

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 952-923-1223

THANK YOU FOR YOUR INTEREST

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?



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

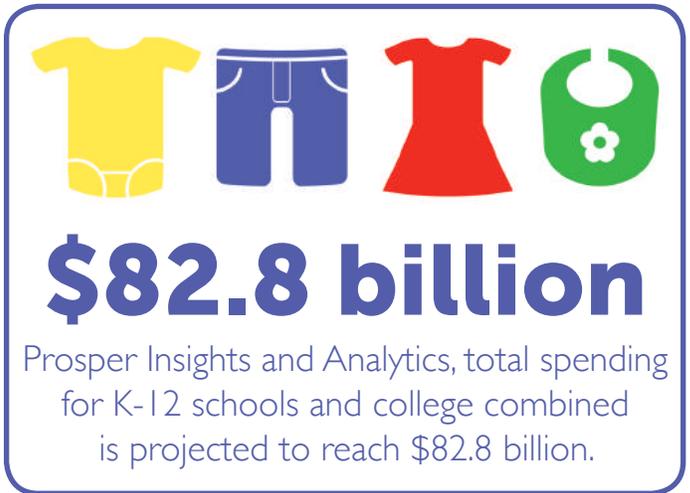


INDUSTRY GROWTH

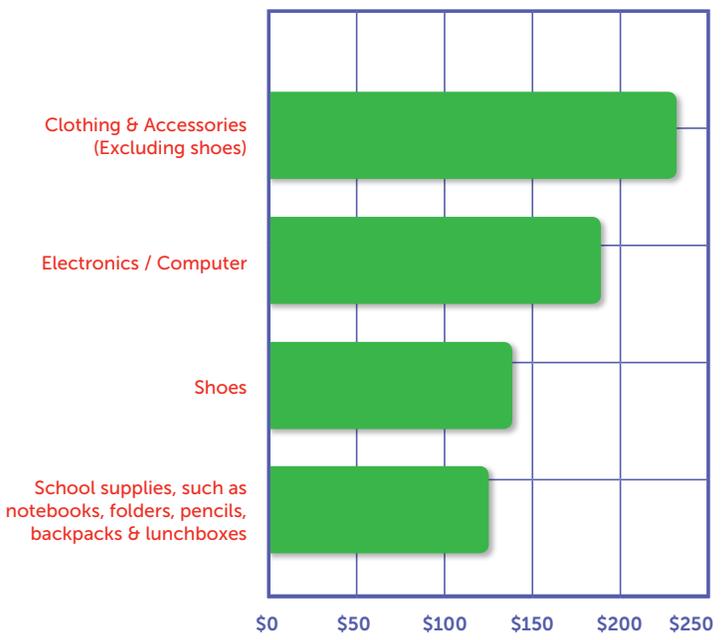
The children's apparel market has seen amazing growth over the past few years and has been out pacing the women's and men's apparel markets. This growth can be attributed to many different trends. First, major designers are expanding their lines to include children's sizes. According to Fashionista.com, nearly every major luxury brand in 2017 had a line of apparel and accessories available in the 12 and under sizes. Parents who are loyal to these luxury brands are buying them for their children. This include the "Mini-Me" trend with matching fashions for parents and children. Social media has also played a big hand in the growth of children's apparel industry. Today's children are now front and center on social media platforms like Facebook, Instagram and Snapchat...and their parents are doing everything they can to make sure they look their best.

Children's Orchard continues to benefit from this growth by offering options for parent to repurpose these amazing looks and get some of their hard-earned money back. At the same time, parents can purchase top quality children's clothing and accessories at a deeply discounted prices from the typical retail mall prices.

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 an enormous refresh in store design and technology. Since then, the resale stores' high gross margins and scalable business model has received a lot of attention.



\$82.8 billion
Prosper Insights and Analytics, total spending for K-12 schools and college combined is projected to reach \$82.8 billion.



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 a 2017 report from the U.S. Department of Agriculture, the average cost of raising a child from birth through age 17 is \$233,610. That's quite a chunk of change—and only for one kid for one 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!

Prosper Insights and Analytics: Families with children in elementary through high school plan to spend an average \$684.79 each. That's the third-highest total in the history of the survey. Clothing and accessories remains the largest spending category.

FRANCHISE SUPPORT OVERVIEW

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 pre-qualification 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.

