

# FRANCHISE INFORMATION REPORT



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

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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 [Clothes Mentor Initial Application](#).

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

*The Clothes Mentor Team*

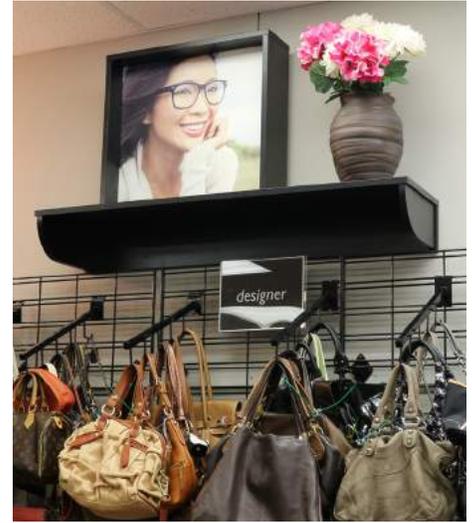
# TABLE OF CONTENTS

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Thank You .....	2
Table of Contents .....	3
What is Clothes Mentor? .....	4
Customer Profile .....	5-6
Brand Growth .....	7
Franchise Support Overview .....	8
Timeline to Grand Opening.....	9
Business Planning .....	10
Real Estate .....	11
New Store Development .....	12
Training .....	13-14
Point-of-Sale.....	15
Store Operations .....	16
Marketing .....	17
Marketing Collateral .....	18
Initial Investment Overview .....	19
Financing Options.....	20
SBA Lenders.....	21
Return on Investment .....	22
FDD Highlights .....	23
Meet the Team .....	24-25
FAQ's .....	26-29
Process Steps.....	30
Next Steps.....	31

# WHAT IS CLOTHES MENTOR?

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Anyone who has ever visited a Clothes Mentor store will tell you that it's not consignment or thrift, it's resale. Actually, it's upscale resale. Clothes Mentor sells gently used name-brand and designer clothing, shoes and accessories for up to 70% off of original retail prices. Stores only stock pieces that are in great condition and are on-trend or classic and timeless.

When customers walk into a Clothes Mentor, they see a clean, well-designed store with organized shelves and racks that make shopping enjoyable. Clothes Mentor's merchandise is also organized by color and size, making it even more aesthetically pleasing and easier for shoppers to find what they're looking for.

Inventory for Clothes Mentor stores comes from customers that have name-brand and designer pieces in their closet that they no longer wear—or oftentimes have never worn. Clothes Mentor pays CASH On-the-Spot or store credit for clothing in sizes 0 to 26 and maternity as well as shoes, handbags and other accessories.

There are many Clothes Mentor stores throughout the United States, each serving its local community by both buying and selling high-quality items. The concept puts money back into the pockets of the people within the community and promotes the reuse of goods, which also benefits the environment.

Some stores even provide a free personal shopper or host fun private events for customers such as Girls Night Out. But no matter which Clothes Mentor store you go to, 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 target customer is a 25 to 55 year-old woman who lives within a 20-mile radius of our store. She leads a very active lifestyle, whether at work or at home with her family. Her life is busy and her style needs to keep up. She loves her designer and brand names, yet is driven by value. She is socially and environmentally conscious and feels that recycling her clothing is a way in which she can help the cause. She is independent and seeks out retailers who are friendly and knowledgeable when needed.

## MILLENNIALS

Our Millennial customers are women ages 25 to 35. They live a very active lifestyle and are constantly on the go. 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 looking to us to provide them with stylish clothing at a great price for interview outfits and business-casual clothing for their first job.



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 is critical to their daily life so, we must have a strong social media presence in order to connect with them. This customer appreciates our advanced technologies, which allow them to complete their transactions more quickly and provides them with electronic data.

Many Millennials may have high levels of student loan debt, so our prices suit their financial needs. They can get their favorite designer and name brands that help define their personal style at a great price.

