

# FRANCHISE INFORMATION REPORT



Children's  
Orchard



# Children's Orchard



AFTER READING THE  
FOLLOWING REPORT  
CONTACT ONE OF OUR  
FRANCHISE REPRESENTATIVES  
TO TAKE THE NEXT STEP

**DIRECT** 952-283-3411

**TOLL-FREE** 866-261-2030, Ext 6

# THANK YOU FOR YOUR INTEREST

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The following information covers many of the details you have already seen on the website and more. It will give you a concise overview of the highlights of your franchise business opportunity. You will receive considerably more detailed information in our Franchise Disclosure Document (FDD) when you complete and return our [Children's Orchard Initial Application](#).

If you experience any difficulty in using the link above to complete your Children's Orchard franchise application, please call us at 952-923-1223 during regular business hours.

*The Children's Orchard Team*

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# WHAT IS CHILDREN'S ORCHARD?

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Children's Orchard is not consignment and it's not thrift, it's an upscale resale store that offers a new and fun shopping experience for both parents and kids.

Because children so often outgrow their clothes before they are hardly worn, our stores provide a solution for customers to sell their items for CASH On-the-Spot and buy like-new items for up to 70% off of original retail prices.

Stores feature bright colors, a clean, fresh scent, and are designed to make shopping simple because items are easily accessible and meticulously organized. And all clothing (boys and girls sizes 0 to 14), accessories, toys and baby equipment are high in quality and in great condition.

To help make shopping a bit less stressful, each Children's Orchard has a fun and safe play area where kids can watch videos, use toys and just hangout while their parents shop. Dressing rooms are large so families are comfortable when trying on items to make sure they fit.

When it comes time to clean out their children's closets, customers also appreciate our curbside drop-off benefit. If there isn't enough time to go into the store, it's a fast and convenient way to hand over the items they wish to sell, go run other errands, and then return later to pick up their cash and/or any items that weren't accepted.

The unique resale concept of Children's Orchard serves local communities by promoting the reuse of quality goods, which benefits the environment, and buying inventory directly from customers, which puts money back into the pockets of people within the communities.

When you visit any Children's Orchard store, you'll always find superior merchandise and a friendly, professional staff that provides great customer service.



# CUSTOMER PROFILE

(PAGE 1 OF 2)



## WHO IS OUR TARGET CUSTOMER?

Our ideal customer is a 25- to 45-year old mother with young children. She is likely married and always busy, juggling work and an active family life. She puts her kids first and strives to provide them with the best clothing, shoes, baby equipment and toys, but also appreciates a great deal. Our target customer wants her family to look stylish even if they outgrow their outfits in the blink of an eye. She is socially and environmentally conscious and feels that recycling her children's clothing is a way in which she can help the cause. With such a busy schedule, she values convenience and a friendly store staff to help her get shopping tasks done efficiently.

## MILLENNIALS

Our Millennial customers are women ages 25 to 35. They live a very active lifestyle and are in the beginning stages of starting a family. They are very connected to family, friends and acquaintances, announcing their pregnancy, the birth of their first child and many other milestones on social media. We must have a strong social media presence in order to reach them. This customer group has a defined sense of style, which carries over into how they dress their kids.

First-time moms are looking to us to help them stock their baby's bedroom and closet with high-quality clothing, toys and more for less. Many Millennials may still have high levels of student loan debt and are for the first time feeling the added expense of a child, so our prices suit their financial needs.



## GENERATION X

Our Generation X (Gen X) customers are women ages 35 to 50. Gen X moms are highly educated and are generally well-established in their careers. Their families now include multiple children that are likely involved in many activities. They look to Children's Orchard to keep up with their growing kids, providing school clothes, coats, boots, apparel for dance classes and soccer practices, Halloween costumes and more—all high in quality for a great price.

Gen X customers are also looking to sell their kids' gently used items to our store. They are very familiar with how quickly their children grow and the extra cash helps when they need to buy bigger sizes season after season.



# CUSTOMER PROFILE

(PAGE 2 OF 2)



## BABY BOOMERS

Our Baby Boomer customers are women ages 50 to 65. They make up a much smaller portion of our customer base. Often they are grandparents that love to shower their grandchildren with gifts. Baby Boomers grew up at a time of dramatic social change. Memorable events during their life include the Vietnam War, civic and environmental movements and women's rights movements. These changes caused them to be socially and financially responsible. Many of them are more conservative and stick to strong personal financial plans.

The resale concept of Children's Orchard provides them with high-quality merchandise at a great price. They also appreciate our high level of customer service provided by a friendly and knowledgeable staff.

## ADDITIONAL INFLUENCES

GEOGRAPHIC LOCATIONS | ETHNIC GROUPS | SOCIAL & ECONOMIC CONDITIONS  
STUDENT STATUS | INCOME LEVELS | OCCUPATIONS | FAMILY/MARITAL STATUS



# BRAND GROWTH

In supplying the constant demand of growing kids, the Children's Orchard brand is also growing. It was purchased in 2015 by NTY Franchise Company and quickly received a refresh in store design and technology. Since then, the resale stores' high gross margins and scalable business model have grabbed the attention of many potential franchisees. In 2016, Children's Orchard is expected to have approximately 30 stores open in 11 states across the nation.

