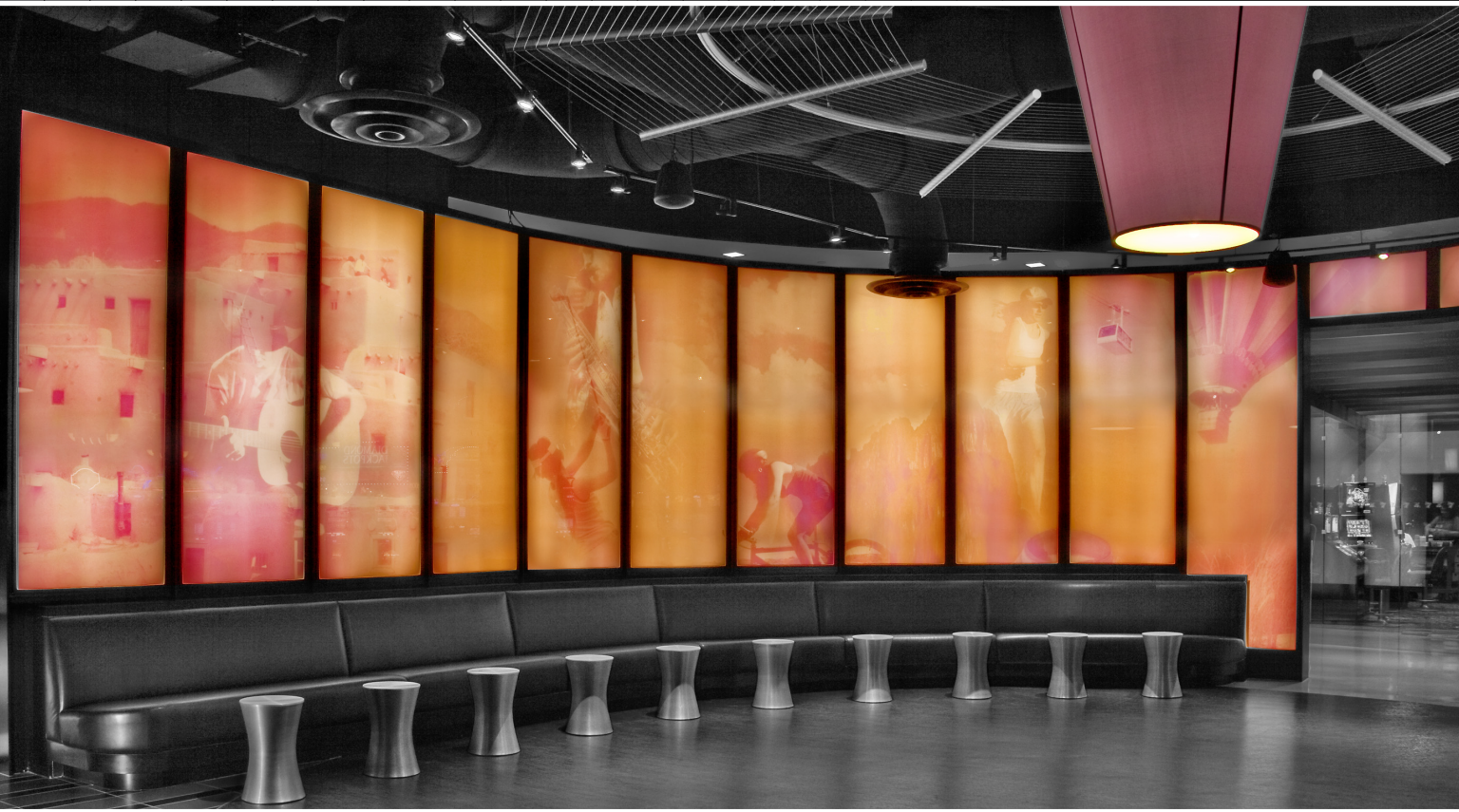


FRESCO COLOR™



Cash Flow Operating Plan
2009



▶▶▶▶ TACTICAL ACTION PLAN

After several years of development, Fresco Color is ready to move into a cash flow positive operation.

To drive cash flow momentum, Fresco Color has supported OEM products in three vertical market channels with Fresco imaged materials produced in Monterey, CA. While these three channels to market are each at different phases of development, they should all yield significant revenue growth in the next 12 months. The impact of this new revenue is represented in the Cash Flow Operating Model presented in the attached spread sheets. During 2008, which was reported to be the worst economic conditions in 70 years, Fresco Color met its revenue and cash demand projections and grew 190%. Because of the uncertain economic conditions in 2009, Fresco has projected modest growth. Nevertheless, in January of 2009, Fresco secured its first 7 figure contract with a remodel of Manpower offices worldwide. This contract spreads over several years, so it will not radically alter the Fresco cash flow projections for 2009.

