



## Dear Prospective Franchise Owner

A LETTER FROM STEVE MURPHY

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### Steve Murphy

President of Franchising,  
Winmark Corporation

On behalf of our leadership, corporate staff and our entire franchise family of over 800 franchisees and 1,200 stores, I want to thank you for your initial interest in joining our family. As you may know, Winmark Corporation is the proud owner of 5 resale retail brands that are family-friendly, value-oriented and focused on community service. We are extremely proud of our franchisees who represent our great brands in the US and Canada and are thrilled you are interested in joining us.

The Plato's Closet® business model is stronger than ever! More so than ever, teens and young adults want to connect with brands that share their values, are environmentally friendly, and deliver superior value to help them get the most for their money. At Plato's Closet, we believe in what we do and our franchisees understand the daily importance of staying connected with their customers and their communities.

Our mission is to continue to deliver high quality used merchandise in a fun and convenient environment while doing good for our world as well. Our owners delight every day in reading the heartwarming stories on social media about how we have helped our customers and our

communities by providing great merchandise at affordable pricing that has allowed them to get more for their money while staying in style.

At Winmark®, our franchisees' success is paramount to our own success, and we protect those investments in our brands as if it were our own. We appreciate the confidence our franchisees have placed in our brands, our support and our systems, and we work diligently every day to continue to improve upon our past successes. We understand you have many options to invest your hard-earned money, and we take our role as your financial stewards very seriously.

I appreciate you giving us the opportunity to tell you a little more about our Winmark family and what we offer our franchise partners. We hope that you will join us on your journey into business ownership!

Sincerely,

### Steve Murphy

President of Franchising,  
Winmark Corporation

## Executive Summary

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The true story about Plato's Closet® goes beyond the successful and profitable venture of buying and selling teen and young adult apparel, shoes and accessories. To fully understand our brand and our customer, you need to embrace the emotional connection you will make as a franchisee of Plato's Closet with your consumer and your community.

Every day, hundreds of thousands of teens and young adults are shopping in brand name apparel stores, looking for the latest and hottest styles so they can look cool in front of their peers and stay in the latest fashions. But given most are on a budget and can seldom afford to keep up, they must make difficult decisions daily on where to spend their money.

Couple this with the fact that they have perfectly good apparel, shoes and accessories in their closets that they no longer wear, but cannot afford to get rid of, and you have found the perfect Plato's Closet consumer. Plato's Closet gives teens and young adults the perfect venue to bring in their own clothes, shoes and accessories and turn them into cash in our stores, while simultaneously finding the new styles and fashions that they crave all under one roof and in one convenient place to shop at 70%-90% off of regular retail pricing. Nowhere else can young people find all of the brands they love at prices they can afford and turn their current

styles into cash to help them trade in and trade up every day.

And what we do at Plato's Closet resonates with our audience. Our customers care about the earth and what excess and waste do to negatively impact the environment. They were born into the recycling generation, and have embraced the idea of reuse and recycle in meaningful ways in many facets of their daily lives. They align with companies that share their vision for a cleaner and healthier earth. Plato's Closet shares these foundational core values with them and lives this creed every day that we purchase goods from our customers, thus keeping them out of landfills and re-purposing them for another customer.

They also are a generation that celebrates the uniqueness of each individual, and self-expression permeates in every aspect of their lives. Where better to showcase your unique style than a retail partner that allows you to literally create your own look and style daily, selecting a combination of all of the top brands and styles in one spot. And to do it all at an affordable price allows our customers to come back each week if they so choose to try out a new look and style for whatever their mood is that day. We enjoy helping our customers find their flair and change their style with each visit to our stores.



## Executive Summary

### CONTINUED

Fashion is a \$1.2 trillion global industry, with over \$250 billion spent annually on fashion in the United States, according to a Joint Economic Committee report. In the last five years, women's clothing stores have remained strong against competition from large box retailers thanks to more disposable income and rising consumer confidence. This trend is expected to continue for at least the next five years as the number of high-income households grows.

Teens love shopping for brand name apparel and accessories. Teens and young adults also love a bargain – and buying brand name apparel at a fabulous discount is even better. It's a trend that will never go away, which is helping spur continuous growth of the resale segment in the retail clothing industry. Plato's Closet®, one of five franchise brands of Winmark Corporation, has been the leader in the teen and young adult resale sector since 1999.

