expertise of operators:** Business expertise is required as this is a high turnover, but low margin industry, with losses easily made.
- **Having a clear market position:** Clear market positioning against competitors in the limited service industry, as well as other foodservice operators.
- **Effective cost controls:** Cost controls are important in this low margin industry, particularly related to food inputs, with minimal wastage.
- **Ability to franchise operations:** Franchising both within United States and overseas is now a significant component of this industry.
- **Product is sold at high profile outlets:** Having high profile locations for stores, with easy access, parking and drive-through services for customer convenience and service.
- **Market research and understanding:** Monitor market/consumer needs, wants and desires, particularly in relation to demand for more healthy foods.
- **Access to multiskilled and flexible workforce:** Need to have access to a good supply of skilled, casual workers to meet peak service demand periods.
- **Location:** Location is deemed to be critical to the success of this venture.

Financial Summary

Start-up Funding

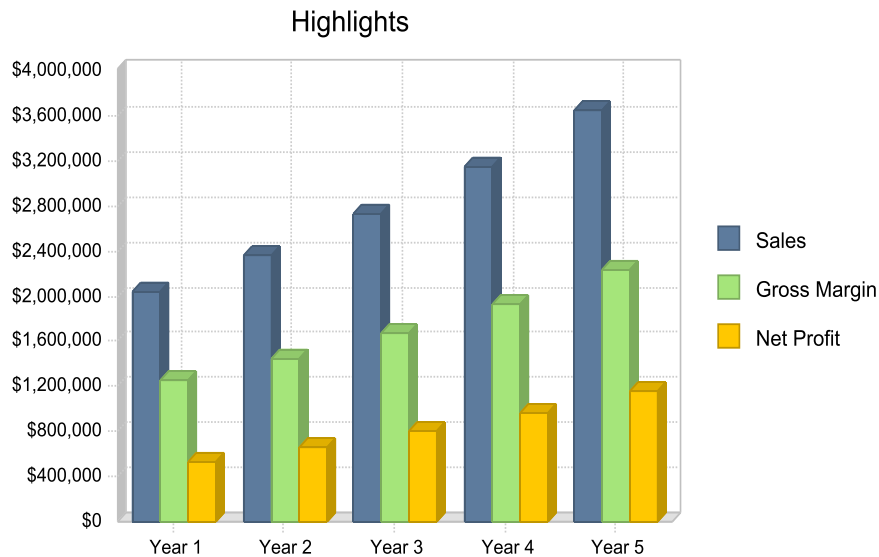
The Pomo Group is seeking \$1.5 million to defray the development costs for its first ten stores, the breakdown for which is shown in three scenarios above. The first round financing would be repaid in second round institutional financing. The assumptions that govern each of these three scenarios are primarily the level of staffing and location (rent).

The Pomo Group has targeted the opening of 300 franchising estore in the United States in the next five years and its launching on the Stock Exchange with an “initial public offering” in the fourth and fifth year of activity.

Table: Projected Business Startup Costs 2010

Start-up	Scenario 1	Scenario 2	Scenario 3
Requirements			
Start-up Expenses			
Legal and Professional	\$10,500	\$10,500	\$10,500
Working Capital	\$30,000	\$30,000	\$50,000
Operating Expenses	\$10,000	\$20,000	\$40,000
Rent (Three Months)	\$18,750	\$37,500	\$62,500
Supplies	\$2,000	\$5,000	\$10,000
Insurance and Deposits	\$4,250	\$4,250	\$4,250
Equipment	\$15,000	\$15,000	\$15,000
Other	\$1,000	\$1,000	\$1,000
Total Start-up Expenses	\$91,500	\$123,250	\$193,250
Start-up Assets			
Cash Required	\$0	\$0	\$0
Total Assets	\$0	\$0	\$0
Total Requirements	\$91,500	\$123,250	\$193,250

Chart: Financial Highlights



Future Plans

The Pomo Group ultimately plans to initiate at least 600 franchises nationwide.

COMPANY SUMMARY

Overview

The owners of this venture will each bring to it their backgrounds in management and knowledge of the Italian food industry to create a successful enterprise that can compete in the target market area.

They will establish sound operating guidelines, systems and procedures, that govern not only how the business is managed but how the food is prepared. This will be documented and each new employee will be made aware of the company values and operating techniques.

With stringent rules of selection governing our suppliers, the Company will avoid any problems related to quality and professionalism as well as ensure the complete safety and continuity of 24/7 service to franchisees. An auditor of the New York Stock Exchange may at any time see the data relating to the business to ensure full transparency in order to prepare the company for its anticipated IPO. Management control will be implemented impartially to find all hidden problems that can damage the Pomo Group, Incorporated in terms of reputation, good working order and absolute security of supply and quality of raw materials. This work will be done by specialized inspectors. Security officers employed by Pomo Group will be dedicated to protection from industrial espionage and guarantee high standards of corporate security. The first store will be inaugurated in September or October 2010 and will pave the way for the first 300 stores in five years on American soil and internationally.

Pomodoraconbasilico is a quality fast food founded by Agostino Ruggieri who wanted to concentrate the high standard and excellence of Italian products in a franchising concept.

Over the years this project has involved experienced managers and experts of concept and branding. The Pomo Group company currently holds the trademark and wishes to maintain the original business idea. It has given the development of the project to the architect, Paolo Benedetto, a high qualified and experienced designer in the identity corporate sector.

This business is affected by the regulation trends in two areas: Franchising and Fast Food. The regulation overviews for each are given below:

Franchising

The level of regulation is light and the trend is steady.

Companies that operate in the Intellectual Property Leasing and Franchise Licensing industry are affected by copyright, patent and trademark laws. As these laws are generally strong in the US, a company can successfully outsource and expand operations across other sectors with reduced concern about illegal copying or intellectual property theft. As

copyright protection laws are weaker in other foreign countries, illegal use of a company's trademark or brand name can reduce a firm's revenue and profit.

Certain copyright laws allow a firm to maintain ownership of its intellectual property, trademarks and ideas for a period of time. As these time limits approach expiration, owners of these property rights may lose some protection and provide opportunities for other firms to exploit these assets. However, the 1998 Sonny Bono Copyright Term Extension Act provides an additional 20 years protection for certain patents and copyrights.

Firms that operate in this industry generally use specialized legal services that assist with licensing and franchising documentation. Such oversight ensures the firm meets any state and federal laws in relation to company requirements such as disclosure statements and payments of taxes and fees. This also protects the licensor against copyright infringements by licensees while providing the firm with security and other legal advice.

International Financial Reporting Standards (IFRS) introduced in recent years have limited the ability of firms to report on their balance sheets internally created intangible assets. Intangible assets that have been acquired from a third party may be reported on as a "fair value" if able to be specifically identified. Reporting these assets may lead to changes in the balance sheets of firms that have considerable numbers of company-created intangible assets, such as the Coca-Cola Company. The impact of this in financial terms is uncertain.

Fast Food

The level of regulation is heavy and the trend is steady.

IBISWorld analysis indicates that this industry is subject to a medium, and increasing, level of regulation. For example; franchise promotions and sales regulations by the Federal and State Governments, minimum wage regulations (particularly since this industry is a low-skilled one with many persons being paid at hourly rates), employee benefits and conditions, workers' insurance and payment of health insurance coverage. Also, smoking bans in restaurants are being legislated across the States.

The US Food and Drug Administration's (FDA) Model Food Code, which is a "best practice" guide to food handling and presentation, applies to this industry and it is updated each year. Also the FDA Nutritional Value: Since 1996, the FDA regulations have also set standards for nutritional values of individual foods and meals. If claims such as "low fat" or "heart healthy" are made on a menu then the owner must be able to demonstrate to officials, when requested, that there is a reasonable basis for the owner to claim this. For instance, the meal may be based on a recipe from a health association or a recognized dietary group. However complete nutritional information need not be supplied on menus.

POMODORA CON BASILICA

Potential Location



The highlighted green locations shown at left on the map will form the target market area for the flagship restaurants opened by The Pomo Group.

Below is a typical proposed location that typifies rent in this area and one that would require a minimum of renovation to make it operational:

Busy location in lower east side close to bars and clubs for late night business and plenty of residential for walk-in or delivery fully

vented kitchen with double stacked bakers pride y-600 ovens.

Size: Seven hundred square foot plus basement
Terms: Six and a half years remaining on lease
Rent: \$2,600 per month includes real estate taxes
Security Deposit: Three months
Asking Price: \$140K

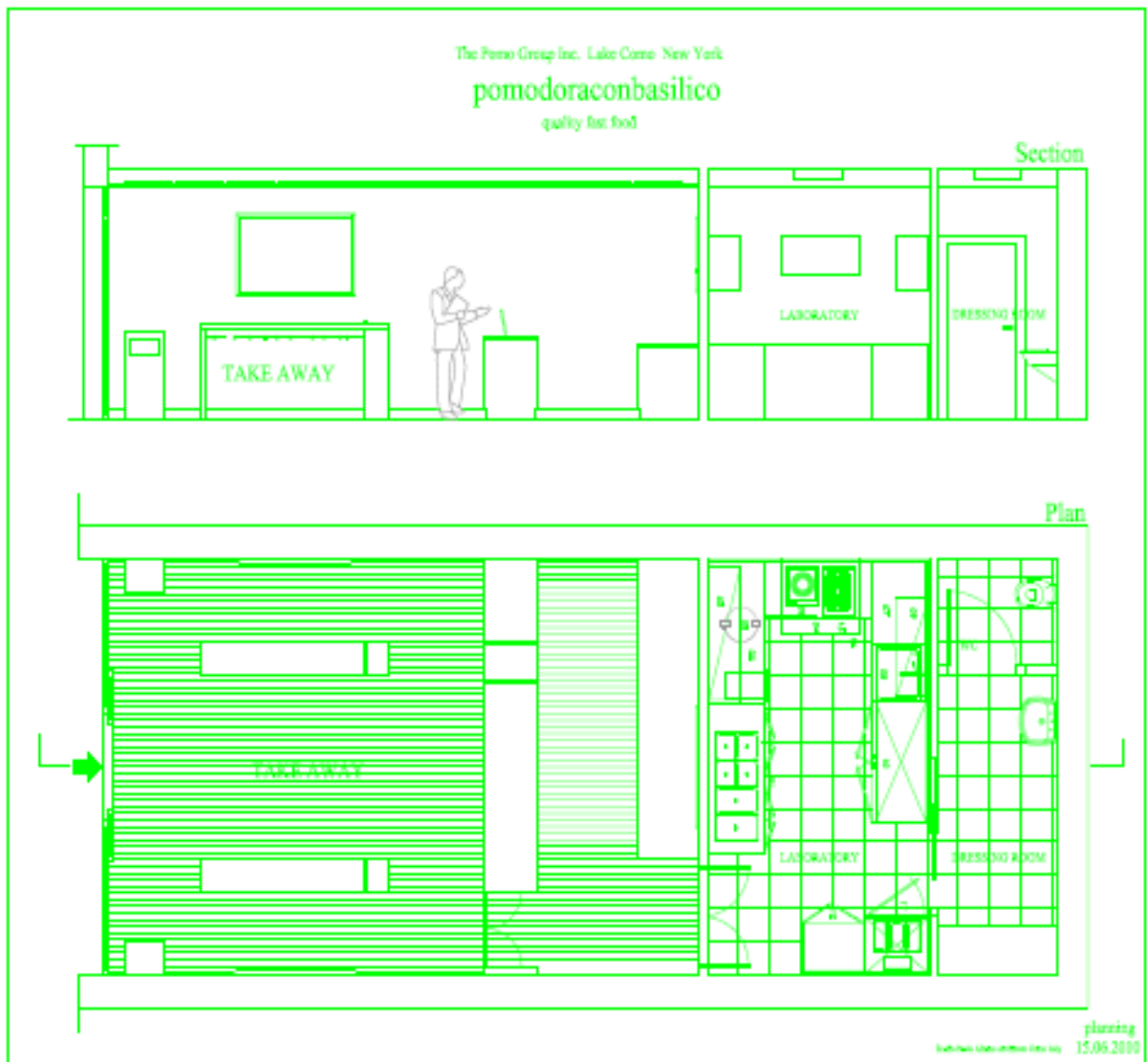
Restaurant Interiors

The restaurants will offer stylish interiors with a sleek, modern design with an ambiance that is fresh and clean.





Proposed Layout



Business Model

This startup Company will provide a healthy menu under its flagship restaurants, Pomodoraconbasilica, the first ten of which will form the basis for its franchise network throughout the United States. Owners Agostino Ruggieri and Paolo Albano will eight flagship restaurants in Manhattan, and one each in the neighboring communities of Brooklyn and Queens. They will offer a variety of ordering avenues including telephone, website, text-ordering, and an iPhone application. The business model for this is unique in that the franchisors will not only provide franchisees for the entire operational framework and support for the franchises, they will provide them with the food products they sell to ensure that quality is maintained at the highest level possible.



Pomodoraconbasilico is a blend of reasonably-priced, high-quality fast food that will not only stretch consumer dollars but promote their health with the freshest Italian products in supplying pasta, soups, ice cream, salads, coffee and the only allowed drink, mineral water

The core quality of Pomodoraconbasilico lays in the quality of the products and in their 40% Italian origin.

The model addresses a very critical need right now, healthy fast food that can be takout. The quality of the food sold will also be tightly controlled by the parent group through well-established guidelines to offer a menu of items such as the following:

Three Types of Pasta

Number five type spaghetti of durum wheat pasta

Red - tomato, basil and Parmesan cheese powder

Greens - pesto sauce with basil, olive oil, garlic and pine nuts

White - garlic, olive oil and red pepper.

Vegetable Soup

Ingredients: onion, parsley, celery, carrot, potato, butter, olive oil, cabbage, seasonal vegetables, salt, pepper, pasta or rice.

Morsels of bread

Three Salad Types

With extra virgin olive oil, vinegar and salt

Red - vegetable base with cherry tomatoes

Green - just green vegetables with corn and yellow fin tuna

White - vegetable base with cherry buffalo mozzarella / milk

Four Gelato Flavors

Cream - chocolate and hazelnut.

Fruit - strawberry and lemon.

Sweet

Coffee cream tart

Ingredients: pastry, milk, flour, eggs, coffee, margarine, lemon peel.

Italian coffee

Natural water and light.

The Pomo Group will supply the franchisees with products from Italy through a distributor in the United States

The Franchise Opportunity

The Pomo Group will set up its first ten restaurants as described in this document, venues that will not only serve customer needs but provide an excellent opportunity for potential franchisees to see what the interior of their own 645 square foot establishment should look like.

This model will be marketed not only as a lucrative revenue-producing one because of the combination of fast food and healthy ingredients but as one that has a fully-development operational framework and support system for franchisees. This system is not only available to franchisees, it is mandatory that they use it.

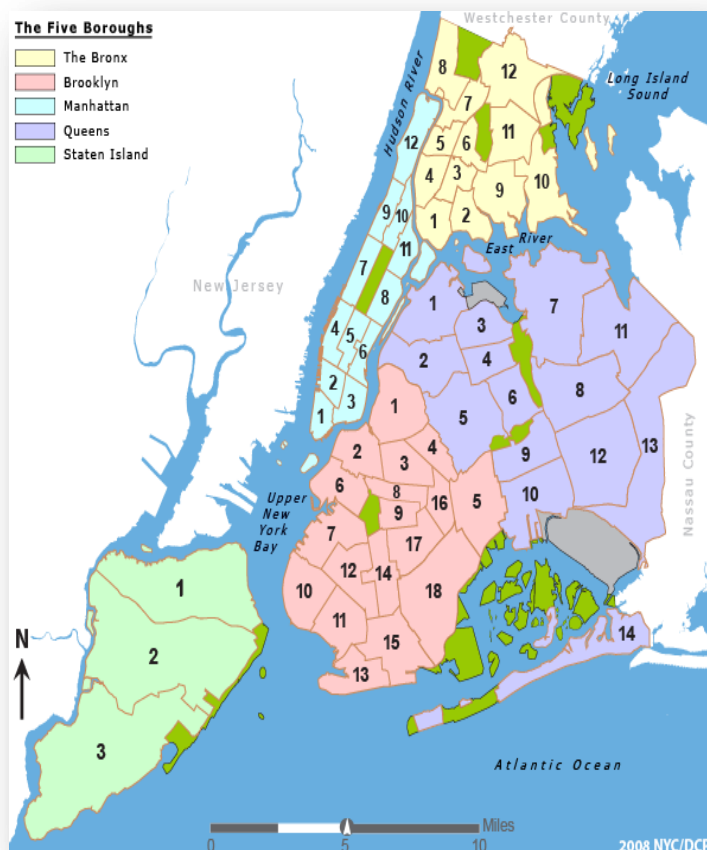
Franchisees will purchase their products, 60% of which are from the United States and 40% from Italy, through the Company. The franchise documentation in as little as eight days, after the contract layout and the administrative controls are in place. The Pomo Group can offer a suitable funding source, which is a major selling point. The potential franchisee can pick a location, which then has to be approved by The Pomo Group.

Each store can order at any time the day the goods and services it needs. They will have to pay when ordering the agreed price, so as to have the order confirmed via telematics. The store is paid daily by the consumer and we are paid at time of order for food products so what makes this a workable model is that it is without credit risk.

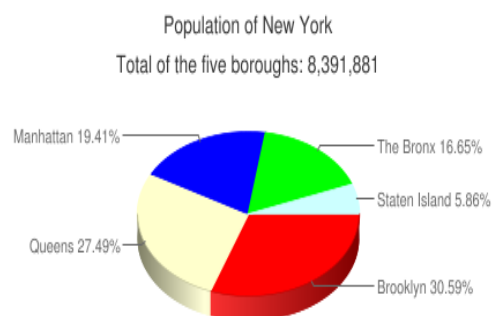
This concept provides technologically advanced comfort us and to our business an additional benefit of a financial nature which we summarize as follows: We in the outsourcing contract will pay the supplier and logistics platform to us dedicated to ninety days, this will help the cash flow of our business model is strengthened economically by making it more solid.

MARKET ANALYSIS SUMMARY

Target Market Profile



The Pomo Group will introduce its model into the largest city in the United States and, within that city, into the most populous boroughs with a combined population of over 6.5 million people. As it does everywhere in New York City, diversity characterizes all of the boroughs, which is why they are an excellent initial target market.



Target Market Area

The target market area is shown below in the demographic breakdown of New York City.

