



Sandwich Shop

BUSINESS PLAN

ROMASTRANO INCORPORATED

705 Waltham Blvd.
Rutland, VT 05701

This business plan demonstrates how a franchise sandwich shop can compete with large fast-food chains by developing unique relationships with other established businesses.

- EXECUTIVE SUMMARY
- MISSION
- STRATEGY
- THE COMPANY
- CONCEPT
- ROMA'S MANAGEMENT TEAM
- THE ROMA'S FRANCHISE PROGRAM
- ROMA'S TRAINING PROGRAMS
- ON-GOING SUPPORT PROGRAM
- ROMA'S NON-TRADITIONAL STORE
- INDUSTRY AND COMPETITION
- ADVERTISING PROGRAM
- FUNDS REQUIRED AND THEIR USES
- FINANCIAL INFORMATION

EXECUTIVE SUMMARY

This business plan has been developed to present Romastrano Incorporated (here in after referred to as "Romastrano" or "Roma's") to perspective investors and to assist in raising a minimum of \$500,000 in capital needed to expand the Franchise System of Roma's Delis from the present 14 units to 50 units over the next 12 to 18 months, thereby providing the foundation for the continued expansion of a nationwide sandwich chain.

The original Roma's Deli opened for business in 1958 in Burlington, Vermont, serving one specialty italian sandwich. This shop continues to do business within approximately 500 square feet at 15 Oak Street in Burlington, Vermont, serving a very limited menu consisting of its cold specialty italian sandwiches, soups, beverages and gelati. The sandwich, which over the years has become famous well beyond the border of Vermont, is made on its own special bread with Roma's mild cooked salami, provolone cheese, thinly sliced onions, peppers, pickles, tomatoes, and olives, and served with Roma's secret sauce or other toppings. The store grosses in excess of \$500,000 annually. This shop is owned and operated by Roma's of Burlington, Inc. Henry Malogne, President. Romastrano Inc. does not derive any income from this store.

Romastrano Inc. was formed in July, 1993 for the purpose of franchising Roma's Deli. In the first 18 months, Romastrano Inc. sold fourteen (14) franchises, of which ten (10) are open and currently operating. The remaining four (4) franchises are scheduled to open over the next few months. In addition, Romastrano Inc.

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recently reached an agreement with Barrows to put two (2) Corporate non-traditional stores inside the Barrows stores in North Adams, MA and Rutland, VT. These stores opened in June, 1995 and May, 1995, respectively. Furthermore, a franchised store is going in at a Gas Max mini-mart in Barre, Vermont on August 15, 1995. The potential exists to expand rapidly within Barrows stores and other non-traditional channels, such as convenience stores, coffee shops (i.e. Baker's Cap), gasoline stations, university cafeterias, ball parks and arenas.

Roma's is uniquely situated since it offers a quality product at a competitive price point (\$3.25 for a 12-inch sandwich) with excellent margins which can be served within very efficient space requirements in both a traditional (sit-down and take-out) and non-traditional sites.

Market Potential

Romastrano's market research shows that there is tremendous potential for a high-quality fast food sandwich shop which can operate efficiently in both traditional and non-traditional settings. The Fun Bun experience and its continued rapid growth demonstrates the demand for a low-cost entry into the fast food business.

Romastrano offers the opportunity to enter into the food business for as low as \$35,000 for a fully-equipped non-traditional store, including the \$10,000 franchise fee. The franchise fee for a traditional location is \$12,500 with an initial investment of \$41,000 to \$77,000. The entry cost together with the 5% royalty structure provide Roma's with a competitive edge over similarly structured companies.

One of the fastest growing segments in the fast food industry is the distribution of product through non-traditional locations. The Roma's System, with limited cooking and food preparation requirements, has an advantage over the competition in adapting to the minimum space requirement of many non-traditional sites. The opportunity for Roma's rapid expansion in the market is tremendous since many of the larger chains face encroachment problems at many potential locations. Barrows alone has approximately 1,000 stores. Roma's will be serving a limited breakfast menu of fresh bagels and muffins together with its famous sandwiches, soup, fountain soda and private label chips at its Cumberland Farms non-traditional shops.