## GENERATION X



Our Generation X (Gen X) customers are women ages 35 to 50. Gen X customers are highly educated and are oftentimes earning the second income in the family, so they are cost conscious. They are extremely busy, juggling work and family activities. Their focus is on the family and putting its needs first. At some point they may have lost their personal sense of style as they were focused on their family. Our Personal Shopper program will be a significant benefit to these customers as we help them define their look.

This generation has also been called the MTV generation. They grew up on movies such as *The Breakfast Club*, *Sixteen Candles* and *Weird Science*. They look to us to keep them up to date on the latest trends and fashion. Gen X customers love that we provide them designer and brand-name items at a great price and also trendier pieces for their personal wardrobe.

# CUSTOMER PROFILE

(PAGE 2 OF 2)



## BABY BOOMERS

The Baby Boomers are women ages 50 to 65. They make up approximately 15% of our customer base. Baby Boomers grew up at a time of dramatic social change. Memorable events during their life include the Vietnam War, civic, environmental and women's rights movements. These changes caused them to be socially and financially responsible.

Baby Boomers work hard and plan for the future. They have been defined as free-spirited, experimental and having strong individualism. Many of them are more conservative and stick to strong personal financial plans.

These customers look to us to provide them with value: high-quality merchandise at a great price. They also expect a higher level of customer service provided by a friendly and knowledgeable staff.

## ADDITIONAL INFLUENCES

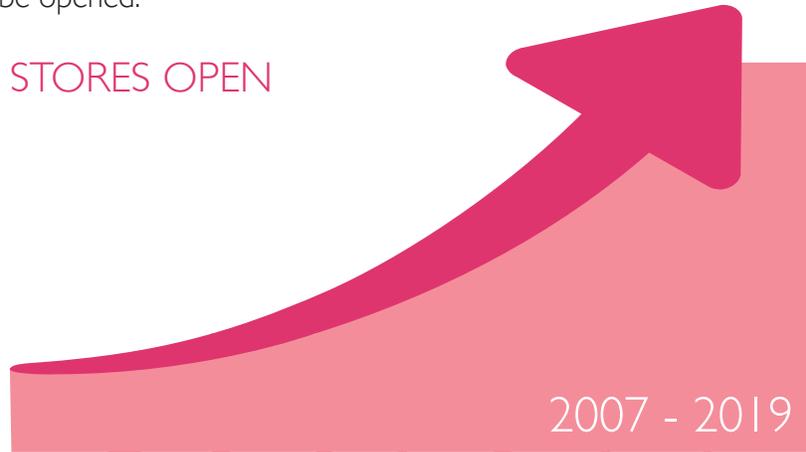
GEOGRAPHIC LOCATIONS | ETHNIC GROUPS | SOCIAL & ECONOMIC CONDITIONS

INCOME LEVELS | OCCUPATIONS | FAMILY/MARITAL STATUS



# BRAND GROWTH

Even when the economy was struggling between 2008 and 2009, Clothes Mentor was booming—and we're still growing! The brand started franchising in 2007, and now there are 136 Clothes Mentor stores open with another 20 awarded and soon to be opened.



## ENTREPRENEUR MAGAZINE FRANCHISE 500® RANKING HISTORY

Out of approximately 3500 active franchise brands in the USA, Clothes Mentor made Entrepreneur Magazine's Franchise 500 list: **2009 • 2011 • 2012 • 2013 • 2014 • 2015 • 2016 • 2017**