New York's Five Boroughs Demographically at a Glance				
Jurisdiction		Population	Land Area	
Borough	County	July, 2010	Square Miles	Square Kilometers
Manhattan	New York	1,629,054	23	59
Brooklyn	Bronx	2,567,098	42	109
Queens	Kings	2,307,854	71	183
Bronx	Queens	1,397,287	109	283
Staten Island	Richmond	491,730	56	151
City of New York		8,391,881	303	786
State of New York		19,541,453	47,214	122,284

Neighborhood Profiles

Years of research has gone into determining where the flagship restaurants should be located. The epitome of American eclecticism and marriage of different cultures, the Manhattan neighborhoods described below have their own unique style and independence, making them perfect target markets for the introduction of The Pomo Group restaurants.

Manhattan

This cosmopolitan target market area is home to over 1,629,054 residents, The Pomo Group will introduce eight of its business models into this diverse arena.

The Borough of Manhattan is located on Manhattan Island, which is bordered by New Jersey and the Hudson River on the west; Brooklyn, Queens, and the East River on the East, and the Harlem River on the north. New York Harbor lies at Manhattan's southern border. The borough also includes several small islands in the east river and in New York Harbor. The island is about 23 square miles in area, about 13 miles long, and about 2 miles wide at its widest point.

Manhattan has dozens of neighborhoods, including the Upper East and Upper West Sides, East Village, Harlem, SoHo, Chinatown, TriBeCa, Greenwich Village, Chelsea, and Washington Heights. In addition, Manhattan has two business districts, the Financial District located at the southern tip, and Midtown Manhattan.

Arguably, this area includes over 2,000 eateries of varying kinds to serve the needs of its diverse population but it is believed that one that caters to current consumer tastes with a sound business model can succeed in this competitive environment.

Demographics

Demographically, Manhattan's population shows the following characteristics:

- 1,629,054 residents
- 17% of residents are under 18
- 10% are 18 to 24
- 38% are 25 to 44
- 23% are 45 to 64
- 12% are over 65
- The median age is 36
- The median income is \$47,030

Brooklyn

Brooklyn is New York City's most populous borough with approximately 2.5 million residents, and second largest in area. It is also the westernmost county on Long Island. Since 1896, Brooklyn has had the same boundaries as Kings County, which is now the most

populous county in New York State and the second most densely populated county in the United States, after New York County (Manhattan).

Demographics

Demographically, Brooklyn's population shows the following characteristics:

- 2,567,098 residents
- 7.5% are under the age of 5 years
- 25.1% are under the age of 18
- 12.3% are age 65 or older
- The median age is 35
- The median income is \$41,304

Queens

Queens is the largest in area, the second largest in population, and the easternmost of the five boroughs of New York City. The borough is coextensive with Queens County, an administrative division of New York State, in the United States.

Located on the western portion of Long Island, Queens is home to two of the three major New York City area airports, JFK International Airport and LaGuardia Airport. It is also the location of the New York Mets baseball team, the US Open tennis tournament, Flushing Meadows Park, Kaufman Astoria Studios, Silvercup Studios, and Aqueduct Racetrack.

Demographics

Demographically, Queens' population shows the following characteristics:

- 2,307,854 residents
- Under 5 years: 142,716 or 6%
- 18 years and over: 1,720,155 or 77%
- 65 years and over: 283,042 or 13%
- Population density (people per square mile): 20,409
- The median age is 35
- The median income is \$

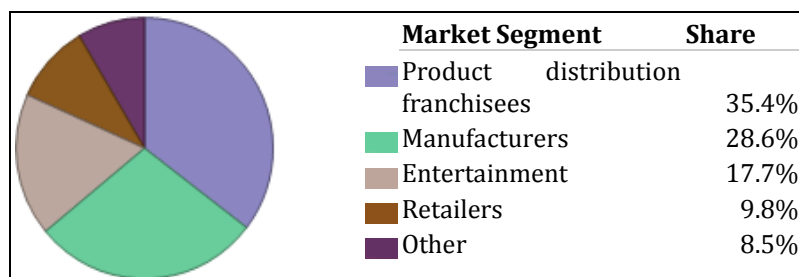
The business model is being introduced into equally lucrative industry arenas, the fast food and franchise sectors. A brief overview of the latter is given here followed by a more in-depth analysis of the fast food industry.

Franchising and Intellectual Property Overview

What is in a name? About \$25.67 billion dollars in 2010, if companies in this industry have any say on the matter. Companies in this industry lease rights to intangible assets including patents, trademarks, brand names and franchise agreements. Operators own the rights and allow others to use them for a fee. Companies that lease real property or

tangible assets are excluded from this industry. Franchise agreements that allow the use of a name contingent on the purchase of products from a franchisor are also excluded.

Chart: Market Segmentation



For the company leasing intellectual property, the benefits of such an arrangement are many: greater exposure, customer loyalty and the capacity to charge a premium for a product with *Disney* or *Nike* on it, all without having to build a brand name from the ground up.

Major brands have long been prominent in the United States consumer landscape. Over the years, the value of those brands and how much other companies pay to use them to sell their own goods has risen immensely. This has made an increasing number of companies license their products; however, the limited staying power of many companies keeps enterprise growth in check. In the five years to 2010, it is estimated that the number of firms operating in this industry has increased 0.5% to 3,801.

As the economy returns to growth, companies will resume investment in licensing agreements. In 2010, industry revenue is expected to increase 3.5% over 2009. In spite of this near-term gain, industry profitability is expected to remain at relatively low levels as operators continue to suffer from reduced marketing budgets. Large operators will benefit from continuing to modernize vintage franchises while small businesses look to cash in on existing brand popularity.

During the next five years, the popularity of brand licensing is likely to grow faster than it has in some time, with revenue forecast to increase 4.3% annually, to \$31.64 billion in 2015.

Chart: Projected Revenue to 2015

	Revenue \$ Million	Growth %
2010	25,665.0	3.5
2011	26,598.0	3.6
2012	28,171.0	5.9
2013	29,520.0	4.8
2014	30,555.0	3.5
2015	31,640.0	3.6

Fast Food Industry Definition

At industry businesses, patrons pay before eating. Purchases may be consumed on-site, taken out or delivered. Some establishments also sell alcohol. Gross sales come from franchises and company-owned stores. Officially reported SEC company revenue (net revenue) refers to revenue obtained only from company-owned stores and franchise fees. Net revenue is therefore always less than gross revenue.

Main Activities

Primary activities of this industry:

- Operating drive-thru and take-out facilities
- Operating fast-food services
- Operating quick-service restaurants

Major products and services in this industry:

- Cafeteria amenities
- Limited service restaurant amenities
- Other amenities inc - coffee shops, ice cream and donut shops

Industry Summary

The fast food industry has experienced a major slowdown due to changing consumer tastes and a struggling economy. Over the five years to 2010 industry revenue is expected to grow at a rate of 0.4%, with revenue declining 3.3% in 2009 and starting its climb back up in 2010 with a forecast growth of 3.0%.

The average consumer is spending less on luxuries like eating out and when they do they tend to purchase lower priced items. Fast food restaurants are increasingly losing to home cooked meals in the battle over peoples shrinking budgets. Consumers are also becoming increasingly health conscious and although major fast food retailers have responded by expanding the number of healthy options on their menus, the general trend toward healthy eating has hurt the often greasy fast food industry.

Tables: Industry Statistics and Key Facts 2010

Statistics		2010	Key Facts
Revenue		\$183,989 Million	
Number of Enterprises		210,823	Competition in this industry is high Volatility low (revenue fluctuations less than 3 points.) The life cycle stage is mature
Forecast Revenue Growth to 2016		2.0%	
Forecast GDP Growth to 2016		3.0%	
Recent Employment Growth		-0.3%	The top 5 players account for 41% of industry revenue: - McDonald's Corporation 12.7% - Yum! Brands, Inc. 9.7% - Wendy's/Arby's Group, Inc. 6.6% - Starbucks Corporation 5.9% - Burger King Corporation 5.1%
Average Wages per Employee		\$12,279	
Average Profit Margin		4.5%	
Average Revenue of Enterprise		\$872,718	
Imports Share of Domestic Demand		N/A%	
Exports Share of Revenue		N/A%	

Over the last five years, both industry employment and industry establishments declined in response to the weak market conditions. There is, however, a long term trend of major fast food chains investing in ethnic food and other specialty chains, many of which have grown over the last few years and have outperformed the industry as a whole. International growth is also a large part of many major chains long term strategy. Over the five years to 2015, industry revenue is forecast to grow at a rate of 2.5% per year.

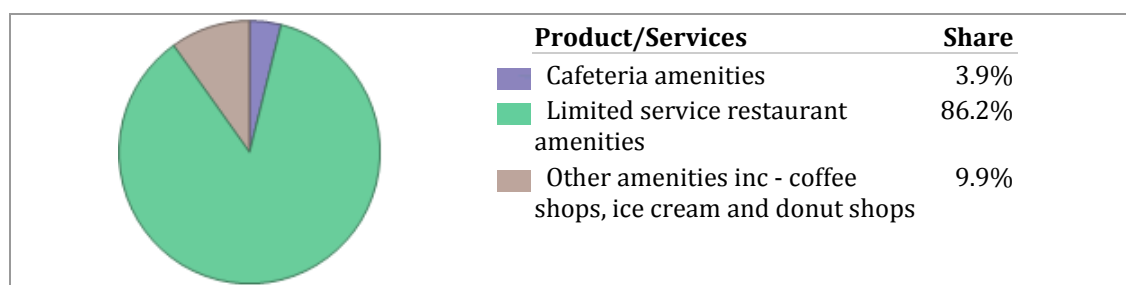
Industry Segmentation

Products and Services Segmentation

Franchised and multi-establishment operators account for about 10.0% of establishments, but 65.0% of total revenue. The main foods offered by major franchised operators include pizzas, sandwiches (including hamburgers) and chicken. There has recently been a move by major franchised operators, particularly those selling meat product including hamburgers, to also offering chicken burgers and other white meat products. As well, many are diversifying into providing other healthy foods (including salads) and even extending into cafes. Others have acquired or opened chains under different brands to offer pizzas and other Italian style foods, Mexican foods and other food styles. Over time, the industry has shifted from major operators offering a single food style, to offering diversity and health foods under their own or a variety of brands.

For 2002, the United States Census Bureau indicated that in the Fast Food service restaurant component there were 187,019 locations, with total revenue of \$117.2 billion, there were 5,875 cafeteria locations with total revenue of \$5.3 billion, and 35,954 locations in the snack and nonalcoholic beverage bars with total revenue of \$13.6 billion. The chart below is a reflection of changes in consumer attitudes, needs and desires over time.

Chart: Product and Services Segmentation



This latter component, consisted of 9,022 ice cream and soft serve shops with total revenue of \$2.2 billion (an average of \$245,510 each); 737 frozen yogurt shops with total revenue of \$156.5 million (an average of \$212,350 each); 6,228 doughnut shops with total revenue of \$2.9 billion (an average of \$467,250 each); 3,203 bagel shops with total revenue of \$1.4 billion (an average of \$421,170 each); 9,451 coffee shops with total revenue of \$4.2 billion (an average of \$439,000 each); 1,029 cookie shops with total revenue of \$231.5 million (an

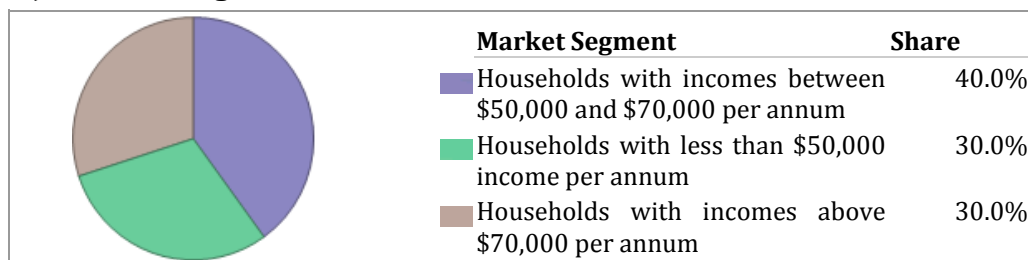
average of \$225,000 each); and 6,284 other snack and nonalcoholic beverages bars with total revenue of \$2.6 billion (an average of \$409,610 each).

Major Market Segments

The markets for this industry includes most consumers from businesspeople, to the elderly and young (including for special event/birthday parties). In 1998, the U.S. Census Bureau reported that households with a pretax income of \$70,000 or more spent a total of 34.0% of total food expenditure away from home, even though they comprised 17.0% of all households.

Convenience is the main factor attracting customers to quick service establishments. Value for money is also important, and health concerns are increasingly resulting in changes in consumer quick-service meals preferences.

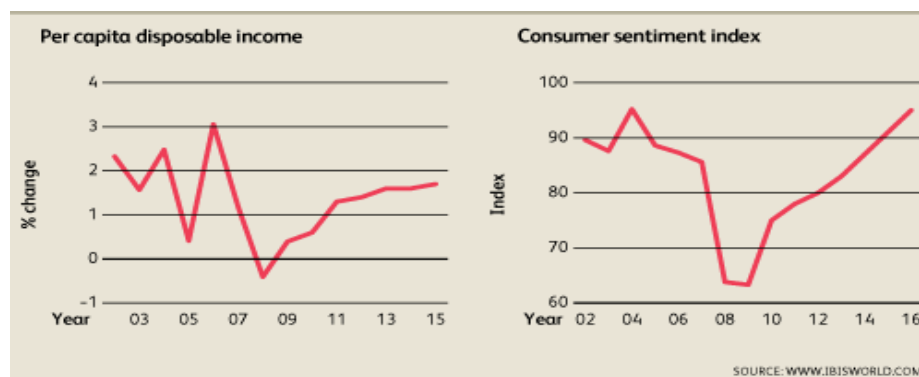
Chart: Major Market Segments



Factors Influencing the Industry

The key sensitivities affecting the performance of the Intellectual Property Licensing and Franchise Leasing industry include:

Per capita disposable income. The industry is affected by factors which affect the growth in real household disposable income (which are changes to tax and interest rates and changes in labor market growth). During economic recessions, the spike in unemployment, however, generally leads to more subdued growth in household incomes. High and increasing gas prices also affects disposable income, and therefore, consumer expenditure on food, including take-out foods.



Competition from Substitutes - Full Service Restaurants - Fast Food Restaurants.

There are competitors to this industry, apart from continuing strong competition within the industry itself, operators from other foodservice providers, including full service restaurants, caterers and pre-prepared foods available from supermarkets, are also seeking their fair share of household expenditure on meals.

Consumer Sentiment Index. Changes in consumer sentiment have a significant effect on household expenditure on discretionary items, including fast food. During recessions there is also an increasing demand for lower priced, value products from operators. **Key Attitudinal Changes - Health Consciousness.** There is increasing consumer awareness of issues related to weight and obesity, fatty food intake and food safety issues, which are impacting on this industry's growth, particularly for meat and hamburger products and any fried products.

Demand Determinants

Demand Determinants outlines the various factors which stimulate or reduce demand for services supplied by this industry.

Firstly, the industry is sensitive to factors which affect the growth in household disposable income from which restaurant and dining expenditure by consumers is financed. Household disposable income growth is affected by changes in labor market growth (i.e. unemployment), and in tax and interest rates, as well as high and increasing gas prices. It is also sensitive to changes in consumer sentiment, particularly currently associated with the subprime residential mortgage crisis.

The changing age structure of population is also influencing industry change. The "baby-boomers," aged between 35 and 55 years, is a major group which is affecting industry revenue growth, as this demographic has both the numbers and high disposable income to spend on fast food and restaurant meals.

United States Census household expenditure data indicated that households with income of more than \$50,000 account for about 70.0% of the total personal expenditure on food eaten away from the home. Of this group, those households in the highest income quintile provide about 30.0% of the total away from home food expenditure.

Convenience and value-for-money are also other important factors driving the growth of this industry from consumers is time (including convenience and quick service) and now value for money.

More recently, consumers have become far more health conscious, and this is currently impacting certain quick-service operators. In particular, there are concerns about fat content, fried foods, and salt content and meat products, with some major international meat product scares recently.

Cost Structure Benchmarks

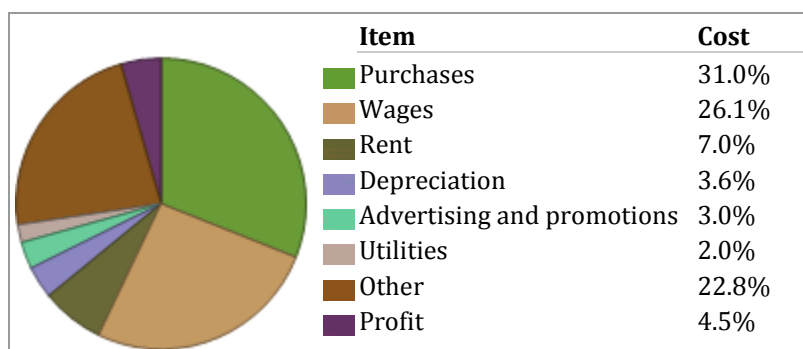
The industry is a high product turnaround, but with a low margin, which makes it susceptible to any adverse changes in demand, such as has been occurring since 2008 with the economic recession.

Also relevant to demand is changes in household preferences, in household disposable incomes and other health and food safety concerns.

Given the food-service nature of this industry, typically the major costs are cost of food and beverages sold and wages paid. A significant labor input is required in all areas from cooking, order taking and serving and clean-up.

Over the last five years labor costs which included wages, as well as benefits, including health, workers' compensation and unemployment insurance.

Table: Cost Structure



This had an effect on both menu prices and industry profitability, as not all of the cost increase could be passed onto directly in higher prices to consumers, as economic conditions continued to deteriorated, and unemployment spiked further.

Investment Requirements

The level of investment required is low. The labor intensity of this industry is determined by the ratio of capital to labor costs. To calculate the ratio, wages and depreciation and costs, from cost structure, are used as proxies. The ratio is calculated as 1:0.14. This implies that for every dollar spent on wages, around \$0.14 is spent on the use and replacement of buildings and equipment. As such, this industry is deemed to have a high level of labor intensity.

The industry is labor intensive given the need for personal, face-to-face service and labor input in all areas from acceptance of deliveries, order-taking, serving and cleaning, as well as in the management of each store.

Barriers to Entry

Barriers to entry in this industry are low and are increasing.