The Company

The original Roma's Deli has for the past 36 years solely targeted the Italian sandwich customer. The Italian sandwich is the most frequently ordered submarine sandwich in the industry. Roma's prides itself in delivering the freshest, most delicious sandwich on the market. In order to provide the consumer with an alternative and thereby capture more of the market, Roma's is introducing a honey-smoked turkey to its menu. Roma's philosophy continues to center around providing a limited menu which satisfies the needs of the majority of fast food sandwich eaters but guarantees freshness and quality of product. The Roma's bread is baked daily and all of the vegetables are cut daily on the premises. The sandwich is made to the customer's specific specifications.

Marketing and Sales Activities

Marketing Strategy

The primary focus of the marketing strategy at the Roma's shops will be point of purchase promotional pieces, such as a Roma's Card, discount coupons, and special promotions. Marketing strategies for both traditional and non-traditional sites include radio, newspaper advertising and inserts, direct mail and billboards. If the company receives the required funding, it will engage in an aggressive advertising campaign which would also include cable television. This would expand the name recognition of Roma's Deli and develop new franchise sales.



Sales Activities

Romastrano currently receives in excess often (10) inquiries per week from potential franchisees. These inquiries are generated solely through word of mouth and in-store inquiry cards. Romastrano will utilize some of its funding to promote franchise sales through discovery nights and newspaper and periodical advertisements.

Organization and Personnel

Romastrano Incorporated is uniquely positioned to take advantage of the market opportunity due to the managerial and field expertise of its officers and its superior product. Henry Malogne, Beatrice Philmont, Arthur Philmont, and Sandi Malogne all possess several years of experience in the food and/or business industry. Mr. Malogne has been the owner of the original Roma's Deli for the past 25 years, succeeding his father in the business. Beatrice Philmont has been a practicing attorney for the past 18 years with special focus on business, corporate, franchise and real estate law. Arthur Philmont has been managing Romastrano Incorporated since its inception and has had prior management experience. Sandi Malogne has been working with the original Roma's Deli since 1985 and currently acts as the trainer for Romastrano Incorporated.

Financial Summary

Romastrano has operated profitably since its inception in July, 1993. If the company receives the requested minimum \$500,000, it will be utilized for four (4) primary purposes:

- Marketing the Roma's image and concept to expand the franchise base to 40 units within 12 to 18 months and generate more product sales.
- To support the building of 8 additional corporate non-traditional locations within 12 to 18 months.
- To hire a veteran fast food executive as chief executive officer.
- To expand the corporate infrastructure to support the expansion of the Roma's System.

The Roma's financial model with 30 additional franchises and 10 company owned stores based on existing store volumes would be projected as follows (all figures are calculated on an annual basis):

	Present 10 Franchises	Jul 1995 13 Franchises & 2 Corp. Stores	Sep 1996 40 Franchises & 10 Corp. Stores
Royalty Revenue	\$77,400.00	\$100,620.00	\$309,600.00
Corporate Stores	\$0.00	\$53,424.00	\$267,120.00

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	Present	Jul 1995	Sep 1996
Product Sales	\$9,000.00	\$10,000.00	\$36,000.00
Franchise Fees	\$0.00	\$0.00	\$300,000.00
Gross Revenues	\$86,400.00	\$164,044.00	\$912,720.00
Gross Expenses	\$57,300.00	\$107,300.00	\$612,000.00
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MISSION

To be a National Sandwich Shop Company with a total commitment to quality of product and customer service and to develop a company structure with a design to maximize economic efficiencies and to provide unsurpassed store support.