As an established retail franchise leader in the teen resale space, Plato's Closet offers gently-used, brand-name apparel and accessories at a fraction of the retail cost to female and male teens and twenty-somethings. With more than 470 locations and more opening every month, Plato's Closet is the fastest growing retail franchise in North America.



The status of the resale and franchise industries and Plato's Closet



A profile of the demographics shopping at Plato's Closet



A look at the franchise business model and Winmark®



The kind of franchisees with whom Winmark wants to form a partnership



The investment required to open a Plato's Closet



Franchisee testimonials



Frequently asked questions



Steps to become part of the Winmark family as a Plato's Closet franchisee

Franchisees are attracted to Winmark's proven brands and concepts, their leadership position in the industry and their best in class support. They appreciate being able to tap into Winmark's nearly 30 years of franchising experience. Franchisees enjoy limited competition in the categories the brands represent, which contributes to high profit margins. Given the tremendous reputation of the brands, the first class systems and support, and the unit level economics, many Winmark franchisees even become multi-brand owners.



## Resale Industry Overview

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The resale business is a \$17 billion industry and one of the fastest growing segments of the retail industry, according to the National Association of Resale and Thrift Stores (NARTS), the world's largest trade association representing the resale industry. In the past two years, the resale industry has experienced a 7-percent growth rate in the number of stores.

There are a few reasons for the growing popularity of resale stores in the United States:

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### 1. Appeal Across Income Levels

Resale shopping appeals to a wide range of demographics and income levels thanks to the 2008 recession.

Because so many people were scaling back, they discovered or were reintroduced to resale shopping where they could buy high-end clothing, accessories and furniture for a fraction of the original price.

At the same time, they learned they could also sell quality used items to resale stores. While the economy has improved, smart consumers are still looking for a good deal and are frequently shopping high-quality, gently-used items at resale stores, allowing them to spend the money they saved in other areas of their lives.

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## 2. “Green” Consumerism

More consumers care about the environment and recycling than ever before. Rather than disposing of items that will end up in landfills, people are choosing to sell unwanted and unneeded items to resale shops.

This also saves consumers from spending time and energy attempting to sell the items themselves through garage sales, social media or classified advertisement websites.

Earth-conscious consumers also take pride in purchasing items from resale stores like Plato's Closet®. While being kind to the earth they still come away feeling the joy of discovering a great deal for high-quality, fashionable and trendy clothing purchased at a great price.

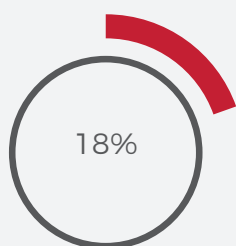


## 3. High Demand

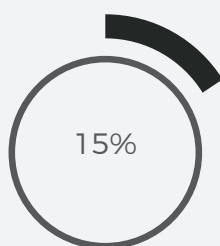
The demand is now being fueled by the increasing opportunities to buy like-new clothing, accessories and other items.

According to NARTS, **16 - 18 percent** of Americans will shop at a thrift store and **12 - 15 percent** will shop at a resale/consignment shop in a year.

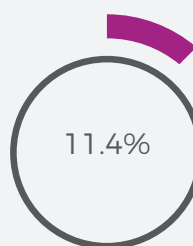
This is impressive considering **11.4 percent** of Americans will shop at factory outlet malls and **19.6 percent** will shop at apparel stores.



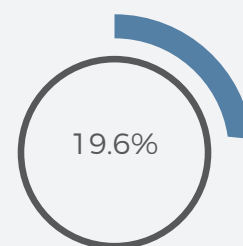
Americans  
Shopping at  
Thrift Stores



Americans  
Shopping at  
Resale Shops



Americans  
Shopping at  
Factory Outlet  
Malls



Americans  
Shopping at  
Apparel Stores



## Customer Profile

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**Plato's Closet® customers are typically between the ages of 12 and 24 years old, a segment that includes teens, college students and young professionals. They are in search of on-trend name brands and styles at an affordable price, and they view fashion as an important component of how they express their identity and individuality. Because of this, Plato's Closet is the fastest-growing and most popular teen franchise brand in the industry.**

All Plato's Closet customers appreciate receiving cash on the spot for their gently-used clothing, shoes and accessories. Teens and young adults alike enjoy leaving the store with cash in-hand or with a new outfit to wear. Both ends of

Plato's Closet's customer base like having an evolving wardrobe thanks to the diverse selection of looks and labels, ranging from American Eagle Outfitters® to Forever 21®, at prices that exceed 70%-90% off of regular retail pricing.

