

STYLE  ENCORE®

STYLE  ENCORE

OPEN
4904

Style Encore®
Franchise Report

Dear Prospective Franchise Owner

A LETTER FROM STEVE MURPHY



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 United States and Canada and are thrilled you are interested in joining us.

The Style Encore® business model is stronger than ever! Women in their late 20s and older 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 Style Encore, we believe in what we do and our franchisees understand the importance of staying connected daily with their customers and their communities.

Our mission is to be the preferred store for fashion conscious, spending savvy women. Unlike consignment we buy and sell gently used casual and business apparel and accessories, all day every day. While continuing 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

The story of Style Encore® goes beyond the successful and profitable venture of buying and selling high-quality brand-name women's business and casual apparel, shoes, handbags and accessories. To fully understand our brand and our customer, you need to embrace the emotional connection you will make with your consumer and your community as a Style Encore franchisee. Every day, hundreds of thousands of women in their late 20s and older are shopping in brand name stores, looking for the latest styles to wear to work, the gym, lunch with friends or a night out on the town. While they're fashion conscious and enjoy staying in style, they also are looking for a bargain and must make difficult decisions on where to spend their money.

Couple this with the fact that there is an amazing amount of nearly-new clothing hidden in every woman's closet at home – including a large percentage that still has the tags on it – and you have found the perfect Style Encore customer. Style Encore gives women the perfect venue to bring in their apparel, shoes, handbags and accessories and turn them into cash. Simultaneously, they find the new styles and fashions they crave all in one convenient place to shop at prices up to 90 percent off of regular retail pricing. Nowhere else can women find all of the brands they love at prices they can afford and turn their gently-used items into

cash to help them trade in and trade up their styles every day. We also focus on the needs of every shopper that comes into our stores, providing them with the best customer experience possible with one-on-one attention, knowing that with this demographic, great service and a top notch experience means a loyal customer and brand advocate for life.

And what we do at Style Encore resonates with our audience. Our customers care about the planet and what excess and waste do to negatively impact the environment. They 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, and Style

Encore shares these core values with them. We promote this belief every day when we purchase goods from our customers, thus keeping them out of landfills and re-purposing them for another customer.

Women love shopping for brand-name apparel and accessories. They also love a bargain – and buying brand-name apparel, shoes, handbags and accessories at fabulous discounts is even better. It's a trend that will never go away, which is helping spur the continuous growth of the resale segment in the retail clothing industry. Style Encore is the newest one of five franchise brands of Winmark Corporation, which has been a leader in the resale sector since 1988.



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 industry analysts. 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.

As an established retail franchise leader in the resale space, Style Encore® offers gently-used, brand-name apparel, shoes, handbags and accessories at a fraction of the retail cost to primarily female shoppers in their late 20s and older, many of them being career women, young professionals, moms and fashion- and recycling-conscious shoppers in search of a good bargain. With more than 52 locations and more opening every month, Style Encore is the solution for the fashion needs of women throughout North America.



The status of the resale and franchise industries and Style Encore



A profile of the demographics shopping at Style Encore



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 Style Encore



Franchisee testimonials



Frequently asked questions



Steps to become part of the Winmark family as a Style Encore 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



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:

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. Value, ultimately, matters most – high-quality brand name women's business and casual apparel, shoes, handbags and accessories purchased at prices that are up to 90 percent off regular retail price, found at a local store.

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 Style Encore®. 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.

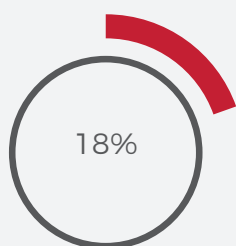


3. High Demand

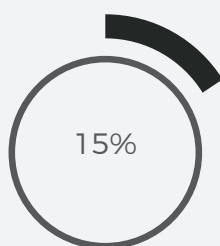
The demand is now being fueled by the increasing opportunities to buy like-new clothing, accessories and other items.

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.

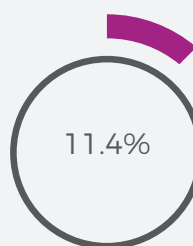
This is impressive considering **11.4 percent** of Americans will shop at factory outlet malls and **19.6 percent** will shop at apparel stores.



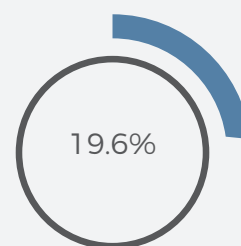
Americans
Shopping at
Thrift Stores



Americans
Shopping at
Resale Shops



Americans
Shopping at
Factory Outlet
Malls



Americans
Shopping at
Apparel Stores

Customer Profile



Style Encore® customers are typically career women, moms and female shoppers who are fashion-, bargain- and recycling-conscious. They are women in their late 20s and older. They are in search of gently-used clothing, shoes, handbags and accessories at affordable prices.