STRATEGY

The management team of Romastrano Incorporated believes that our mission can be achieved following the five (5) phase plan as shown below:

Phase	Dates	Objective & Status
I	Jan. 1992- Jul. 1993	Design, develop and open prototype store conveying the Romastrano Concept - Completed.
II	Jul. 1993- Dec. 1994	Sell ten franchises within VT, NH and MA to qualified buyers - Completed. 11 franchises sold by December, 1994.
III	Jan. 1995- Dec. 1995	Expand development with Corporate and franchised units, in both traditional & non-traditional settings - As of July 1, 1995, 2 non-traditional company stores developed; 3 new non-traditional franchises to open by fall of 1995.
IV	Jan. 1996- Jan. 1997	Expand the number of existing stores by adding 8 company stores and 30 franchises - To be completed.
V	Jan. 1997 forward	To continue the expansion of Romastrano Stores to 400+ units - To be completed.

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THE COMPANY

Romastrano Incorporated ("the company") operates and franchises Roma's Delis. The company was formed in July, 1993 to acquire the trade name, recipes and concepts of Roma's of Burlington, Inc. which operated two stores in Burlington, and Newport, Vermont. Since 1959, Roma's of Burlington, Inc., operated by the Malogne Family, has become an institution in the Vermont region. Roma's has been exceptionally successful by offering specialty italian sandwiches, featuring Roma's mild salami, specially baked bread, fresh vegetables and oil blended from secret ingredients, and has been consistently voted as the number one sandwich in the region.

The Roma's concept was put through a franchise feasibility test in which it received exceptionally high ratings based in part on the ability to provide a consistent product, the simplicity of its operation, ease of training and duplication, low food costs, as well as the low-entry costs. A Roma's franchise offers the opportunity to enter the rapidly expanding fast food business for one of the most economical investments in the industry. The total investment for a traditional store ranges from \$41,000 to \$71,000, including a franchise fee of \$12,500 and capital reserves of \$10,000 to \$20,000. The total investment for anon-traditional store starts as low as \$3 5,000, including a \$10,000 franchise fee.

In the first 18 months of the company's existence, Romastrano Incorporated sold 14 traditional franchise units. The company's remarkable growth and unique concept has been featured in several periodicals and newspapers



throughout the region. In addition, the company was the subject of a case study by Montpelier School.

Of the 14 franchises sold in the first 18 months, 10 units have opened and are operating in Brattleboro, Middlebury, Windsor, Bellows Falls, Bennington, St. Albans, Burlington, and St. Johnsbury, Vermont and Glens Falls and Pittsburgh, New York. The company receives a weekly royalty of 5% of gross sales from each franchise, which totals approximately \$1,500 per week. Romastrano recently opened 2 non-traditional stores inside Barrows stores in Rutland, Vermont and North Adams, Massachusetts, which have been in operation for two months and one month, respectively. In addition, franchised non-traditional shops are scheduled to open inside a Gas Max Mini-Mart in Barre, Vermont, and a convenience store in Windsor, Vermont by the fall of 1996. Both Barrows and Gas Max USA have informed the company that they desire to expand this non-traditional food concept throughout New England and beyond.

The success to date of the traditional franchised stores and the non-traditional company stores has led the company's management to the conclusion that it would be advantageous to open a substantial number of additional company stores and to expand franchised traditional and nontraditional units. The company, therefore, desires to obtain venture capital funding of \$500,000. The new capital will be used to expand the business through the opening of non-traditional company owned stores, to promote the sale of franchised traditional and non-traditional stores, to build a brand equity of the Roma's products through a regional advertising campaign, and to hire an experienced CEO in the fast food business.

CONCEPT

Roma's Deli's represent a unique concept that combines total quality and unsurpassed freshness based on a limited menu selection. The units are bright and attractive and make maximum utilization of space. A traditional Roma's location can be operated in as little as 500 square feet, while a non-traditional shop can be comfortably operated within 110 square feet. The company has a variety of floor plans ranging from traditional stores with seating, traditional stores for take-out only, and non-traditional shops.

The Roma's concept originated in Burlington, Vermont with a single sandwich menu. The growth of our system has also led to the expansion of our menu line. Roma's recently introduced a honey-smoked turkey breast sandwich to go along with its original italian and vegetarian sandwiches. The original italian sandwich consists of Roma's own proprietary mild cooked salami, provolone cheese, thinly sliced onions, peppers, pickles and olives on a fresh baked roll made only for Roma's. The shops serve chips and a variety of beverages year-round, and also serve hot soup in the winter and gelati in the summer. All of the company's suppliers are positioned to meet the company's demands in all of its growth potential areas.