The three market channels outlined below are founded on lead OEM customers in each channel. This group of customers can field several hundred sales representatives. The success of this Fresco market penetration initiative will depend upon the Fresco OEM Digital Customer Service (DCS) program, which is now developed and being tested through engagement with sales teams, leading with a beta test involving 3 selected sales representatives from 3form. The OEM Digital Customer Service program features the on-line Fresco Pandora Design Engine, as well as other tools developed by Fresco Color.

1. Decorative Architectural

- Hunter Douglas / 3form

2. Decorative Glass Laminations

- Craftsman Glass
- Architectural Glass Art
- Others

3. Decorated Luxury Vinyl Tile Flooring

- Centiva
- Snaplock
- Tsquare

Other - Designer/Fabricator Product Lines

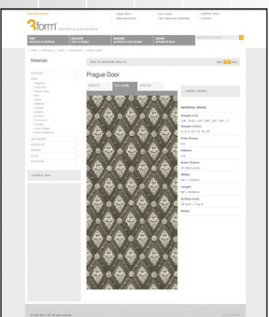
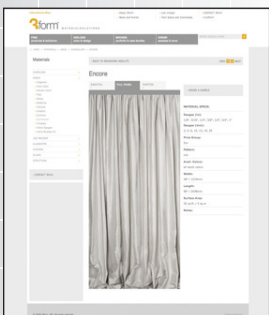
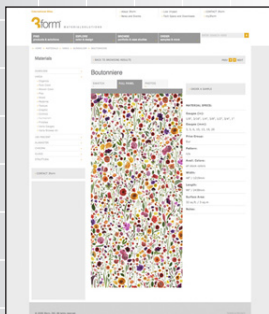
- Cal-Mil (Food Service)
- Cases - TKL, Coffin Cases, Postal Monkey, HeroSkinz
- Table tops
- Lighting
- Camouflage
- Signage - Scott Signs
- Display
- Automotive
- Aircraft Interiors - Triumph Interiors
- Others



Cal-Mil supplies the food service industry with durable Fresco imaged bowls and platters



Popular Fresco alabaster images are used by a number of customers in the lighting industry.



On 3-form.com, Fresco imaged decorative panels are represented in a product line called HighRes.

▶▶▶▶ DECORATIVE ARCHITECTURAL

3form (3-form.com) a division of Hunter Douglas (HunterDouglas.com) which runs \$3.5 billion in annual revenue and is based out of Northern Europe, has taken on the Fresco imaging technology and integrated Fresco technology into a variety of product lines.

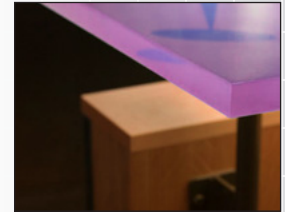
- 3form launched a product line called HighRes, which has become the fastest growing product line ever launched by 3form.
- Over the past year, 3form has pioneered Fresco graphics encapsulated in plastic panels as well as Fresco graphics in other architectural applications.
- Few, if any, digital graphics, other than a Fresco graphic, are able to withstand the manufacturing processes necessary to heat/fusion laminate a Fresco graphic between two sheets of plastic.
- The resulting 3form panel incorporating Fresco graphics is a desirable outcome for use in the display and exhibit world, resulting in a display product that is not easily and cost-effectively duplicated otherwise.
- The 3form/Fresco product, featuring high-performance digital graphics, launches 3form from their traditional Decorative Architectural market into the Display and Exhibit market which is six times the size of traditional 3form market.
- 3form has incorporated Fresco graphics into several product lines: HighRes Chroma, HighRes Varia, HighRes Wovin Wall, HighRes Glass and HighRes Direct.
- Chroma has been the fastest growing product line at 3form, but now HighRes is exceeding the growth of Chroma. With the addition of an autoclave (negative pressure oven) at 3form, Chroma will be converted to a Fresco digital product line in Q2 of CY2009.
- Wovin Wall was introduced into the United States by 3form during 2008. Fresco imaging is the decoration method of choice for Wovin Wall.

Not all Wovin Wall will be digitally decorated. 3form has produced 1500 samples of Fresco imaged Wovin Wall to begin the HighRes Wovin Wall sales cycle.