Plato's Closet's target audience is broken down into three categories:



## Customer Profile

### PRIMARY MARKET

12-to-24 year-old females

This customer buys from  
and sells to Plato's Closet®

Selling customers are  
from middle- to upper-  
income households



#### MORE ABOUT THIS MARKET

Sociable, open-minded, talented, educated, tolerant and achievement-oriented

Community service and volunteerism rank high

Clothing, style and label-conscious but will seek good value and fit as top purchase drivers

Knows the value of the items they sell

Needs to feel they have been paid fairly for their items and that they are respected and taken seriously

Shops frequently at a variety of mall retailers

Discerning buyers who will seek an item elsewhere if they can't find it in one place

Likely to switch brands to support a retailer associated with a good cause

Technology current and savvy, using laptops, social media, text messaging, tablets and smartphones

Diverse interest in music, personal style, friends and sports

Both parents work outside of the home, but have structured their lives to accommodate family and personal activities

Communication needs to be outside-the-box, original, catchy and understood quickly

They appreciate honesty in their messaging



# Customer Profile

SECONDARY MARKET

12-to-24 year-old males

This customer buys from and sells to Plato's Closet®

Specific marketing and advertising pieces are used to target this demographic

Roughly 20% of the business in our system is male



MORE ABOUT THIS MARKET
Usually shopping with a female
Technology current and savvy, using laptops, social media, text messaging, tablets and smartphones
Multi-taskers that can be hard to reach, therefore multiple media must be employed to reach them
Community service and volunteerism rank high
Sociable, open-minded, talented, educated, tolerant and achievement-oriented
Likely to switch brands to support a retailer associated with a good cause
Appreciates honesty in their messaging

# Customer Profile

TERTIARY MARKET

25-to-30 year-old females

Post college and young professional

Shopping for casual weekend attire (versus more mature brands and styles that come from our Style Encore® customer demographic)

Trendy dresser that wants to still look and dress younger than their age

This customer primarily buys from Plato's Closet® but is not an advertising demographic



MORE ABOUT THIS MARKET

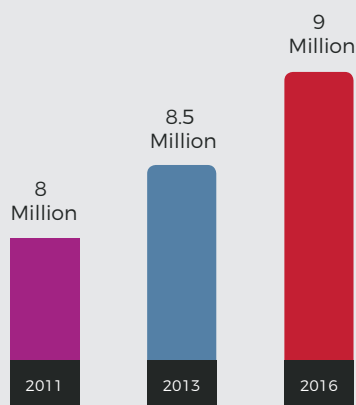
Post-college and/or young professional

Trendy dresser

Not an advertising demographic



## A Look at the Franchise Model



Employment Through Franchising

In just five years, the franchise model has created more than one million jobs. In 2011, roughly 8 million people in the United States were employed by franchising.

In 2016, almost 9 million people have jobs thanks to the 801,153 franchise establishments, according to a report on the economic impact of franchise businesses by the International Franchise Association. Job growth in the franchise sector has outpaced growth in all other sectors economy-wide. Franchising's hot streak is only expected to continue in the years ahead.

According to an IFA report, franchise businesses produced goods and services worth \$868.1 billion in the United States in 2016 and supplied an annual payroll of \$351.1 billion, accounting for 3.4 percent of the private sector gross domestic product. Franchise businesses contributed indirectly to the U.S. economy in other ways. According to the report, franchises were the cause of more than 16 million jobs, \$723.2 billion of annual payroll and \$2.1 trillion of annual output, which ultimately accounted for 7.4 percent of the GDP.