The barriers to entry outline the factors which prevent/limit a new operator from entering this industry. The barriers to entry are low, given that an operator can lease premises and equipment, furniture and fittings, which lowers the initial capital costs, outlays and borrowings. The top four players are expected to have low market share of fewer than 35% in 2009; this is an indication of the small business and fragmented nature of this industry. There is also no major player dominance within it. Entry can also occur through a franchise agreement, which includes fit out and equipment, as well as training and systems being in place.

Barriers to Entry checklist	Level
Competition	High
Concentration	Low
Life Cycle Stage	Mature
Investment Requirements	Low
Technology Change	Medium
Regulation & Policy	Heavy
Industry Assistance	None

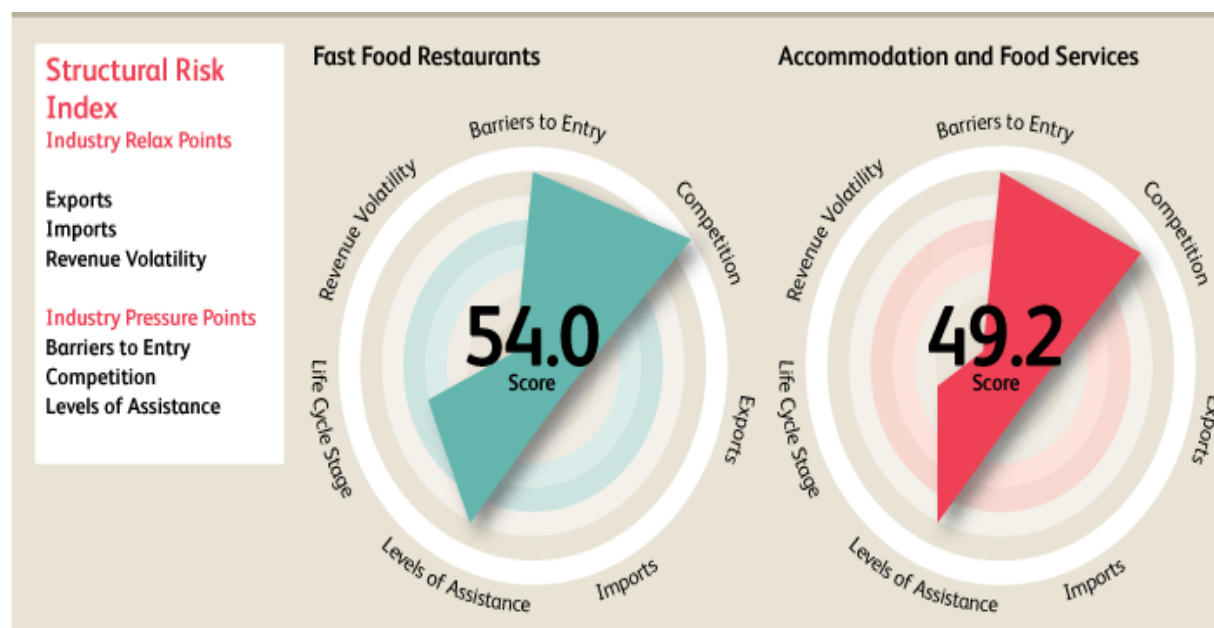
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There is significant competition among the major franchised companies to obtain suitable sites, which has increased the costs of prime sites. However, some major franchised operators are now co-locating within an area or single building to save costs or within shopping centers or malls.

Structural Risk Index

On a scale of one to nine with the higher the figure, the greater the risks being taken, this business is being scored against other businesses in the industry. Operating conditions in the Fast Food industry are more risky than in other industries in the Accommodation and Food Services division. The industry structural risk index totals 54.0 points compared to 49.2 points for the Accommodation and Food Services division as a whole (100 points equates to extremely poor operating conditions).

Chart: Structural Risk Index



Technology and Systems

The level of technology change is medium.

According to the 2005 Restaurant Technology Study undertaken jointly by Hospitality Technology and Deloitte and Touche LLP, the current use made of technology by operators in this industry is to reduce labor costs, reduce food cost/waste and increase sales. Also important is to improve business processes, support anticipated growth, maintain current operations, improve the meal experience and deliver a competitive advantage. For the operators it is necessary to taking a leadership role and establishing a foothold on e-commerce.

The major system in operation in this industry is franchising. Within this component the use of technology and systems in designed to ensure quality service and customer waiting time. Redesigning kitchen layouts, ordering systems by customers have been attempted to reduce waiting time. This has also included connecting the customer drive through ordering to kitchens to allow cooks to hear what orders are coming through. Improvements in drive through service and correct delivery of orders have resulted from the use of LED displays to confirm orders and going back to face-to-face ordering. Most quick-service operators are installing point-of-sale systems in their stores after research showed that it quickens service and leads to larger purchases, on average.

Industry Life Cycle

Life Cycle Stage

This industry is mature. Life cycle measures the development phase of an industry. The Fast Food Restaurants industry is in the mature phase of its industry life cycle.

This industry is in a low growth phase currently and has possibly now reached saturation point, or is very close to it, in the domestic market. The limits of population size within a city or town which can profitably support a franchised or other outlet is starting to be reached and competition for high profile operating sites in other areas is significant.

Also, around a quarter of total industry revenue is controlled by seven multi-establishment and franchised operators, and the top four operators account for an even smaller percent of total industry revenue. The opening of new stores in the United States by the major operators has slowed recently.

There is significant consolidation occurring (the latest being Wendy's in 2008), with major franchised operators taking over other multi-establishment or franchised stores in other quick service categories to their own to achieve growth.

There are also significant market and consumer changes, with increasing demand for healthy foods and choices; away from high fat, high salt and super-size meals, as the obesity epidemic

continues to rise. Significant price-based competition is continuing to occur, as operators strive to capture an increasing market share in a slow growth domestic market.

Also, major franchised operators are currently receiving most of their sales growth from expansion of their overseas operations or into new areas such as Mexican or Italian restaurants, cafes and full service restaurants.

Life Cycle Reasons

- Closure of some operations/stores
- Slower growth in the opening rate of new stores
- Movement and concentration on international openings
- Heavy price based competition
- Low profitability

Market Characteristics and Industry Conditions

Tables: Market Characteristics and Industry Conditions

Market Characteristics	Level	Trend	Industry Conditions	Level	Trend
Competition	High		Barriers to Entry	Low	Increasing
Industry Exports	Low	Increasing	Level of Assistance	None	Steady
Industry Imports	Low	Steady	Volatility of Industry	Low	
Life Cycle Stage	Mature				

SWOT Analysis

THREATS - Key Attitudinal Changes - Health Consciousness

There is increasing consumer awareness of issues related to weight and obesity, fatty food intake and food safety issues, which are impacting on this industry's growth, particularly for meat and hamburger products and any fried products. The currently observed trends toward greater health consciousness are forecast to continue into the future as greater public attention is paid toward the various problems and as the effects of less healthy lifestyles become more apparent.

OPPORTUNITIES - Consumer Sentiment Index

Changes in consumer sentiment have a significant effect on household expenditure on discretionary items, including fast food. During recessions there is also an increasing demand for lower priced, value products from operators. It is forecast that over the five years to December 2015, the Consumer Sentiment Index will increase to 91. The index is forecast to continue to improve as economic conditions in the United States strengthen, including falls in unemployment and higher rises in income.

Industry Outlook

Over the five years to 2015, industry revenue is expected to increase at an average annual rate of 2.5%. The industry will show its first signs of growth in 2010, and then the industry will resume its long term growth trend from 2011 onward. Aggressive competition is likely to continue over the next five years. This will involve significant price-based competition; an increasing emphasis on the regular introduction of new products, including healthy-eating ones; and a move away from standard products by allowing some menu and meal choices by customers. Most fast food chains will introduce new healthy food alternatives and expand their current product line. They are also diversifying into areas, such as cafes and full service restaurants, but operating under different brands, through multi-branding concepts at both existing and new locations.

Many domestic operators will continue to seek international expansion opportunities. International expansion is expected to be the largest source of revenue and profit growth for major players over the next five years. Consolidation among operators has been occurring for some time and is expected to continue, though new growth opportunities will offset those losses.

Table: Projected Revenue to 2015

	Revenue \$ Million	Growth %
2010	183,989.1	3.0
2011	190,244.9	3.4
2012	195,191.6	2.6
2013	199,485.6	2.2
2014	203,675.2	2.1
2015	208,156.4	2.2

Over the next five years, the number of establishments is expected to increase. Over the same period, industry employment is projected to grow and will be partially inflated by the increasing use of casual employees to meet peak customer service periods. Over the five years to 2015, there is expected to only be a marginal improvement in industry profitability due to the on-going significant level of competition in the low growth, saturated domestic market.

COMPETITIVE ANALYSIS

General Business and Consumer Environment

Between May 2008 and May 2009, total New York employment declined by 0%, while unemployment rose by 3.1 points to 8.0%. During the same period, state employment in Leisure-Hospitality, the parent sector of Eating Places in the Bureau of Labor Statistics taxonomy, decreased by 2%. The sector represents 8.3% of total state employment, including the public sector. On a national scale, the Eating Places industry holds a \$567,469,879,061 market with a positive three year sales trend (July 2007 to July 2009) of 23.5%.

The specific market area includes sections of New York County, New York, within the New York, New York metropolitan area.

As of July 2009, the area supported a business base of 46,601 locally operated firms and 3,943 business branch operations. Local business operations are distributed among economic sectors as shown in the following table:

Economic Sector Concentrations

Table: Economic Sector Concentrations

Economic Sector Concentrations		
Sector	Market Area	US
Agriculture-Forestry-Fishing	0.2%	4.1%
Mining	0.1%	0.2%
Construction	1.8%	8.7%
Manufacturing	7.6%	4.5%
Transport-Communications-Utilities	3.0%	3.9%
Wholesale Trade	10.9%	4.9%
Retail	15.7%	16.4%
Fire-Insurance-Real Estate	11.8%	8.6%
Services	48.9%	48.6%

Market Area

The market area includes 176,595 personal income reporting units with total gross income of \$38,154,342,000 (average income: \$216,056), 275.6% below the United States average of \$57,524. (Each personal income reporting unit represents a single IRS tax return and is used to approximate a consumer decision-making unit.) The percentage of earning units within each income reporting bracket is noted in the table:

Table: Personal Income Breakdown (IRS Reporting Units)

Personal Income Breakdown (IRS reporting units)	
Income Bracket	Market Area
Less than \$10,000	16.2%
\$10,000-\$25,000	16.2%
\$25,000-\$50,000	20.3%
\$50,000-\$75,000	12.8%
\$75,000-\$100,000	7.9%
\$100,000-\$200,000	13.0%
Over \$200,000	13.7%

The average income of the 22,932 personal income units reporting \$100,000-\$200,000 gross income is \$140,036. Average income of the 24,215 units reporting more than \$200,000 gross income is \$1,282,184.

Competitive Market Concentrations and Vitality

The Eating Places industry captures \$9,568 in sales per personal income earning unit within the market area, representing local demand above United States national levels of \$4,219. Local industry sales are about 4.4% of gross personal income, below the United States national level of 7.3%. The industry location quotient of 0.64 indicates market area employment concentrations below the industry employment concentration nationally (where the United States concentration equals 1.00).

The market area Eating Places industry transacts \$33,428 in sales per private sector business establishment, representing local demand below United States national levels (\$37,419). Locally generated industry sales represent 2.0% of the total volume of sales generated in the market area by businesses of all types, a 1.23 multiple of the national average share.

Over the twenty-four month period July 2007 to July 2009, 19.8% of United States business establishments in the industry, and 18.8% in its small business segment, ceased independent operation. By contrast, the cessation rate in the market area was 22.5% industrywide and 22.2 % for small businesses. Higher than normal cessation rates may be an indicator of a saturated market, especially when coupled with low average sales trends and significantly declining market size. In this case, one of these factors applies.

On the new business vitality side of the equation, 23 independent industry startups and new branch operations were identified in the market area, creating a new operation rate of 1.4% in the most recent analysis year (July 2008 to July 2009), less than the national rate of 2.2%. Unusually low new operation rates can indicate market saturation or lack of

perceived opportunity, while high rates suggest both opportunity and the recognition of it. Due to the limited number of new operations at any given time, this indicator is often less useful in small local market areas.

Industry Market Size and Projections

In this market area, the Eating Places industry includes 2,030 business operations; 1,873 independent firms and 157 branch establishments. Among the independent firms, 826 falls within small business parameters defined as single site firms with fewer than 25 employees.

Industry firms based in the market area represent total annual **reported sales** of \$866,850,000. However, this figure includes branch operations owned by local firms which are situated outside the market area; and excludes local branch operations owned by firms headquartered elsewhere.

A more meaningful picture is created by the locally generated industry sales figure of \$1,689,587,709, which excludes operations of branches owned by local firms but situated outside the market area; and conversely, includes branch operations inside the market area, even if owned by firms based elsewhere. The locally generated industry market volume figure is projected from sales per employee data and local employment totals. The generated market volume of the industry's small business segment in the market area is \$238,700,000, or 14.1% of the total local market. Nationally, small businesses capture 10.6% of industry market share. For the market-specific focus of this competitive analysis, generated sales is applied as the most useful barometer of industry-wide market area revenue unless otherwise specified.

Industry sales in the market area grew by 25.7% between July 2007 and July 2009. By contrast, the total sales volume of firms in the national industry grew by 23.5%.

Mature businesses in the market area (three years or more of operation) account for a 64.6% market share of the total. The mature small business segment accounts for a 13.5% share of the market total.

Average annual (locally generated) site sales are \$832,309, including branch operations controlled from outside the market area. Nationally, industry site sales are \$896,903 or 107.8% of local levels. Market area small business sales average \$288,983, or 27.7% above the national average for small businesses in the industry.

Employment in the Eating Places industry is projected to grow 9.8% by 2016, while industry productivity will increase by an estimated 18.2%. In current dollars, the national industry is projected to grow by 3.9% over the next three years and by 6.5% over five years. Market area growth will be differentially impacted by local conditions including income levels and business-to-business demand. The utility of short-term projections may be adversely affected by unforeseen economic turbulence and volatility.

Market Analysis and Business Valuation Benchmarks

Industry sales per employee are \$58,737 at the national level and \$46,404 in the market area. Local small business sales per employee are \$38,965, while small business sales per employee are \$32,338 at the national level. Another efficiency measure, the Asset:Sales ratio, shows that over the three-year period, the industry financial peer group ratio stayed at 0.09.

Nationally, industry officer compensation for in the Eating Places industry is 0.0%. Discretionary owner earnings increase to 100% when net profit of 100.0% and non-cash expenses (Amortization-Depreciation) of 0.0% is added back into actual available dollars. Actual market area owner compensation is further affected by local and regional factors such as metro area wage costs above the national average by a factor of 25%; by state tax levels above the national average; and by local rental rates above the national average by a factor of 192% in the metro area.

Competitive Summary

The competitive analysis identifies industry strengths and weaknesses in this market area relative to the national performance of firms within the industry classification:

Table: Competitive Indicators: Local Industry Market to National Industry

Competitive Indicators: Local Industry Market to National Industry	
Industry Sales Growth	Higher
Industry Sales as a Per Cent of Total Market Sales	Higher
Industry Cessation Rate	Higher
Financial Peer Group Cessation Rate	Higher
Industry New Operation Rate	Lower
Average Site Sales	Lower
Average Site Sales Growth	Higher
Average Financial Peer Group Sales	Higher
Average Financial Peer Group Sales Growth	Higher
Financial Peer Group Market Share	Higher
Financial Peer Group Market Share Growth	Lower
Average Industry Sales per Employee	Lower
Average Financial Peer Group Sales per Employee	Higher
Sales per Personal Income Reporting Unit	Higher
Sales per Gross Dollar of Personal Income	Lower
Industry Sites per Household	Higher
Industry Employment Concentration	Lower

Table: Competitive Analysis Table

Competitive Analysis Table	
Market Area Industry Establishments	2,030
Market Area Independent Industry Firms	1,873
Market Area Industry Small Businesses	826
Market Area Industry Branch Establishments	157
July 2007 Market Area: Industry Volume (\$)	1,344,028,080
July 2009 Market Area: Industry Volume (\$)	1,689,587,709
US Industry Growth Projection: 3-year	3.9%
US Industry Growth Projection: 5-year	6.5%
July 2007 Market Area: Small Business Volume (\$)	288,750,000
July 2009 Market Area: Small Business Volume (\$)	238,700,000
July 2007 US Industry: Average Annual Industry Small Business Sales (\$)	226,364
July 2009 US Industry: Average Annual Industry Small Business Sales (\$)	231,387
July 2007 Market Area: Average Annual Industry Small Business Sales (\$)	284,483
July 2009 Market Area: Average Annual Industry Small Business Sales (\$)	288,983
July 2009 Market Area: Annual Industry Mature Small Business Sales (\$)	289,269
July 2009 US: Industry: Industry Sales per Employee (\$)	58,737
July 2009 US: Industry: Small Business Sales per Employee (\$)	32,338
July 2009 Market Area: Industry Sales per Employee (\$)	46,404
July 2009 Market Area: Industry Small Business Sales per Employee (\$)	38,965
US Industry: Sales per US Business Establishment (\$)	37,419
Market Area Industry: Sales per Area Business Establishment (\$)	33,428
Sales Concentration/ Quotient (US=1.00)	1.25
Employment Concentration/ Quotient (US=1.00)	0.64
Industry Officer Compensation:	0.0%
Industry Net Profit:	100.0%
Industry Discretionary Owner Earnings:	100%
US Industry: Cessation Rate	19.8%
Market Area Industry: Cessation Rate	22.5%
US Industry: Small Business Cessation Rate	18.8%
Market Area Industry: Small Business Cessation Rate	22.2%
US Industry: New Business Vitality Rate	2.2%
Market Area Industry: New Business Vitality Rate	1.4%

STRATEGY AND IMPLEMENTATION SUMMARY

Strategy

The strategy described below corresponds to the business model for this Company. The first section describes business development and the second marketing strategies that will make up implementation of this plan:

Business Development Strategy

- Once funding is obtained, the Company will rent a unit similar to that described in this document to develop its first outlet
- Location is deemed to be critical to the success of this venture so the business will be carefully situated within the radius roughly circumscribed as the Manhattan area
- The unit will be renovated in accordance with the needs of the business and in a manner similar to the layout shown in this document
- A website with a fully-integrated ordering system will be developed
- Metrics will be developed for the following:
 - Benchmarks for sales goals will be established
 - Benchmarks for evaluating the most effective forms of marketing will be established
 - Benchmarks for evaluating the best-selling products will be established
- Coupons and special promotions will be employed to heighten visibility and encourage purchases; these will be available both online and locally
- Social and business networking sites such as Facebook, Twitter and LinkedIn will be utilized
- Once the business is ready for customers, a well-publicized grand opening will be held with free sample pizza slices and coupons available to all
- The Pomo Group will begin to immediately increase the visibility of its trademark: *Pomodoraconbasilico*
- The legal structure for the franchises will be completed
- The operational guidelines and presentations for potential franchisees will be completed

Marketing Strategy

The marketing strategy will be carried out on two fronts: The first will be to market the franchise opportunity and the other will be market the restaurant itself.