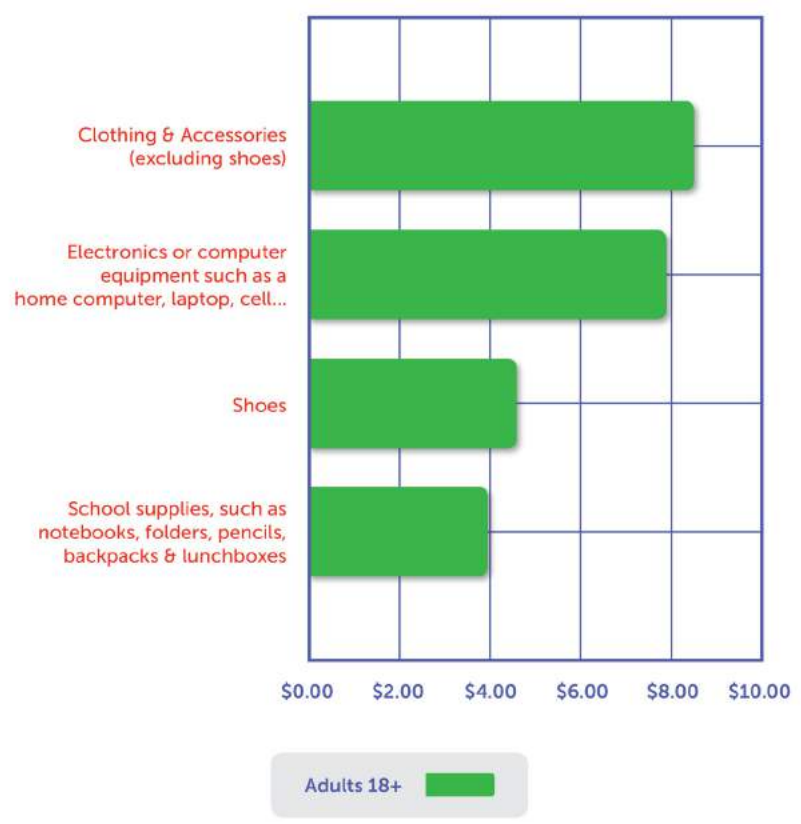
It's no secret that kids are expensive. From clothing to toys to various equipment and furniture, parents spend many dollars each year providing their kids with items that they need and want. According to the USDA "Expenditures on Children by Families, 2013" report, households with children spent on average between \$530 to \$1,330 per child annually on clothing alone. That's quite a chunk of change—and only for one kid for one year!



## \$8.6 billion

About 4 million babies were born in the United States in 2014. According to Euromonitor, Americans spent approximately \$8.6 billion on clothing for those babies in the same year.

In addition, as kids grow and mature, so do their fashion tastes. As a result, the costs of the clothes that they need and want continues to climb. Children's Orchard offers families an alternative. Its unique resale concept not only provides an opportunity for parents to sell their children's gently used clothing, toys and equipment for cash, but the large selection of name brands and current styles at amazingly low prices gives kids of all ages what they want while keeping annual costs down for the whole family. It's a win-win!



Back-to-school season is an important time of year for all retailers, Children's Orchard included. The graph above shows approximately how much (in billions) families planned to spend by category during back-to-school shopping in 2015, with clothing taking the lead. Source: Prosper Insights & Analytics.



# FRANCHISE SUPPORT OVERVIEW

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Children's Orchard comes with a proven successful business model. NTY Franchise Company has developed a clear path that will help you to avoid years of trial and error; reduce costly mistakes, shorten your learning curve and, ultimately, reach your goals sooner.

The following are key benefits that come along with a Children's Orchard franchise:

## BUSINESS PLANNING

We'll work with you to develop a plan that can be used as the financial and operational guide for your store during the critical start-up phase of your business.

## TRAINING

We conduct three separate, comprehensive training programs that provide our new owners with both pre-opening and post-opening classes and hands-on experience.

## BANK FINANCING

We have a Small Business Administration (SBA) preferred status lender who can help you with prequalification before you commit to opening your store. This lender knows our brand, our business plan and how to process loans quickly and efficiently.

## STORE LOCATION ASSISTANCE

NTY Franchise company has adopted a standardized real estate process that has a clearly defined all-in-one strategy for site selection, lease negotiation and legal review.

## STORE OPENING ASSISTANCE

We have proven vendors already in place to get the best pricing and service on everything needed for store buildout: fixtures, equipment, interior/exterior signage, point-of-sale system and more.

## POINT-OF-SALE (POS) SYSTEM

The unique software that runs our proprietary POS system was specifically designed to meet the ever-changing needs of the resale business. With touch screen capabilities and a built-in buy matrix, the system assists in the buying and selling of gently used merchandise.

## REGIONAL OPERATIONS MANAGER (ROM)

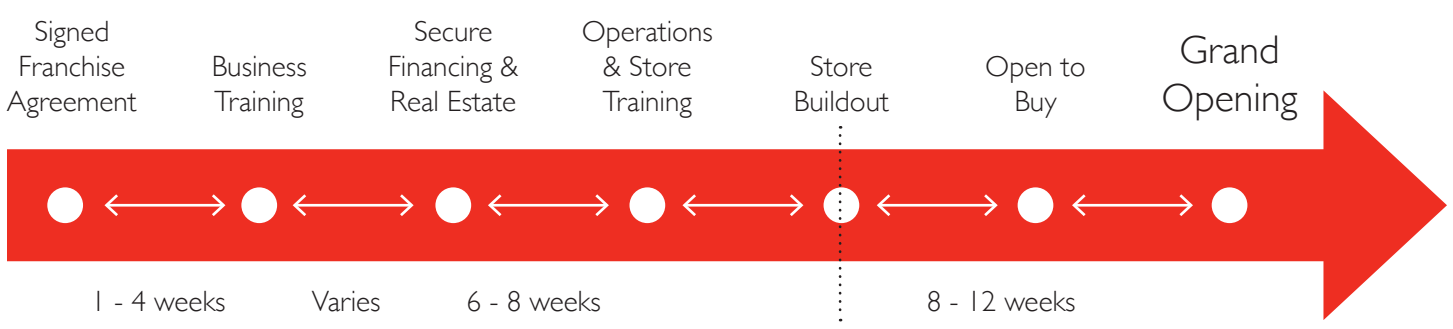
Our ROMs serve as small business consultants for our franchisees. They are responsible for ensuring success in all areas of the resale operation, including financial performance, merchandising and customer service.

## MARKETING

Before a store even opens, we help to create excitement about it. Then we continue to provide marketing support to all stores at both local and national levels.



# TIMELINE TO OPENING



The typical length of time between our acceptance of the Franchise Agreement and the opening of your store varies from 6 to 12 months. This period may be longer or shorter, depending on the time of year, availability of financing, site selection, local construction delays, how soon you can attend training or other factors. You must complete the initial training programs and open your store by the date that we and you agree as stated in Exhibit A of the Franchise Agreement.

# BUSINESS PLANNING



The #1 goal of a business plan is to get the right people excited about your business. A solid and professional well-designed business plan can help you to raise the funds necessary for you to finance the business, attract more customers and boost sales.

