

ROSSOPOMODORO
[franchising]

Rossopomodoro Brand

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Franchisee

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RESTAURANT CONCEPT

The inspiring concept of Rosso Pomodoro restaurants is that of a “casual restaurant”. The perfect balance of sales between the “pizza” product and the “trattoria” product makes our places not only pizza restaurants neither conventional restaurants. That’s why the Rosso Pomodoro restaurants can be considered “casual restaurants”.

- Our restaurants (“Casual” or “Not expensive”)
- Our restaurants are based on a reproducible management organization and working methods, studying totally different menus compared to those of fast food restaurants and presenting characteristic elements that require specialized personnel only in the preparing phases. The personnel is trained for the menu offers and service methods studied and codified in our operative manuals
- The creation of such methods represents our know how.
- The brand is the “visibile attraction element”
- Our reference target is based on customers with an average expense mission, willing to cover certain distances to take a meal: so our ideal location is in a secondary street of an urban area. The firm appeal is based on a strong restaurant characterization, a recognisable brand and an original menu. These elements are preponderant in comparison with the location visibility.



MENU CHARACTERISTICS

One of the project's identification elements is the menu: a particular and exclusive menu, based on the "Rossopomodoro" key inspiration concept of "casual restaurants", with specialized menus conceived to be one of its strong elements. Our gastronomical proposal is articulated in two main streams:

- ✓ neapolitan pizza cooked in a wood combustion oven.
- ✓ traditional neapolitan cuisine recipes

Constant quality levels, even offering niche goods related with the territorial location, rigorous respect of traditional pizza and recipes preparation methods, are possible thanks to the franchisor know-how and professional personnel training, taught by expert chefs respecting the recipes included in the operating handbook.

Our restaurant and menu concepts, with our experience, have given us the opportunity to create an optimal system that guarantees a perfect balance regarding the sales of the two major streams mentioned above. This is another innovative element of the whole project.

The franchisor market studies have individuated national and local suppliers that allow the respect of the original recipes indicated in the manual.



ROSSOPOMODORO FRANCHISING

The Rossopomodoro franchising formula has different franchising packages thought for subjects with different profiles, so it offers both "entrepreneurial franchising" and "centralized franchising".

The franchising subjects can be:

An entrepreneur who wants a full time activity, with good investment returns and interesting growths for his business abilities. In this case no specific experience in the restaurant market is needed, but the subject must be capable and willing to follow a training program of at least two months before opening a restaurant, and subsequently manage the business and its development. Such an entrepreneur doesn't require high capital investments but must be determined in understanding the Rossopomodoro concept following a developing plan that requires a high investment in terms of time and energy.

An investor who participates with financial resources or other resources that can be integrated with the franchisor's resources (shops with strategical locations). In this case no specific knowledge is required, the franchisee can have a marginal role in the project, continuing a separate principal activity. This franchising system has a more complex franchising package, that also establishes the choices of gestors and sales representatives, marketing and management program. This type of franchisee must have a solid economical base and investing tendencies.

An enterprise company, with an entrepreneurial component, interested in a full time activity, and a financial component, interested in this type of investment, with the company as future gestor and director of the restaurant.

In all these cases apart from entrepreneurial and financial resources the franchisee can also contribute with shops situated in strategical locations.

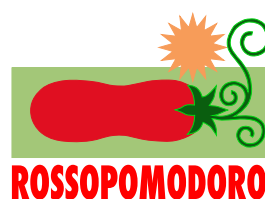
Each franchisee must also have the following requirements:

1-A juridical subject (a company) with adequate mission and social capital.

2-R. E. C. registration

3-The company representant or administrator must be recordered in the representatives administration register

4-The selling point needs an administrative authorization for selling food and beverages to the public (A table licence).



RESTAURANT ROOMS

Customers and localization

In this phase the rossopomodoro program is based on initiatives in the city, precisely in streets and squares, not necessarily main roads, but always in central areas, with offices and commercial areas that guarantee an adequate number of customers during daily hours or in the city suburbs in certain attraction areas like commercial centers, cinemas or multi-functional service areas.