# 10 YEARS & WE HAVE...

 <p><b>PAID OVER \$180 MILLION DOLLARS TO LOCAL WOMEN IN 10 YEARS</b></p> <p><b>OVER \$180 MILLION DOLLARS</b></p>	<p>SOLD 788 WOMEN'S CLOTHING OUTFITS EVERY HOUR OR 13 OUTFITS PER MINUTE</p>  <p><b>13 OUTFITS SOLD PER MINUTE</b></p>	<p>SOLD 1.9 MILLION HANDBAGS</p> <p><b>1.9 MILLION</b></p> 	<p>CREATED ALMOST 6,000 LOCAL EMPLOYMENT OPPORTUNITIES</p> 
 <p><b>1 MILLION</b></p> <p>ALMOST ONE MILLION DAILY FOLLOWERS ON SOCIAL MEDIA</p>	<p>STORES IN 29 STATES ACROSS THE USA</p>  <p><b>29 STATES</b></p>	 <p><b>42 MILLION</b></p> <p>"RECYCLED" OVER 42 MILLION UNITS OF CLOTHING IN LOCAL COMMUNITIES</p>	<p>SOLD 5.3 MILLION UNITS OF JEWELRY &amp; ACCESSORIES</p> 
<p><b>28.1 MILLION</b></p> <p>SOLD 28.1 MILLION UNITS OF APPAREL</p> 	<p>SOLD 3.2 MILLION PAIRS OF SHOES</p> 		

# FRANCHISE SUPPORT OVERVIEW

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Clothes Mentor comes with a proven successful business model. Clothes Mentor 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 Clothes Mentor 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 two 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

Clothes Mentor 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.

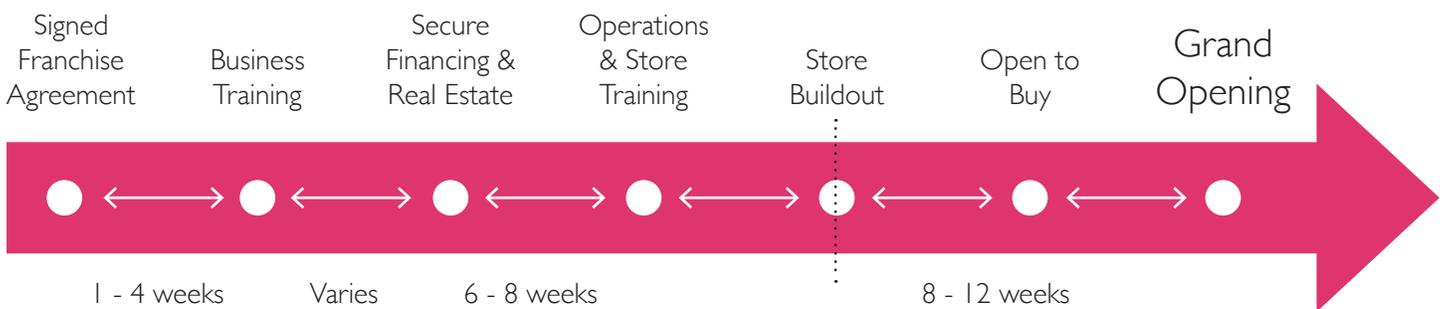
## FRANCHISE BUSINESS CONSULTANT (FBC)

Our FBCs 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 GRAND OPENING



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

# BUSINESS PLANNING



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

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

## THE BUSINESS PLANNING PROCESS 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.

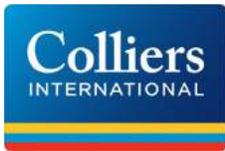
Keep in mind that your plan is flexible, so if your business changes we can help you to make adjustments based on your needs.

# 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. Clothes Mentor 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 Clothes Mentor 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 Clothes Mentor, 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

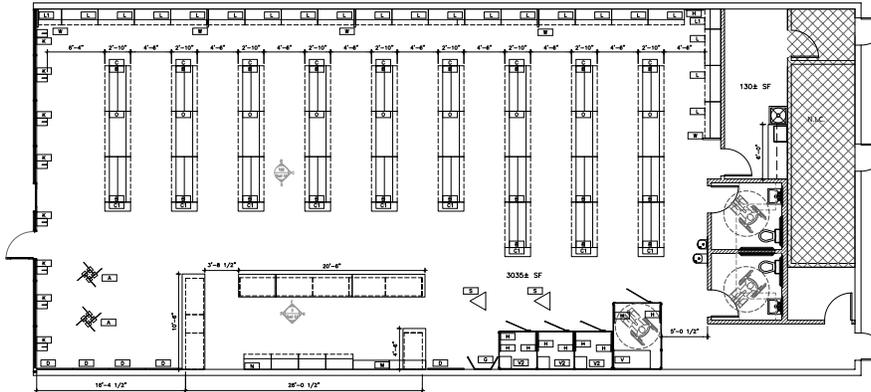
### Phase 2: Site Selection and Letter of Intent (LOI)

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.