We'll work with you to develop a plan that can be used as the financial and operational guide for your store during the critical start-up phase of your business. You need to be at your best when you present your new business to a lender and we'll give you the tools to impress any audience.

## THE BUSINESS PLANNING PROCESS IS MADE UP OF SEVERAL STEPS

### STEP 1: REVIEW THE MARKET

We'll help you to develop an introductory section: a description of where your business stands today, how you intend to put your sales and marketing plans in place, and what this will mean to your business during the next 12 months.

### STEP 2: YOUR TARGET CUSTOMER OVERVIEW

This overview will examine who your prospective customers are, what they want and what motivates them to buy.

### STEP 3: YOUR BUSINESS GOALS

In detail, we'll assist you in establishing your store's goals for the first three years of operation. It's important to put your goals down on paper, and we'll discuss the elements of your business that are possible to track so you can gauge your progress. Together, we'll develop goals that are achievable, time-bound and measureable.

### STEP 4: MARKETING STRATEGIES & TACTICS

This section is the heart of your plan. It details what your marketing message is, what you plan to do to market your business, how you plan to achieve your marketing goals and the tactics you'll use to meet them.

### STEP 5: YOUR BUDGET

The last section of your plan will break down the projected expenses of your store. Your budgeted plan will include estimated gross margins and key expenses such as marketing, rent, payroll, utilities and other categories.

### STEP 6: YOUR RESOURCES

Determine who on your team will handle different areas of your store including running the store, marketing the business and handling the accounting.

Keep in mind that your plan is flexible, so if your business changes we can help you to make adjustments based on your needs.

# REAL ESTATE



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Securing the right site and negotiating a competitive lease may significantly affect the sales and profitability of your store. NTY Franchise Company will offer our knowledge and acceptance processes, but we will not secure sites for you. We offer the support and assistance in finding a location for your store along with negotiating your lease, but ultimately it is your responsibility.

After you have signed on and secured financing, your first major step is to go through the real estate process. At this stage in the relationship it is very important that we closely manage this process to help to build a strong and healthy relationship in the beginning. NTY Franchise company has adopted a standardized real estate process that has a clearly defined all-in-one strategy for site selection, lease negotiation and legal review. In order to accomplish this, we have teamed up with real estate experts, Colliers International. By outsourcing the real estate services, it helps to provide many benefits including saving money and time and creating a more streamlined and faster store opening process. As a franchisor we have discovered the benefits of partnering with a strong, outsourced real estate solutions provider like Colliers International.

## COLLIERS INTERNATIONAL

Colliers International is a leading global commercial real estate services organization defined by their spirit of enterprise. With more than 16,300 professionals in 502 offices worldwide, they are dedicated to creating strategic partnerships with NTY Franchise Company and our franchisees, providing customized services that transform real estate into a competitive advantage.

## REAL ESTATE PROCESS

### Phase 1: Franchise Location Evaluation and Broker Assistance

Identifying the right location for your store and the parameters to consider when evaluating the perfect location for your store.

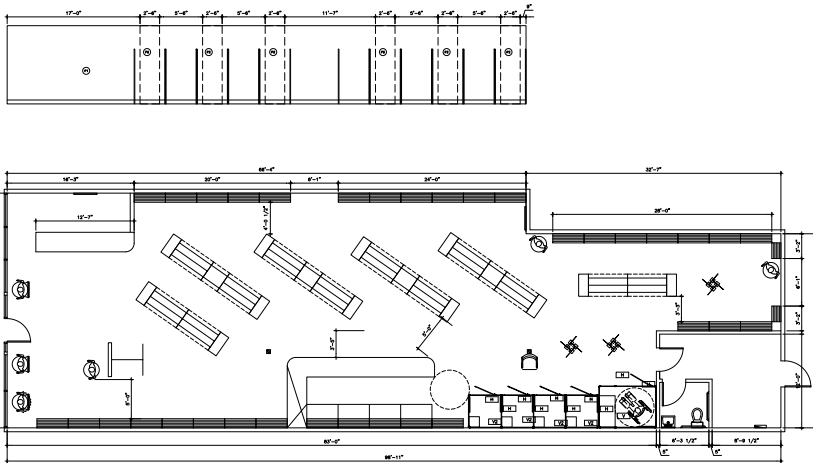
### Phase 2: Site Selection and Letter of Intent (LOI)

Submitting proposals and negotiating information along with the support that you'll receive to prepare for a retail contract.

### Phase 3: Lease Agreement (LA) and Space Preparation

Reviewing your lease agreement to make sure it matches your LOI and understanding what your time lines are for the landlord to turn over the space to you.

# NEW STORE DEVELOPMENT



NTY Franchise Company has teamed up with proven vendors that offer the best pricing and service available for your store buildout. F.C. Dadson and Specialty Store Services help to streamline the process of getting your store ready to open.

To ensure a uniform image throughout the brand, we will assist you in following our quality standards for fixtures and key supplies for your store. You will be provided with easy-to-follow prototypical drawings and a list of specifications such as interior and exterior materials, décor, fixtures, supplies, equipment and signs.

As you develop your store, we make it easy for you to meet our specifications as well as the Americans With Disabilities Act and other applicable federal, state and local laws, ordinances, building code and permit requirements and lease requirements and restrictions. We'll discuss your plans before you begin construction, and we'll also help you to review any revisions if needed during the buildout. All of the construction materials, fixtures, equipment, furniture, décor and signs for your store are high in quality and easily accessible.

## WHAT MAKES F.C. DADSON AND SPECIALTY STORE SERVICES DIFFERENT?

### ONE-STOP STORE SUPPLY SHOPPING

A streamlined process for ordering equipment, fixtures, supplies, graphics and other décor pieces.

### STORE IN-A-BOX COORDINATED DELIVERY

Your fixtures and store supplies ship on one trailer, saving you time and multiple shipping charges. It helps to get your store open faster.

### RETAIL CONSTRUCTION

Experienced in construction management, they can help to bridge the gap between franchisor, franchisee, landlord and your general contractor and make sure that your store gets built out to our specifications while keeping costs down.

### DEDICATED PROJECT MANAGERS

Their project managers take on many of the day-to-day details, freeing up your time so you can focus on promoting and building your business.

### RETAIL EXPERTISE

Combined, they have more than 70 years of experience developing, manufacturing and shipping fixtures and supplies to thousands of retailers across the country.