The restaurant rooms

The restaurant rooms must have some technical requirements, and most of all must present specific characteristics

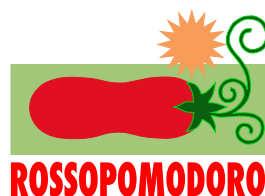
Referring to technical requirements, the following are most important:

a) Restaurant square area:

- ✘ The square area shouldn't be smaller or bigger than 350/400 square meters, with at least 2 or three independent entrances directly on a street or square and a sidewalk on the front. The room width should at least be 6 mt.
- ✘ The ground floor area has to be at least 150 square commercial mts. with a suitable visible zone for the oven and tables for the customers. The rest of the square area can be dislocated on more floors with other tables for customers, rest rooms, warehouse area, dressing rooms for the personnel and an office, but these elements must be connected with the ground floor and suitable under an administrative and commercial profile.

b) Height

- ✘
 - ✘ The minimum room height must be 2,70-3,00 mt.
- #### a) Other technical requirements:
- ✘ Flue: the rooms must have two or more flue pipes or have the possibility to build them. They should measure 40x40 cm or, if circular, the diameter should be of 40 cm serving the kitchen cowl.
 - ✘ 25 cm diameter for the circular pipe serving the oven
 - ✘ Electrical power: at least 30kw or 130kw in case of electrical kitchens
 - ✘ Gas: at least 60.000 Kcal (not necessary if electrical kitchens are used)
 - ✘ Adequate water network pipes
 - ✘ Adequate sewer drainpipes



INITIAL INVESTMENT

The initial investment amount depends on the restaurant's installations and building structure: for an average shop restructuring and installation costs are €400-600 for each sq. mt. and require a cash payment.

For furnishing and equipment average costs are €400-600/sqm financiaible by means of leasing.

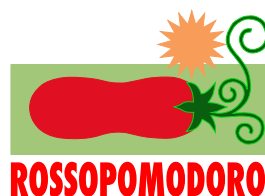
At the activation of the selling point Sebeto requires a fixed income right of € 50.000 to compute as part of the initial investments, while further compensations due to the franchisor depend on the turnover and are articulated in:

<i>Royalties on net sales</i>	5%
<i>Publicity investment for the selling point</i>	1%

Expenses for the restaurant structure availability are included in the set up costs (buying costs, rent costs or missing profits due to the use of franchisees property structures; law and administrative expenses to establish the affiliate company; requirede licences and technical costs, flue pipes, etc.).

Such costs vary a lot, depending on the single selling point and also include: repayable advances (placed guarantees, deposits of the company's capital, etc.).

Restaurant structure (square area)	350/400 mq
Cash investment	€ 120.000-250.000.
Leasing investment	€ 120.000-250.000.
Fixed income right	€ 50.000.
Royalties on net sales	5%
Publicity on net sales	1%



MEDIUM TURNOVER

The studied choice of the restaurant location, the customer analysis (guided by Sebeto), the Rosso Pomodoro brand appeal, menu characteristics, the constant presence of our brand in advertising campaigns, make our turn over highly predictable with a spin index, that if the managerial system adheres closely to the Rosso Pomodoro concept and standards.

The spin index can vary from 1.5 to 2.5 and is determined preventively, after a location analysis.

Therefore in presence of a structure of 350 sqm with 180 seats with a medium spin index, and a positioning that can preview a turnover made for 30% during lunch hours and for 70% during the evening:

average lunch ticket	gross iva	€	9,29	30%
average evening ticket	gross iva	€	14,46	70%
spin index			1,8	
seats			180	
annual turnover (350 labour days)	net iva	€	1.330.548,65	

we will have

average annual turnover €1.200.000 – 1400.000



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THE CONTRACT

The Rossopomodoro franchising contract is tied, concerning its terms, to the period while the physical selling structure individuated by the franchisee is able to be used as a Rosso Pomodoro restaurant (rent contract) and lasts at least three years

Contract News

In the following pages are included some preliminary news offered in the contract that ties the franchisor or affiliating (Sebeto Italia srl) to the Associate or affiliate (the future Franchisee).

Here are some clarifications on the definitions and clauses generally included in the Rossopomodoro franchising contract:

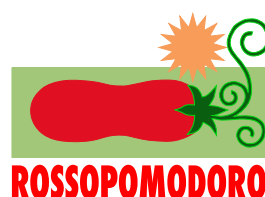
Definitions

Rossopomodoro system

The Rossopomodoro system is developed both directly and through a constant relationship and monitoring of its consociate and affiliated companies. Its objective is that of opening "casual restaurants" whose menus are based on original recipes, mostly based on pizza and neapolitan gastronomical products, and these are the elements that characterize the Rossopomodoro restaurant system.

The procedure consists in the preparation and the organization of the restaurant rooms with defined schemes both regarding aesthetical and decorative aspects (colors, architecture, furnishings); and technical aspects (structures, cooking techniques, office, warehouse); all functional to the requirements of our type of service.