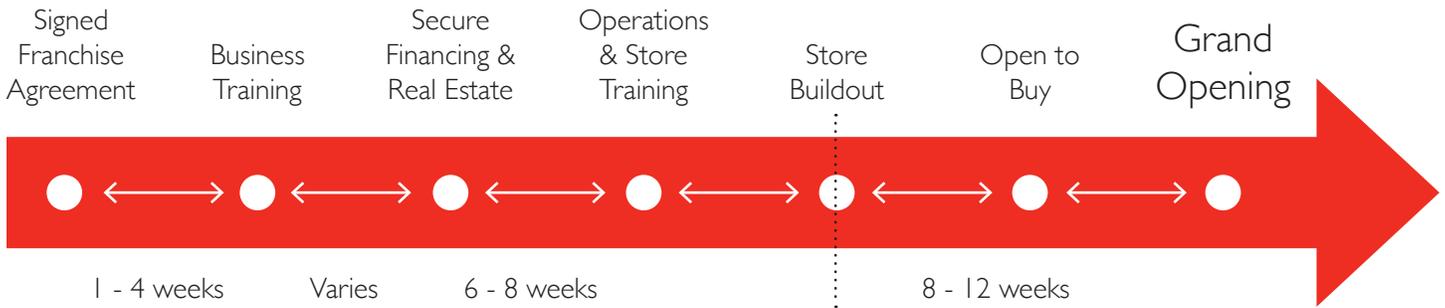
REGIONAL OPERATIONS MANAGER (ROM)

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.

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 measurable.

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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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

Understanding various aspects of site selection and identifying the perfect location for your store. For Children's Orchard, we recommend the following general location features:

- Within a suburban power strip center
- 2,000 to 3,000 square feet
- Near regional or fashion malls where women who are 25 years old and older shop for high-quality, name-brand clothing, shoes and accessories

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

Negotiating and submitting proposals and assistance with preparing an LOI.

Phase 3: Lease Agreement (LA) and Space Preparation

Reviewing your lease agreement to make sure it matches your LOI and understanding when the landlord will turn the space over to you.

TRAINING

(PAGE 1 OF 3)



We conduct two 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) attend Business Training in the first available class after you have signed your Franchise Agreement.

OPERATIONS & STORE 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 & Store Training.

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 & STORE TRAINING

This six-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

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

INTEGRATED LOYALTY PROGRAM

- Fully integrated custom rewards program
- Tracks all transactions for use in data-driven marketing
- Integrated with Children's Orchard app

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



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, 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 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 to your vehicle, pick 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

NOW HIRING

Please visit childrensorchar.com for more information or email Abby Schutz at aschutz@childrensorchar.com to apply

Children's Orchard
 12953 Ridgedale Drive, Minnetonka
 952-232-5603 | 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

Like us on 

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

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 12953 Ridgedale Dr, Minnetonka
 952-232-5603 | 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 chart below shows 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.

While it's likely that most stores will land in the targeted range, 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	PURCHASE OPTION	LEASE OPTION
Initial Franchise Fee	\$20,000 – \$25,000	\$20,000 – \$25,000
Leasehold Improvements	\$21,000 – \$50,000	\$21,000 – \$50,000
Signs	\$5,000 – \$9,000	\$500 – \$1,000
Fixtures & Supplies	\$40,000 – \$55,000	\$15,000 – \$20,000
POS System	\$13,500	\$5,700 – \$10,000
Inventory	\$30,000 – \$45,000	\$30,000 – \$45,000
Deposits & Business Licenses	\$7,000 – \$15,000	\$7,000 – \$15,000
Legal and Accounting	\$0 – \$4,000	\$0 – \$4,000
Security	\$2,500 – \$4,500	\$0 – \$500
Travel Expenses to Attend Training	\$4,500 – \$9,000	\$4,500 – \$9,000
Pre-Opening Labor expense	\$10,000 – \$15,000	\$10,000 – \$15,000
Grand Opening Advertising	\$12,000 – \$16,000	\$12,000 – \$16,000
Rent – 3 Months	\$20,000 – \$25,000	\$20,000 – \$25,000
Miscellaneous Pre-Opening Expenses	\$14,000 – \$20,000	\$14,000 – \$20,000
Additional Funds – 3 Months	\$15,000 – \$20,000	\$15,000 – \$20,000
Total	\$214,500 – \$326,000	\$174,700 – \$275,500

SIMPLY STATED EXAMPLE FOR CHILDREN'S ORCHARD at \$300,000 total investment: You will need \$90,000 cash down (30% of total investment) and \$210,000 in assets outside of the business itself to put up as collateral on the business loan.