In 1992, there were approximately 120,000 fast-food, ready-to-serve and take-out convenience food restaurants in the U.S. Of these, approximately 70% are operated by franchisees. The market for a new, unique, high-quality italian sandwich is tremendous. The potential for a well-planned entry into this market by an aggressive operator with vision and experience couldn't be stronger and the timing couldn't be better.

Roma's competition is apparent in the big-named chains (i.e. Tony's, Fun Bun, Mama Mia's, etc.). The fastest growth area for all of the competition is in non-traditional settings. Roma's has a unique advantage over the competition in that it can locate in non-traditional settings without risk of encroaching on other traditional stores.

The Roma's non-traditional store is a full service shop which can be operated within 110 square feet. This provides a special advantage over the competition because most of them require a minimum of 200 square feet. This allows the anchor store (i.e. Barrows, Gas Max, Baker's Cap, etc.) to have more space for their own needs. Many of the non-traditional stores will also offer a limited breakfast menu of fresh bagels and muffins to complement the anchor stores' coffee sales during the morning hours. It is projected that a non-traditional store will gross in excess of \$150,000 annually, which is based on the sales volumes presently experienced in the North Adams, MA and Rutland, VT stores. This, combined with the fact that the equipment and leasehold improvement cost is substantially less than a traditional store, make this an attractive investment from both the



company and franchisee standpoints.

As the Roma's system expands, it is anticipated that area developers will supplement traditional stores with non-traditional locations which would allow them to centralize the preparation of the products (e.g. daily slicing of fresh vegetables). All of the Roma's locations are required to become actively involved with their communities, as is evidenced by the introduction of the Roma's Neighborhood Club in the fall of 1985.

ROMA'S MANAGEMENT TEAM

The current Romastrano Incorporated management team, responsible for all aspects of the training, opening and ongoing support of Roma's stores, is profiled below:

Henry Malogne President/Director

Mr. Malogne serves as president of the company and has held this position since July, 1993. Mr. Malogne is also president of Roma's of Burlington, Inc. Roma's of Burlington, Inc. has owned and operated Roma's Delis in Burlington, Vermont since 1958. Mr. Malogne is also a director of the company.

Beatrice Philmont General Counsel/Director

Ms. Philmont began Romastrano Incorporated in 1993 and serves as general counsel to the company. Ms. Philmont is an attorney with the law firm Johnston, Philmont & O'Connell, P.A. in Burlington, Vermont and has been a partner since 1981. Ms. Philmont is also a director of the company.

Arthur Philmont Vice President/Treasurer

Mr. Philmont serves as Vice President and Treasurer of the franchisor and has held these positions since July, 1993. Mr. Philmont is responsible for the day-to-day management of the company and provides the field support to the existing franchisees. Prior to this time, Mr. Philmont was general manager of Wesley Real Estate Company of Burlington, Vermont. Mr. Philmont is a shareholder of the company.

Sandi Malogne Director of Training

Ms. Malogne serves as Director of Training for the company and has held that position since July, 1993. Prior to this time, Ms. Malogne was employed as manager of Roma's Delis in Burlington, Vermont. Ms. Malogne is also a shareholder of the company.

THE ROMA'S FRANCHISE PROGRAM

The Roma's franchise program centers around the "business format" category of franchising, in which a proven concept is streamlined and is then developed or "packaged" into a legal, viable and marketable investment opportunity. Franchising is a strictly regulated area of business involving federal and state laws and agencies. The Roma's franchise program provides for diligent adherence to all such regulations and shall, at all times, continue to do so.