### FRANCHISOR/FRANCHISEE RELATIONSHIP

They familiarize themselves with every aspect of our business and our Franchise Disclosure Document to serve your best interest during buildout.



# TRAINING

(PAGE 1 OF 3)



We conduct three separate, comprehensive training programs that provide our new owners with both pre-opening and post-opening classes ranging from business planning, financial management and real-estate selection to store operations, merchandising, inventory management and POS system training as well as a full week of in-store training. Check out the break down of each of our training programs below.

## TRAINING PREREQUISITE

### BUSINESS TRAINING

We suggest you and your partner(s) to attend Business Training in the first available class after you have signed your Franchise Agreement.

### OPERATIONS TRAINING

It is ideal for you to receive training on the operational aspect of the business as close to your “Open to Buy” period as possible. So as soon as you’ve completed Business Training, submitted your signed lease to us and ordered your fixture package for your store, you are ready to attend Operations Training.

### STORE TRAINING

We recommend that you attend Store Training immediately following Operations Training, however, you can separate these two training sessions if needed to accommodate your schedule.

## BUSINESS TRAINING

In this five-day training program, we'll cover all of the tools available to you and the assistance that we provide for opening your store. Business Training includes:

### REAL ESTATE/SITE SELECTION

What should go into a lease and what criteria to use to get the best possible site.

### BUSINESS PLANNING

Comprehensive business planning preparation and a review of financing options.

### NEW STORE DEVELOPMENT

All-encompassing how-to on your store buildout, fixture detailing, signage, flooring options, etc.

### MARKETING

An introduction to all of the marketing options for your store, from print to digital to social media and more.

### PERSONNEL MANAGEMENT

How to recruit, hire, train and develop the best employees for your business.

### QUICKBOOKS

Implementation of QuickBooks accounting software into your personal computer to help manage your daily business expenses.

## OPERATIONS TRAINING

This five-day program delves into everything you need to know about the day-to-day operation of your store. Operations Training includes:

### MARKETING

Grand opening advertising, local store marketing, print advertising, multi-media advertising, your store website and social media.

### CUSTOMER SERVICE

An overview of the keys to great customer service, steps to learn customer cues and more.

### MERCHANDISING & STORE STANDARDS

Learn how to merchandise your store to maximize profits. Plus, learn about the company store standards.

### LOSS PREVENTION

Learn how to detect internal and external theft and how to utilize tools to prevent theft.

### INVENTORY MANAGEMENT

An in-depth look at seasonal buying and selling as well as clearance procedures to maximize profitability.

## PRODUCT KNOWLEDGE

How to buy and sell your product. In addition to general hands-on training for this topic, you'll also receive the following:

- Trend report – a guide highlighting the hottest styles for each upcoming season
- Buyers guide – a training tool to ensure that your buyers know specifics of assessing each piece of merchandise
- Exams – review tests for your staff to make sure they know information from the guides
- On-site inventory evaluations – a feedback report that is provided to you in writing after each visit by Children's Orchard field support staff
- Mall visit program – a maintenance course provided to you so your staff can keep up with trends in your local market
- Advanced training workshops – an annual national conference hosted for you and your management staff
- On-demand video training – additional help available on Children's Orchard's convenient extranet

## STORE TRAINING

This six-day program includes hands-on experience at our corporate store, where you'll see all of the information you learned during the previous two programs in action. Store Training includes:

### DAY 1

Store tour and introduction to the POS system, merchandising, customer service and product classification.

### DAY 2

Store opening/closing procedures, back-of-office administration, sales planning, personnel management and POS administration.

### DAY 3

Sorting/buying, merchandising, inventory management, POS troubleshooting and loss prevention.

### DAY 4

Local store marketing, social media and handling customer complaints.

### DAY 5

An all-encompassing overview of the previous four days and putting what you've learned into action.

### DAY 6

Questions and answers session and final training certification.

# POINT OF SALE

The unique software that runs our point-of-sale (POS) system was specifically designed to meet the ever-changing needs of the resale business. With touch screen capabilities and a built-in buy matrix, the system will assist in the buying and selling of your inventory along with tracking numerous aspects of your store including daily sales summaries, inventory buys, and detailed customer transactions. The proprietary software is the property of our third-party supplier and you will buy your software license and hardware from them.



## KEY POINT-OF-SALE SOFTWARE FEATURES

### POS BASICS

- Typical sales transactions
- Discount and various coupon capabilities and payment options screens
- Detailed administrative functions

### PRODUCT BUY MATRIX

- Easy-to-learn touch screen system automation to effectively buy the right inventory at the right price
- Department, category, brand-specific matrix with suggested costs and retails
- Buy process is enhanced with interactive links to eBay and other buying links

### EMPLOYEE ACCOUNTABILITY

- Track individual employees' activities including sales, buys and returns and review inventory sell rate performance by employee
- Can objectively measure and manage employee productivity
- Leads to improved buyer training of best- and worst-selling items

### INTEGRATED, SECURE CREDIT CARD PROCESSING

- Chip and pin capabilities
- Streamline customer transactions
- Easy daily credit card transactions reconciliation

### ONLINE REPORTING CAPABILITY

- Can monitor stores performance remotely
- Various executive summary reports on store performance with comparisons to other stores
- Ability to drill down further in a report to help analyze the business metrics

### QUICKBOOKS INTEGRATION

- Easy and time-saving integration of daily sales activities into QuickBooks
- More accurate and detailed daily reporting of key point-of-sale transactions
- Improves month-end reporting analysis of your financials

### TECH SUPPORT

- Automatic data backups
- Software updates are timely and readily available
- Remote access software to communicate and train

### SYSTEMS

- Full Windows compatibility
- Built on a strong and capable database system
- Full features including bar code readers and scanners



# STORE OPERATIONS



## ROLE OF THE REGIONAL OPERATIONS MANAGER

Your Regional Operations Manager (ROM) serves as your small business consultant and is responsible for ensuring your success in all areas of your resale operation including financial performance, merchandising and customer service. To accomplish this your ROM is in contact with you during numerous phases of your business including:

### PRE-OPENING VISIT

Takes place 2 weeks after opening your store to begin buying inventory.

