

# FRANCHISE INFORMATION REPORT

CLOTHING  
**nty**  
EXCHANGE

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

**DIRECT** 952-923-1223



**nty** CLOTHING EXCHANGE

Get Cash  
in a  
FLASH

- Current style clothing
- Jewelry & bags
- Shoes & boots
- Guys & girls items

# 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 [NTY Clothing Exchange Initial Application](#).

If you experience any difficulty in using the link above to complete your NTY Clothing Exchange Initial Application, please call us at 952-923-1223 during regular business hours.

*The NTY Clothing Exchange Team*

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# WHAT IS NTY CLOTHING EXCHANGE?

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NTY Clothing Exchange is the resale store with awesome brands and killer deals, so teens and young adults can look fierce without going flat broke. In fact, most of the merchandise within our stores is marked at about 70% off of original retail prices!

From floor to ceiling, the stores are serious about style. They are always super-clean, well-organized and stocked full of one-of-a-kind designs. NTY Clothing Exchange is for all shapes and sizes; we buy and sell trendy, fun fashions in sizes 1-19, S-XXL for girls and sizes 28-40 and S-XXL for guys.

NTY Clothing Exchange is unique because it's not consignment or thrift, it's upscale resale. We pay CASH On-the-Spot for gently-used, on-trend clothing, shoes and accessories; or we offer store credit for 25% more. Our resale brand puts money back into the pockets of the people in the community and promotes the reuse of goods, which also benefits the environment.

Fun events, constantly changing inventory and amazing sales are always happening at NTY Clothing Exchange stores, and every time customers walk in the door, they can expect a friendly staff that provides great customer service.

# CUSTOMER PROFILE

(PAGE 1 OF 2)



## WHO IS OUR TARGET CUSTOMER?

Our ideal customers are teenagers and young adults that live within a 30-mile radius of our store. They lead very active lives, balancing school, extra curricular activities, a social life and often a part-time job. Our target customers are strongly tied to their friends and their smartphones. They follow fashion trends closely and share similar tastes with their peers. They want to be fashionable and wear their favorite name brands. Because NTY Clothing Exchange's target customers rely on their parents or part-time jobs for shopping money, they appreciate our amazingly low prices. Guys and gals in this group are learning to be independent, and they are likely to ask for assistance from a friendly, knowledgeable staff to find what they are looking for or to get their questions answered.

## MILLENNIALS



Our Millennial customers are women and men ages 21 to 35. They are defined as confident, tolerant and networked. They know what they want. Also, they have a defined sense of style in their personal life, but may be entering the workforce and are required to wear business-casual outfits from 9:00 to 5:00, five days a week. They look to us to provide them with fun, stylish weeknight and weekend clothing at a great price. Many Millennials may have high levels of student loan debt, so our prices suit their financial needs.

This generation is civic-minded with a strong sense of community, both local and global. They are very connected, and their world is mobile. Social media, smartphones and mobile computing are critical to their daily life so, we must have a strong online and social media presence in order to connect with them.

## GENERATION Z



Our Generation Z customer group is comprised of guys and gals between the ages of 10 and 20. These tweens and teens have grown up with technology at their fingertips and, from a very young age, have maintained social media accounts and essentially a personal brand for the world to see.

Big events in their short life include 9-11 and an economic recession, which brought concerns for security and safety to the forefront within their families and the communities around them. Competition is greater in many aspects of their lives, including education, athletics and the arts. As a result, most Generation Z guys and gals are driven and focused on their short and long-term goals.

This up-and-coming generation looks to us to provide them with unique fashion finds that will help them to develop their personal style. And when they find a store they love, they share the news with their friends and social media followers.

# CUSTOMER PROFILE

(PAGE 2 OF 2)