### Direct Contribution

**\$868.1**  
BILLION

3.4%  
GDP

### Indirect Contribution

**\$2.1**  
TRILLION

7.4%  
GDP

The franchise model can best be described as being in business for yourself, not by yourself. The model consists of the franchisor – a company or person who grants a license to another company or person to conduct business using the franchisor's product or service, trademark and name – and the franchisee, the party receiving the license. A franchisor typically receives a franchise fee and a royalty based on a percentage of the franchisee's sales. It's a proven way of helping entrepreneurs become business owners with franchisors providing name recognition, training, marketing, operating systems and support in return.

The amount of investment to buy a franchise varies widely and depends on the industry and the type of business. Start-up costs can run anywhere from tens of thousands of dollars to over \$1 million. Franchise fees and the cost of rent or property ownership for the franchise location are major factors.

Budding entrepreneurs should be suited to the industry, the franchise concept they're interested in and to the franchise system in general. Potential franchisees should do their due diligence, researching industries, companies, financing options and best practices of successful franchisees.

Going through a company's franchise disclosure document, or FDD, is a must. The FDD provides important information about the franchisor and franchise system.

Given the data, it's no wonder franchising is seen favorably in general by U.S. consumers regardless of age, gender, geography (city, suburbs, rural community) and political party affiliation, according to a poll conducted by the IFA and published in Sept. 2016.

With this positive view, it's reasonable to surmise that more people are considering going into franchising.

Combining resale and franchising, two industries that are trending upward, is a win-win for franchisees in the retail sector.



Franchising Employed  
almost 9 Million People  
in 2016



There are 801,153  
Franchise Locations  
Spanning Over 120  
Different Industries

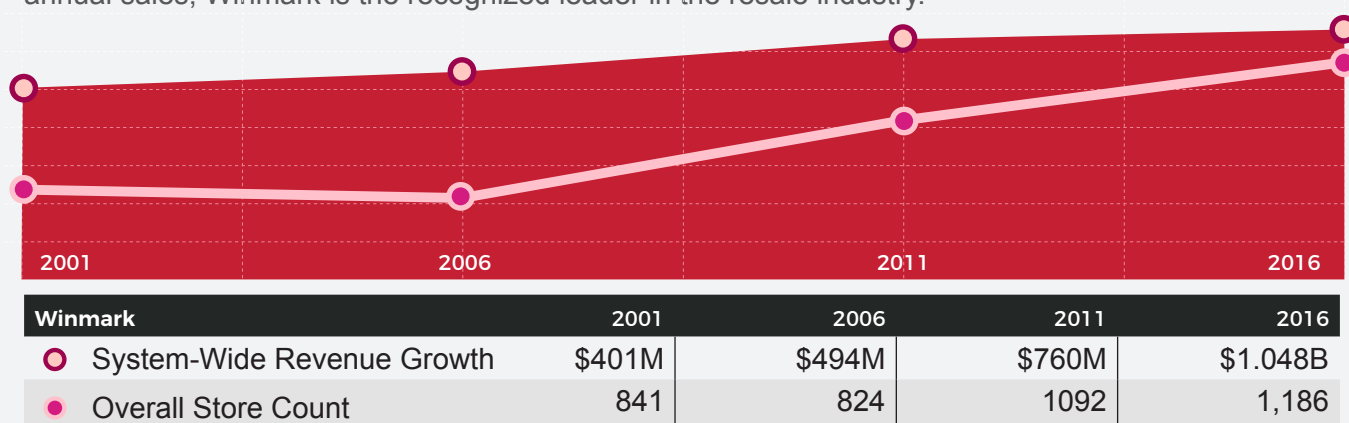


Franchise Businesses  
Supplied an Annual  
Payroll of \$351 Billion



## Franchisor Overview

Winmark Corporation, a publicly held company, was founded in 1988 when it bought the franchising rights for Play It Again Sports® and continued to grow with the acquisition of the franchising rights for Once Upon A Child® in 1993. Winmark® then added Music Go Round® in 1994, Plato's Closet® in 1998 and Style Encore® in 2013. With 1,200 current and coming soon locations and more than \$1 billion in annual sales, Winmark is the recognized leader in the resale industry.