In order to be successful, a franchise opportunity must offer three basic benefits to the franchisee. First, the business concept must be appealing to a broad segment of the population. Second, the business must not be a "fad" or a short-term enterprise with short-term appeal. Third, the concept must have a strong possibility of being successful and offer a reasonable return on investment. The 35 year history of the Roma's store in Burlington, Vermont and the success of our existing franchisees demonstrates that these three basic benefits are present in the Roma's program. The Burlington Roma's store, from which the company does not derive any royalties, has annualized net sales after discounts of in excess of \$500,000. The Windsor franchisee, which is



our oldest franchised store, now celebrating its second anniversary, will have annual net sales after discounts of approximately \$250,000, while the Middlebury store's sales will exceed \$300,000.

The franchises are in effect for a period often (10) years with five (5) year renewal options. An initial franchise fee is required for a single store. The initial fee is \$12,500 for a traditional store and \$10,000 for a non-traditional store, and is payable in full upon signing of the franchise agreement. The initial fee is in consideration for the rights to use the company's name and business format, its recipes, the operations and other manuals, real estate evaluation and selection assistance, and all initial training and management operations of the shop.

After the franchisee opens for business, the franchise agreement provides for payment of an ongoing business development fee or royalty of five percent (5%), based upon the gross sales of the franchised business. In addition, an advertising expenditure is required of each franchisee, as well as a modest contribution of one percent (1%) to a corporate ad fund, again based upon the gross sales of the franchised business.

Certain proprietary ingredients and products are purchased from Romastrano Inc. or a designated supplier, and the company realizes a reasonable mark-up on these items.

The ever increasing buying power of the growing Roma's network will be reflected in lower prices on all goods and services that the corporate and franchised shop purchase.

ROMA'S TRAINING PROGRAMS

Roma's provides a comprehensive training program which uses elements of classroom, hands-on and in-store training. The initial program is three (3) weeks in duration (depending on individual needs) and consists of on-site training in other Roma's locations. The subjects covered include: General Business Management, Budgeting, Retail Marketing and Merchandising, Purchasing, Negotiating, Point of Sale System Training, Use of Operations Manual, Sales Training, Store Operations, and Personnel.

Through observation and actual involvement, the franchisee is guided through the entire operating process, from shop opening to food handling, handling customers, sales techniques, and shop closing.

At least one member of the Romastrano corporate staff spends a week with each franchisee at his or her location, during the actual opening (approximately 2 to 3 days prior to opening and 2 to 3 days after opening). This is to insure that the franchisee is knowledgeable and comfortable with the day to day operations and the shop is properly set up and functioning smoothly.

Ongoing seminars and/or training sessions are held as needs are identified. Daily support is provided by answering questions and/or discussing problems via telephone with corporate headquarters.

Training is an essential, ongoing process at Roma's and will continue throughout the life of the business. Ongoing communications are maintained through newsletters, bulletins, quarterly meetings and seminars.

ON-GOING SUPPORT PROGRAM

Roma's provides a series of essential, on-going support programs, including the following:

Audits

Shop results are audited on a current and on-going basis to assist the franchisee and identify any weak spots or potential problems. In-store audits are performed to assist the franchisee with his or her maintenance of the standards of operations set forth in the Roma's confidential operations manual.



Bulletins

Special information of immediate importance is transmitted via telephone, facsimile or mail. Such information may be a change in products, procedures, special purchases, prices, etc.

Operations Manual Updates

The Roma's system is a dynamic system that requires revisions, updates and changes from time to time. As new and better methods are developed, they are incorporated into the system and transmitted to the franchisee via operations manual updates.

Accessible 800 Number

A hot line is maintained at headquarters to answer all franchisee inquiries and assist them with any problems.

On-site Assistance

On-site assistance is provided on a regular basis.

Incentive Programs

Roma's believes in recognition and incentive programs for its franchisees. These programs, which vary in approach, serve to build and maintain a friendly, competitive spirit and to generate enthusiasm among the entire franchise network.