All Style Encore customers appreciate receiving cash on the spot for their gently-used apparel, shoes, handbags and accessories.

Career women, young professionals and moms enjoy leaving the store with cash-

in-hand or with a new outfit purchased at prices up to 90 percent off regular retail pricing.

Sellers like having a location where they can receive cash on the spot for their items. Style Encore buys and sells brand names from Ann Taylor® and

Banana Republic® to Coach® and Gucci®.

Style Encore's target audience is broken down into three categories:

Customer Profile

Females in their late 20s and up

Young professionals, established career women, moms and shoppers that are fashion-, bargain- and recycling conscious

Selling customers are from middle- to upper-income households

Buying customers span most household income ranges

Women that shop our target retail stores such as Ann Taylor®, White House Black Market® and Coach®



MORE ABOUT THIS MARKET – MILLENNIALS

Age 25 – 32

Largest consumer generation

Spends roughly \$1,700 per year on clothing

Wants to be considered fashionable – especially among their peer group

Follows and wants to dress in the latest fashion trends

Prioritizes creativity and being imaginative, which extends to their choice in clothing

Likes to share their opinions on social media and customer review sites

Seeks a higher social status

Looking to provide a happy home for their family

Gets most information from the internet

Frequently redeems mobile coupons and check out text-based advertising

Customer Profile



MORE ABOUT THIS MARKET – GENERATION X

Age 33-50

Third largest consumer generation

Spends roughly \$2,440 on clothing each year

Has the greatest spending power out of all current generations

Often supports aging parents and children, so they must make wise financial decisions

Children may have an impact on their buying decisions

Like millennials, is technologically savvy

Often brand loyalists

Prefers to extensively research online purchases before buying

Visits customer review sites to make informed decisions

Gets most information from the internet & magazines

MORE ABOUT THIS MARKET – BABY BOOMERS

Age 51 - 69

Spends roughly \$1,940 on clothing each year

Seeks out fashionable brands and reject overly austere or conservative options

Beginning to open their wallets with greater confidence coming out of the economic downturn

Part of a transitional generation in which consumers don't want to dress like their children or like their parents

Feels retailers don't have merchandise that appeals to their sense of fashion

Less inclined to shop at department stores

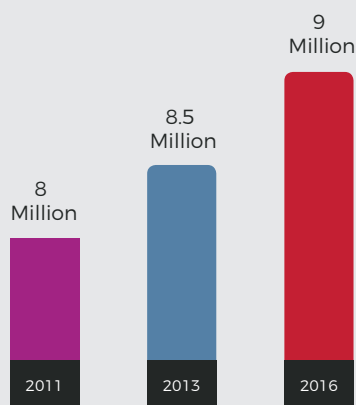
Takes better care of themselves than previous generations, so they look younger than their parents did at their age

Not as likely to use mobile devices as shopping tools

Influenced by word of mouth from friends, family and social media

Loyal to brands and styles

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



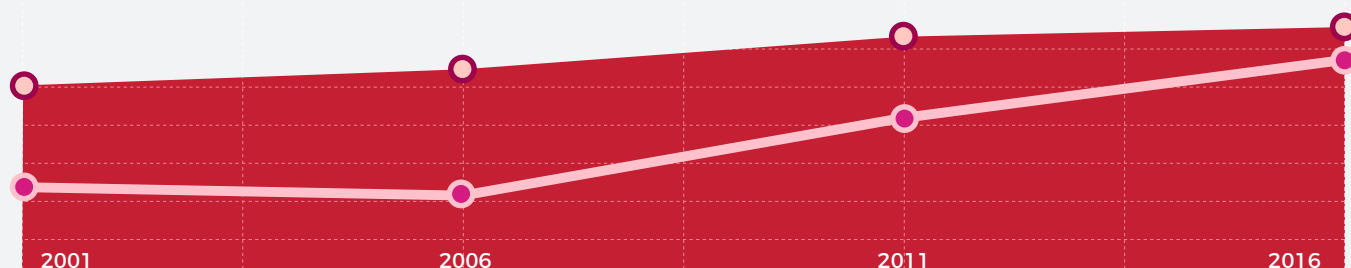
There are 801,153
Franchise Locations
Spanning Over 120
Different Industries



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	2001	2006	2011	2016
System-Wide Revenue Growth	\$401M	\$494M	\$760M	\$1.048B
Overall Store Count	841	824	1092	1,186

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.