Winmark brands buy gently-used and new items and then sell that merchandise to customers at prices well below regular retail pricing. Winmark brand stores are selective about what they buy, which allows them to build an inventory of high-quality, gently-used brand name merchandise that appeals to its customer base.

Stores have a bright, fresh look made to ensure a positive shopping experience. Locations establish loyal customers following a consistent stream of new inventory choices each week. Customers quickly become brand fanatics and extremely loyal, either looking for great savings on a product or a place to sell their gently-used items. Winmark brands were “green” before green was cool, recycling 1 billion items in its respective communities over the last 10 years.

Winmark continues growing with more than 1,800 territories in the United States and Canada open for development providing support, solutions and partnerships to small-business owners for more than 25 years.

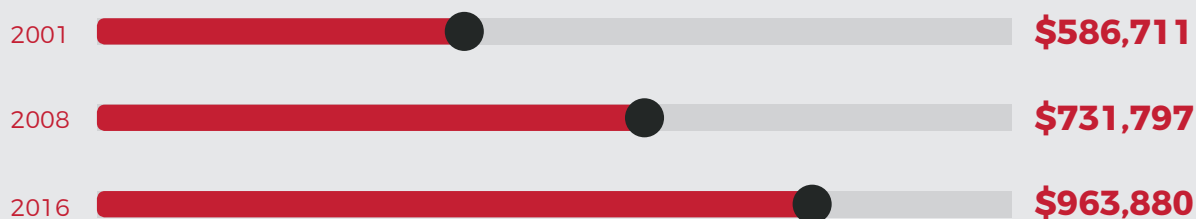
From sports equipment and baby clothes to in-style fashion and music gear, each franchise offers gently-used merchandise for resale. Winmark focuses on continually growing its best in class brands, systems, people and support, so its franchisees can focus on the in-store execution and running a successful business while supporting the needs of their local communities.

Both Plato's Closet and Once Upon A Child have been ranked in *Entrepreneur* magazine's prestigious Franchise 500, which recognizes the nation's top franchise opportunities every year.

Plato's Closet and Once Upon A Child were rated the top franchises in their category again in 2017. Overall, Plato's Closet ranked No. 151 and Once Upon A Child® ranked No. 116.



### Plato's Closet® Revenue Growth – Average Store Volume



\*\*Amounts stated are as reported in Item 19 of the 2002, 2009 and 2017 Plato's Closet® Franchise Disclosure Documents, respectively (based on the previous year's Gross Sales). In 2001, of the 24 stores that reported, 11 stores or 46% of the reporting stores attained or exceeded the Average Gross Sales. In 2008, of the 200 stores that reported, 92 stores or 46% of the reporting stores attained or exceeded the Average Gross Sales. In 2016, of the 434 stores that reported, 186 stores or 43% of the reporting stores attained or exceeded the Average Gross Sales. A new franchisee's results will likely differ from these results.

### Store Count – Plato's Closet vs. Competitors

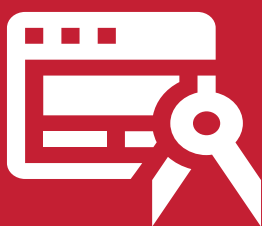
Company	2013	2014	2015	2016
Plato's Closet	391	426	456	468
Uptown Cheapskate®	34	42	45	N/A
Hut no. 8®	28	24	13	N/A
NTY Clothing Exchange®	0	1	2	N/A



## Winmark® Support

### WHAT DOES WINMARK OFFER?

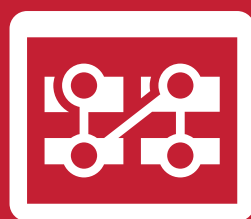
Winmark Corporation is committed to its franchisees' success and provides owners extensive classroom and in-store training and support necessary to operate a high-margin retail business in their communities.