Franchise Promotion

The Pomo Group will promote its franchise opportunity via Internet and printed media; and will also avail themselves of the many Internet outlets that exist for promoting franchises and obtaining franchise leads.

Special Promotions

The Pomo Group will introduce its products with gestures such as free samples at grand openings. Discount coupons will be available on the company website and on social networking sites.

Customer Database

A base of repeat customers and customer referrals will be encouraged, as will the use of social media to encourage viral marketing of the Company. The Pomo Group will aggressively seek to build a database of customers. They will have an opportunity to be included in the database so they can participate in our promotions such as contests, special discounts and frequent diner programs.

Frequent Diner Discounts and Membership Cards



The Pomo Group will pursue a customer loyalty program with discount cards such as that at left for customers who purchase on a regular basis. The program will have the flexibility to allow creativity in reward structure and to adapt to changing market trends.

At some point, loyalty cards may also be developed for special populations such as students or seniors.

Social Networking

The Pomo Group will rely heavily on the Internet with a user-friendly website, iPhone and online ordering system, and various social networking media such as MySpace, Facebook and Twitter.

Community/Charity Involvement

Once operational, they will host various surf competitions and support local sporting events. Also, wherever possible, they will be involved in local festivals and local charity events.

Product Differentiation

Pomodoraconbasilico will be aggressively marketed as far as the franchise and directly to consumers as a healthy fast food alternative unique for its flavorful content.

Sales Forecasts

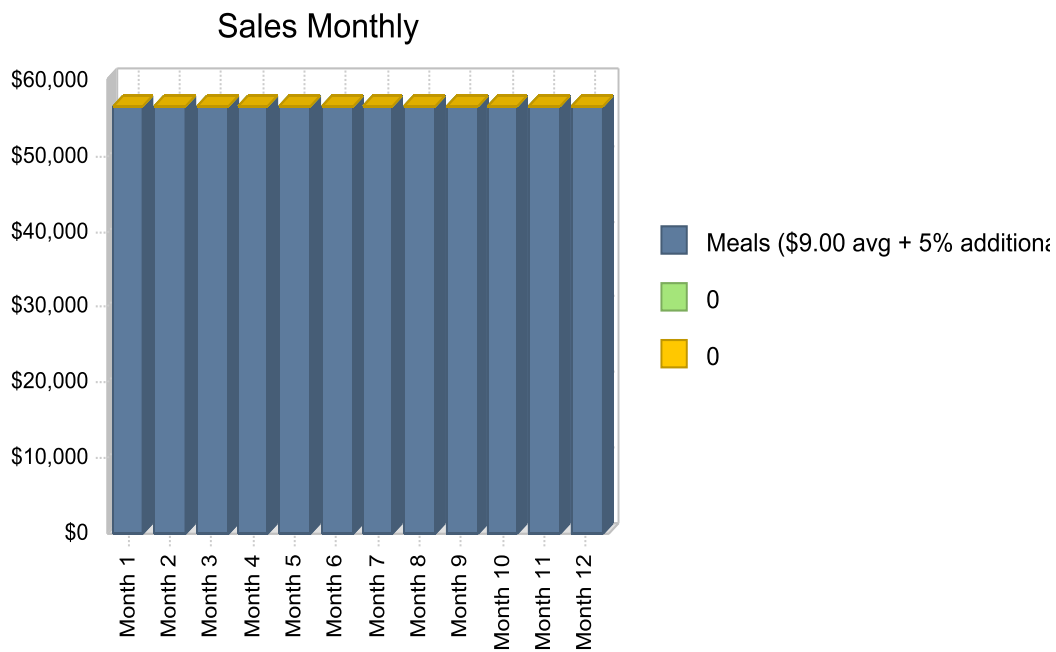
Scenario one reflects the least amount of operational cost and, necessarily, the least return; Scenario Three reflects the greatest amount of financial investment and, necessarily, the greatest return.

Sales Forecast Scenario One

Table: Sales Forecast

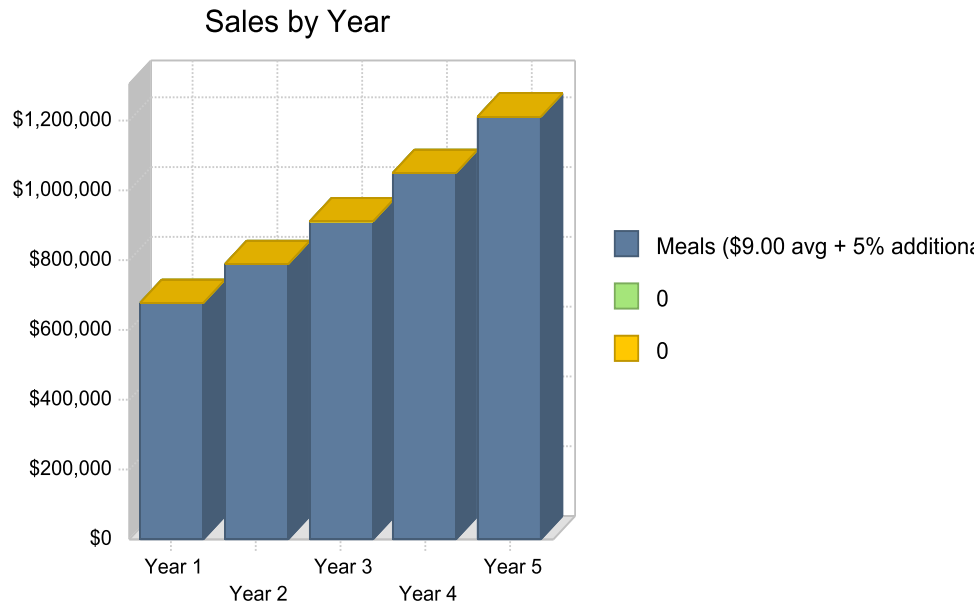
Sales Forecast	Year One	Year Two	Year Three	Year Four	Year Five
Unit Sales					
Meals (\$9.00 average + 5% additional revenue)	72,000	77,400	83,205	89,445	96,154
Total Unit Sales	72,000	77,400	83,205	89,445	96,154
Unit Prices					
Meals (\$9.00 average + 5% additional revenue)	\$9.45	\$10.16	\$10.92	\$11.74	\$12.62
Sales					
Meals (\$9.00 average + 5% additional revenue)	\$680,400	\$786,287	\$908,653	\$1,050,062	\$1,213,478
Total Sales	\$680,400	\$786,287	\$908,653	\$1,050,062	\$1,213,478
Direct Unit Costs					
Meals (\$9.00 average + 5% additional revenue)	\$3.65	\$3.79	\$3.95	\$4.10	\$4.27
Direct Cost of Sales					
Meals (\$9.00 average + 5% additional revenue)	\$262,634	\$293,625	\$328,273	\$367,009	\$410,316
Subtotal Direct Cost of Sales	\$262,634	\$293,625	\$328,273	\$367,009	\$410,316

Chart: Monthly Sales



The Pomo Group, Incorporated

Chart: Annual Sales



Sales Forecast Scenario Two

Table: Sales Forecast

<i>Sales Forecast</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Unit Sales					
Meals (\$9.00 average + 5% additional revenue)	216,000	232,200	249,615	268,336	288,461
Total Unit Sales	216,000	232,200	249,615	268,336	288,461
Unit Prices					
Meals (\$9.00 average + 5% additional revenue)	\$9.45	\$10.16	\$10.92	\$11.74	\$12.62
Sales					
Meals (\$9.00 average + 5% additional revenue)	\$2,041,200	\$2,358,862	\$2,725,960	\$3,150,187	\$3,640,435
Total Sales	\$2,041,200	\$2,358,862	\$2,725,960	\$3,150,187	\$3,640,435
Direct Unit Costs					
Meals (\$9.00 average + 5% additional revenue)	\$3.65	\$3.92	\$4.22	\$4.53	\$4.87
Direct Cost of Sales					
Meals (\$9.00 average + 5% additional revenue)	\$787,903	\$910,521	\$1,052,220	\$1,215,972	\$1,405,208
Subtotal Direct Cost of Sales	\$787,903	\$910,521	\$1,052,220	\$1,215,972	\$1,405,208

Chart: Monthly Sales

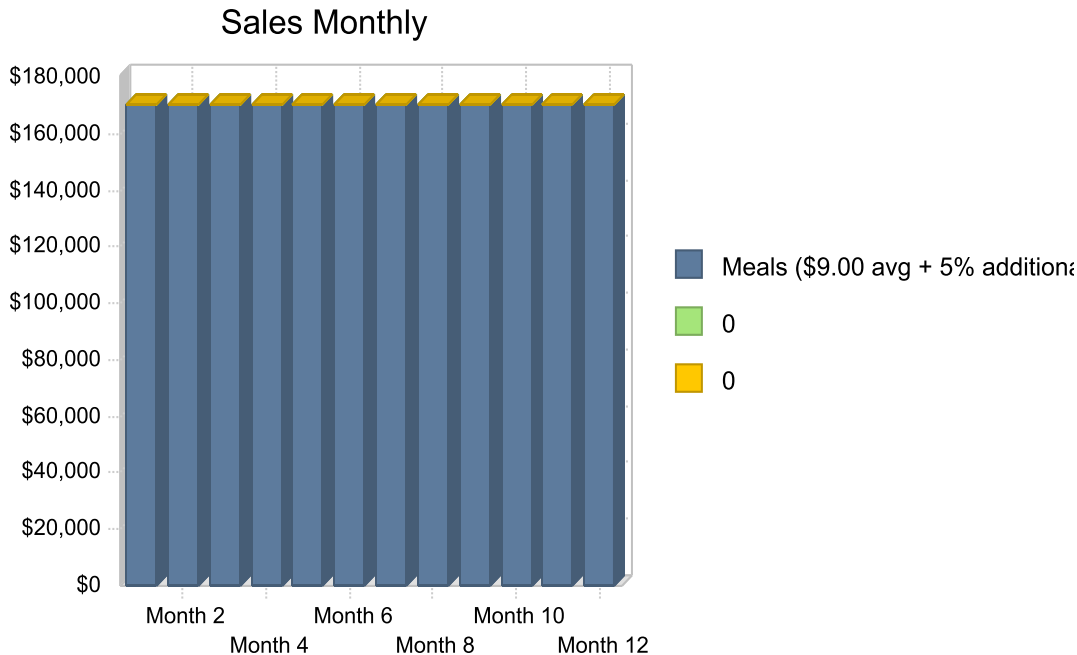
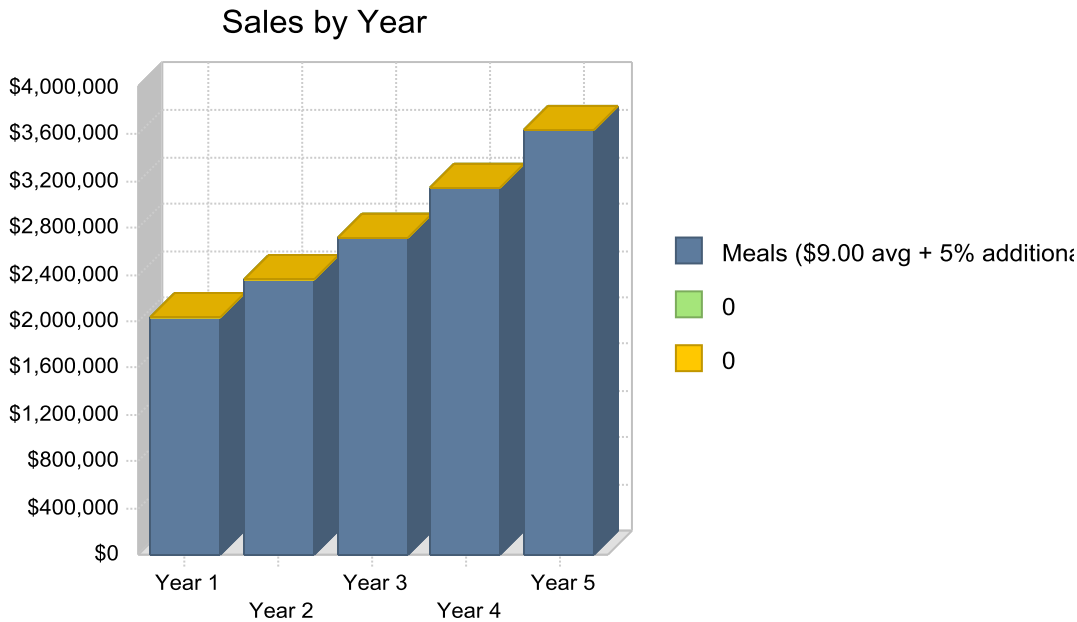


Chart: Annual Sales



Sales Forecast Scenario Three

Table: Sales Forecast

Sales Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
Unit Sales					
Meals (\$9.00 average + 5% additional revenue)	360,000	387,000	416,025	447,227	480,769
Total Unit Sales	360,000	387,000	416,025	447,227	480,769
Unit Prices					
Meals (\$9.00 average + 5% additional revenue)	\$9.45	\$10.16	\$10.92	\$11.74	\$12.62
Sales					
Meals (\$9.00 average + 5% additional revenue)	\$3,402,000	\$3,931,436	\$4,543,266	\$5,250,312	\$6,067,392
Total Sales	\$3,402,000	\$3,931,436	\$4,543,266	\$5,250,312	\$6,067,392
Direct Unit Costs					
Meals (\$9.00 average + 5% additional revenue)	\$3.65	\$3.92	\$4.22	\$4.53	\$4.87
Direct Cost of Sales					
Meals (\$9.00 average + 5% additional revenue)	\$1,313,172	\$1,517,534	\$1,753,701	\$2,026,620	\$2,342,013
Subtotal Direct Cost of Sales	\$1,313,172	\$1,517,534	\$1,753,701	\$2,026,620	\$2,342,013

Chart: Monthly Sales

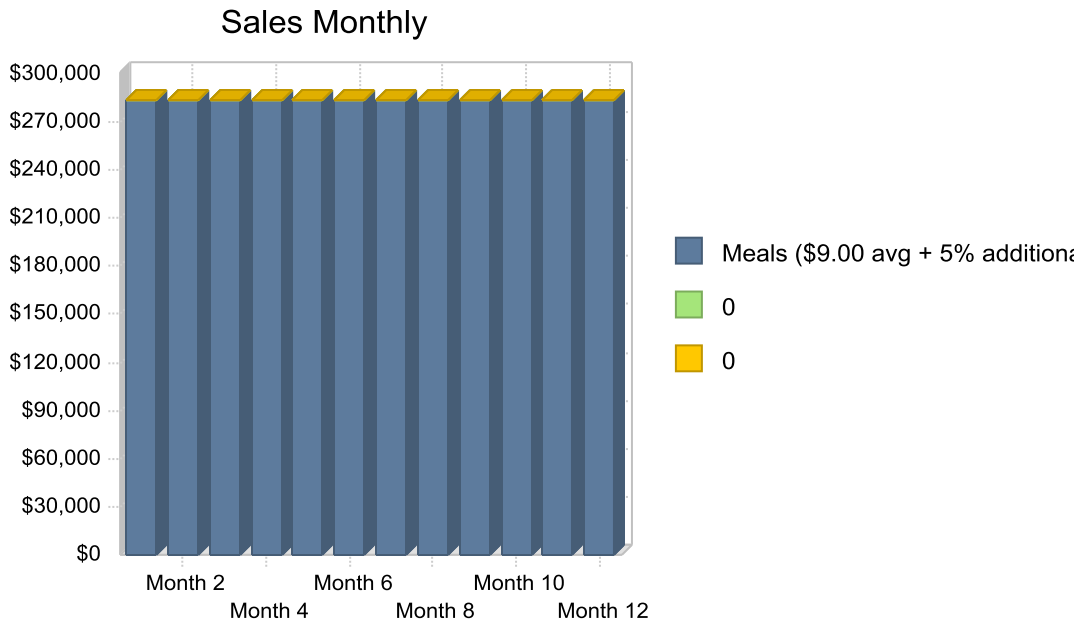
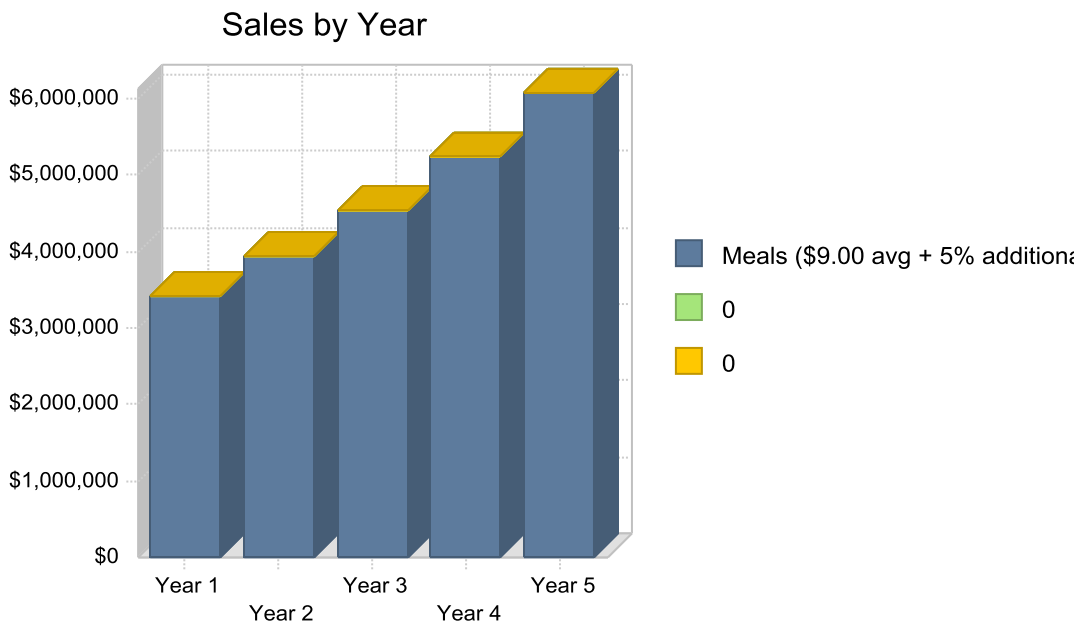


Chart: Annual Sales



The strategy and implementation will be governed by an operating plan with Balanced Scorecard benchmarks. In addition to the Financial Metrics framework included in this

document, the Company will also use Customer Metrics; Internal Business Process Metrics; and Staff Retention Metrics to monitor how the company is performing at every stage.