ROMA'S NON-TRADITIONAL STORE

Roma's non-traditional shops are defined as Roma's locations which are co-branding with other fast food chains (e.g. Baker's Cap or other coffee shops, specialty ice cream shops, pizza chains) or Roma's stores located within existing convenience stores (e.g. Barrows, Dirks, Quik In, etc.), department stores (e.g. Helmut, Buddy's, Waltons, etc.), ballparks, airports, bus terminals and truck stops. This concept has been defined as the fastest growing segment of the food industry. For example, Fun Bun anticipates having 2,000 non-traditional franchise stores by the year 2000.

Roma's first venture into the non-traditional fast-food market has been inside a Barrows store in Rutland, Vermont (opened May 1, 1995) and a shop inside a Barrows store in North Adams, Massachusetts (opened June 1, 1995). These two stores were opened as company stores by Romastrano Incorporated. The company leases approximately 110 square feet of space in a high visibility section of the store. The North Adams, MA location is already under contract to a franchisee who will purchase this shop September 1, 1995. The company also has a franchisee who is constructing a non-traditional shop inside a Gas Max Mini-Mart in Barre, Vermont, scheduled to open by August 15, 1995.

All non-traditional shops offer the same menu as a traditional Roma's Deli, with the addition of fresh bagels and muffins. Under Roma's non-traditional concept, the Roma's store leases its space on a percent of gross basis which ranges from six percent (6%) to ten percent (10%) which includes rent, heat, air conditioning and electricity.

The non-traditional stores will be able to take advantage of the existing customer base of Barrows and Gas Max, which exceeds 750 customers per day. Roma's operating hours are from 7:00 am to 8:00 pm, plus extended hours depending upon customer demand.

The non-traditional stores will be afforded sign age on the street sign and on the outside of the building. In addition, Roma's will place its menus and speakers on the Barrows and Gas Max gas pumps so the customer



may order while filling up their automobile. Point of purchase coupons and promotional materials will be distributed by Barrows and Gas Max, and the companies engage in joint advertising.

The management of the Roma's corporate non-traditional stores will be under the direction of Romastrano Incorporated. Each shop will have a designated manager who will be directly responsible for the operation and staffing of the non-traditional store. Part-time sandwich makers will be employed at a base pay and all employees will be on an incentive bonus program. This will provide assurance of having a pleasant, motivated sales force. As the non-traditional corporate system expands, one full-time manager will be able to oversee three (3) non-traditional locations with part-time help filling the balance of the operating hours, minimizing the labor costs.

INDUSTRY AND COMPETITION

The sandwich business is a rapidly growing segment of the fast-food industry as demonstrated by the growth of Fun Bun, Tony's, Mama Mia's, etc. The most popular sandwich menu item is the traditional Italian sandwich which, in many instances, comprises up to 70% of sandwich sales. Roma's limited menu has targeted the Italian sandwich customer and built its reputation on selling the freshest, best Italian sandwich anywhere. The introduction of the honey-roasted smoked turkey sandwich was designed to address the low-fat, no cholesterol customer demand and to provide variety to larger customer groups.

Roma's has always been a product driven company whose growth has been realized through word of mouth with virtually no advertising for many years. The Roma's customer has been known to travel several hours in search of Roma's sandwich. The Roma's customer service cards attest to the fact that Roma's customers are repeat customers who rate the quality and service at the highest levels.

The Roma's competition, especially Fun Bun and Tony's, relies heavily on an extensive marketing campaign to drive their sales. The competition also has extensive menu selections with which Roma's does not attempt to compete. The limited menu at Roma's guarantees freshness of product each and every time. The growth opportunities for a fresh, quality product, combined with an aggressive marketing campaign, are tremendous.

ADVERTISING PROGRAM

Roma's employs a comprehensive public relations, advertising and promotional program for its new stores that includes a pre-opening, grand-opening and on-going strategies campaigns. The overall plan includes an initial public relations effort through press releases developed to generate valuable publicity for the shop and its owner. At least three weeks prior to opening, Roma's displays "Yumming Soon" signs at the new location.

All ad copies are professionally developed at Roma's corporate headquarters and provided to the franchisees. All of the media and the target customer area are identified and a plan is developed for each of those selected. The program begins approximately three weeks prior to the shop opening with press releases sent to all area media profiling the Roma's franchisee.