FINANCING OPTIONS

SMALL BUSINESS ADMINISTRATION (SBA) LOAN

SBA 7(a) loans are small-business loans that are federally guaranteed by the SBA and issued by banks. The SBA can guarantee up to 85% of loans of \$150,000 or less and 75% of loans of more than \$150,000. Children's Orchard is a preapproved franchise with the SBA.

ROLLOVER 401(K)

You can utilize the money in your 401(k) to fund your new Children's Orchard business WITHOUT triggering any early withdrawal penalties or taxable distributions. This is accomplished by first establishing a C Corporation, and then you buy private stock shares of that new C Corporation (aka your new Children's Orchard franchise store) from your 401k funds.

ALTERNATIVE FRANCHISE LENDING

Alternative lending institutions have a wide portfolio of products for franchise seekers that typically do not meet all the requirements larger, more stringent, national banks require. These firms have many creative programs to secure the franchise lending you need. This include SBA loans.

HOME EQUITY LOAN / CASH OUT REFINANCE

Tapping into your home equity or performing a cash out refinance of your property is becoming more of a possibility for many franchise seekers as housing values across the country continue to increase in value. This model is also a way to secure a more stable interest rate than traditional business financing.

LEASING ALTERNATIVES

Leasing is a great option for reducing the cash-down requirement amounts for start-up costs and the down payment amount needed for additional funding of the business. Leasing give you the option to lease up to \$50,000 for your fixtures, technology and signs. This lease payment simply becomes a monthly payment termed out over 60 months.

PORTFOLIO LOANS

Portfolio loans allow individuals to borrow up to 80% of the value of their stock, bond and mutual funds. Unlike traditional loans, this type of credit is brokered out as an interest-only payment. These types of loans are collateralized by your portfolio, so you cannot withdraw the funds or fall below the 80 percent loan-to-value ratio in the account.

UNSECURED LOANS

Unsecured loans are typically referred to as "signature loans". This type of lending is extended to a borrower based on their credit history and requires no collateralization. To qualify for these types of loans, a borrower typically needs a very high credit score, no derogatory credit history and is using a fractional percentage of current credit accounts.

FRIENDS AND FAMILY

This common source of business financing allows friends and family to make a monetary investment in your business, typically for an equity position or a fixed rate of return. These individuals know you are reliable and competent and see the opportunity to make money investing in you and a Children's Orchard franchise.

CASH

All cash funding is an option. This is very straight forward and self-explanatory. The ability to fund your franchise with all cash is a funding option for those investors with larger amounts of capital to deploy.

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 2013¹, 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%

GENERAL CRITERIA

FICO Credit Score Generally > 640
No Bankruptcy in Past 7 years
Personal Guaranty > 20% Ownership



SIMPLY STATED EXAMPLE FOR CHILDREN'S ORCHARD at \$300,000 total investment:
You will need \$90,000 cash down (30% of total investment) and \$210,000 in assets outside of the business itself to put up as collateral on the business loan.

TESTIMONIALS

(PAGE 1 OF 3)

LORI, OWNER OF CHILDREN'S ORCHARD SEEKONK, MA

"After 20 years of servicing international and domestic accounts for a manufacturer, my husband, Jack, and I were determined to find a new opportunity for us. Jack has a wonderful job, so we needed something that allowed me to manage the day-to-day operations while Jack contributed his business knowledge behind the scenes. When we came across Children's Orchard, we knew we found the right fit.

The chance to live out our dreams as entrepreneurs was very exciting, and because Children's Orchard is a franchise, we knew we'd get the guidance we needed to succeed. The support team at NTY Franchise Company is only a phone call away, and they have a great wealth of knowledge to help us win as small business owners. Owning a kids clothing franchise requires a lot of time and energy, but it's been worth it. If we had it to do again, Jack and I would absolutely choose Children's Orchard!"

CLAUDIA, OWNER OF CHILDREN'S ORCHARD MCALLEN, TEXAS

"I've been a Children's Orchard franchise owner since 2005. In that time, we have grown from a small 1800 sq ft store to a successful 4000 sq ft business.

After my friend and co-owner, Dohani and I immigrated to the United States from Mexico, we decided that we wanted to start our own business. We started looking at concepts online and came across Children's Orchard. Both of us were young mothers and we both loved the idea of owning an eco-friendly kids clothing store, so we went for it.