BALANCED SCORECARD FINANCIAL METRICS

The strategy and implementation will be governed by an operating plan with Balanced Scorecard benchmarks. In addition to the Financial Metrics framework included in this document, the Company will also use Customer Metrics; Internal Business Process Metrics; and Staff Retention Metrics to monitor how the company is performing at every stage.

Table: Balanced Scorecard Financial Metrics

Financial Objective Type	Measures	Targets	Q1 %	Q2 %	Q3 %	Q4 %	Annual %	Analysis
Revenue growth and mix	Percentage of revenue from new franchises	50% of annual revenue will come from new franchises.						
Revenue growth and mix	Percentage of revenue from product sales	50% of annual revenue will come from new services.						
Revenue growth and mix	Customer profitability	Increase profitability from 15% to 20% by year-end.						
Revenue growth and mix	Throughput	Increase throughput from distributed products by 10% by the end of the year.						
Cost reduction and productivity	Unit cost per transaction	Reduce unit cost per procurement transaction by 5% per unit by the end of the year.						
Cost reduction and productivity	Revenue per employee	Increase revenue per employee from by 5% the end of the year.						
Cost reduction and productivity	Indirect expenses as a cost of sales	Reduce general and administrative expenses as a percentage of sales from 15% to 12%, to meet competitors' expense ratios.						
Asset utilization	Working capital ratio	Increase working capital by 20% by the end of the year.						

COMPANY COMPLEXITY

An indication of how complex the company is, and the degree of the associated risk, is provided with the following evaluation. Each question provides a point value. The sum of the points, the score, determines the degree of risk as follows:

- If the total score is less than 30, the business has complexity management well under control.
- If the total score is between 31 and 50, complexity-management issues can have a significant impact on the bottom line.
- If the total score exceeds 50, the business is at serious risk and action is required.

Questions

1. How many products or services does the company offer?

Less than 10 1

10 to 100 2 ← The Pomo Group

100 to 500 3

500 to 2,500 4

More than 2,500 5

2. What percentage of the products or services makes up 80% of the revenue?

Less than 5% 1

5% to 10% 2

10% to 20% 3

20% to 40% 4

40% to 80% 5 ← The Pomo Group

3. Does management feel they have won bids they should have lost; lost bids they should have won?

Rarely 1

Sometimes 2

Average/not applicable 3 ← The Pomo Group

Often 4

Frequently 5

4. Is the service mix shifting away from high volume toward low volume services?

Yes 5

Somewhat 3

No 1 ← The Pomo Group

5. **Management agrees with the following statement:** The company has grown revenue by expanding into new markets (services, and/or customers), but profitability has failed to improve or has suffered.

Very much so	5	
Yes	4	
Somewhat	3	
Not really	2	
Absolutely not	1	← The Pomo Group

6. How many customers does the company serve?

Fewer than 100	1	
100 to 1,000	2	
1,000 to 5,000	3	
5,000 to 25,000	4	
More than 25,000	5	← The Pomo Group

7. What percentage of the customers makes up 80% of the revenue?

Less than 5%	1	
5% to 10%	2	
10% to 20%	3	
20% to 40%	4	
40% to 80%	5	← The Pomo Group

8. What percentage of the customers requires customized products or services?

Less than 20%	1	← The Pomo Group
20% to 40%	2	
40% to 60%	3	
60% to 80%	4	
More than 80%	5	

9. Does the pricing take into account the following attributes?

Distribution channel ☒ **Yes** ☐ No
Product complexity ☒ **Yes** ☐ No
Order size/frequency ☒ **Yes** ☐ No
Customer location ☒ **Yes** ☐ No
Annual order volume ☒ **Yes** ☐ No

All questions were answered yes..... 0 ← The Pomo Group

10. How is the company's sales force measured and rewarded?

The Pomo Group, Incorporated

Net profit	1	
Contribution margin	3	
Revenue	5	← The Pomo Group

11. What percentage of the company's revenue is derived from promotional items?

None	1	
Less than 5%	2	← The Pomo Group
5% to 10%	3	
10% to 20%	4	
More than 20%	5	

12. What percentage of revenue does direct material represent?

Less than 20%	5	
20% to 30%	4	
30% to 40%	3	
40% to 50%	2	← The Pomo Group
More than 50%	1	

13. What percentage of revenue does SGandA represent?

Less than 20%	1	
20% to 30%	2	← The Pomo Group
30% to 40%	3	
40% to 50%	4	
More than 50%	5	

14. In the last 5 years, as a percentage of revenue, have SGandA expenses:

Decreased more than 2%	1	
Decreased less than 2%	2	
Stayed constant	3	← The Pomo Group
Increased less than 2%	4	
Increased more than 2%	5	

TOTAL SCORE: 37 (Management complexity issues can be significant but it is believed that the operational framework will enable adequate control)

FINANCIAL PLAN

Table: Projected Business Startup Costs 2010

Start-up	Scenario 1	Scenario 2	Scenario 3
Requirements			
Start-up Expenses			
Legal and Professional	\$10,500	\$10,500	\$10,500
Working Capital	\$30,000	\$30,000	\$50,000
Operating Expenses	\$10,000	\$20,000	\$40,000
Rent (Three Months)	\$18,750	\$37,500	\$62,500
Supplies	\$2,000	\$5,000	\$10,000
Insurance and Deposits	\$4,250	\$4,250	\$4,250
Equipment	\$15,000	\$15,000	\$15,000
Other	\$1,000	\$1,000	\$1,000
Total Start-up Expenses	\$91,500	\$123,250	\$193,250
Start-up Assets			
Cash Required	\$0	\$0	\$0
Total Assets	\$0	\$0	\$0
Total Requirements	\$91,500	\$123,250	\$193,250

Start-up Funding

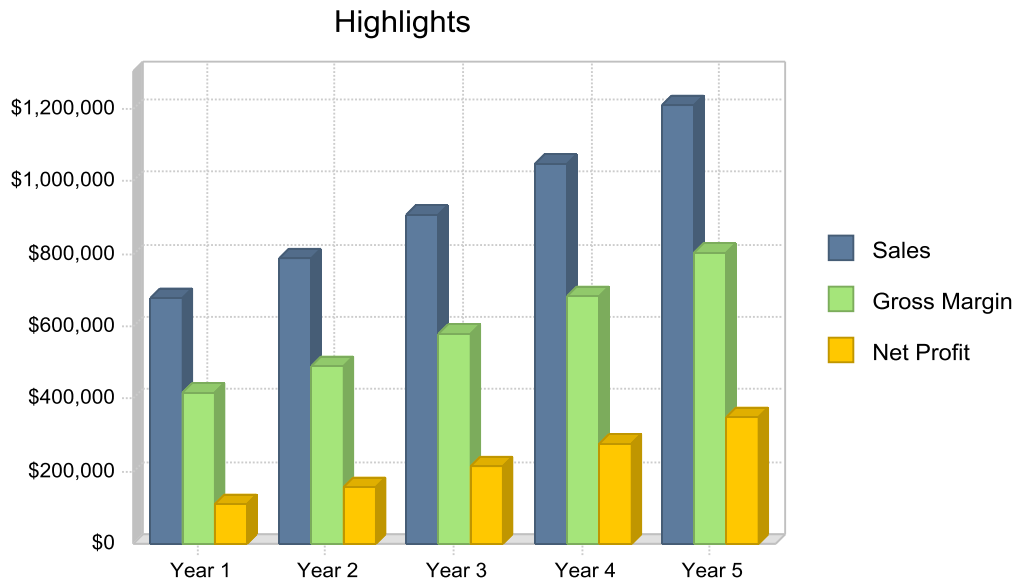
The Pomo Group is seeking \$1.5 million to defray the development costs for its first ten stores, the breakdown for which is shown in three scenarios above. The first round financing would be repaid in second round institutional financing. The assumptions that govern each of these three scenarios are primarily the level of staffing and location (rent).

The Pomo Group has targeted the opening of 300 franchising estore in the United States in the next five years and its launching on the Stock Exchange with an “initial public offering” in the fourth and fifth year of activity.

Each scenario is explored on the following pages.

Scenario One Financials

Chart: Financial Highlights

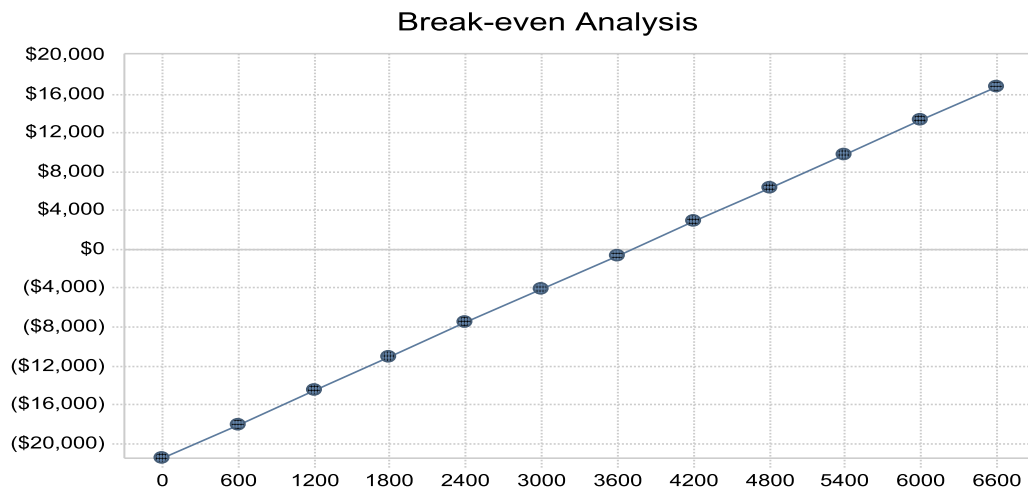


Break-even Analysis

Table: Break-even Analysis

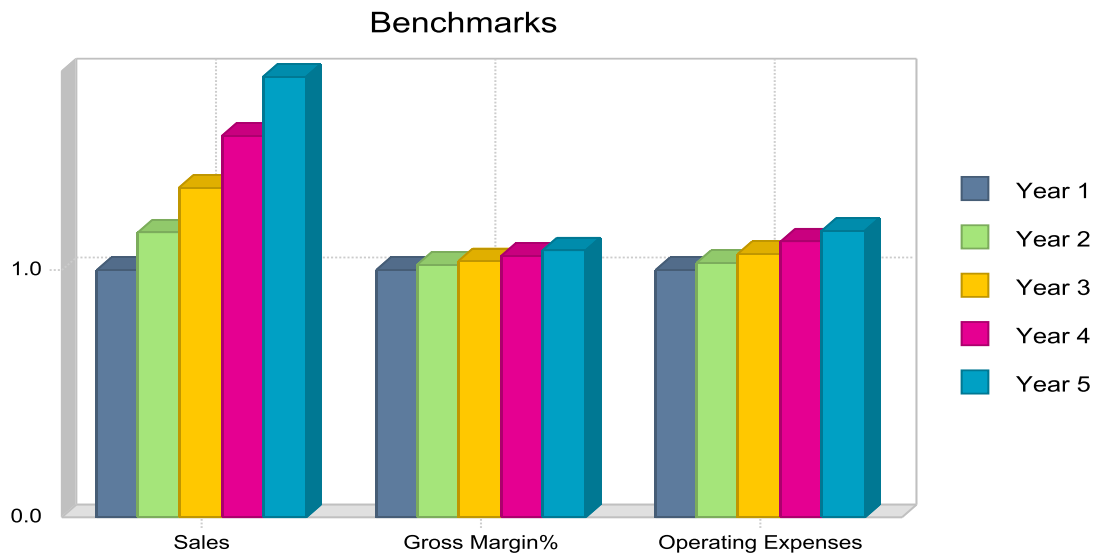
Break-even Analysis	
Monthly Units Break-even	3,710
Monthly Revenue Break-even	\$35,057
Assumptions:	
Average Per-Unit Revenue	\$9.45
Average Per-Unit Variable Cost	\$3.65
Estimated Monthly Fixed Cost	\$21,525

Chart: Break-even Analysis



Key Financial Indicators

Chart: Benchmarks



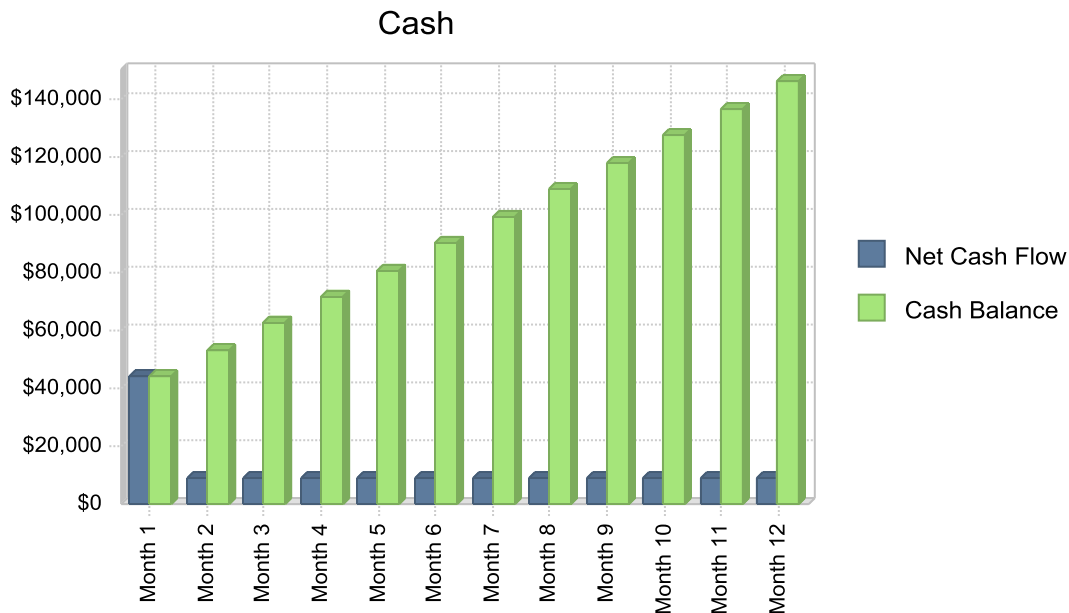
Cash Flow

Table: Cash Flow

<i>Pro Forma Cash Flow</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Cash Received					
Cash from Operations					
Cash Sales	\$680,400	\$786,287	\$908,653	\$1,050,062	\$1,213,478
Subtotal Cash from Operations	\$680,400	\$786,287	\$908,653	\$1,050,062	\$1,213,478
Additional Cash Received					
Sales Tax Received	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$680,400	\$786,287	\$908,653	\$1,050,062	\$1,213,478
Expenditures					
Expenditures from Operations					
Cash Spending	\$138,000	\$143,880	\$151,074	\$158,628	\$166,559
Bill Payments	\$396,073	\$478,850	\$539,393	\$610,084	\$688,254
Subtotal Spent on Operations	\$534,073	\$622,730	\$690,467	\$768,712	\$854,813
Additional Cash Spent					
Sales Tax, Paid Out	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$534,073	\$622,730	\$690,467	\$768,712	\$854,813
Net Cash Flow	\$146,327	\$163,557	\$218,187	\$281,351	\$358,666
Cash Balance	\$146,327	\$309,885	\$528,071	\$809,422	\$1,168,088

The Pomo Group, Incorporated

Chart: Cash Flow



Profit and Loss

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Sales	\$680,400	\$786,287	\$908,653	\$1,050,062	\$1,213,478
Direct Cost of Sales	\$262,634	\$293,625	\$328,273	\$367,009	\$410,316
Total Cost of Sales	\$262,634	\$293,625	\$328,273	\$367,009	\$410,316
Gross Margin	\$417,766	\$492,662	\$580,380	\$683,053	\$803,162
Gross Margin %	61.40%	62.66%	63.87%	65.05%	66.19%
Expenses					
Payroll	\$138,000	\$143,880	\$151,074	\$158,628	\$166,559
Marketing/Promotion	\$12,000	\$12,600	\$13,230	\$13,892	\$14,586
Depreciation	\$0	\$0	\$0	\$0	\$0
Rent	\$75,000	\$75,000	\$75,000	\$78,750	\$78,750
Utilities	\$9,000	\$9,450	\$9,923	\$10,419	\$10,940
Insurance	\$3,600	\$3,744	\$3,894	\$4,050	\$4,211
Payroll Taxes	\$20,700	\$21,582	\$22,661	\$23,794	\$24,984
Total Operating Expenses	\$258,300	\$266,256	\$275,781	\$289,531	\$300,030
Profit Before Interest and Taxes	\$159,466	\$226,406	\$304,599	\$393,522	\$503,132
EBITDA	\$159,466	\$226,406	\$304,599	\$393,522	\$503,132
Interest Expense	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$47,840	\$67,922	\$91,380	\$118,056	\$150,940
Net Profit	\$111,626	\$158,484	\$213,219	\$275,465	\$352,192
Net Profit/Sales	16.41%	20.16%	23.47%	26.23%	29.02%