- With the help of Fresco OEM Digital Customer Service program, 3form executives are in the process of retooling the 3form sales force in order to reach these new opportunities and especially the display market opportunity, a non-traditional market for 3form.
- The 3form sales team numbers some 100 field representatives worldwide with 60 US based sales operatives.
- Fresco has presented new Fresco product development and associated sales strategies to 3form. 3form has agreed to include a limited version of the Fresco Pandora Design Engine in their 2009 sales program.
- Fresco has worked with 3form and identified 3 of the best pioneers from the 3form sales team to move the 3form/Fresco product forward now. This Beta Digital Customer Service program will be refined and rolled out to the entire 3form sales force by August, 2009.
- April 27 - 29th, Fresco will be educating another 11 of the 3form sales people, as part of the rollout of the digital customer service program.
- As the 3form Digital Customer Service program is refined, it will be redeployed to support OEM production using Fresco graphics in other market channels - flooring, glass and even aircraft interiors and vacuum formed product decoration.
- Due to the difficult business climate in 2009, 3form's CFO reports that 3form is projecting a 20% decline in overall business, with a 30% to 50% growth in business that depends on the Fresco imaging process.
- Current run rate for revenues from 3form to Fresco is approximately \$50K a month.
- A term sheet has been executed that provides an outline of process and terms under which 3form can license Fresco technology in the future, as the market evolves.



3form WovinWall



3form Chroma



3form Glass



3form Direct



3form Varia



Isletta Casino in New Mexico required 68 registered graphic panels up to 11 feet tall.

▶♦♦♦ DECORATIVE GLASS LAMINATIONS

- Fresco entered the glass lamination market in 2008, supplying Fresco imaged films to be encapsulated between two sheets of glass.
- This was accomplished with a glass lamination partner, Craftsman Glass, in Houston, TX.
- Glass is routinely laminated, with or without decoration, to provide performance characteristics, such as climate control, moisture barriers, shatter-proofing etc.
- Fresco-imaged, high-performance digital graphics in high-temp plastic films can withstand the typical processing conditions (heat/pressure/time) necessary to laminate two sheets of glass together in an autoclave.
- The result of this process is a digital graphic sandwiched between two sheets of glass. This outcome is highly desirable for many architectural, display and exhibit applications.
- Those educated in the architectural markets, including 3form executives, believe that Fresco decorated glass will become a larger market than any other Fresco-based product line now contemplated by 3form.
- Fresco installed the first Fresco Glass project in a casino in New Mexico, which opened on July 1, 2008.
- Simultaneously Fresco installed the second Fresco Decorative Glass installation, which involves four train stations in Texas.
- In late 2008, 3form began selling Fresco images in glass laminations, which is an additional market the 3form sales force will need education and Digital Graphic Support in order to be successful.
- Fresco has installed several decorative glass laminations through 3form.

- 3form doesn't make their own glass laminations, but when speaking with architects and specifiers during the sales process, decorative glass lamination is a product line that the 3form reps can sell in collaboration with a glass laminator (Craftsman Glass, AGA, LTI and others).
- In addition to our current partner, Craftsman Glass, Fresco is pursuing an expanded group of glass laminators to support with Fresco images throughout 2009.
- Architectural Glass Arts (AGA) has shown a solid interest in developing a glass lamination program featuring Fresco Decorative films. They have visited Fresco Color several times and are re-visiting Fresco on February 20th with the intention of designing a Fresco-based product line that will be released in 2009.
- The Fresco group of glass laminators will field an estimated 50 sales reps (over 24 months) who will use the same sales training and sales tools as the 3form reps, which will include the Fresco Pandora Design Engine.



Fresco decorated glass canopies are installed at four train stations in Austin, TX.



MY Musuem floor. The first
digitally decorated LVT floor
installation in the world.
Scheduled for installaion in
Spring 2009.

▶▶▶▶ DECORATED LUXURY VINYL TILE FLOORING

- Luxury Vinyl Tile (LVT) is produced by laminating layers of vinyl, with some of these films printed with wood grains and stone effects. Currently, these films are printed using analog methods and require high volume output to amortize set-up costs.
- Fresco technology can render a digital image into the second surface of the clear vinyl “wear layer” (first layer) of the tile lamination. The wear layer can then be incorporated into a routine LVT lamination, without destroying the graphic or contaminating the lamination.
- The economics of the Fresco technology fit well into the flooring business and the Fresco graphic solves problems and reduces costs, specifically in the decorative flooring “insert” market. This large niche involves decorative panels, branded panels and display panels that are integrated into a standard LVT floor installation.
- Fresco is cultivating partners within the flooring industry, among them Centiva Flooring.
- Centiva and Fresco are in the process of installing the first Fresco digital flooring installation of about 450 sft in a children’s museum.
- The president of Centiva Flooring has authorized the development of Fresco sales tools at their cost and has requisitioned sample sets of Fresco imaged LVT. The sales cycle will be launched at the Global Shop tradeshow in Las Vegas in early March, 2009.
- Fresco is pursuing Centiva as the launch customer for the integration of Fresco graphics in the LVT flooring business. By the end of 2009, Fresco intends to support 20 sales reps in the flooring business with sales training and tools that will also include the Fresco Pandora Design Engine and the full Fresco OEM sales support program.