Becoming a Children's Orchard franchisee was a terrific decision for us, especially as immigrants. Trying to open a business is always challenging, but doing it in a new country without any guidance would be very difficult. With Children's Orchard, we bought into a proven system that the team at NTY Franchise Company continues to perfect. We continue to learn everything we can from them, listen to what they have to say and take advantage of everything they offer.

At first, we were both working every hour that the store was open, but over time, we built a team capable of handling the day-to-day operations. Now, neither of us needs to be in the store for it to run successfully. I work on my business, but not in my business. That gives me flexibility and free time to spend with my kids and my grandchild. I read a lot and go running, I travel with my husband and do all of the things I want to do. I'm living the life I always wanted."

DAN, OWNER OF CHILDREN'S ORCHARD CLEVELAND, TENNESSEE

"I spent much of my career working in retail so I had a good sense of what it took to be successful. My wife and I have three children, so we were very familiar with kids clothing resale stores and had a good understanding of how they worked. At the time, there were no kids clothing resale stores in Cleveland, so when we discovered Children's Orchard, we figured it would be a great fit for us.

I've been a Children's Orchard franchise owner for 14 years now. I love being my own boss, really like the company and enjoy having the freedom to set my own hours. The people at NTY Franchise Company are there to support you, but they don't micromanage my store. I get to operate their proven model of success but still feel like I'm in control. It's a great situation for me and my family."

TESTIMONIALS

(PAGE 2 OF 3)

TRACY, OWNER OF CHILDREN'S ORCHARD WESTBOROUGH, MASSACHUSETTS

"I first learned of Children's Orchard years ago when I was introduced to the store by a friend. As a wife and mother of three children, I could appreciate the idea of buying and selling gently used children's clothing, toys and other items since they grow out of them so quickly. Plus, as someone who cares deeply about environmental protection, I really liked the idea of recycling these perfectly good items so they stay out of the landfill and let others enjoy them.

I first worked as an employee in the store my husband and I now own, learning the business and what it took to be successful. It's been three years since we purchased the store and we've seen growth of 50% since we became owners.

We couldn't be happier with our decision to become Children's Orchard Franchisees. The corporate support team always available when I need help and the support is terrific. The flexible hours I spend at the store allow me be part of family events and enjoy watching my children perform in their extracurricular activities. Plus, my family spends time together in the store growing our family business."

ANGIE, OWNER OF CHILDREN'S ORCHARD MURFREESBORO, TENNESSEE

"I spent most of my professional career working with children and their families as an educator, so I knew I wanted to do something that allowed me to continue spending time with families. When my youngest daughter decided to pursue an entrepreneurial business degree, our family started looking at franchise options. Once we were introduced to Children's Orchard, I knew it was the right fit.

Being a Children's Orchard franchise owner means I get to continue working with children and local families by helping them buy and sell their gently used items in a way that supports their family budget. It's also a business that allows my daughters and I to spend time together working in the store.

Not only that, but I feel like I'm contributing to my community. When my family first moved to Tennessee, we really didn't know anyone. Now I run into local families I know everywhere I go because they frequent my Children's Orchard franchise. It's only been a few years, but we're ready to expand our kids clothing franchise by as much as 50% as soon as the property becomes available.

I don't think we could have done this without the corporate team at NTY Franchise Company and the network of franchisees willing to help us on this journey. I've always got someone to bounce ideas off of and get terrific feedback. The IT support team responds quickly and effectively when I have an issue and the other franchisees in the Nashville area and beyond are quick to help me react to trends in the weather, the school calendar and other events that can help me grow our business. We're very happy to be part of the Children's Orchard family!"

TESTIMONIALS

(PAGE 3 OF 3)

JADE, OWNER OF CHILDREN'S ORCHARD LITTLE ROCK, ARKANSAS

"My family and I became part of the NTY Franchise Company family right out of college, purchasing two Clothes Mentor locations in our hometown of Little Rock, AR in 2013. We loved resale clothing, so when they presented us with an opportunity to open a Children's Orchard here, we jumped at the chance!

I'm a mother of three (with a fourth on the way!) so I could immediately appreciate the benefit of a kids resale clothing store. They grow out of their clothing and equipment so fast! Helping other parents in the area get some money back on their children's gently used items can really help the family budget.

For us, NTY Franchise Company has been an A++ Partner! I was really young when I became an entrepreneur, so being part of a franchise system like NTY Franchise Company was so important because it set my family up to win. It's nice to know we don't have to do it alone, and with a great company like NTY, I never feel that way. They are always striving to learn new things to teach us. They are humble, willing to receive our feedback and make adjustments. As franchisees we have a voice and I really like that. It's a team effort here."