Business planning



Retail site selection  
assistance



Store design, layout  
and set-up



Inventory  
management and  
planning



Franchise product,  
style and trend  
training



Professional  
marketing and  
merchandising  
materials



Customer  
service



Buy training for our  
used products



Store operations  
and support



Human resources  
and employment  
law



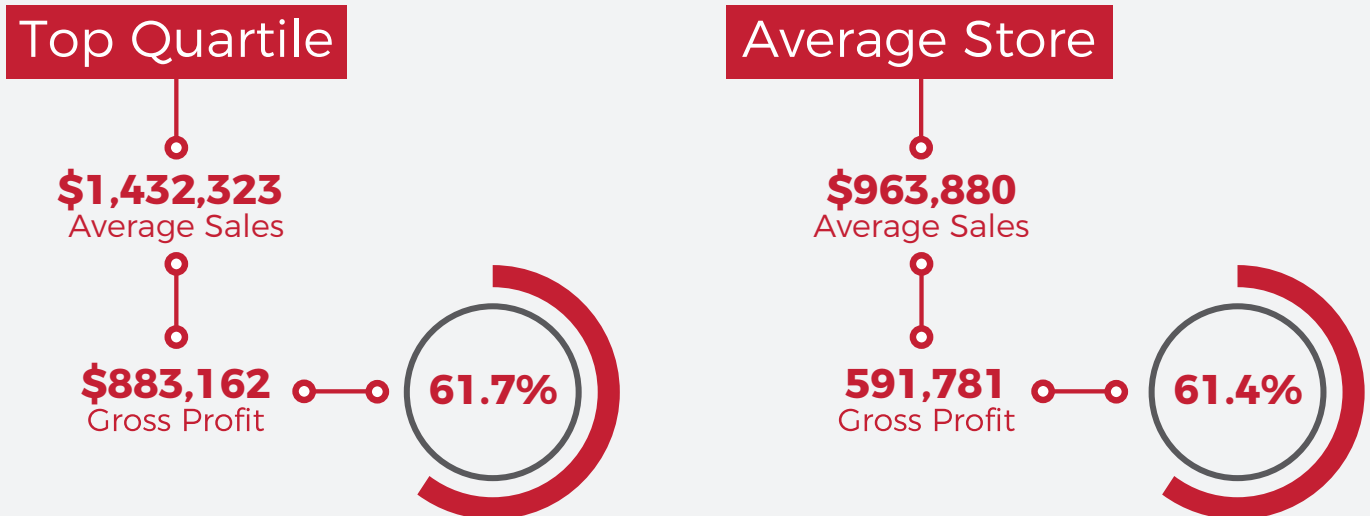
Proprietary  
computer systems  
training

In addition, Winmark offers ongoing small-business consultation support from regional field operations staff. Field Operations Managers provide operations, financial analysis and small-business development support to franchisees with a focus on improving each location's operational and financial performance.

Franchisees also have access to Support Center Technicians who assist in their use of technology related software and hardware. Support Center Technicians diagnose and resolve issues relating to the company's proprietary and third-party software, networks, hardware, and peripherals.

## Top-Line Revenue\*

Plato's Closet®, the fastest growing and most popular teen franchise brand in the retail industry, is 460+ stores strong with several stores in the process of opening. The most successful store owners excel at following the franchise system, integrating their stores into their communities and developing a sound advertising and local marketing plan.



\*The Average Store numbers are the 2016 Average Gross Sales and Average Gross Profit amounts stated in Item 19 of the 2017 Plato's Closet® Franchise Disclosure Document (as reported by 434 of the 435 stores that had been in operation at least one year as of December 31, 2016). Of the 434 reporting stores, 186 or 43% of the stores attained or exceeded the Average Gross Sales and 187 or 43% of the stores attained or exceeded the Average Gross Profit. The Top Quartile Average Gross Sales and Average Gross Profit only relates to 108 of the reporting Plato's Closet® Stores who ranked in the top 25% of the gross sales range. Of the 108 stores in the top quartile, 42 or 39% of the stores attained or exceeded the top quartile Average Gross Sales and Average Gross Profit. A new franchisee's results will likely differ from these results.





## Target Franchisee Profile

### BACKGROUND

#### Franchisee candidates must:

Be prepared to invest  
\$250,000 to \$350,000

Have at least \$75,000  
cash or liquid assets

Have equity to collateralize a  
loan for the remaining balance



Plato's Closet® franchisees are usually individuals or couples, typically between the ages of 30 and 55, that first experienced our brand as the parents of our core customers. They believe in the concept, embrace the idea of recycling for the good of the environment and want to bring a store to service the customers in their community.