# NEW STORE DEVELOPMENT



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

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

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

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

### ONE-STOP STORE SUPPLY SHOPPING

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

### STORE IN-A-BOX COORDINATED DELIVERY

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

### RETAIL CONSTRUCTION

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

### DEDICATED PROJECT MANAGERS

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

### RETAIL EXPERTISE

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

### FRANCHISOR/FRANCHISEE RELATIONSHIP

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

# TRAINING

(PAGE 1 OF 2)



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 AND 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 and Store Training.

## BUSINESS TRAINING

In this two and a half 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.

## BUSINESS TRAINING (CONTINUED)

### 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 AND 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 Clothes Mentor field support staff
- Mall visit program – a maintenance course to keep your staff can up to date 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 Clothes Mentor'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 Clothes Mentor 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 FRANCHISE BUSINESS CONSULTANT

Your Franchise Business Consultant (FBC) 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 FBC 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 FBC 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 FBC 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 clothesmentor.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 Clothes Mentor's unique resale concept, be inspired by our trend guide and fashion blog and, ultimately, draw customers to your store.

Clothes Mentor 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.

Also part of digital marketing is the free Clothes Mentor app. It's tied to Club CM, our customer loyalty program, and allows your customers to track their reward points and even store their receipts on their mobile device.

### 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



**CLOTHES MENTOR**

**Clothes Mentor is a totally new kind of RESALE store for Women**

We understand that your life is always changing and that those changes bring on new needs for your wardrobe. We help you meet your everyday lifestyle changes by growing and adapting your wardrobe in the most cost-effective way possible...RESALE.

We buy and then resell your better brand name, "gently-used" items that are in style and in good condition - business and casual, smart and stylish apparel, shoes, purses and accessories. Our stores are clean, bright, organized and sophisticated...just like our customers.

**SOME OF THE BRANDS WE LOVE**  
 ann taylor | anthropologie | arielle | avenue | banana republic | calvin klein chicos | cole haan | eileen fisher | express | gap | jcrew | j Jill | kenneth cole lane bryant | limited | loft | lululemon | north face | old navy | ralph lauren | vince camuto | white house black market | and many more...

**DESIGNER PURSES**  
 b. makowsky | brahmin | burberry | coach | dooney & bourke | gucci | kate spade | louis vuitton | michael kors | prada | rebecca minkoff | tory burch | and many more...

*\*brand names are trademarked or registered by their respective companies*

*Designed for For ALL Women... sizes 0 to 26 Maternity*



**CLOTHES MENTOR**

**WE PAY YOU CASH ON-THE-SPOT**

Unlike a consignment shop, we pay you immediately for the items that we accept. 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.

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

- 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, suits, skirts, coats, shoes, boots, jewelry and designer purses.
- You NEVER need an appointment. We buy ALL day EVERYDAY.
- We ask that the items that you bring in to sell to us be in good condition, freshly laundered in baskets or bags.
- We may pass on purchasing certain items based on: condition, inventory levels or past experience. We buy from you - what our customers want to buy in our store.

**WE BUY: Sizes 0 to 26**

**WE BUY: Purses**

**WE BUY: Maternity**

**WE BUY: Purses & Accessories**

**COMING SOON!**

1234 Address, City Name | XXX-XXX-XXXX  
 clothesmentor.com | find us on Facebook & Instagram



**Teacher Appreciation**  
 Fashion meets education

Teachers  
**September 22**  
**20% off**  
 your entire purchase\*

\*One person, one offer per month.