- Duration: 1-2 days
- Focus: Helps to ensure proper buying of product, making sure fixtures are installed properly and that the POS system is functioning correctly.

### STORE OPENING VISIT

Takes place the day before and the day of opening your store to begin selling merchandise.

- Duration: 2 days
- Focus: Final tweaks to merchandising and staff training. Your ROM will be there as a resource for answering questions at the store opening.

### FOLLOW-UP VISIT

Takes place approximately 90 days after opening your store.

- Focus: Operations, full analysis of customer service, POS training and ensuring that bad habits aren't arising. We also assist with small business practices such as hiring, bookkeeping, business planning/forecasting, attaining a clear picture of cash flow and any other operational needs.

### ONGOING VISITS

Take place every 9-12 months.

- Focus: Your ROM is there as a small business analyst and counselor.

### MONTHLY OPERATIONS CALLS

Take place monthly.

- Focus: Inventory planning, advertising and marketing, POS reporting, budgeting and other items related to your business.

### CONFERENCES

Take place annually.

- Focus: Networking and training opportunities for all of our franchise owners, managers and staff in one location.

# MARKETING

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Marketing is a very important piece in making a store a success, and we are here to help you in many different ways. We offer comprehensive marketing training as well as ongoing marketing support to all franchisees.

Marketing is made up of many areas including electronic media, print media, social media, digital media and local store marketing. During your training, we will cover all of these areas in-depth as well as marketing budgets and how to best allocate them.

## DIFFERENT AREAS OF MARKETING

### ELECTRONIC MEDIA

This includes TV, cable, radio, Pandora, Hulu and others. We have a recommended media buyer that will help to get you up and running as well as plan long-term goals.

### PRINT MEDIA

We know the ins and outs of different forms of print media and how to best utilize them in our stores. We also create many items in-house for stores and work with proven vendors that make getting your print materials easy.

### SOCIAL MEDIA

This is an ever-changing area and we offer a lot of support to franchisees. This includes assistance in setting up your social media, training, providing content as well as ongoing updates to be sure you stay current.

### DIGITAL MEDIA

This includes [childrensorchar.com](http://childrensorchar.com), a comprehensive, mobile-responsive website that presents customers with easily accessible information about the brand as well as individual stores. It's a place to learn about Children's Orchard's unique resale concept, be inspired and, ultimately, draw customers to your store.

NTY Franchise Company works with a top search engine optimization (SEO)/digital company that helps to support the main brand website as well as provides a great option for you to promote your local store website with SEO.

### LOCAL STORE MARKETING

Local area marketing is a key part in promoting a local business. We have great ideas that have worked for other stores and tips for getting a strong start in your market.

# MARKETING COLLATERAL

**Children's Orchard**  
**We pay you CASH on-the-Spot**

Unlike a children's consignment shop, we pay you immediately for all items that we accept.

Here's how easy it is to cash in on the items your children are no longer using:

- We buy items that are current styles. The amount we pay is based on brand name, condition, style and current demand.
- We buy: clothing, shoes, accessories, toys and equipment.
- You NEVER need an appointment.
- We buy every day up to 1 hour before closing.
- We ask that the items you bring in be in good condition, freshly laundered and in baskets or bags.
- We buy from you - what our customers want to buy.

**NOW BUYING!**

12953 Ridgedale Drive | 952-232-5603  
 Located in Ridge Square South Shopping Center | Near Panera  
[childrensorchar.com](http://childrensorchar.com) or [Facebook](https://www.facebook.com/ChildrensOrchardMinnetonka)

**Children's Orchard**  
**Resale for a new generation!**  
 children sizes 0-14

We are excited to announce a totally new kind of RESALE store for children sizes 0-14. Unlike any consignment shop, we pay you immediately for the items that we accept. And, unlike some Children's stores, if you choose to be paid with in-store credit for the items we are able to purchase we will give you a 25% bonus.

Even better take advantage of our drive-up drop-off service. We will tip the items that you'd like to sell, process them and contact you with your cash or credit amount.

Our stores are fun, organized and easy to shop... So you can find what you are looking for without hunting through a jungle of product. You will also love the level of customer service from our friendly and helpful staff.

Some of the brands we buy from you: abercrombie, baby gap, carters, children's place, coco, disney, fisher price, graco, gymboree, justice, lego, little tikes, nike, nordstrom baby, old navy, osh kosh b'gosh, playskool, ralph lauren, step2 and many more.

[childrensorchar.com](http://childrensorchar.com)

**NOW HIRING**

Please visit [childrensorchar.com](http://childrensorchar.com) for more information or email Abby Schutz at [aschutz@childrensorchar.com](mailto:aschutz@childrensorchar.com) to apply

**Children's Orchard**  
 12953 Ridgedale Drive, Minnetonka  
 952-232-5603 | [childrensorchar.com](http://childrensorchar.com)

**NOW BUYING!**

Clothing	Sleepwear	Highchairs
Shoes	Swimwear	Playpens
Costumes	Furniture	Strollers
Dancewear	Books	Toys
Outerwear	Games	& More!

**Children's Orchard**  
 12345 Street Name, City Name  
 123-456-7890 | [childrensorchar.com](http://childrensorchar.com)

**Like us on** 

Simply "like" Children's Orchard Minnetonka on Facebook for exclusive discounts, promotions, store updates, contests, pictures of new arrivals and more!

**Children's Orchard**  
 12953 Ridgedale Dr, Minnetonka  
 952-232-5603 | [childrensorchar.com](http://childrensorchar.com)  
[facebook.com/ChildrensOrchardMinnetonka](https://www.facebook.com/ChildrensOrchardMinnetonka)

**Stock up for Spring... for LESS!**

Get ready for bubble blowing

Get ready for wiggling toes in the grass

Get ready for silly faces

**Children's Orchard**

**Children's Orchard**  
**Grand Opening!**

**Children's Orchard**

**Children's Orchard**

**Spring fashion**

**Children's Orchard**

**Children's Orchard**

# INITIAL INVESTMENT OVERVIEW

The charts below show the approximate dollar amounts you need to get the doors open, have a working capital reserve, get stocked with inventory and be ready for customers.