A special campaign is used for the grand-opening (which usually takes place about a month or so after a quiet opening) and it includes a multiplicity of approaches. Included in the plan are print and visual ads, give aways, public relations releases, contests, invited dignitaries, etc.

It is the company's intent to develop an extensive and ongoing regional marketing campaign through cable television, free-standing color flyers, radio, print and point of sale purchase materials. The Roma's success has been astounding, especially in light of the fact that in some of the company's markets, Roma's name recognition does not exceed ten percent (10%). This has been determined by market surveys in some of Roma's franchised store areas. If the required funding is obtained, the company plans on spending upwards of \$175,000 in regional advertising over the next six months which will provide continuous market recognition in Vermont, New York Massachusetts. This will help to develop the Roma's "brand equity" which will increase store sales and royalty revenues and greatly increase franchising inquiries.



FUNDS REQUIRED AND THEIR USES

Romastrano Incorporated has tremendous upside potential. In order to achieve that potential, the company needs to seek out and employ a chief executive officer who has a background and experience in the growth of franchised and company owned fast food restaurants. The company further needs to engage in an aggressive marketing campaign to increase its brand equity and to construct additional company stores to expand its system. If the company receives the requested \$500,000, it will be utilized to fulfill those objectives as follows:

1. To seek out and employ an experienced chief executive officer with a solid track record in franchising fast food businesses. (Anticipated first year cost would be \$100,000 salary plus a small equity position in the company.)
2. To engage in a consistent advertising program over the next six to eight months which would increase awareness of Roma's products and the value for the money, and place Roma's at "top of mind" with the consumer. This advertising campaign would consist of colored flyers, newspaper advertisements, point of sale advertising, radio ads, cable t.v. ads and direct community marketing. Direct marketing to companies, schools, bingo halls, etc. has proven to generate large orders and substantially increase a store's profitability. The effect of the advertising campaign would be two-fold in that it will expand Roma's name recognition and it will increase sales and royalty revenues in the existing Roma's stores. In addition, a portion of these funds will be utilized to engage a continuous advertising campaign for the sale of franchises which has never been done by the company.

As stated before, the company currently receives approximately ten inquiries per week from perspective franchisees and an advertising campaign in industry publications and regional newspapers would substantially increase those inquiries. (Advertising expenditures over the next 6 to 8 months would consist of \$175,000 for direct advertising and \$25,000 directed for the targeting of new franchisees.)

3. To support and build out an additional eight (8) corporate non-traditional shops within 12 to 18 months. The company built out and equipped the North Adams, MA and Rutland, VT stores for \$15,000 per store (estimated cost for constructing 8 new stores would be \$120,000).

The company's goals with this funding is to bring in an experienced CEO who can coordinate the rapid growth of the Roma's system and increase sales volumes in all of the existing stores. The company has the unique opportunity with Barrows, Gas Max, and other national companies, to rapidly expand its units. In order to do so, funding is essential to make Roma's a major player in the fast food industry.

If the requested funding is obtained, it will allow Roma's to grow to 40 franchised shops and 10 corporate shops within the next 24 months. The minimum net pre-tax profit is projected to be \$300,720 annually, upon achieving the 40 franchises and 10 corporate stores. This is projected at the present franchised store sales volumes. These sales, however, are steadily increasing. Therefore, it is not expected that the company would need any additional funding unless or until there was a major expansion beyond 100 stores. The company expects that many of the corporate, non-traditional locations that are built will be sold out to franchisees at a profit. The company would reevaluate its need for additional capital only in the event that the company determined that it wanted to substantially increase its ratio between corporate and franchised stores.

Romastrano Incorporated is a C corporation and the stock is currently held by Arthur Philmont (50%) and Sandi Malogne (50%). The company proposes offering its funding provider with either equity in the form of common stock, preferred stock or convertible-preferred stock or a combination of debt and equity. The long-term goal of the company is to grow the company to an excess of 100 stores during the next five years and to position the company for acquisition or sale in five to seven years.

