

**PAPILLON BABY RETAIL FRANCHISE
FACT SHEET**

1. **Purchase of Franchise:** **TOTAL** **\$170,000.00**
(Initial investment is to acquire a Papillon franchise – does not include costs relating to store lease, physical space build-out, painting/lighting and employees)*
- 1.1 **FIXED ASSETS:** \$40,500.00
 - Computer/computerized cash register
 - Fire Extinguisher
 - Fax Machine
 - Display units/shelving fixtures
 - Signage for store (awning and front store sign)
 - Business cards/postcard mailer/flyers
(Franchisee must pay for future re-orders of the printed items).

 - 1.2 **STOCK:** \$55,000.00
(stock enough to fill the entire store for grande opening)

 - 1.3 **INITIAL JOINING FEE** \$75,000.00
(inclusive of Training, on-going support and the ability to purchase Papillon designed items at factory costs)
2. **MONTHLY FRANCHISEE FEES:**
- 2.1 **FRANCHISEE FEE** 4% of turnover

 - 2.2 **MARKETING FEE**** 2% of turnover

 - 2.3 **RE-ORDERING OF STOCK** between \$2,000 - \$6,000
(this will vary depending on the size of the store and how busy it is. Re-ordering of stock is defined as the replenishing of goods that have sold out in a given month such as toys, books, clothing).***
3. **SEASONAL STOCK COSTS AND REQUIREMENTS:**
(figures based on ordering between 1 to 2 units per size for apparel and a minimum of 6 units per style for toys. **All figures are approximate**).

• 3.1 Spring Season Apparel Collection	appr. \$30,000
• 3.2 Spring season specialty toy collection	appr. \$2,500
• 3.3 Summer Season Apparel Collection	appr. \$10,000
• 3.4 Summer season specialty toy collection	appr. \$5,000
• 3.5 Fall/Winter Season Apparel Collection	appr. \$25,000
• 3.6 Halloween and Holiday season specialty toy collection	appr. \$10,000
	SUBTOTAL. \$82,500
	+ MONTHLY RESTOCKING \$36,000
	YEARLY TOTAL \$118,500

Franchisee is required to purchase a minimum of 80% of its stock from Papillon Baby inc and its approved vendors. Franchisee is required to replenish this stock each month so that the store is always looking full and customers can find the right size or item they are looking for. Franchisee is required to carry the complete line of Papillon Baby Apparel, Papillon décor, Papillon toys and Papillon bedding. Quantities are determined based on each store's individual foot traffic and customer needs. ****

APPAREL

- Papillon Baby's basic line is available year round and does not change from season to season. Franchisee must keep a full stock of basics available for customers. Re-orders can be placed at anytime.
- Papillon Apparel collection changes each season. Quantities of order must be placed four months before delivery dates (listed below). Franchisee is required to order at least 1 unit per size of each style in each color. Franchisee may order as many units per size of each style in each color as they want (average is 1 to 3 per store but there are no limits). Franchisee may decide to re-order or not re-order based on customer need and product availability.
- Returns on clothing are only allowed if an items has a production flaw (mis-sized, stained or damaged). Clothing can not be returned for any other reason.

Papillon Baby's apparel collections change yearly as follows:

- End of January is start of Spring delivery which includes full Spring Collection
- End of February Spring collection is delivered complete
- Beginning of April is start of Summer delivery which includes a limited Summer Collection.
- End of May Summer is delivered complete.

- Beginning of August is start of Fall delivery which includes full Fall/winter collection
- End of September Fall/Winter is delivered complete.

TOYS

- Most Papillon toys (incl soft toys, wooden toys) are available year round and Franchisee is required to keep these items in full stock.
- For Papillon specialized/seasonal toys Franchisee must order their store quantities 4 months before delivery date (see below).
- If a toy does not sell well during a three month period Franchisee has the option to contact Papillon's corporate buyer representative and discontinue buying that item from their future orders.

Papillon specialized toys change yearly as follows:

Martin Luther King themed delivery:

- Start ship beginning of January
- End Ship middle of January

Easter themed delivery:

- Start ship beginning of February
- End ship middle of March

Summer themed delivery:

- Start ship end of April
- End ship beginning of June

Halloween themed delivery:

- Start ship mid September
- End ship mid October

Holiday themed delivery:

- Start ship beginning of November
- End ship mid December.

SALES

Papillon Baby has established some guidelines to help Franchisees navigate Discount Sales and unsold items.

- Papillon Basics: No Papillon basics, toys, décor or bedding may be put on sale unless Papillon Baby inc gives written permission.

Papillon Seasonal Apparel Collection: Seasonal discount sales have been established by Papillon Baby inc to help Franchisees sell as much of the collection as possible at the highest profitability possible. The schedule is as follows:

- Spring Apparel and Toys 25% sale mid May (lasting until next sale). 50% sale beginning of August (lasting 2-3 weeks before moving it off main floor and into a “sale” corner).
- Summer Apparel and Toys 30% sale end of July (lasting until next sale). 50% sale mid of August (lasting 2-3 weeks before moving it off main floor and into a “sale” corner).
- Fall/winter Apparel ONLY 15% sale mid-October (lasting for 2 days only). 30% sale beginning of December. 50% sale 1st of January (lasting for 2-3 weeks before moving it off main floor and into a “sale” corner).

For unsold garments or toys left over from a season’s appointed sale periods, Franchisee may further discount these items one week following the 50% sale periods. Franchisee may discount these items up to 70%, or Franchisee may keep these items in a “sales” dedicated corner, store the garments until the next year’s season and offer them on-sale again or donate the garments to charity. Papillon Baby inc suggests that Franchisee not go past the 60% discount level as our experience and research has shown that the items sell well at 50% and further discounting is unnecessary.

FIRST STEP

The first step in this process for all future franchisees is the signing of the Franchise contract with Papillon Baby inc and the release of the initial investment of the Franchise joining fees (these fees are non-refundable and due upon signing of contract). Next Papillon Baby inc advises Franchisee as they look for, locate and secure the appropriate physical store outlet. Once the physical store space is ready the fixed asset fees and stock fees are released and Franchisee moves in to space. Franchisor helps with delivery and installation of physical assets.

*Franchisee is responsible for fees and lease relating to physical store including deposit, renovations, lighting, flooring and ALL physical build out. Franchisor will help advise Franchisee on finding the right location to open Papillon. Franchisee is responsible for fees relating to hiring and maintaining employees, this includes all training, taxes and governmental fees. Franchisee is required to acquire a business license and pay all sales taxes related to their business.

**Marketing fee covers the following: Store featured on the Papillon website with a photograph and description of store, as well as address and telephone number and map. Marketing fee is used to hire publicity firm which works to keep the Papillon brand in national magazines and press outlets. Publicity firm will work whenever possible on a regional level to promote each individual store via their local magazines and press outlets. Marketing fee does not include local or regional advertising. Franchisee is responsible for developing their own local marketing and advertising plan that is appropriate for their community. Franchisor will help to advise Franchisee on these points.

*** **MONTHLY ORDERING:** Franchisee is required to keep store fully stocked. Franchisee is required to place orders of at least \$2,000 a month for re-orders of items that have sold out. Though it is average to spend approximately \$3,000 to \$6,000 on Monthly re-ordering

****Inclusive in the joining into the Franchise the Franchisee will pay factory costs (normally ½ of wholesale). This will allow Franchisee to quadruple their normal profit margin. Prices for Papillon made items such as toys, clothing, bedding and décor will all be sold to Franchisee at factory costs. For items that are made by other manufacturers (not Papillon) Franchisor will negotiate on Franchisee's behalf for the lowest price possible.