## ESTIMATED RANGE

Low End Approximately	\$163,000
High End Approximately	\$258,000
<b>TARGETED BUDGET RANGE</b>	<b>\$225,000 to \$250,000</b>

While it's likely that most stores will land in the targeted range listed above, it's also dependent upon a number of variables. Further detailed information is outlined in our Franchise Disclosure Document (FDD). To get a copy of this document, please contact your Children's Orchard franchise representative.

TYPE OF EXPENDITURES	LOW	HIGH
Initial Franchise Fee	\$15,000	\$20,000
Leasehold Improvements	\$10,000	\$20,000
Fixtures & Supplies	\$40,000	\$59,000
Signs	\$4,000	\$10,000
Inventory	\$40,000	\$50,000
Deposits & Business Licenses	\$2,000	\$9,000
POS System	\$16,000	\$22,000
Miscellaneous Pre-opening Expenses	\$8,000	\$20,000
Additional Funds – 3 Months	\$28,000	\$48,000
<b>TOTAL</b>	<b>\$163,000</b>	<b>\$258,000</b>



# WELLS FARGO SBA LENDING



Julie McDonald  
Wells Fargo SBA Lending  
612-667-3008  
julie.a.mcdonald@wellsfargo.com



As a national Preferred Lender Program (PLP) lender and the nation's largest Small Business Administration (SBA) lender with more than \$1 billion in loans in 2013<sup>1</sup>, Wells Fargo has the reliability and expertise to identify and customize the best financing package to fit your business needs and streamline the loan process.

## SBA 7A LOAN PROGRAM

Loan Amount: Up to \$5,000,000

## USE OF FUNDS

Single/Multi-Unit Acquisition  
Equipment & Inventory  
Working Capital  
Leasehold Improvements  
Commercial Real Estate

## TERM

Up to 10 yrs.  
Up to 10 yrs.  
Up to 10 yrs.  
Up to 10 yrs.  
Up to 25 yrs.

## INTEREST RATES

Fully Fixed\* & Variable Rate Options  
\*Depending on Use of Funds

## EQUITY INJECTION RANGE

### New Franchisee:

Start Up/Leaseholds 30%

### Current Franchisee (New or existing location):

Expansion/Leasehold 20%  
Business Acquisitions 15%  
(Buyer at least 10%)  
Commercial Real Estate 10%

## GENERAL CRITERIA

Direct/Transferable Industry Experience  
FICO Credit Score Generally > 640  
No Bankruptcy in Past 7 years  
Personal Guaranty > 20% Ownership

## WELLS FARGO LENDING STATES

All States except: HI, ME, NH, RI, VT

<sup>1</sup>Wells Fargo is the #1 SBA 7(a) lender by dollars according to the U.S. Small Business Administration as of September 30, 2014.

# RETURN ON INVESTMENT

With the proven resale business model of Children's Orchard, franchisees see a swift return on their investment. The graphic below shows the annual net sales of the top store and the average net sales of our top-performing stores in 2015, as reported in Item 19 of the Children's Orchard Franchise Disclosure Document (FDD).

In addition, following our proven business model, which includes a simple-to-follow buy matrix, makes it easy for Children's Orchard franchisees and their employees to maintain high gross margins in their stores.

Think you can't make money selling used children's clothes?

**Think again!**

\$862,732

ANNUAL NET SALES  
for our top store

\$648,342

AVERAGE NET SALES  
for our top-performing stores\*

All of this was achieved by selling used children's clothing, shoes, accessories, toys and equipment with an exciting upscale resale business model taught by the experts at NTY Franchise Company.

\*\$648,342 is the average net sales of the 5 stores included in the top 25% of all 21 Children's Orchard® stores in operation for entire calendar year ended December 31, 2015. Of the 5 stores included in the average net sales for the top 25% of all stores, 2 stores (40%) met or exceeded the average net sales. There is no assurance, however, that you will do as well. See Item 19 of the Children's Orchard® Franchise Disclosure Document dated April 26, 2016 for more information.

CHECK OUT MORE HIGHLIGHTS FROM THE FDD ON THE NEXT PAGE >

# FDD HIGHLIGHTS

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An important step in your research is reviewing the Franchise Disclosure Document (FDD). It's filled with a lot of useful information, but it can often be a bit overwhelming. That's why we've nailed down a few highlights for you here:

- **Items 1 & 2 Background...** We have been franchising this business model for more than 25 years.
- **Item 3 Litigation...** None. This shows that we are good business partners.
- **Item 4 No Bankruptcies...** We have been very wise in our financial investments.
- **Item 5 Initial Fee...** Some of the lowest in the franchise business.
- **Item 6 Other Fees...** These are fees you will see in the operation of your business. You can view the breakdown on the chart listed in Item 6 in the FDD.
- **Item 7 Estimated Initial Fees...** These are the fees to open your store, they can vary from store to store or state to state. This is the estimated amount to get the "doors open for business." There is a chart with the breakdown of the fees listed in Item 7. We also have a relationship with Wells Fargo, which will help with setting up your financing. We are also listed on the SBA registry, which makes it easier to work with all SBA approved banks.
- **Item 9 Franchisees Obligation...** What is expected of you as the franchise owner?
- **Item 11 Franchisor Assistance...** This is an explanation of the assistance we as the franchisor will give to you. This is the minimum you will receive from us, hopefully you have seen today that we have much more for you to use in the development of your business.
- **Item 12 Protected Territory...** Describes your protected market, this area will be exclusive to you as a franchisee and will be outlined in the Exhibit A, as part of the Franchise Agreement. We will go through a mapping session to layout your territory with you before the Franchise Agreement is prepared.
- **Item 19 Financial Performance Representations...** Everyone wants to look at this, as it explains our sales history for our franchise locations. Make sure you read the explanation at the top of Item 19, as it will explain what information was used in putting the chart together.
- **Exhibits – Franchise Agreement...** Only 27 pages long. Everyone signs the same agreement. You will want to read the Franchise Agreement first, because it is the agreement you will sign, with only a few changes.
  - a. This will contain a list of owners for your due diligence.
  - b. Exhibit A Protected Area... This will be your chosen protected territory.