▶... DESIGNER/FABRICATOR PRODUCT LINES

Cal-Mil Food Service

Cases

Table tops

Lighting

Camouflage

Signage

Display

Automotive

Aircraft Interiors - Triumph Interiors

Others

- Over the past few years of developing Fresco technology, Fresco has established footprints in a variety of markets, as listed above.
- These markets are driven by US-based fabrication shops building products that are enhanced and driven by Fresco technology.
- Some of these shops never go a day without a Fresco production order.
- While the aggregate revenue from these shops is worthwhile, no single key player has yet emerged in most of these markets with a large enough sales force to warrant engaging the Fresco OEM sales support program.

Two Standout Cases:

1. Fresco Decorated Instrument Cases:

Mario Enea at Fresco has been pursuing a program that will drive Fresco imaging onto thermoformed guitar cases.

The program involves 4 elements.

- A case manufacturer that can make a single case with a customer-selected graphic and deliver that case to a single customer.



Collector's guitar case from Coffin Case. This case will appear on KissOnline and Coffincase.com



First case in production. Sierra Instruments ordered 50 Gas Flow Meter carriers for their reps. Case production done by Platt Cases from Chicago, IL.

- TKL Cases and HeroSkinz have been identified, cultivated and are in agreement on the value of this business model and will deliver the product in a process suitable to meet market expectations.
- A source of interesting Rock and Roll Graphics.
 - The internet is full of Rock and Roll graphics that are ideal for imaging onto Fresco decorated guitar cases. Rock and Roll art sites can be integrated with internet sales channels for Fresco decorated guitar cases.
- A Graphics Services shop to process the graphic requirements and render the graphic to a sheet of plastic for case production.
 - Fresco Color has the digital services and the patented technology to get this done.
- A sales channel to sell customized Fresco decorated guitar cases.
 - Traditional distribution channels cannot handle this level of customized product, so sales are best driven using internet retail strategies. There are a number of established internet retail channels that are excited about selling this product, provided the product can be delivered. TKL Cases is interested in developing their own web based retail site to sell one custom case to a single customer over the internet. Initial sales channels are:
 - TKL
 - Zazzle
 - Postal Monkey
 - Café Press
 - Zeavy Guitar Straps
 - Guitar Manufacturers online (Fender, Peavy, Peak, Gretsch, etc.)
 - Artists whose art is on the cases.

2. Aircraft Window Shades:

- Triumph Aircraft Interiors (TGI-NYSE) began working with Fresco on the decoration of aircraft window shades in 2008.
- Fresco imaging allows the shades to retain their FAA ratings after decoration and the graphics perform to the demands of aircraft interior requirements.
- A Boeing plane contains 108 window shades and can be changed out at a routine maintenance stop, with existing personnel in less than 2 hours with no additional training.
- The first installation went into the Detroit Pistons basketball team's private jet and presented a Pistons logo rendered onto the pull down window shade.
- Now the Triumph sales team is tooling up to sell decorated aircraft window shades for branding, advertising and decorative embellishment that improves air passenger experience.
- Spirit Airlines has taken a lead on selling advertising into aircraft interiors over the last 6 months. They have opened their own Media Agency to secure the advertising (MileHighMedia.com).
- Spirit Airlines has been unable to sell advertising on window shades in the past, because the graphics would not survive the shade movement and still meet the FAA ratings.
- Spirit Airlines is now evaluating the use of Fresco decorated window shades in their entire fleet. Triumph Interiors has already produced shades for the specific Airbus planes that Spirit Air flies and these shades are on deck for trial installation.

Fresco intends to continue to service and cultivate the group of designer/fabricators now on board with Fresco, while focusing on the three vertical channels of Decorative Architectural, LVT Fresco Decorated Flooring and Decorative Glass laminations.



Prototype window shades for the Airbus through Triumph Interiors.

▶▶▶▶ SUMMARY NOTES:

To reach cash flow positive, Fresco intends to continue focusing on the three vertical OEM channels of Decorative Architectural, LVT Fresco decorated flooring and Decorative Glass laminations.

Through these three channels, an estimated 50 OEM sales representatives can be in position by the end of 2009, selling product that depends on Fresco technology.

The success of this Fresco sales initiative will rest upon the Fresco Digital Customer Service program, which is now well-developed and being tested through engagement with sales teams.

As these three Vertical OEM Market Channels mature, key licensees for Fresco technology can emerge, leading Fresco into the technology licensing business.

Stormy economic conditions projected for 2009 can influence the outcome of the Cash Flow Operating Model. However, Fresco is small enough, and the markets Fresco pursues are large enough, such that the company should weather the economic climate with solid growth, if not the explosive growth otherwise anticipated.



FRESCO  **COLOR**™

FINANCIAL PROJECTIONS

2-YEAR PROJECTED
PROFIT & LOSS STATEMENT

2-YEAR PROJECTED
BALANCE SHEET

For the complete
Cash Flow Operating Plan,
please contact tomtsubota@me.com.



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