Plato's Closet franchisees come from a wide variety of personal and professional backgrounds, including many from corporate America, the military and people who may be re-entering the working world after caring for young children. They see owning a Winmark® apparel brand as a good way to give back to the community because the concept involves recycling gently-used, high quality clothing and selling it at a price below regular retail.

## Franchisee Testimonials

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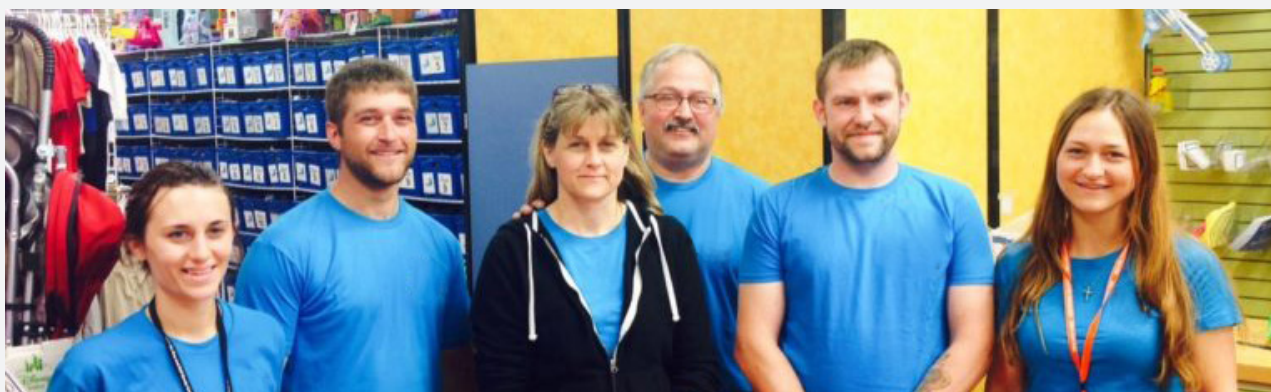


### Visible Demand

Glenn Paul, owner of Plato's Closet® and Style Encore® (8 Years)

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"One of the reasons I got into Plato's Closet is that my wife and daughter had shopped at Plato's Closet and thought it was awesome. As we went through the due diligence process and considered Plato's Closet among a number of other businesses, Plato's Closet continued to come up to the forefront in all the things we were looking for in a business. We visited several Plato's Closets, especially in the Dallas area because they were well-established there, and the one thing I remember is every time we went into a Plato's Closet it was busy, there were people there."



### Community Impact

Ryan Simmons, co-owner with wife Julie of Once Upon A Child®, Plato's Closet and Style Encore (7 Years)

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"I think the brand in itself helps the community. We've talked to a number of people about how it levels the playing field for some of these high school kids who couldn't typically afford some of the nicer brand clothing."





## Strong Support

Don Appel, owner of Plato's Closet® (17 Years)

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"Winmark Corporation has provided me with superb ongoing support. Regional field operations managers visit my store and others in the area to make sure everything is going well, so you never feel alone. There's always someone available to help if need be. I'm a big believer in 'Whatever Winmark® says to do, do it.' They've never let me down. I have total confidence in my franchisor, and I am very happy as a franchisee."



## Franchise Model

Jake Warnock, co-owner with wife Alicia, of Plato's Closet® (6 Years)

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"Because [Plato's Closet] is a franchise, it helped us make our decision because of the opportunity to have more stores. Once we figured out the system, it's like making a pizza – once you figure out how to make one great pizza, then you want to make 100 of them."



## FAQs

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### How long has Winmark® and Plato's Closet® been in business?

Winmark Corporation has been in business since 1988 with the acquisition of the Play It Again Sports® franchise. Plato's Closet was added to the family in 1999 and was the fourth brand in the portfolio. Winmark has been supporting small-business franchisees for almost 30 years with best-in-class point-of-sale-systems, world class support and the best business model in resale.

### How much money can I make as a franchisee?

The financial return you will realize as an owner of any small business will depend on many factors, including how well you perform and follow the franchise system, your plan for advertising the business and your ability to integrate the business into your community. Starting a new business involves some level of risk, so we encourage you to speak with our franchisees to learn about their experience and satisfaction with the business – both personally and financially. By talking with franchisees, you will be able to understand the business' potential and what is necessary to be successful.