Chart: Profit Monthly

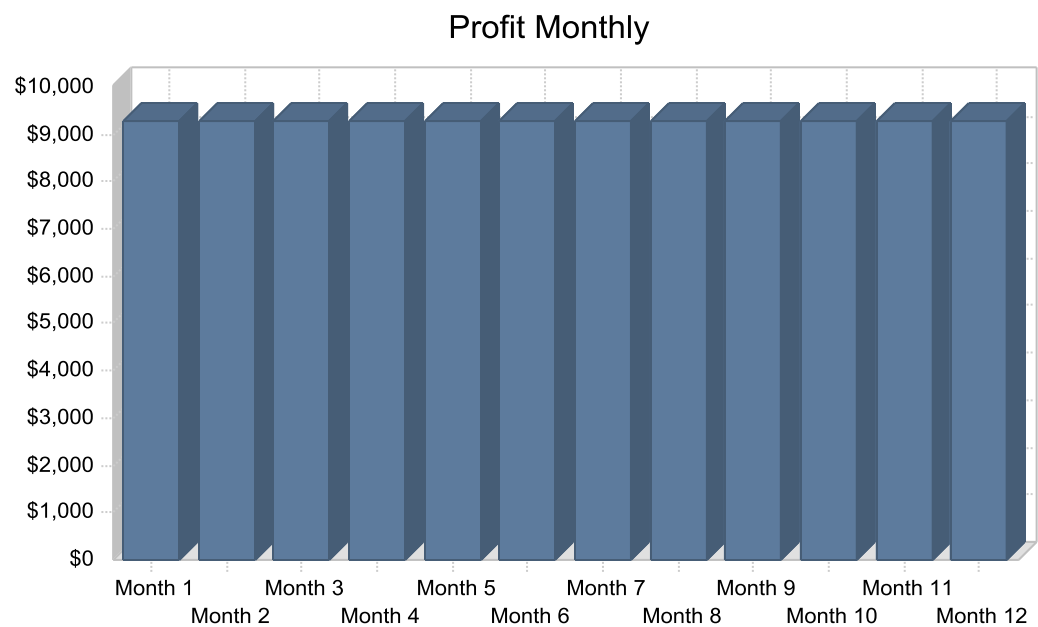


Chart: Profit Yearly

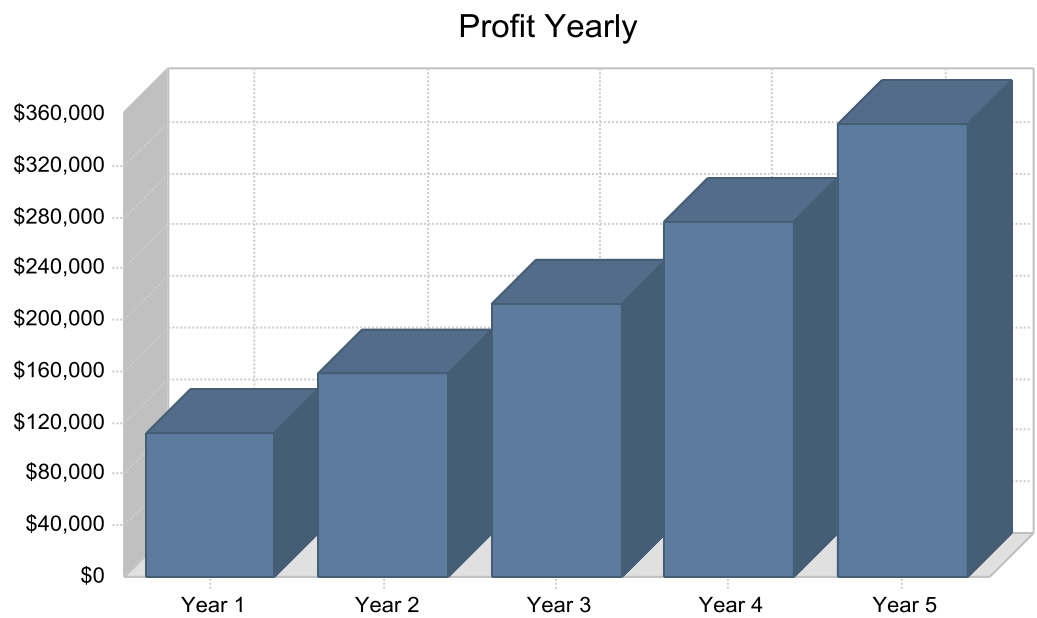


Chart: Gross Margin Monthly

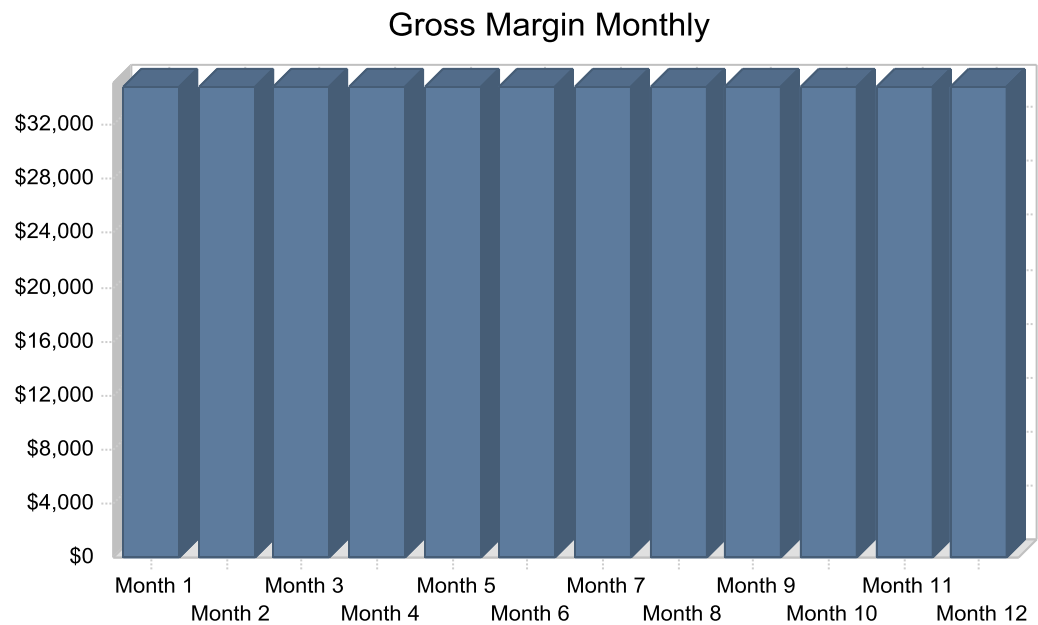
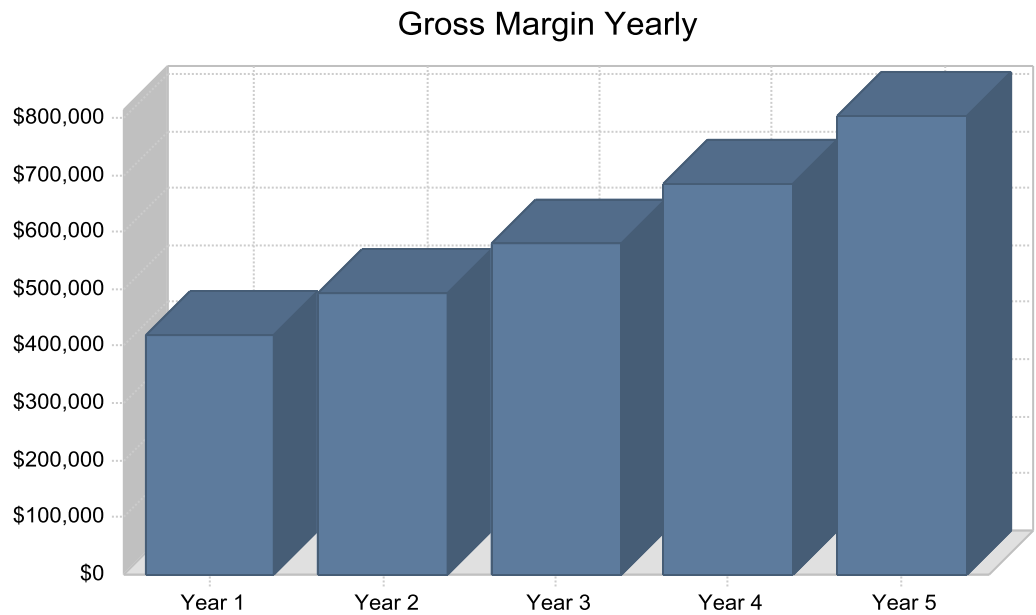


Chart: Gross Margin Yearly



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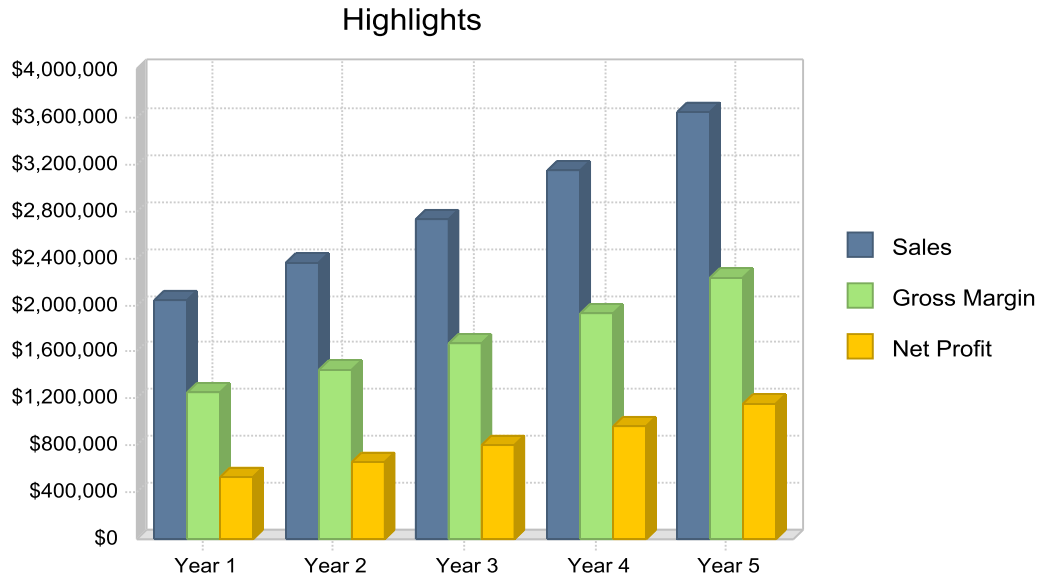
Balance Sheet

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Assets					
Current Assets					
Cash	\$146,327	\$309,885	\$528,071	\$809,422	\$1,168,088
Other Current Assets	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$146,327	\$309,885	\$528,071	\$809,422	\$1,168,088
Long-term Assets					
Long-term Assets	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0
Total Assets	\$146,327	\$309,885	\$528,071	\$809,422	\$1,168,088
Liabilities and Capital					
Current Liabilities					
Accounts Payable	\$34,701	\$39,774	\$44,742	\$50,628	\$57,101
Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$34,701	\$39,774	\$44,742	\$50,628	\$57,101
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$34,701	\$39,774	\$44,742	\$50,628	\$57,101
Paid-in Capital	\$91,500	\$91,500	\$91,500	\$91,500	\$91,500
Retained Earnings	(\$91,500)	\$20,126	\$178,610	\$391,829	\$667,294
Earnings	\$111,626	\$158,484	\$213,219	\$275,465	\$352,192
Total Capital	\$111,626	\$270,110	\$483,329	\$758,794	\$1,110,987
Total Liabilities and Capital	\$146,327	\$309,885	\$528,071	\$809,422	\$1,168,088
Net Worth	\$111,626	\$270,110	\$483,329	\$758,794	\$1,110,987

Scenario Two Financials

Chart: Financial Highlights

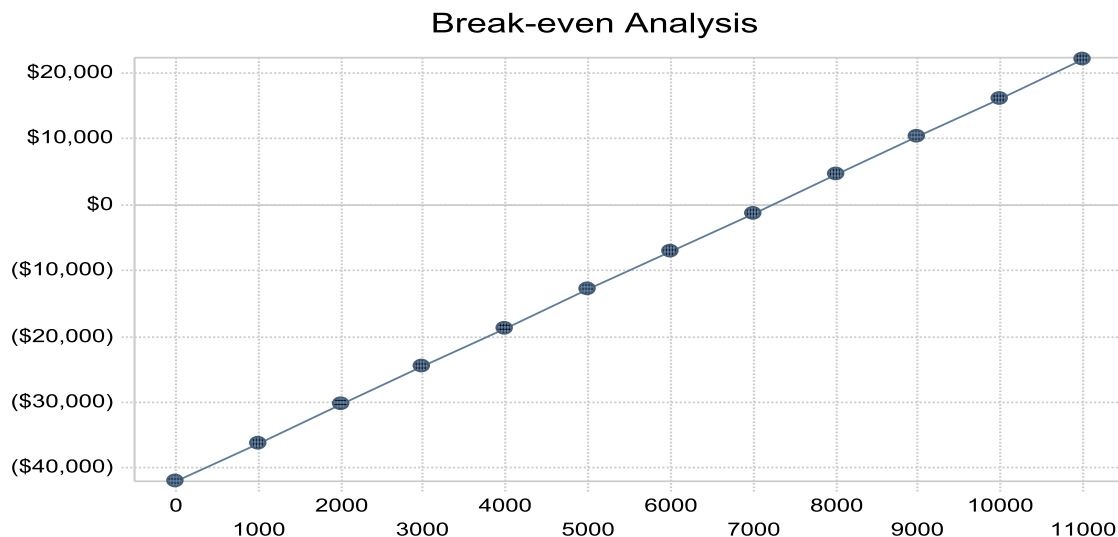


Break-even Analysis

Table: Break-even Analysis

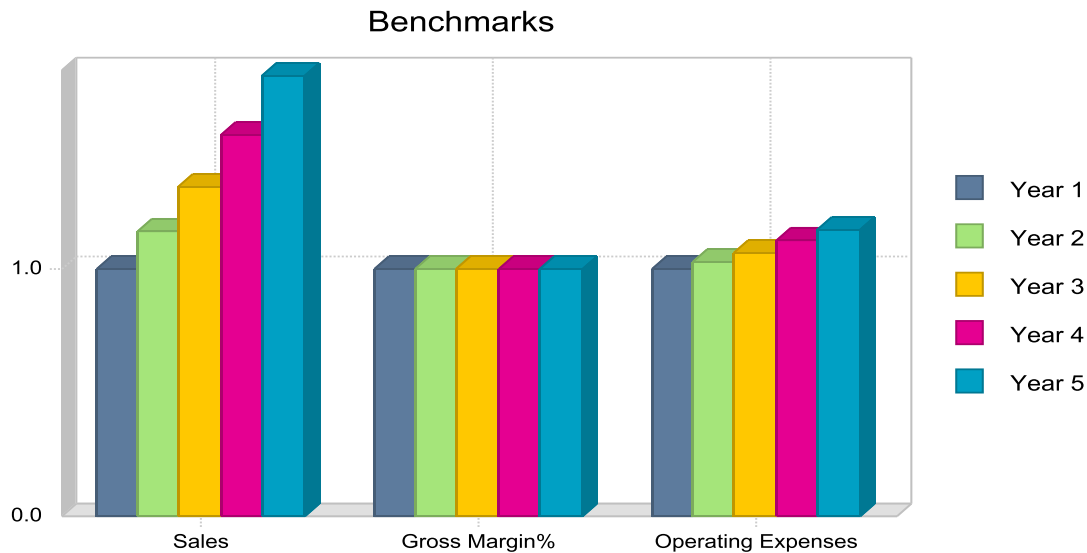
Break-even Analysis	
Monthly Units Break-even	7,230
Monthly Revenue Break-even	\$68,322
Assumptions:	
Average Per-Unit Revenue	\$9.45
Average Per-Unit Variable Cost	\$3.65
Estimated Monthly Fixed Cost	\$41,950

Chart: Break-even Analysis



Key Financial Indicators

Chart: Benchmarks



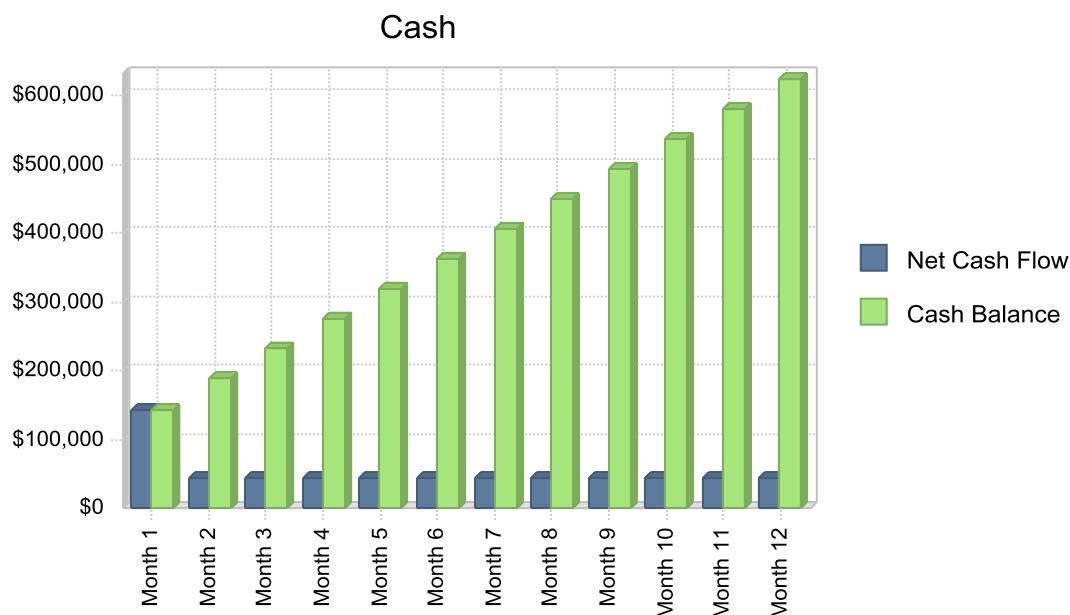
Cash Flow

Table: Cash Flow

<i>Pro Forma Cash Flow</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Cash Received					
Cash from Operations					
Cash Sales	\$2,041,200	\$2,358,862	\$2,725,960	\$3,150,187	\$3,640,435
Subtotal Cash from Operations	\$2,041,200	\$2,358,862	\$2,725,960	\$3,150,187	\$3,640,435
Additional Cash Received					
Sales Tax Received	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$2,041,200	\$2,358,862	\$2,725,960	\$3,150,187	\$3,640,435
Expenditures					
Expenditures from Operations					
Cash Spending	\$276,000	\$287,760	\$302,148	\$317,255	\$333,118
Bill Payments	\$1,140,361	\$1,403,499	\$1,611,040	\$1,853,475	\$2,128,670
Subtotal Spent on Operations	\$1,416,361	\$1,691,259	\$1,913,188	\$2,170,731	\$2,461,788
Additional Cash Spent					
Sales Tax Paid Out	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$1,416,361	\$1,691,259	\$1,913,188	\$2,170,731	\$2,461,788
Net Cash Flow	\$624,839	\$667,602	\$812,772	\$979,456	\$1,178,647
Cash Balance	\$624,839	\$1,292,441	\$2,105,213	\$3,084,669	\$4,263,316