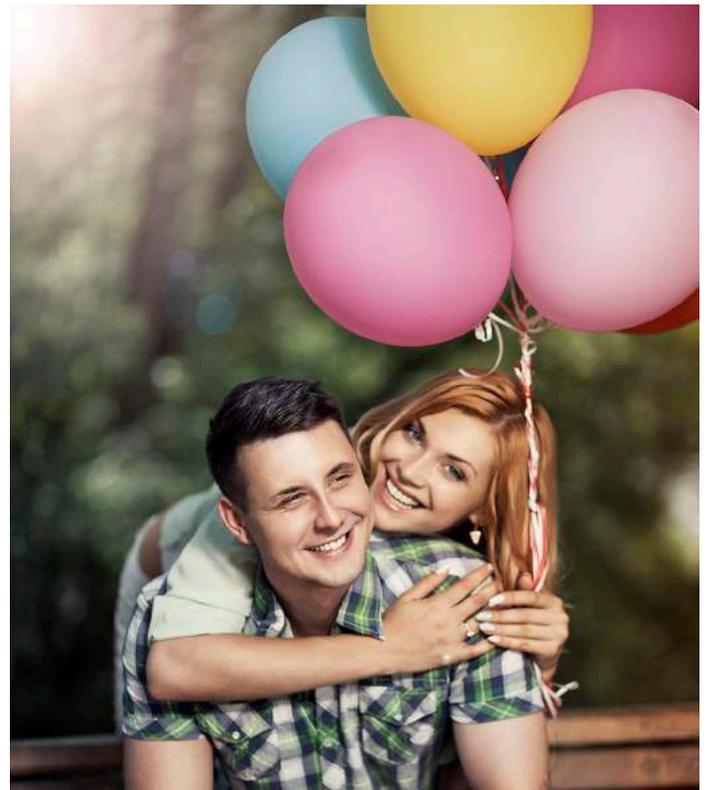
## GENERATION X

Our Generation X (Gen X) customers are women and men ages 35 to 50, and they are oftentimes parents of tweens and teens. Gen X customers are highly educated and usually well-established in their careers, so they are extremely busy with work and family activities. They are not typically as tied to social media sites as the Millennial group, but they are keen on trends because they have children growing up in our technology-dependent world.

Providing for their family is top priority, but with college on the horizon, they strive to teach their kids to be smart with money. This includes picking up a part-time job and buying their own clothing. Gen Xers look to our store as a high-value option for their teenagers to find their favorite brands and styles for great prices.

## ADDITIONAL INFLUENCES

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

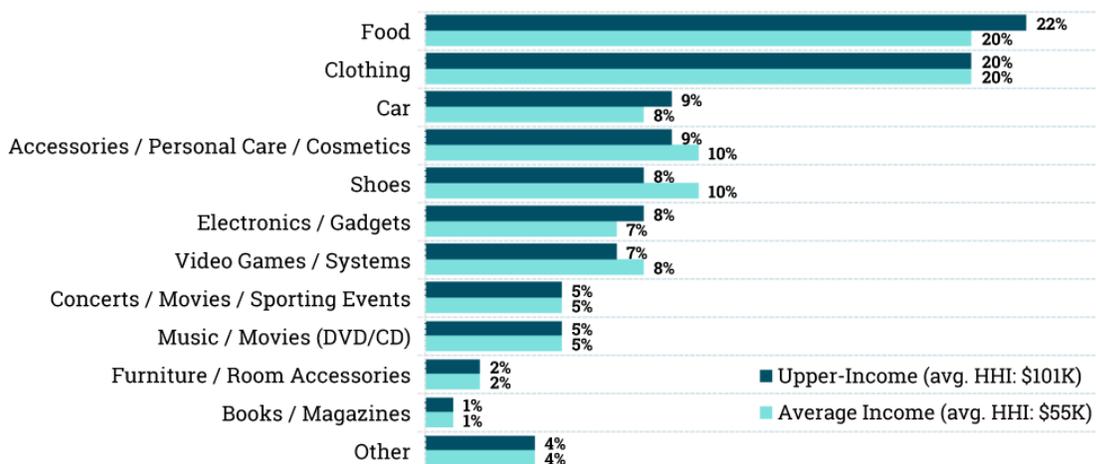


# INDUSTRY GROWTH

NTY Clothing Exchange is the latest emerging brand from NTY Franchise Company. This franchise is perfectly positioned to serve its younger audience. The store design is both modern and trendy, offering an exciting resale shopping experience that's truly unique. NTY Clothing Exchange is also positioning itself to be where the shoppers are... mobile! We embrace technology and are always looking for opportunities to connect with our shoppers. This includes our loyalty reward program and app, point-of-sale system, and our latest online shopping platform.

Recent studies show teens today are still dedicating a great deal of their spending on fashions. Teens in the US dedicate around 40% of their spending to clothing, accessories and footwear according to the latest biannual Taking Stock With Teens survey from Piper Jaffray. Both average-income and upper-income teens allocate 60% of their spend to apparel, accessories, shoes and food with upper-income teens skewing slightly more towards food spending. Athletic and Streetwear continue to see great growth. There are also many top brands from the past making a strong come back like Ralph Lauren, Champion and Tommy Hilfiger.

## SHARE OF US TEENS' SPENDING, BY CATEGORY



Published on MarketingCharts.com in October 2017 | Data Source: Piper Jaffray. Based on a survey of 6,100 US teens with an average age of 15.9, 54% of whom are male.

NTY Clothing Exchange is unique by offering customers an outlet for selling their gently used name-brand and designer clothing, shoes and accessories for Cash on-the-Spot. High-quality items from their overstuffed closets can be passed on to fellow fashion-forward teens and young adults while generating additional income—for more shopping, of course!