MARGIE, OWNER OF CHILDREN'S ORCHARD TULSA, OKLAHOMA

"Raising six children with only one income meant that we spent a lot of time buying and selling our family's clothing at Children's Orchard. Children's clothing resale stores are so valuable with a big family on a budget. It allowed me to buy my kids some name brand clothing at a fraction of what it would cost brand new. When the opportunity came for us to own our own Children's Orchard, we jumped at the chance.

Being a Children's Orchard has been a blessing for my family. The flexibility that comes with being a small business owner allowed me to attend my children's activities when they were younger. Moreover, I was able to take the time I needed to be at my husband's side when he was battling cancer. The franchise model was such that I could rely on a strong management team to handle the day-to-day operation so I could care for him.

Family business ownership is a big part of my heritage, so I'm excited to continue that legacy with my Children's Orchard franchise. My oldest daughter works in the store now with the intent of taking over for me in the future. With the strong support we receive from NTY Franchise Company, I'm sure she'll be a great success!"

FDD HIGHLIGHTS

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



Ron Olson
President



Chad Olson
Chief Operating
Officer



Sarah Primmer
Vice President of Finance
& Human Resources

OPERATIONS TEAM



Jenny Mann
Vice President of
Children's Orchard



Michelle Johnson
Regional Operations
Manager

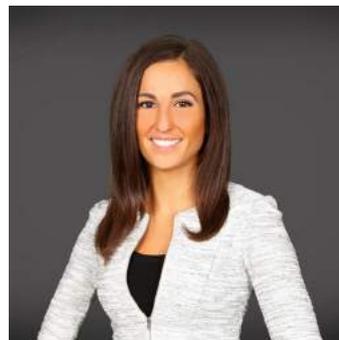


Linda Berg
Franchise Operations
Manager

MARKETING TEAM



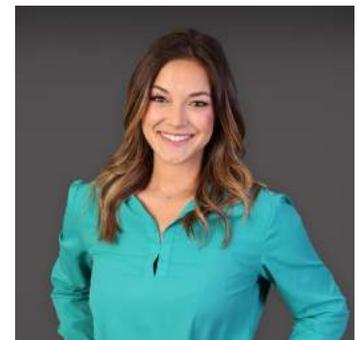
Kathleen Backer
Director of Marketing



Maria Castellon
Associate Marketing
Manager



Ashley Huebner
Graphic Designer



Ketrin Vinokur
Associate Digital
Marketing Manager

MEET THE STAFF

(PAGE 2 OF 2)

FRANCHISE SERVICES TEAM



Michael Smith
Vice President of
Strategic Planning



Pete Palmisano
Vice President of
Franchise Services



Jessica Fix
Legal Administrative
Assistant



Jim Wollman
Franchise Coach



Emmett Dennehy
Franchise Coach

PROCESS STEPS

STEP 1 - SCHEDULE AND ATTEND A PRIVATE WEB MEETING

This personal, live web meeting is a brief but very thorough overview of the brand. The main topics covered are:

- The history of NTY Franchise Company.
- 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 - QUALIFY AND MEET THE BRAND DIRECTOR

After receiving your completed application and you are considered pre-qualified, an informational phone call is scheduled with the Brand Director. The Brand Director will highlight many brand developments and discuss current initiatives being implemented to further grow bottom line results store owners. In addition, this is a great opportunity to get more of your questions answered.

STEP 3 - REVIEW THE FDD AND GET YOUR QUESTIONS ANSWERED

Review of the Franchise Disclosure Document (FDD) and associated video tutorials. The FDD contains details of the investment, territory protection, overview of our training, support and much more. After reviewing, have a call and get remaining questions answered.

STEP 4 - VALIDATIONS, RESEARCH AND TERRITORY PROTECTION

In addition to the lists provided in 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. We will also cover territory protection with you in a short mapping session of your market area.

STEP 5 - ATTEND DISCOVERY DAY

Not a decision-making day, but rather a one-day orientation covering our franchisee services. It's held at our corporate headquarters in Minneapolis, MN, and 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 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 | • Store location assistance | • Regional Operations Manager |
| • Training | • Store opening assistance | • Marketing |
| • Bank financing | • Point-of-sale system | • Franchise Disclosure Document |

STEP 6 - AWARD THE FRANCHISE

This is the final step in the franchise process where franchises are awarded to qualified candidates.

NEXT STEPS

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:

- 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) 923-1223