The Pomo Group, Incorporated

Chart: Cash Flow



Profit and Loss

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Sales	\$2,041,200	\$2,358,862	\$2,725,960	\$3,150,187	\$3,640,435
Direct Cost of Sales	\$787,903	\$910,521	\$1,052,220	\$1,215,972	\$1,405,208
Total Cost of Sales	\$787,903	\$910,521	\$1,052,220	\$1,215,972	\$1,405,208
Gross Margin	\$1,253,297	\$1,448,341	\$1,673,739	\$1,934,215	\$2,235,227
Gross Margin %	61.40%	61.40%	61.40%	61.40%	61.40%
Expenses					
Payroll	\$276,000	\$287,760	\$302,148	\$317,255	\$333,118
Marketing/Promotion	\$18,000	\$18,900	\$19,845	\$20,837	\$21,879
Depreciation	\$0	\$0	\$0	\$0	\$0
Rent	\$150,000	\$150,000	\$150,000	\$157,500	\$157,500
Utilities	\$12,000	\$12,600	\$13,230	\$13,892	\$14,586
Insurance	\$6,000	\$6,240	\$6,490	\$6,749	\$7,019
Payroll Taxes	\$41,400	\$43,164	\$45,322	\$47,588	\$49,968
Total Operating Expenses	\$503,400	\$518,664	\$537,035	\$563,822	\$584,070
Profit Before Interest and Taxes	\$749,897	\$929,677	\$1,136,704	\$1,370,393	\$1,651,157
EBITDA	\$749,897	\$929,677	\$1,136,704	\$1,370,393	\$1,651,157
Interest Expense	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$224,969	\$278,903	\$341,011	\$411,118	\$495,347
Net Profit	\$524,928	\$650,774	\$795,693	\$959,275	\$1,155,810
Net Profit/Sales	25.72%	27.59%	29.19%	30.45%	31.75%

Chart: Profit Monthly

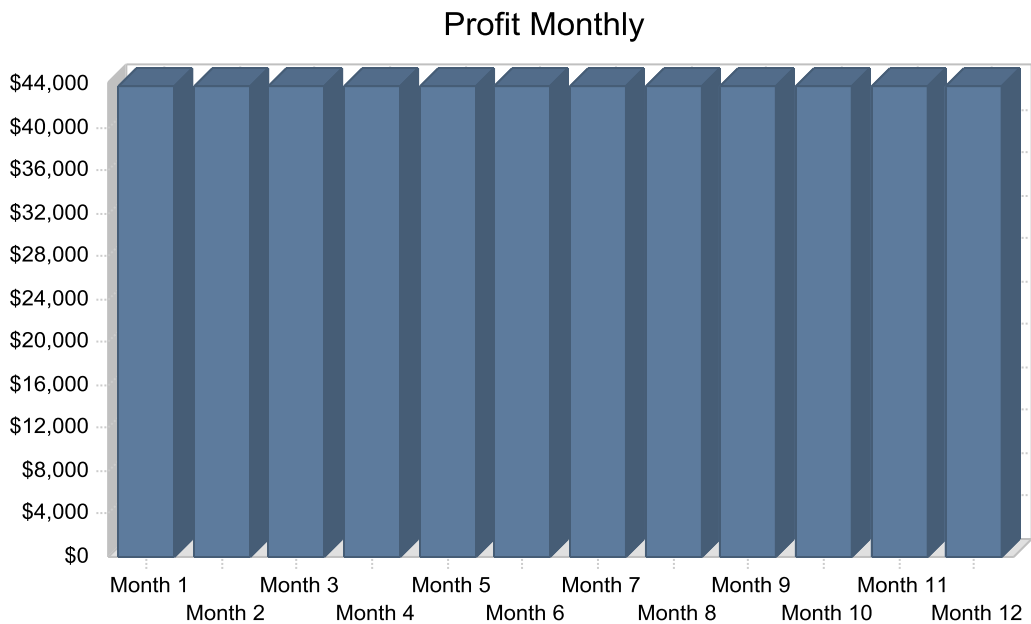


Chart: Profit Yearly

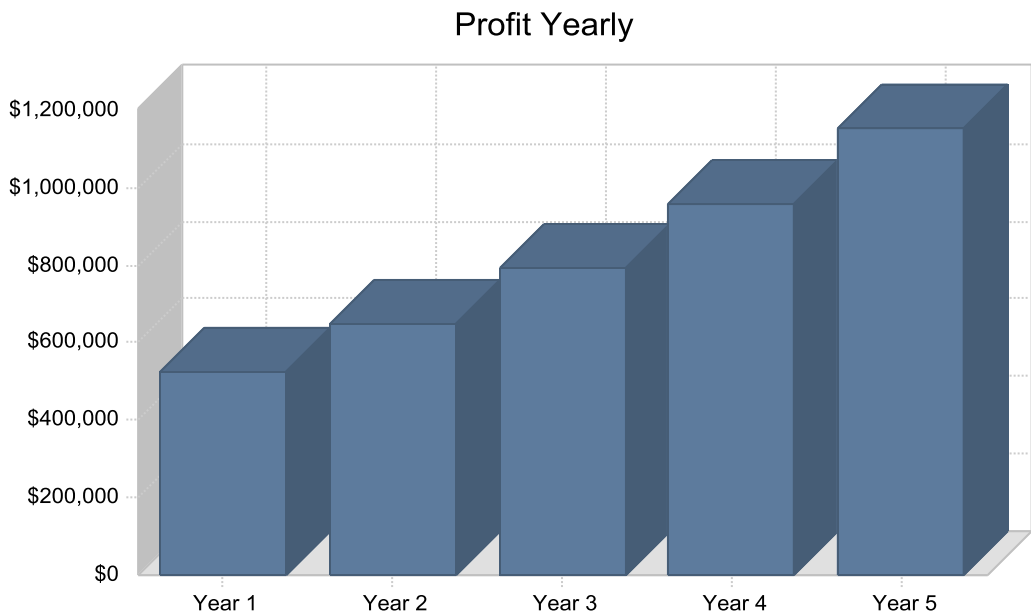


Chart: Gross Margin Monthly

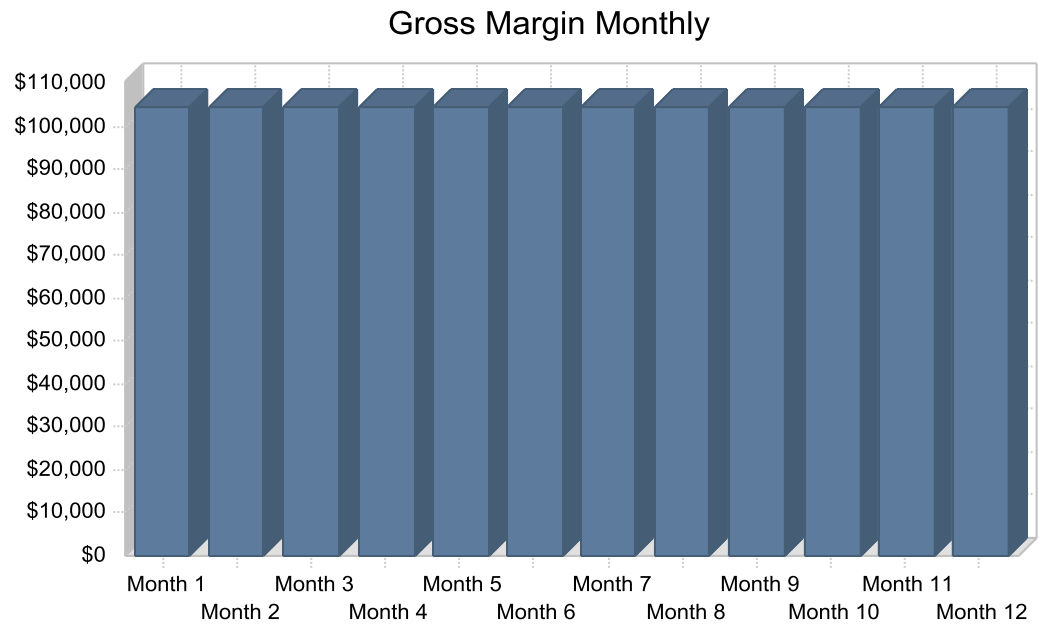
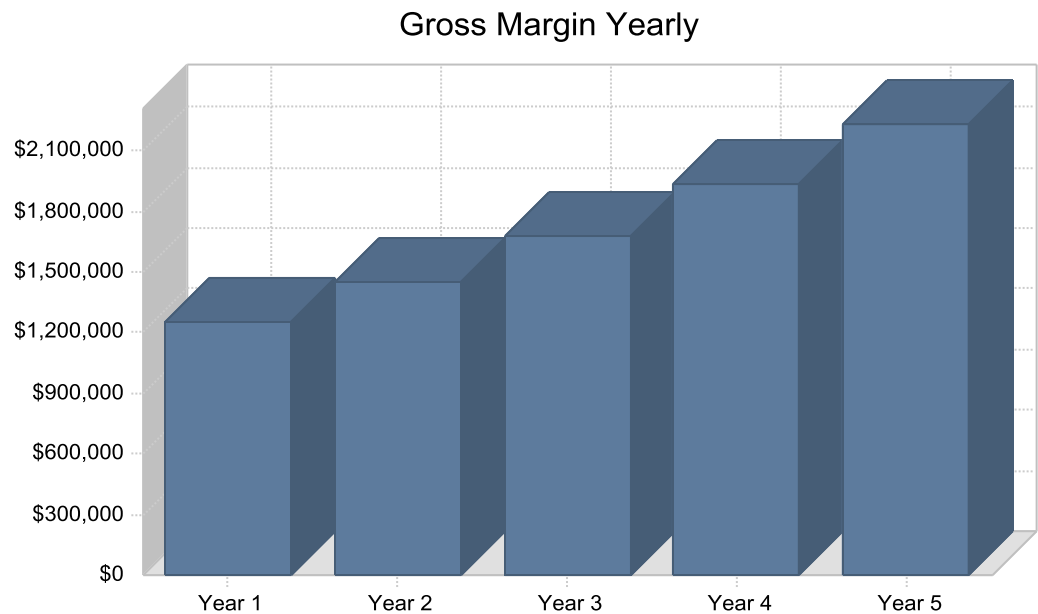


Chart: Gross Margin Yearly



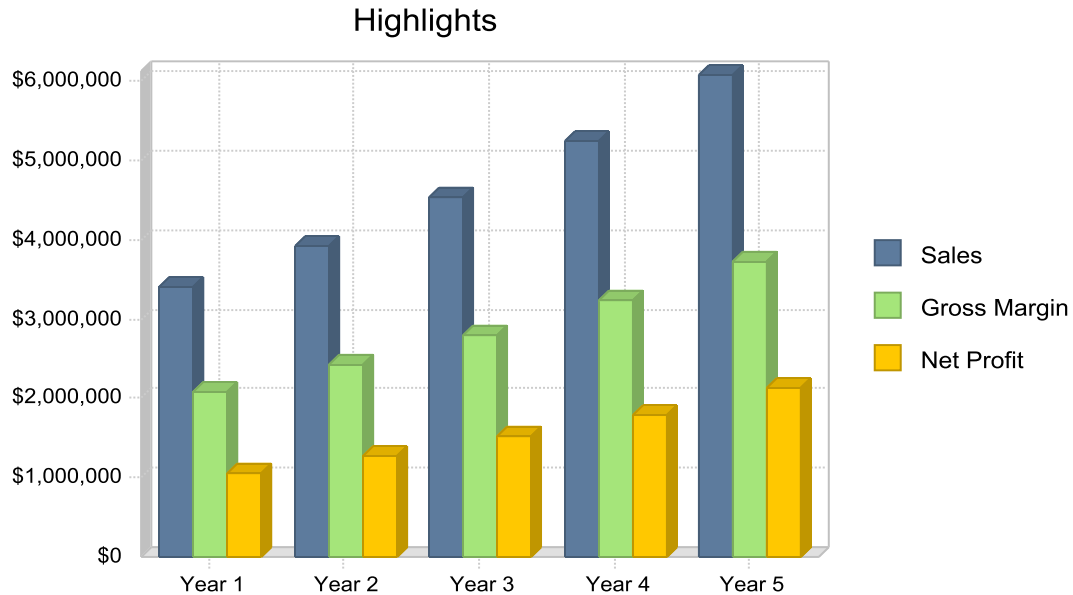
Balance Sheet

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Assets					
Current Assets					
Cash	\$624,839	\$1,292,441	\$2,105,213	\$3,084,669	\$4,263,316
Other Current Assets	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$624,839	\$1,292,441	\$2,105,213	\$3,084,669	\$4,263,316
Long-term Assets					
Long-term Assets	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0
Total Assets	\$624,839	\$1,292,441	\$2,105,213	\$3,084,669	\$4,263,316
Liabilities and Capital					
Current Liabilities					
Accounts Payable	\$99,911	\$116,739	\$133,818	\$153,999	\$176,836
Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$99,911	\$116,739	\$133,818	\$153,999	\$176,836
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$99,911	\$116,739	\$133,818	\$153,999	\$176,836
Paid-in Capital	\$123,250	\$123,250	\$123,250	\$123,250	\$123,250
Retained Earnings	(\$123,250)	\$401,678	\$1,052,452	\$1,848,145	\$2,807,420
Earnings	\$524,928	\$650,774	\$795,693	\$959,275	\$1,155,810
Total Capital	\$524,928	\$1,175,702	\$1,971,395	\$2,930,670	\$4,086,480
Total Liabilities and Capital	\$624,839	\$1,292,441	\$2,105,213	\$3,084,669	\$4,263,316
Net Worth	\$524,928	\$1,175,702	\$1,971,395	\$2,930,670	\$4,086,480

Scenario Three Financials

Chart: Financial Highlights

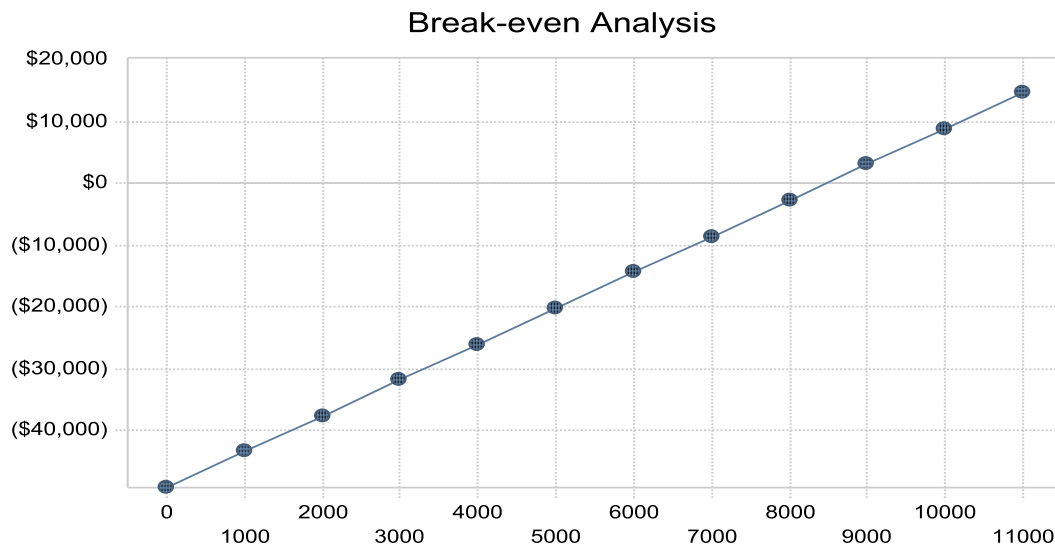


Break-even Analysis

Table: Break-even Analysis

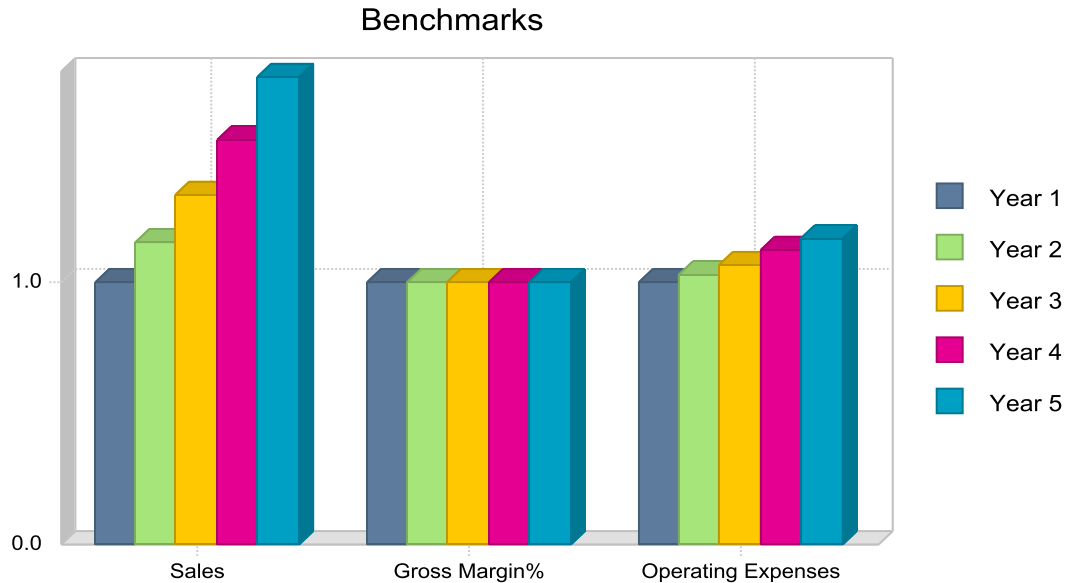
Break-even Analysis	
Monthly Units Break-even	8,485
Monthly Revenue Break-even	\$80,185
Assumptions:	
Average Per-Unit Revenue	\$9.45
Average Per-Unit Variable Cost	\$3.65
Estimated Monthly Fixed Cost	\$49,233