### What is the average annual gross sales for Plato's Closet?

In 2016, the average Plato's Closet store had sales of \$963,880 with an average gross profit of \$591,781 (61.3 percent). The top quartile of Plato's Closet stores had average sales of \$1,432,323 with an average gross profit of \$883,162 (61.6 percent).\*

### How will I acquire my initial inventory?

During training, you will learn how to utilize our proprietary computer system to purchase and price inventory. Your store will open to buy gently-used items (without selling anything until the grand opening) for a period of approximately eight-to-ten weeks before your grand opening.

### Will Winmark provide financing for my store?

Winmark does not provide direct financing. Our franchisees secure their financing through third-party lending sources with most utilizing Small Business Association loans. Winmark will assist you in preparing a comprehensive business plan to assist in obtaining an SBA loan or other financing once you've become a franchisee. All Winmark brands are listed on the SBA's Franchise Registry, which helps streamline the process. Visit [www.franchiseregistry.com](http://www.franchiseregistry.com) to learn more.

### Will Winmark help me find a location?

Most of our franchisees have never owned a franchise before, so they haven't been through the process of finding and negotiating a retail lease. Winmark and our network of local and national Tenant Brokers will assist with everything from site review and selection all the way to the signed lease. With five brands and 1,200 locations, we're familiar with nearly every market in North America. The lease is one of the largest financial commitments you'll have with opening this or any brick-and-mortar business. With our experienced guidance on the economics of the lease, you can be confident you will find a retail space that meets the Plato's Closet criteria as well as your business plan.

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## Next Steps

Thank you for taking the time to learn more about the Plato's Closet® brand and our franchise opportunity.

If you're interested in owning a Plato's Closet location, please speak with a franchise developer about how you and any business partners can financially pre-qualify. Once qualified, your next steps include:

### Continued Research and Due Diligence

Make sure any questions you have are answered and that you are fully informed.

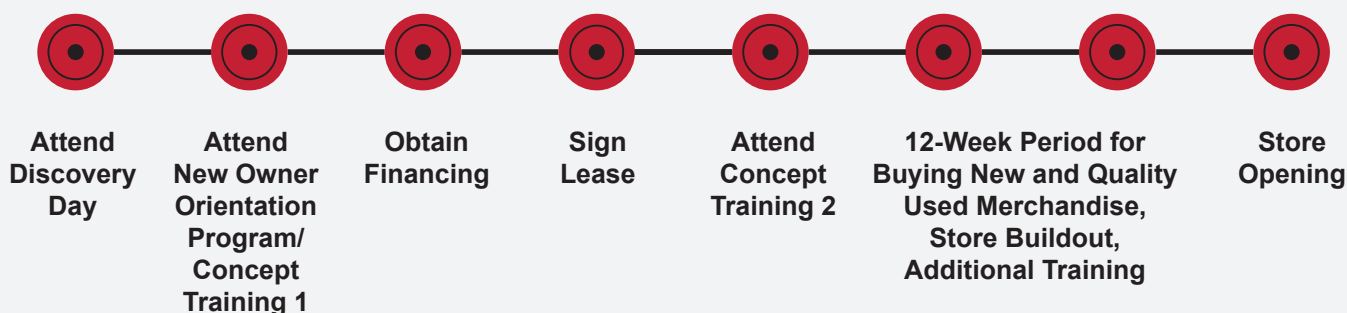
### Visiting Stores

Observing Plato's Closet firsthand is the best way to see how the store operates. Franchisees can share information on what you will experience moving forward.

### Attending Discovery Day

We extend Discovery Day invitations to candidates who are financially qualified and ready to take the final step in our franchisee award process. Discovery Day allows us to answer additional questions you may have and allows you to tour the corporate office in Minneapolis and visit with your Winmark® support team as well as other franchisee candidates in person.

Your interest in joining the Winmark family of brands is appreciated. We look forward to continuing our conversation on how we can become partners to achieve your business ownership goals.



\*Typical store opening timeframe is 9 months after signing the Franchise Agreement.