Such system provides the concession of rights to the associate regarding: brands, logos, ornamental models, denominations and signs, methodologies, recipes, operative handbooks, colors; kitchen and furnish dispositions; staff uniforms and / How in general. ■ The restaurant system foresees also the selection at the origin of materials and of food products that characterize the menus, identified with the "pummarola republic", and the trace of their productive and distributive cycle



Rossopomodoro operating handbook

associate will be equipped with a handbook that explains the systems, methods, indications, procedures, recipes, foods and drinks of the Rossopomodoro system. The handbook also contains all the norms for the system uniformity.

quality certification

Through periodic visits of Sebeto Italia srl employees to the Rossopomodoro affiliate restaurants the quality of the products, the uniformity service and the hygiene conditions are verified attributing scores: in one, the customer satisfaction level. Such scores indicate the effectiveness and the adaptation level to the system of each single sales point and a minimal score is established for the restaurant Quality Certification. The lacked attainment of such certification in more controls can involve the resolution of the affiliation contract.



Affiliating obligations

Sebeto Italia srl is obligated to supply to the Rossopomodoro Associate, it's own technical and trade attendance necessary for goodwill and financial year management. In particular it will offer the following services:

plan realization and attendance during the opening period and the associates financial year;

organization problems planning and logistics in the opening phase of the restaurant, coordinating the supplies that have to be adapted to the Rossopomodoro System standards;

- Initial formation, of the director in chief and of all other professional figures that must lend their work in the shop. The franchisor will promote-- if to its necessary notice-- following updating of the mentioned figures at the operational center of the affiliate. The initial formation of the director in chief of the place and of all other professional figures (accountable for the rooms, accountable for the kitchen, accountable for the pizzeria, pizza chef; cooks, personnel responsible of the use of the managerial software and comparison forms) will be effected across adequate formative tools; the franchisor, in particular, will help the franchisee in choosing the personnel that, once selected and regularly assumed by the affiliate, will be sent at expenses of the affiliate in other structures and sales points made available by the franchisor for formative periods lasting not less than two months. The affiliate must preventively document the regular insurance and contributing position of its employees and cover all the expenses regarding the transfer.

Training and direction to coordinate the operating staff immediately before the opening, at the affiliated center.

managerial and accounting control formulation during the opening phase with required training for the staff assigned to the managerial software use and verification forms.

Monthly coordination and control of economic managerial aspects (purchases and sales) and operative elements (kitchen, rooms).

Advertising Activity organization, coordination and management;

Periodic controls on the behalf of Sebeto Italia srl employees, determining the scores for the Quality Certification, verifying the conformity of the management to the Rossopomodoro system.

Real time information for the Associate regarding Rossopomodoro System updates and adaptations.

Supplying the Associate with a Rossopomodoro Operating Handbook and an update card.

Technical and legal attendance- during the operating structures startup phase.



Associate obligations

Brands & System:

the Associate is obligated, during the contract to:

Use the Brands and the Rossopomodoro System limitedly to the financial years of the affiliation contract and not to use in any way, without a Sebeto Italia srl preventive written authorization, the aforesaid brands or distinguishing signs or part of them.

Avoid diffusing, maintaining the most absolute reserve, on the Rossopomodoro System procedures and methods and the Know How consequently received by stipulating the Affiliation Contract with Sebeto Italia srl.

Avoid starting or continuing in any way, during the contract period and for a year after its expiration, any public activity in Italy, in competition with the Rossopomodoro restaurants.

To keep and update in the affiliate center the Rossopomodoro handbook following the instructions of Sebeto Italia srl and to avoid diffusing the handbook contents and procedures.

Offer in the restaurant the foods and drinks indicated by the franchisor and to adopt only procedures and preparation recipes as indicated in the handbook and to comply with modifications and updates communicated by Sebeto Italia srl

To adhere to indications for structural and technological improvements and adaptations, necessary for the evolution of the Rossopomodoro system.

Insure a qualitative management level for the activity that is in compliance with the Rossopomodoro standard, otherwise Sebeto Italia srl will be able to cancel the contract, with a simple communication, if in two successive surveys such standard level turn out to be inferior to the minimums established with the quality certification scores.

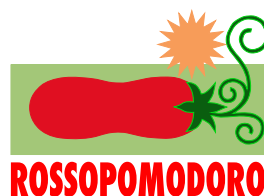
Avoid transferring the restaurant in another location without Sebeto's srl preventive written consent; and to construct and prepare the restaurant according to Sebeto's srl approved plan.

Inform the customers with material, signs and what other that the restaurant is managed by the Associate with Sebeto's srl authorization.

To produce and to serve exclusively drinks and foods described in the Rossopomodoro operating handbook, adhering to preparation and presentation methodologies, and to hygienic indications regarding base ingredients manipulation and in the conservation of these and the preparation zones.

To respect the Rossopomodoro system, using only the staff uniforms approved by Sebeto Italia srl, which will be able to vary in time.