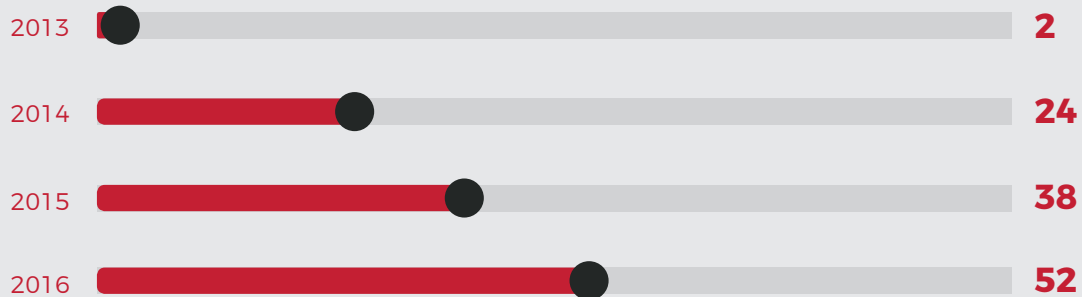
From sports equipment and baby clothes to in-style fashion and music gear, each franchise offers gently-used merchandise for resale. Winmark focuses on continually growing its best-in-class brands, systems, people and support, so it's franchisees can focus on the in-store execution and running a successful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

Style Encore is one of the fastest growing women's franchises in the world, growing in both store count and average unit volumes since its inception in 2013.



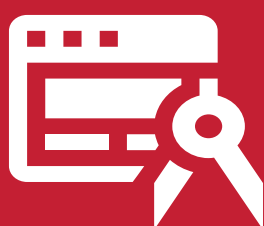
Style Encore® — Store Count



Winmark® Support

WHAT DOES WINMARK OFFER?

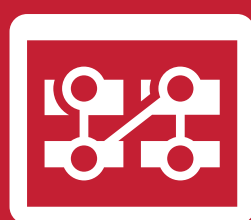
Winmark Corporation is committed to its franchisees' success and provides owners extensive classroom and in-store training and support necessary to operate a high-margin retail business in their communities.