# MEET THE STAFF

(PAGE 1 OF 2)



Ron Olson  
President



Chad Olson  
Chief Operating  
Officer



Jim Wollman  
Vice President of  
Franchising



Sarah Primmer  
Controller

## OPERATIONS TEAM



Becky Geyer  
Vice President of  
Children's Orchard



Michelle Johnson  
Regional Operations  
Manager



Jasmine Malakowsky  
Manager of  
Softline Operations



Rachel Pella  
Fashion Coordinator

## FRANCHISE SERVICES TEAM



Pete Palmisano  
Vice President of  
Franchise Services



Laura Tober  
Director of New Store  
Development & Real Estate

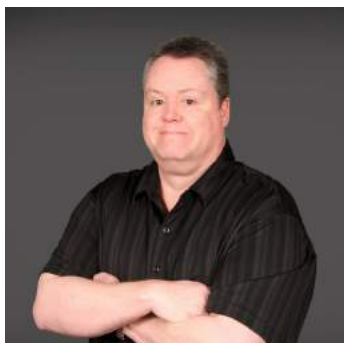


Rick Stalberger  
Director of  
Operations Training



# MEET THE STAFF

## FRANCHISE SERVICES TEAM (CONTINUED)



**Emmett Dennehy**  
Franchise Sales  
Development Coordinator

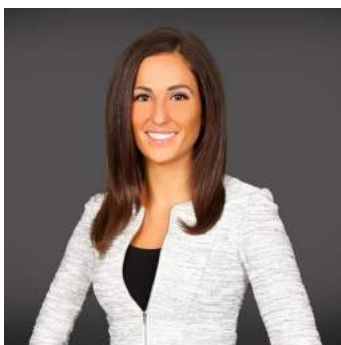


**Jan Peterson**  
Legal Administrative  
Assistant

## MARKETING TEAM



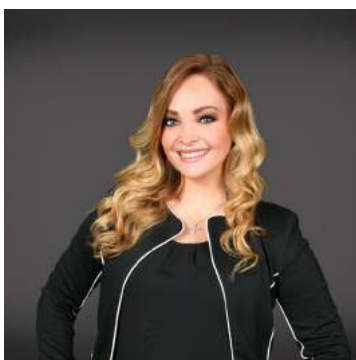
**Jenny Mann**  
Director of Marketing



**Maria Castellon**  
Graphic Designer



**Tiana Zielinski**  
Social Media  
Coordinator



**Ashley Culbertson**  
Design Assistant



**Jen Stanley**  
Website Manager

## GENERAL QUESTIONS

### **How much money can I make?**

The possibilities are endless, it really comes down to the operator/franchise owner. We give you the system and tools for you to execute your plan.

### **Once I sign the Franchise Agreement, how long do I have to open my location?**

You have 10 months to open your location.

### **May I interview any number of the franchisees? And may I choose whom I interview?**

Yes, in the FDD you will receive a list of owners that you may contact.

### **What fees do you charge?**

You will have a franchise fee, a royalty fee and marketing fees.

### **Does this contract permit me to sell my business? What restrictions are there affecting my rights to sell the business?**

Yes, with our approval. We will qualify them, as we would a new franchisee.

### **For how long is the franchise granted?**

10 years, with a \$10,000 renewal fee for another 10 years.

## FDD QUESTIONS

### **What is the background of the franchisor?**

President Ronald G. Olson founded NTY Franchise Company in 2006. Since that time the company has purchased the franchise rights for Clothes Mentor, New Uses, Device Pitstop and Children's Orchard and started NTY Clothing Exchange.

From 1988 to 2000 Mr. Olson was President and Director of Grow Biz International (now called Winmark, a public company). During this time Mr. Olson purchased the franchise rights for Once Upon A Child, Plato's Closet, Play It Again Sports and Music Go Round.

### **Can I see sales figures of open stores?**

We cannot disclose any financial information that is not stated in the FDD. The item 19 in the FDD will outline our disclosure. However, we will furnish you with a list of franchises to contact to assist you with your due diligence.

### **What is my protected territory?**

You will receive an exclusive territory surrounding the location of your store when you sign the Franchise Agreement (the "protected area"). The protected area will be determined by using natural trade areas and population numbers, but will be no less than a 2-mile radius and no greater than a 6-mile radius from a particular intersection. Typically, if you will operate in a metropolitan area with a population in excess of 200,000, you will receive a protected area with a minimum population of 50,000. If you locate your store in a smaller market, you typically will receive a protected area with a minimum population of approximately 25,000. The location of the store and the protected area will be identified in Exhibit A in the Franchise Agreement.

### **Can I put the Franchise Agreement in a corporate name?**

Yes, the Franchise Agreement can be placed in a corporate name as long as the owners sign a guarantor agreement.

## TRAINING QUESTIONS

### **What ongoing training do I get after I open?**

You will be assigned a Regional Operations Manager who will act as your small business consultant. You will have monthly operations calls with your ROM and yearly on-site visits. Additionally, you will have access to our intranet site that contains both operations and technical training resources as soon as they are released.

### **How do you train store managers?**

Our training consists of three phases: First you will spend 2-3 weeks at our corporate training facilities. We will send an operations team member to your location prior to your store opening to train the staff that you have hired at that point in time and to review your current inventory. This is typically a 1-2 day visit.

### **Do you train me? Who pays for my training? Where do I go for training?**

Our corporate staff consists of various department and staff members who specialize in their respective areas. These staff members will train you at our corporate offices, corporate retail store and on-site at your store as you proceed towards your opening. Your initial training costs are covered under your franchise fee. You will need to cover the costs for lodging, food and travel for you and/or your staff during your training at our offices.

## FINANCE & ACCOUNTING QUESTIONS

### **How much cash do I need to get started?**

You will need approximately 30% of the initial investment, \$75,000 in liquid form.

### **Will NTY Franchise Company help me to finance the business?**

No, NTY Franchise Company helps provide you with the tools that you need to develop your business plan, which, based upon our past experience and your local research and input, covers the goals for sales, expenses and profit. This business planning process guides you in getting bank financing and then managing your ongoing business.

### **How will I cope with my bookkeeping?**

Your POS' daily sales file is exportable to QuickBooks to make your bookkeeping easier. Trainers will go over this with you in training.

### **What standard financing options exist for me?**

Bank loans backed by SBA guaranties are a typical financing option. There are also a number of companies such as Benetrends that assist people in accessing retirement dollars in IRA or 401(k) accounts, without early withdrawal penalties, to use as a funding source for a franchise business.