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To adhere to the advertising campaigns promoted by Sebeto Italia srl exposing and making use of the signs and the advertising and promotional materials previously approved by the Affiliating including marked table-napkins, table-cloths, menus, bill trays, judgment cards, etc. The associate will acquire such products at Sebeto's srl logistic center or at approved retailers.

Restaurant management:

Before stipulating the contract the associate must have obtained for the activity every permission, authorization and licence necessary for the restaurant management. The associate must respect the application of law dispositions, decrees, regulations, collective bargaining agreements and etc. demanded by the national and local authorities with specific reference to the job relationships and emergency topic norms.

Staff and training:

The affiliated restaurant must be managed with a sufficient number of persons, respecting the Rossopomodoro System.

This ideal number, divided in different duties, will be preventively established following Sebeto's Italia srl indications.

Equipments and furnishing:

The associate will be able to acquire equipments and furnishings from one of the suppliers indicated by Sebeto Italia srl

Raw and consumption materials:

The Associate will buy the foods and consumer goods that are not characterizing regarding the Rossopomodoro final products from the Sebeto Italia platform .

For what concerns the drinks and the base gastronomical products of the Rossopomodoro program the Associate has to rigorously adhere in the supplying activity to the manufacturer companies chosen by the franchisor for those products. However he will have the faculty to indicate (remaining the same the production ubication of the products) distributing or supplying sources that he thinks are able to catch up the quality, hygiene and service standards requiered by Rossopomodoro and will be able to approach such supplying sources only with Sebeto's srl.authorization.



Timetable and opening days:

The associate must keep the restaurant open for the greatest number of days allowed by the law with timetables that guarantee services at lunch and supper. .

Inspection with control rights:

The Sebeto Italia srl authorized staff will inspect the affiliated restaurant periodically, visiting the premises, the warehouses, ,the kitchens, the preparation and service areas and the restrooms for the customers and the personnel, to calculate quality certification scores. If as a result of such inspections the authorized staff finds that in the restaurant exist remarkable differences with the Rossopomodoro System standards , indicated in the handbook, or however exist dysfunctions that don't guarantee the quality and health levels included in it, the affiliating will be able to obligate the associate to suspend immediately the activity in order to plan with him the elimination of the defects found and in a more generalized manner of the significant risks for health, security and total image of the system.

Book keeping models, Software and management control:

In conformity with the enforced law the affiliating has predisposed some book keeping procedure systems. Such systems and the relative models are integrated and completed with the software system and the relative procedures that must be adopted by the associate. The installation and maintenance of the software and the foretold management system in its complex, will remain entrusted to the company indicated by the franchisor and that for obvious confidential and uniformity reasons of the system.

The associate must inform the franchisor's employees with sales and purchase reports and statistics so that the management controls that guarantee the exact conduction of the associate's restaurant activity can be carried out.

Menù and prices:

The associate is obligated to avoid applying to the Rossopomodoro menu prices and contents indicated by the franchisor, variations not preventively authorized. That because the conduction of a Rossopomodoro restaurant is based on a correct quality-price relationship and on the system uniformity in its complex. Included in the services offerd to the affiliates, in fact, there's also the study of price and product variations that is carried out by Sebeto Italia srl and that's how the network's entire price policy is established, indicating the menu prices and several food and drinks specialties in relation to the location and the characteristics of the single restaurant. That to aim to being able to have an homogeneity of prices and products in several restaurants, and to being able to achieve the established sale turn outs.



compensations and contributions for promotional activities

Sebeto's srl franchisor's compensation for the Rossopomodoro attendance and know-how , and for the brand rights of use and the Rossopomodoro System, the planning and the attendance in the opening phase, will be paid by the associate in the following specified amounts :

Fixed income right:

The sum of € 50.000 plus I.V.A. as initial payment (comprising the attendance in the planning phase, the attendance for the job directions, and the resolution of problematics inhering the opening, let alone the attendance in the search of directive and professional staff) to correspond within the opening date of the restaurant.

Royalty

An I.V.A. net compensation of 5% (five per cent) of the amount of the annual Turnover of the financial year.

Advertising contribution

An I.V.A. net sum of 1% (one per cent). of the amount of the annual turnover of the financial year, as advertising contribution.

Security deposit

To ensure timely completion of all obligations assumed under this contract, including those relating to the timely payment of periodic fee, charges relating to advertising and established penalties for conventional assumptions in fulfillment in this article that is in force immediately after the end of the contract, The subsidiary give in the hands of the franchisor-bearing deposit of € 30.000,00 (euro thirty thousand). This amount should be reconstituted in case of use and will be returned after the end of the contract and its renewed, after ten days when the former subsidiary will finally retired the use of all assets, rights, Trademarks and intellectual property of the franchisor.



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