**CLOTHES MENTOR**  
 1234 Street Name, City Name | 123-456-7890  
 Mon - Fri Hours | Sat Hours | Sun Hours



**CLOTHES MENTOR**

Simply "like" us on Facebook  
**Clothes Mentor Store Name**

**HOW COME?**

- Receive special discounts & promotions just for our Facebook followers
- Participate in online contests & have a chance to win prizes
- Receive style ideas & trend advice
- See photos of new store merchandise
- Reminders for upcoming sales



**CLOTHES MENTOR**



**WEAR WORK**

**CLOTHES MENTOR**

**SO MUCH MORE.**  
 For so much less.

**CLOTHES MENTOR**



**SHOP MATERNITY FOR LESS**



**CLOTHES MENTOR**

# INITIAL INVESTMENT OVERVIEW

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

## ESTIMATED RANGE

Low End Approximately	\$173,000
High End Approximately	\$290,000

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 Clothes Mentor franchise representative.

TYPE OF EXPENDITURES	PURCHASE OPTION	LEASE OPTION
Initial Franchise Fee	\$20,000 - \$25,000	\$20,000 - \$25,000
Leasehold Improvements	\$25,000 - \$60,000	\$25,000 - \$60,000
Signs	\$5,000 - \$9,000	
Fixtures	\$30,000 - \$40,000	\$0 - \$12,500
Proprietary Software and POS	\$13,500	
Inventory	\$30,000 - \$50,000	\$30,000-\$50,000
Deposits, Business Licenses & Permits	\$7,000 - \$15,000	\$7,000 - \$15,000
Legal and Accounting	\$0 - \$4,000	\$0 - \$4,000
Security	\$7,000 - \$10,000	\$7,000 - \$10,000
Travel Expenses to Attend Training	\$4,000 - \$8,500	\$4,000 - \$8,500
Pre-Opening Labor Expenses	\$10,000 - \$15,000	\$10,000 - \$15,000
Grand Opening Advertising	\$16,000 - \$20,000	\$16,000 - \$20,000
Miscellaneous Pre-opening Expenses	\$14,000 - \$20,000	\$14,000 - \$20,000
Rent - 3 months	\$20,000 - \$25,000	\$20,000 - \$25,000
Additional Funds – 3 Months	\$20,000 - \$25,000	\$20,000 - \$25,000
<b>TOTAL</b>	<b>\$221,500 - \$340,000</b>	<b>\$173,000 - \$290,000</b>

**SIMPLY STATED EXAMPLE FOR CLOTHES MENTOR 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

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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. Clothes Mentor is a preapproved franchise with the SBA.

## ROLLOVER 401(K)

You can utilize the money in your 401(k) to fund your new Clothes Mentor 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 Clothes Mentor 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 Clothes Mentor 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.

# SBA LENDERS



Don Johnson  
877-508-2274

732-787-9191 • 732-495-7058 (fax)  
don@DiamondFS.com  
www.FranchiseLeasing.com  
www.DiamondFS.com



## DIAMOND FINANCIAL

1. SBA Express (\$25 -150K) & 7(A) Loans (\$150K-5 Mill)
2. Equipment Leasing (\$10K – 500K)
3. UBLOC™ (Unsecured Business Lines of Credit) Program (\$20K-\$150K+)
4. Franchise Revenue Loans (\$10K - \$500K)
5. FranBank™ (\$750K – \$10 Mill.)
6. Franchise Term Loans (\$25K – \$500K)
7. Diamond Retirement Funding™ (401K Rollover)
8. LeverageLine™ (Securities-Based Credit Lines)



Julie McDonald  
Wells Fargo SBA Lending  
612-667-3008

julie.a.mcdonald@wellsfargo.com

## 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.

## WELLS FARGO LENDING STATES

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



# RETURN ON INVESTMENT

With Clothes Mentor's proven resale business model, franchisees have achieved an enviable return on their investment. The graphic below shows some of the impressive financial performance information covered in Item 19 of the Clothes Mentor Franchise Disclosure Document (FDD).