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



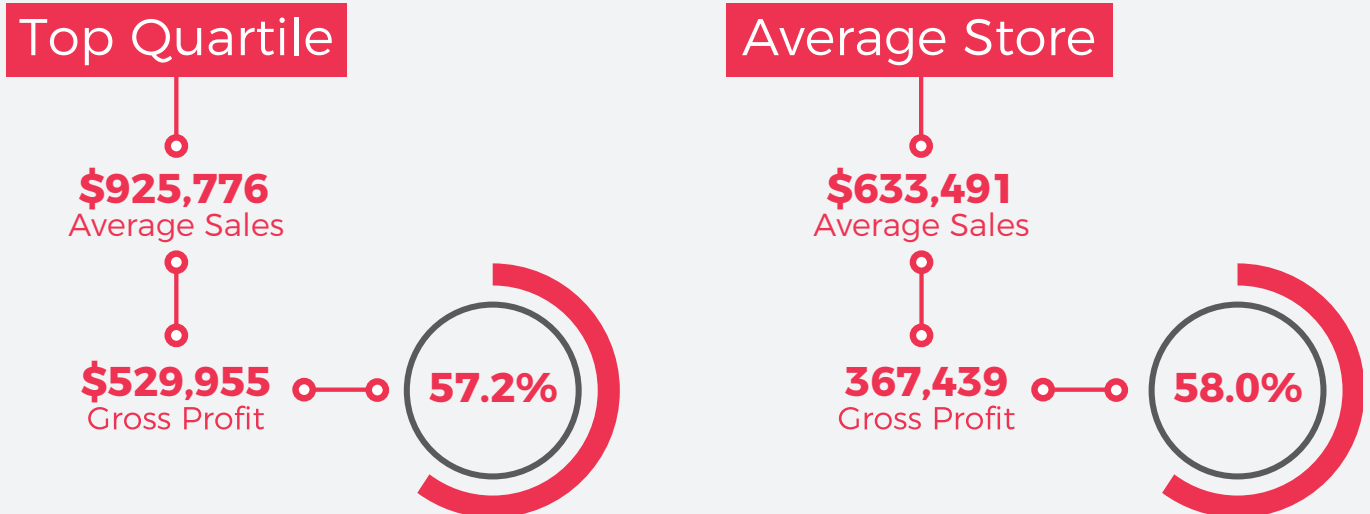
Proprietary
computer systems
training

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*

Style Encore®, a growing North American chain specializing in buying and selling women's business and casual apparel, shoes, handbags and accessories, is 52+ 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 Style Encore® Franchise Disclosure Document (as reported by the 35 stores that had been in operation at least one year as of December 31, 2016). Of the 35 reporting stores, 15 or 43% of the stores attained or exceeded the Average Gross Sales and 19 or 54% of the stores attained or exceeded the Average Gross Profit. The Top Quartile Average Gross Sales and Average Gross Profit only relates to 8 of the reporting Style Encore® Stores who ranked in the top 25% of the gross sales range. Of the 8 reporting stores in the top quartile, 1 or 13% of the stores attained or exceeded the top quartile Average Gross Sales and 2 or 25% of the stores attained or exceeded the top quartile 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



Style Encore® franchisees are usually individuals or couples, typically between the ages of 30 and 55, that first experienced our brand as customers, or they know someone who owns a Winmark® franchise. They believe in the concept, embrace the idea of recycling for the good of the environment and want to bring a store to service those in need in their community.

Style Encore 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



Community Impact

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

"One of the most rewarding things to me is the opportunity we're allowed to give our employees. I love hiring people with no experience and having the job be a positive thing for them. Even if they're only there for eight or nine months, they're a better person than when they came in."



Franchise Model

Tim Tresslar, owner of Plato's Closet and Style Encore (15 Years)

"I like the franchise system. Someone else is doing all the global research about what you should be doing for operations, marketing and how much inventory you should have. It would be very difficult to operate the same kinds of stores that I have on my own without the support of a franchisor."



Strong Support

Shannon and Mike Kemp, owners of Style Encore® and Play It Again Sports® (3 Years)

“Our experience from the very beginning with Winmark® for Style Encore has been incredible. Their support of us has been great. The training we received before we opened our first Style Encore was wonderful. We felt completely prepared to go and open our store. They are very supportive of us in letting this be our own business and making our own decisions – to run this business the way that we would like to within the framework that they suggest and advise. We have also found they are extremely approachable anytime we have a question or concern. They are very responsive.”



Work/Life Balance

Kristi Paul, owner of Style Encore (3 Years)

“Becoming a store owner has given us a lot of freedom. Of course, we put in a lot of time at the beginning; but, one of our goals is to have a little more family time.”

FAQs

How long has Winmark® and Style Encore® been in business?

Winmark Corporation has been in business since 1988 with the acquisition of the Play It Again Sports® franchise. Style Encore was added to the family in 2013 and was the fifth 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 Style Encore?

In 2016, the average Style Encore store had sales of \$633,491 with an average gross profit of \$367,439 (58 percent). The top quartile of Style Encore stores had average sales of \$925,776 with an average gross profit of \$529,955 (57.2 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 grand opening) for a period of approximately 8-to-10 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 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 from site review and selection all the way to the signed lease. With five brands and 1,200 current and coming soon 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 Style Encore criteria as well as your business plan.

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Next Steps

Thank you for taking the time to learn more about the Style Encore® brand and our franchise opportunity.

If you're interested in owning a Style Encore 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.

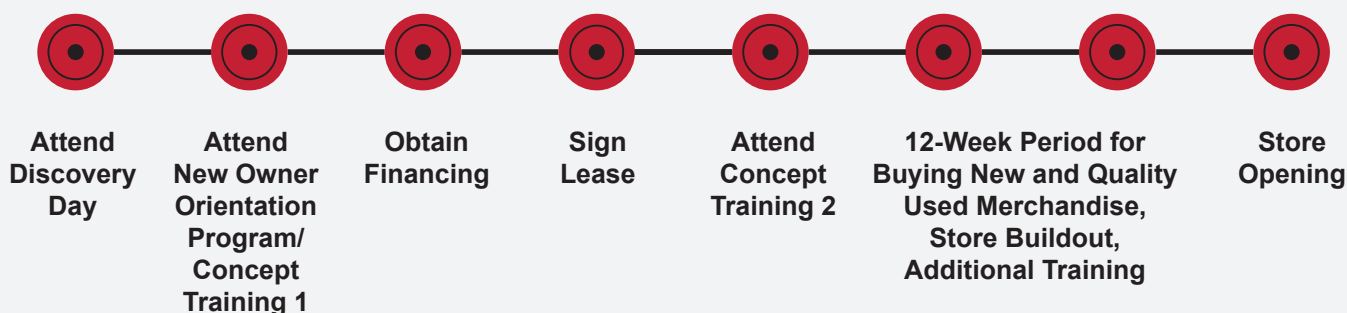
Visiting Stores

Observing Style Encore franchisees 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.