As this up-and-coming generation discovers the extensive selection of their favorite brands and current styles for amazingly low prices at NTY Clothing Exchange, they instantly become repeat shoppers, and tell their friends. Because constantly changing inventory is inherently part of the NTY Clothing Exchange resale business, current and new customers are provided with a fresh take on buying and selling unique, high-quality merchandise every day.

## TOP TEEN BRANDS FOR 2018

- 1. Nike
- 2. American Eagle
- 3. Forever 21
- 4. Adidas
- 5. Victoria's Secret
- 6. Hollister
- 7. Ralph Lauren
- 8. H&M
- 9. PacSun
- 10. Rue21



The above are top teen brands for 2018. Source: Piper Jaffray's semi-annual survey of teen spending habits.

# FRANCHISE SUPPORT OVERVIEW

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NTY Clothing Exchange 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 NTY Clothing Exchange 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 NTY Clothing Exchange inventory.

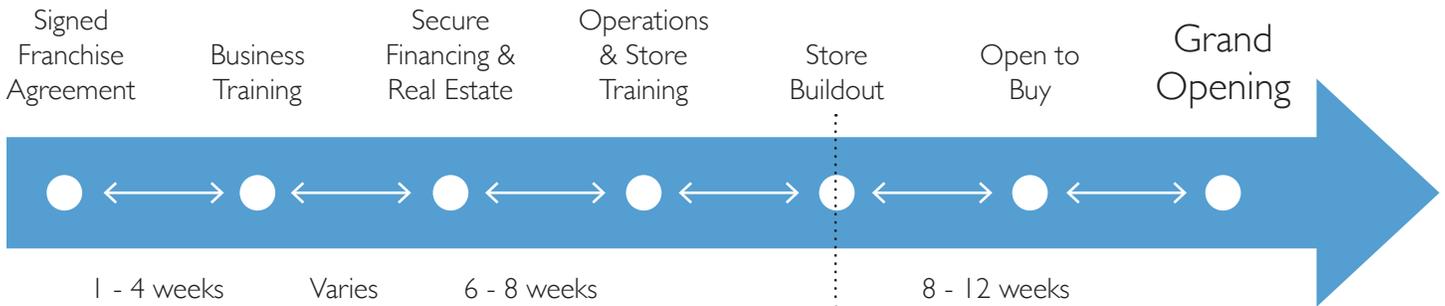
## REGIONAL OPERATIONS MANAGER (ROM)

Our Regional Operations Managers (ROM) 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 NTY Clothing Exchange. From national to local levels, we provide marketing support to all stores.

# 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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Anna Blake  
Associate

Brokerage Services  
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anna.blake@colliers.com

Securing the right site and negotiating a competitive lease may significantly impact the sales and profitability of your store. NTY Franchise Company provides extensive knowledge and assistance with finding a great location for your store as well as help negotiating your lease.

After you have secured financing for your business, your first major step is to go through the real estate process. NTY Franchise Company has adopted a standardized real estate process that features 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, our franchisees receive many benefits such as money and time savings and a faster store-opening process.

## 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.



Robin Zellmer  
Vice President, Corporate Solutions  
Direct 952 837 3089  
robin.zellmer@colliers.com

## 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)

Understanding various aspects of site selection and identifying the perfect location for your store. For NTY Clothing Exchange we recommend the following general location features:

- Within a suburban power strip center
- 2,500 to 3,500 square feet

### 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.





# 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) 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 & Store Training.

# TRAINING

(PAGE 2 OF 3)

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## 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.

# TRAINING

(PAGE 3 OF 3)

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## 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 NTY Clothing Exchange 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 NTY Clothing Exchange'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 NTY Clothing Exchange 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

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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 ntyclothingexchange.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 NTY Clothing Exchange'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

A totally new kind of RESALE Store for teens and young adults

write a consignment shop. We pay you immediately for the items that we accept.

Here's how easy it is to CASH in on the items you are no longer wearing:

- We buy sizes girls sizes XXS-XXL and 00-19/guys sizes S-XXL and 28-46.
- We buy items that are current styles. The amount we pay is based on brand name, condition, style and current demand.
- We buy your: pants, jeans, tops, shorts, jackets, sweaters, dresses, skirts, coats, shoes, boots, jewelry and bags.
- You NEVER need an appointment. We buy every day.
- We ask that the items that you bring in to sell be in good condition, freshly laundered in baskets or bags.
- We buy from you - what our customers want to buy. We may pass on purchasing certain items based on: condition, demand or inventory levels.

**NOW BUYING**  
12989 Ridgedale Drive | 952-641-7723  
Located in Ridge Square North Shopping Center  
ntyclothingexchange.com |

**We pay you CASH on-the-spot!**

We are excited to announce a totally new kind of RESALE option for teens and young adults. We aren't a consignment shop, we pay you immediately for the items that we accept. Unlike some resale teen stores, if you choose to be paid with in-store credit for your items, we will give you a 25% bonus. We know you are busy so we will call or text you when your buy complete, you don't have to wait!