Chart: Break-even Analysis



Key Financial Indicators

Chart: Benchmarks



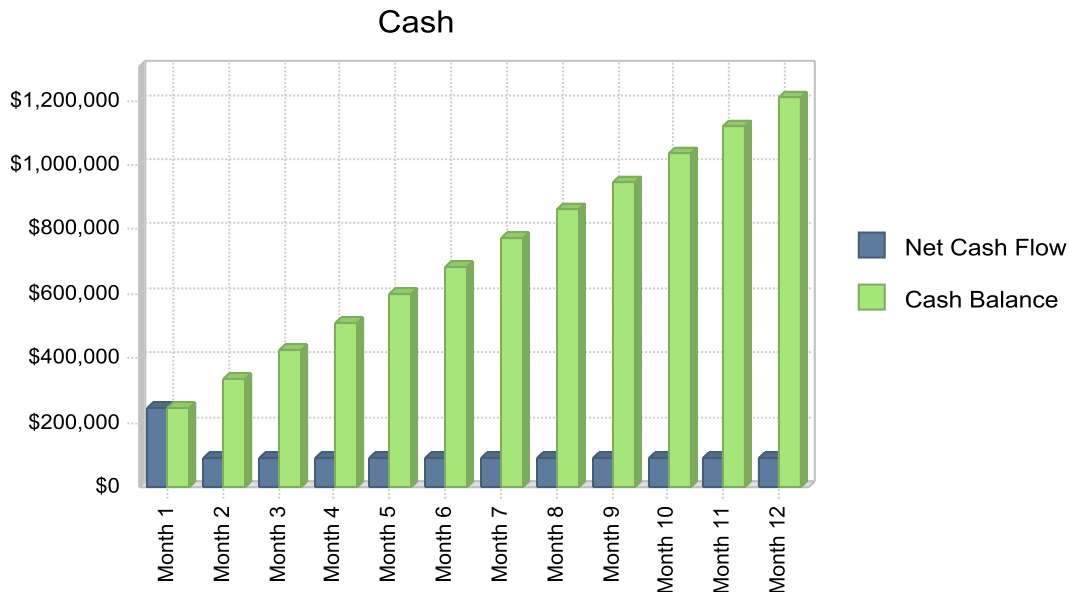
Cash Flow

Table: Cash Flow

<i>Pro Forma Cash Flow</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Cash Received					
Cash from Operations					
Cash Sales	\$3,402,000	\$3,931,436	\$4,543,266	\$5,250,312	\$6,067,392
Subtotal Cash from Operations	\$3,402,000	\$3,931,436	\$4,543,266	\$5,250,312	\$6,067,392
Additional Cash Received					
Sales Tax Received	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$3,402,000	\$3,931,436	\$4,543,266	\$5,250,312	\$6,067,392
Expenditures					
Expenditures from Operations					
Cash Spending	\$352,000	\$366,800	\$385,140	\$404,397	\$424,617
Bill Payments	\$1,840,158	\$2,273,647	\$2,619,678	\$3,020,786	\$3,479,431
Subtotal Spent on Operations	\$2,192,158	\$2,640,447	\$3,004,818	\$3,425,183	\$3,904,048
Additional Cash Spent					
Sales Tax Paid Out	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$2,192,158	\$2,640,447	\$3,004,818	\$3,425,183	\$3,904,048
Net Cash Flow	\$1,209,842	\$1,290,989	\$1,538,448	\$1,825,129	\$2,163,344
Cash Balance	\$1,209,842	\$2,500,831	\$4,039,279	\$5,864,408	\$8,027,752

The Pomo Group, Incorporated

Chart: Cash Flow



Profit and Loss

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Sales	\$3,402,000	\$3,931,436	\$4,543,266	\$5,250,312	\$6,067,392
Direct Cost of Sales	\$1,313,172	\$1,517,534	\$1,753,701	\$2,026,620	\$2,342,013
Total Cost of Sales	\$1,313,172	\$1,517,534	\$1,753,701	\$2,026,620	\$2,342,013
Gross Margin	\$2,088,828	\$2,413,902	\$2,789,565	\$3,223,691	\$3,725,378
Gross Margin %	61.40%	61.40%	61.40%	61.40%	61.40%
Expenses					
Payroll	\$352,000	\$366,800	\$385,140	\$404,397	\$424,617
Marketing/Promotion	\$18,000	\$18,900	\$19,845	\$20,837	\$21,879
Depreciation	\$0	\$0	\$0	\$0	\$0
Rent	\$150,000	\$150,000	\$150,000	\$157,500	\$157,500
Utilities	\$12,000	\$12,600	\$13,230	\$13,892	\$14,586
Insurance	\$6,000	\$6,240	\$6,490	\$6,749	\$7,019
Payroll Taxes	\$52,800	\$55,020	\$57,771	\$60,660	\$63,693
Total Operating Expenses	\$590,800	\$609,560	\$632,476	\$664,034	\$689,294
Profit Before Interest and Taxes	\$1,498,028	\$1,804,342	\$2,157,090	\$2,559,657	\$3,036,085
EBITDA	\$1,498,028	\$1,804,342	\$2,157,090	\$2,559,657	\$3,036,085
Interest Expense	\$0	\$0	\$0	\$0	\$0
Taxes Incurred	\$449,408	\$541,303	\$647,127	\$767,897	\$910,825
Net Profit	\$1,048,620	\$1,263,039	\$1,509,963	\$1,791,760	\$2,125,259
Net Profit/Sales	30.82%	32.13%	33.24%	34.13%	35.03%

Chart: Profit Monthly

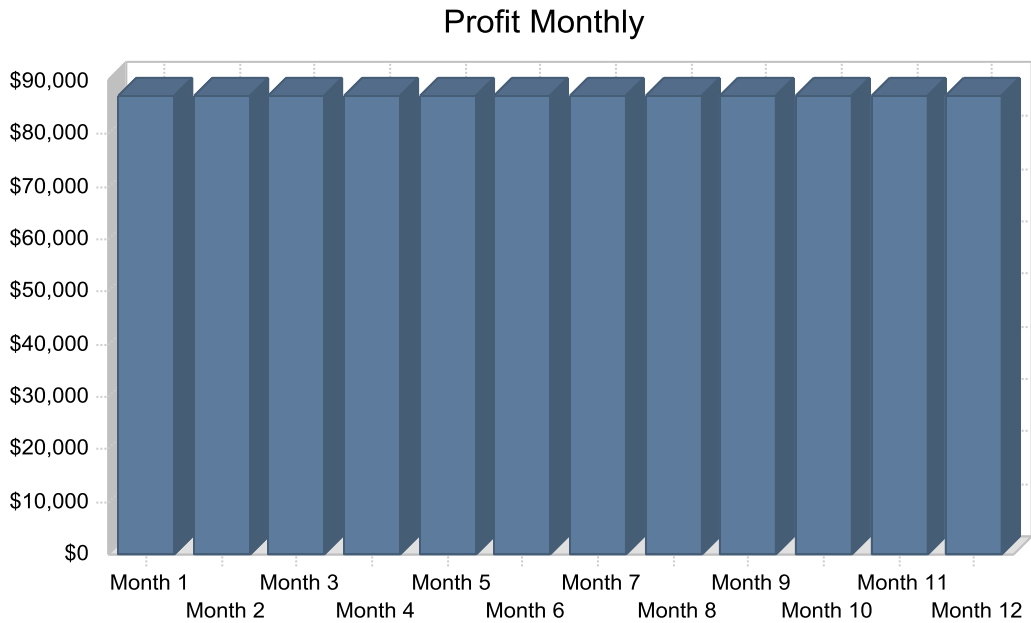


Chart: Profit Yearly

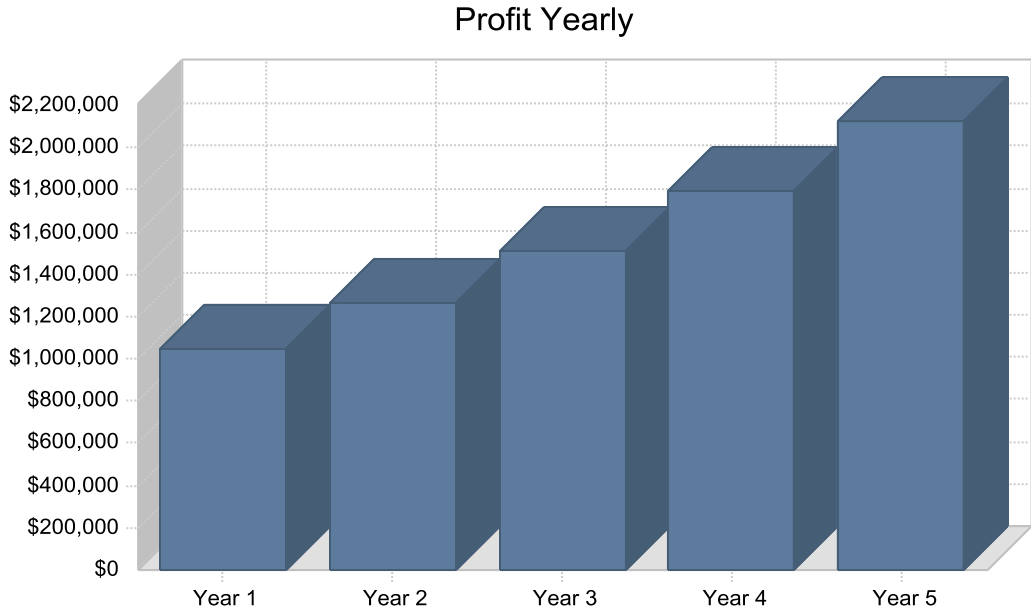


Chart: Gross Margin Monthly

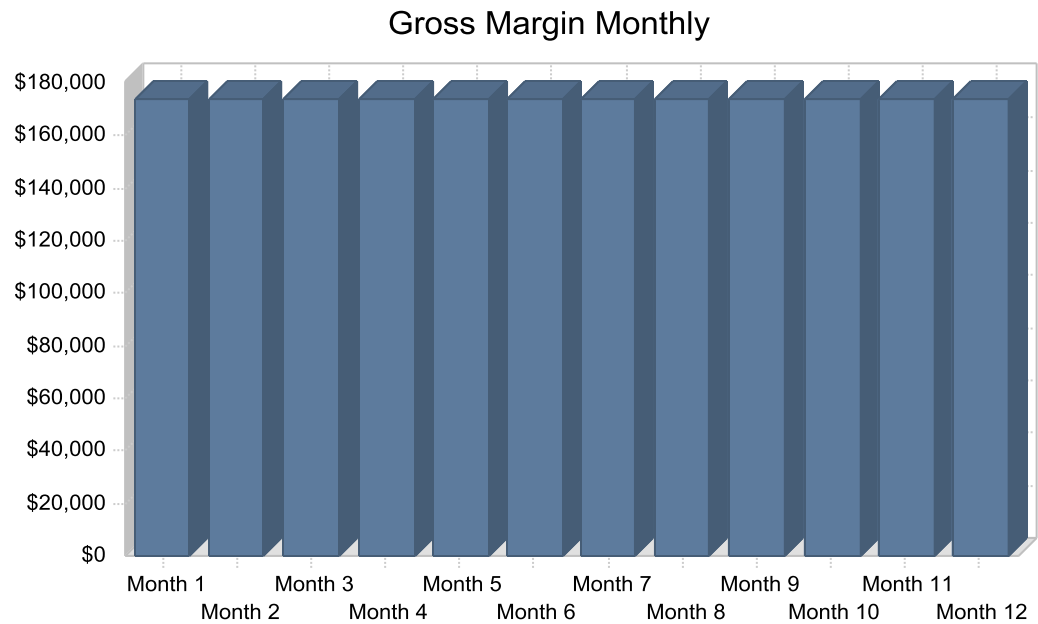
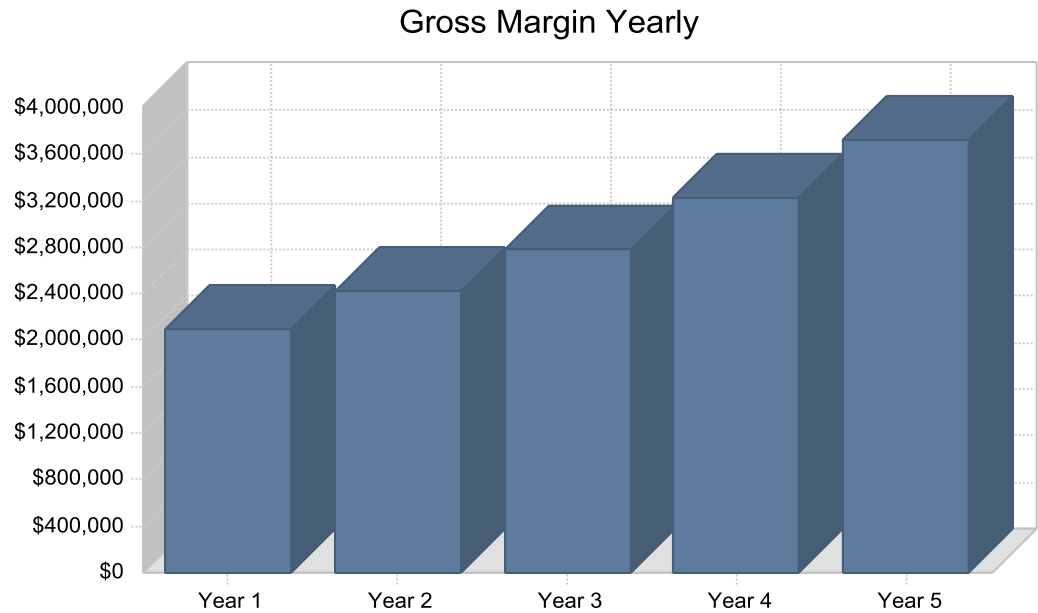


Chart: Gross Margin Yearly



Balance Sheet

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>
Assets					
Current Assets					
Cash	\$1,209,842	\$2,500,831	\$4,039,279	\$5,864,408	\$8,027,752
Other Current Assets	\$0	\$0	\$0	\$0	\$0
Total Current Assets	\$1,209,842	\$2,500,831	\$4,039,279	\$5,864,408	\$8,027,752
Long-term Assets					
Long-term Assets	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0
Total Long-term Assets	\$0	\$0	\$0	\$0	\$0
Total Assets	\$1,209,842	\$2,500,831	\$4,039,279	\$5,864,408	\$8,027,752
Liabilities and Capital					
Current Liabilities					
Accounts Payable	\$161,222	\$189,172	\$217,657	\$251,026	\$289,111
Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$161,222	\$189,172	\$217,657	\$251,026	\$289,111
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0
Total Liabilities	\$161,222	\$189,172	\$217,657	\$251,026	\$289,111
Paid-in Capital	\$193,250	\$193,250	\$193,250	\$193,250	\$193,250
Retained Earnings	(\$193,250)	\$855,370	\$2,118,409	\$3,628,372	\$5,420,132
Earnings	\$1,048,620	\$1,263,039	\$1,509,963	\$1,791,760	\$2,125,259
Total Capital	\$1,048,620	\$2,311,659	\$3,821,622	\$5,613,382	\$7,738,641
Total Liabilities/Capital	\$1,209,842	\$2,500,831	\$4,039,279	\$5,864,408	\$8,027,752
Net Worth	\$1,048,620	\$2,311,659	\$3,821,622	\$5,613,382	\$7,738,641

Business Industry Ratios

Table: Ratios

<i>Ratio Analysis</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>	<i>Industry Profile</i>
Sales Growth	N/A	15.56%	15.56%	15.56%	15.56%	1.65%
Percent of Total Assets						
Other Current Assets	0.00%	0.00%	0.00%	0.00%	0.00%	43.25%
Total Current Assets	100.00%	100.00%	100.00%	100.00%	100.00%	53.12%
Long-term Assets	0.00%	0.00%	0.00%	0.00%	0.00%	46.88%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities	13.33%	7.56%	5.39%	4.28%	3.60%	25.40%
Long-term Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	73.91%
Total Liabilities	13.33%	7.56%	5.39%	4.28%	3.60%	99.31%
Net Worth	86.67%	92.44%	94.61%	95.72%	96.40%	0.69%
Percent of Sales						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Margin	61.40%	61.40%	61.40%	61.40%	61.40%	58.06%
Selling, General and Administrative Expenses	30.58%	29.27%	28.16%	27.27%	26.37%	23.02%
Advertising Expenses	0.53%	0.48%	0.44%	0.40%	0.36%	1.74%
Profit Before Interest and Taxes	44.03%	45.90%	47.48%	48.75%	50.04%	6.52%
Main Ratios						
Current	7.50	13.22	18.56	23.36	27.77	1.25
Quick	7.50	13.22	18.56	23.36	27.77	1.00
Total Debt to Total Assets	13.33%	7.56%	5.39%	4.28%	3.60%	99.31%
Pre-tax Return on Net Worth	142.86%	78.05%	56.44%	45.60%	39.23%	4325.19%
Pre-tax Return on Assets	123.82%	72.15%	53.40%	43.65%	37.82%	29.65%
Additional Ratios	Year 1	Year 2	Year 3	Year 4	Year 5	
Net Profit Margin	30.82%	32.13%	33.24%	34.13%	35.03%	N/A
Return on Equity	100.00%	54.64%	39.51%	31.92%	27.46%	N/A
Activity Ratios						
Accounts Payable Turnover	12.41	12.17	12.17	12.17	12.17	N/A
Payment Days	27	28	28	28	28	N/A
Total Asset Turnover	2.81	1.57	1.12	0.90	0.76	N/A
Debt Ratios						
Debt to Net Worth	0.15	0.08	0.06	0.04	0.04	N/A
Current Liabilities to Liabilities	1.00	1.00	1.00	1.00	1.00	N/A
Liquidity Ratios						
Net Working Capital	\$1,048,620	\$2,311,659	\$3,821,622	\$5,613,382	\$7,738,641	N/A
Interest Coverage	0.00	0.00	0.00	0.00	0.00	N/A
Additional Ratios						
Assets to Sales	0.36	0.64	0.89	1.12	1.32	N/A
Current Debt/Total Assets	13%	8%	5%	4%	4%	N/A
Acid Test	7.50	13.22	18.56	23.36	27.77	N/A
Sales/Net Worth	3.24	1.70	1.19	0.94	0.78	N/A