FINANCIAL INFORMATION

Romastrano Incorporated has operated profitably since its inception in July, 1993. The company has operated with minimum overhead and \$30,000 in annual executive salaries during this period. During the initial phases



of the company, a subsidiary company, Carters Inc., was formed for the purposes of delivering bread, produce, potato chips and other products to the franchised shops. This resulted in the hiring of one and one-half full-time employees, the purchasing of a truck, and other substantial expenses. It was determined that the delivery system was inadequate and too costly. The company has since made arrangements for direct shipment of all product by the suppliers to individual shops. The company receives a small mark-up for Romastrano product sales, which averages approximately \$1,000 per month currently. Carters, Inc. was liquidated in 1994 and incurred a loss of approximately \$25,000 during its first and only operating year, which loss was covered by Romastrano Incorporated.

The company has financial reports prepared by an independent CPA. Attached hereto is the balance sheet as of January 31, 1995. An updated balance sheet will be forthcoming within the next 30 days. Also attached are present and projected revenues and copies of disclosures from our offering circular that estimate the investment of a traditional and non-traditional store.

Cash Flow Projections

The Roma's financial model with 30 additional franchises and 10 company owned stores based on existing store volumes would be projected as follows (all figures are calculated on an annual basis):

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Royalty Revenue:	77,400.00	100,620.00	309,600.00
Corporate Stores: (Net Profit)	0.00	53,424.00	267,120.00
Product Sales:	9,000.00	10,000.00	36,000.00
Franchise Fees:	0.00	0.00	300,000.00
Gross Revenues:	86,400.00	164,044.00	912,720.00
Gross Expenses:	57,300.00	107,300.00	612,000.00
Net Profit: (Pre Tax)	29,100	56,744.00	300,720.00

	Present 10 Franchises	July, 1995 13 Franchises & 2 Corp. Stores	Sept. 1996 40 Franchises & 10 Corp. Stores
Royalty Revenue:	77,400.00	100,620.00	309,600.00
Corporate Stores: (Net Profit)	0.00	53,424.00	267,120.00
Product Sales:	9,000.00	10,000.00	36,000.00
Franchise Fees:	0.00	0.00	300,000.00
Gross Revenues:	86,400.00	164,044.00	912,720.00
Gross Expenses:	57,300.00	107,300.00	612,000.00
Net Profit: (Pre Tax)	29,100	56,744.00	300,720.00

Annual Expenses

	Present	Projected 40 Fran. & 10 Corp. Stores
Rent:	0.00	21,000.00
Salaries:	34,800.00	250,000.00
Insurance:	1,200.00	4,800.00
Utilities:	1,200.00	4,800.00
Equipment Leases:	1,620.00	5,000.00

	Present	Projected 40 Fran. & 10 Corp. Stores
Rent:	0.00	21,000.00
Salaries:	34,800.00	250,000.00
Insurance:	1,200.00	4,800.00
Utilities:	1,200.00	4,800.00



Present
Projected
40 Fran. & 10 Corp. Stores

Equipment Leases: 1,620.00 5,000.00

	Present	Projected
Accounting:	1,200.00	4,800.00
Auto Loans:	3,480.00	10,200.00
Legal:	0.00	20,000.00
Telephone:	7,200.00	14,000.00
Dues:	1,500.00	3,000.00
Office Supplies:	2,400.00	10,000.00
Travel Expenses:	2,400.00	15,000.00
Marketing:	0.00	150,000.00
Subscription:	300.00	500.00
Totals:	\$ 57,300.00	\$612,000.00

	Present	Projected
Accounting:	1,200.00	4,800.00
Auto Loans:	3,480.00	10,200.00
Legal:	0.00	20,000.00
Telephone:	7,200.00	14,000.00
Dues:	1,500.00	3,000.00
Office Supplies:	2,400.00	10,000.00
Travel Expenses:	2,400.00	15,000.00
Marketing:	0.00	150,000.00
Subscription:	300.00	500.00
Totals:	\$ 57,300.00	\$612,000.00