## STORE OPERATIONS QUESTIONS

### **Where do I get my inventory?**

Your store inventory comes from customers in your market area responding to the advertising and marketing materials that we provide you or that you create with our approval. We will teach you how to buy the right quality inventory in the right quantities at the right price. This is critical to your level of success. We also teach you how to sell products. Our custom POS hardware/software system makes the buy/sell process very easy to train new managers and staff. It will also help you to manage the inventory so you can maximize your profit potential.

## STORE OPERATIONS QUESTIONS (CONTINUED)

### **What will be the open hours of the franchise business?**

Our typical suggested business hours are Monday-Friday 10am-8pm, Saturday 10am-8pm and Sunday 11am-6pm. These are the suggested hours. Any drastic variances based on local business trends or shopping center standards need to be approved by our corporate staff.

### **What can I sell and what can I not sell?**

We have a detailed list of the items we buy and sell in our training materials.

### **Do you provide instruction and operation manuals?**

Yes, we have both product acquisition and operations manuals.

### **How much control do I have?**

It is your business, we are here with the operating system to help you grow that business.

## COMMUNICATION AND ONGOING SUPPORT QUESTIONS

### **What systems do you have for keeping franchisees in touch with you and each other?**

We have an intranet site that contains communications from both our corporate offices and other franchisees. We hold an annual conference where franchisees come together to discuss business and participate in training sessions. We send out periodic newsletters to all existing franchisees highlighting upcoming important information.

### **What would happen if I ran into operational problems that I was not able to solve?**

You will be able to contact your Regional Operations Manager (small business consultant).

### **What continuing services do you provide after the franchise business has commenced?**

You will be assigned a Regional Operations Manager who will act as a small business consultant. You will have monthly operations calls with your ROM and yearly on-site visits. Additionally, you will have access to our intranet site that contains both operations and technical training resources as soon as they are released.

### **Who will be my main point of contact after I have opened?**

You will be assigned a Regional Operations Manager who will serve as your first and main point of contact to our corporate offices. This person will essentially function as a small business consultant to help you maximize your business.

## REAL ESTATE & NEW STORE DEVELOPMENT QUESTIONS

### **Does NTY Franchise Company help me find a location?**

Yes, NTY's preferred real estate service provider is Colliers International, who are experts in retail leasing. They will assist you in finding a proper location for your store.

### **Do you help me with the design and layout of my location?**

Yes, we have a relationship with F.C. Dadson who will help with the layout and development of your location.

### **Is the POS system easy to use, and how do I know what to pay for an item?**

Yes, the system is easy to use and will help price the items you buy and sell. It also has many financial reports to help you manage your business.



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## REAL ESTATE & NEW STORE DEVELOPMENT QUESTIONS (CONTINUED)

**Is the franchise business seasonal?**

No, we have a predictable sales index. There will of course be times throughout the year that produce higher store traffic and sales. These periods are consistent with like retailers in our industry.

**When is the best time to open?**

Anytime is a good time to open, as we have a predictable sales index.

## MARKETING QUESTIONS

**What point-of-sale and promotional literature do you supply and do I have to pay for it?**

Our marketing department has developed all the material we are currently using at our corporate stores. This vast library of promotional pieces and materials are available to you through our intranet site and preferred vendors. You would be responsible for purchasing any of the marketing and promotional materials you choose to implement in your store.

**Do you help me plan my marketing budget?**

Yes, we will help layout how to best spend your marketing dollars.

# NEXT STEPS

(PAGE 1 OF 2)

## STEP 1 - SCHEDULE AND ATTEND A PRIVATE WEB MEETING

This personal, live web meeting is a brief but very thorough overview of Children's Orchard. The main topics covered are:

- The history of NTY Franchise Company and how the brand came to be.
- What the brand represents to both the consumer and to the franchisee (store owner).
- Where the brand fits into the marketplace and why the stores thrive.
- How the franchisee/franchisor relationship really works and our culture.

## STEP 2 - Q & A WITH VICE PRESIDENT OF FRANCHISING JAMES WOLLMAN

For this phone call you have the floor—and our VP's ear—to ask any and every question that you may have. How much does it cost? Does it work? Can I make any money? These are just a few frequently asked high-level questions about our system that Jim can either answer directly for you or show you how you can dig deeper to find the answers. With no pressure, and in less time than it takes to browse the web, this call can help you to get more pertinent and detailed information quickly.

## STEP 3 - DISCOVERY DAY

Not a decision-making day, but rather a one-day orientation covering all of our franchisee services. It's held at our corporate headquarters in Minneapolis, MN, and it takes place before you make any decision on your new business. You'll meet with NTY's key personnel, who will present you with concise overviews of all the tools that we provide our franchisees so they can help themselves to become successful business owners. The interaction allows you to form a more complete impression of us and the culture and values of our company. The main topics covered are:

- Business planning
- Training
- Bank financing
- Store location assistance
- Store opening assistance
- Point-of-sale system
- Regional Operations Manager (ROM)
- Marketing
- Franchise Disclosure Document (FDD)

## STEP 4 - VALIDATIONS AND RESEARCH WRAP-UP

To wrap up your research on our company and this opportunity before you make a decision to join us, we want you to validate our business and support with our established franchisees.

In addition to the store list and contact information included within the FDD, we can also provide you with a contact information list of franchisees who have opted in and volunteered their personal time to speak with you for a more in-depth conversation.

# NEXT STEPS

(PAGE 2 OF 2)

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After reading this Franchise Information Report you may want more detailed information. Please click the link to complete our brief [Children's Orchard Initial Application](#) ▶

This application simply helps us to see if you may be a good fit for us - and if Children's Orchard may be a good fit for you.

After completing this application you will get information on:

- Store financial performance history.
- Items that make up the initial investment.
- Funding/finance, training & store design/build out.
- Initial and ongoing fees.
- Real estate/site selection support.
- Training tools & advanced programs/workshops.
- Technology tools & system support for inventory and cash flow management.
- Advertising/marketing programs & support.
- Ongoing store operations support.

GET THE INFORMATION LISTED ABOVE  
BY SPEAKING WITH US DIRECTLY:

Direct: (952) 283-3411

Toll-Free: (866) 261-2030, Ext 6