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 with our friendly and helpful staff.

**SOME OF THE BRANDS WE BUY & SELL**

American Eagle	Gap	Miss Me
Forever 21	Hollister	Old Navy
Levi's	Madewell	Primark
Madewell	Michael Kors	True Religion
Madewell	Michael Kors	True Religion

**Most wanted!**  
Spring & Summer items

- Tank tops - Sleeveless tops - T-shirts
- Maxi dresses - Sun dresses - Skirts
- Jeans - Khakis - Camis - Shorts
- Flats - Heels - Sandals - Athletic shoes
- Necklaces - Bracelets - Sunbags
- Designer handbags, wallets & outfits

Here's how easy it is to **CASH in** on the items you are no longer wearing:

**We Buy \$ \$\$\$**

- Girls sizes XXS-XXL & 00-29
- Guys sizes S-XXL & 28-46
- Current styles - we pay based on brand name, condition, style & current demand
- Pants, jeans, tops, shorts, jackets, sweaters, dresses, skirts, coats, shoes, boots, jewelry, purses & bags

**You never need an appointment. We buy every day.**

**Bring in your items that are in great condition. Freshly laundered in baskets or bags.**

12345 Street Name, City Name  
123-456-7890 | ntyclothingexchange.com

**Like us on Facebook**

NTY clothing exchange  
Minnetonka

How come?

- Discounts & promotions
- Contests & prizes
- Photos of new arrivals
- Sales & promotions

12345 Street Name, City Name  
123-456-7890 | ntyclothingexchange.com

**Get cash in a FLASH!**

- \* Current style clothing
- \* Jewelry & bags
- \* Shoes & boots
- \* Guys & Girls items

12989 Ridgedale Dr ♡ located in Ridge Square North next to Edgington's

**GRAND OPENING!**

Thursday, June 5th @ 10am

The first 50 people in line on June 5th & 7th will get a FREE \$20 NTY Clothing Exchange Gift Card!

ntyclothingexchange.com

FEED YOUR FASHION OBSESSION

ntyclothingexchange.com

# 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.

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 NTY Clothing Exchange franchise representative.

TYPE OF EXPENDITURES	LOW	HIGH
Type of Expenditures	Purchase Option Amount	Lease Option Amount
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	\$45,000 – \$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	\$7,000 – \$10,000	\$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
<b>Total</b>	<b>\$224,000 – \$331,500</b>	<b>\$174,700 – \$275,500</b>

# FINANCING OPTIONS

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## 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. NTY Clothing Exchange is a preapproved franchise with the SBA.

## ROLLOVER 401(K)

You can utilize the money in your 401(k) to fund your new NTY Clothing Exchange 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 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 NTY Clothing Exchange 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 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 25 yrs.

## INTEREST RATES

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

## EQUITY INJECTION RANGE

<b>New Franchisee:</b>	
Start Up/Leaseholds	30%
<b>Current Franchisee (New or existing location):</b>	
Expansion/Leasehold	20%
Business Acquisitions (Buyer at least 10%)	15%
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

# 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



**Sarah Primmer**  
Vice President of Finance  
& Human Resources

## OPERATIONS TEAM



**Jenny Mann**  
Vice President of  
Children's Orchard



**Michelle Johnson**  
Regional Operations  
Manager

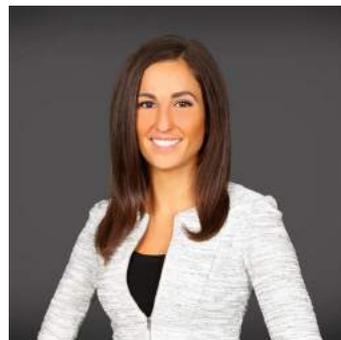


**Linda Berg**  
Franchise Operations  
Manager

## MARKETING TEAM



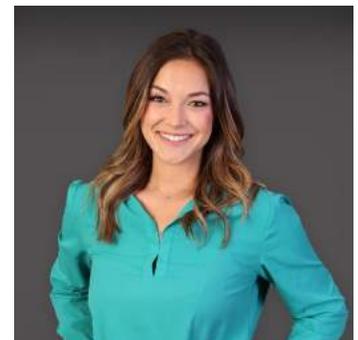
**Kathleen Backer**  
Director of Marketing



**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

## 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.

# 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 3 - AWARD THE FRANCHISE

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

# NEXT STEPS

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After reading this Franchise Information Report you may want more detailed information. Please click the link to complete our brief [NTY Clothing Exchange Initial Application](#) >

This application simply helps us to see if you may be a good fit for us - and if NTY Clothing Exchange 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