Also, the average gross margin for Clothes Mentor stores is 66.75%. That's an outstanding number within the retail industry. And following our proven resale business model, which includes a simple-to-follow buy matrix, makes the 66.75% gross margin easy for Clothes Mentor stores to maintain.

Think you can't make money selling used women's clothes? **Think again!**



INITIAL INVESTMENT  
RANGE



AVERAGE GROSS  
MARGIN FOR 2018



AVERAGE TOP PERFORMING  
STORES SALES

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

\*\$173,000 to \$290,000 is the estimated initial investment range for the lease option amount option #2 listed in the Franchise Disclosure document dated April 17, 2019.

\*\*66.75% is the average gross margin percentage of all 133 Clothes Mentor® stores in operation for the entire calendar year ended December 31, 2018. There is no assurance, however, that you will do as well. See Item 19 of the Clothes Mentor® Franchise Disclosure Document dated April 17, 2019, for more information.

\*\*\*\$992,782 is the average net sales of the 33 stores included in the top 25% of Clothes Mentor® stores in operation for entire calendar year ended December 31, 2018. Of the 33 stores included in the average net sales for the top 25% of all stores, 14 stores (42%) met or exceeded the average net sales. There is no assurance, however, that you will do as well. See Item 19 of the Clothes Mentor® Franchise Disclosure Document dated April 17, 2019 for more information.

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

# FDD HIGHLIGHTS

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

- **Items 1 & 2 Background...** We have been franchising this business model for more than 25 years.
- **Item 3 Litigation...** None. This shows that we are good business partners.
- **Item 4 No Bankruptcies...** We have been very wise in our financial investments.
- **Item 5 Initial Fees...** 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 Investment...** 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 Franchisee's Obligations...** 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 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.

# MEET THE TEAM



**Ron Olson**  
President



**Chad Olson**  
Chief Operating Officer



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

## OPERATIONS TEAM



**Ted Manley**  
Vice President of Clothes Mentor



**Chris Berquist**  
Director of Clothes Mentor



**Amy Donnelly**  
Director of Inventory Management



**Dan Goetz**  
Franchise Business Consultant



**Courtney Holmer**  
Franchise Business Consultant



**Heather Ellingsen**  
Franchise Business Consultant



**Linda Berg**  
Franchise Business Consultant

# MEET THE TEAM

(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

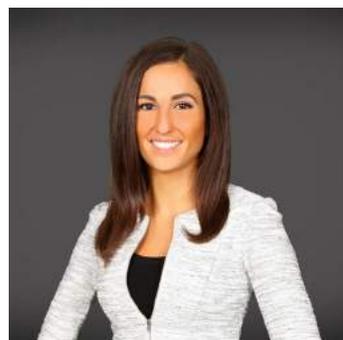


**Emmett Dennehy**  
Franchise Coach

## MARKETING TEAM



**Angie Schatschneider**  
Director of Marketing



**Maria Castellon**  
Creative Project  
Manager



**Ashley Huebner**  
Senior Graphic  
Designer



**Nicole Johnson**  
Social Media  
Coordinator

## 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 an option to renew 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 Franchise Business Consultant who will act as your small business consultant. You will have monthly operations calls with your FBC 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 one and a half 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, 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-\$100,000 in liquid form.

### **Will Clothes Mentor help me to finance the business?**

Clothes Mentor 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 Franchise Business Consultant.

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

You will be assigned a Franchise Business Consultant who will act as a small business consultant. You will have monthly operations calls with your FBC 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 Franchise Business Consultant 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 Clothes Mentor help me find a location?**

Yes, Clothes Mentor'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. 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 Clothes Mentor.
- 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 - COMPLETE VALIDATIONS, RESEARCH AND TERRITORY REVIEW

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 Clothes Mentor'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 | • Franchise Business Consultant |
| • 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

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

This application simply helps us to see if you may be a good fit for us - and if Clothes Mentor may be a good fit for you.

After completing this application you will get information on:

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

GET THE INFORMATION LISTED ABOVE  
BY SPEAKING WITH US DIRECTLY:

952-923-1223