



Dear Potential Franchisee.

.....
Thank you so much for your interest in Real Deals on Home Décor®. As we hit our decade mark this year, we're so excited about how far we've come in 10 years, and even more excited about the incredible direction in which we're heading.

- An important part of our job as Franchisor is to constantly keep your business relevant, and we've made some big steps by opening six days a week, Monday thru Saturday, and also RD Boutique to our model; and evolving our look and feel with a new website and signage.
- We are committed to staying on top of trends by working with our seasoned partners to predict trends and anticipate them, ensuring that your investment continues to gain value each year.
- As you've seen from our website, our approach to owning your own Shoppe selling décor and fashions is totally unique. We think our important uniqueness comes from incredible owners who use our system to take care of their customers and communities in extraordinary ways.

Our mission is to give customers fabulous home décor and fashions at the fairest price by giving our Owners a proven business in a box (in this case, an enormous operations manual, state of the art on-line platforms for everything from ordering to advertising to managing your business, and everything in between). We've done the thinking, planning, and preparation for you by creating a system with the most valuable people and vendors as partners in every aspect of our retail business: Product, Merchandising, Marketing & Advertising as well as the behind-the-scenes IT, Business and Financial.

We have seen over and over that there is magic in our business model and systems and we're excited for you to reap the rewards.

Sincerely,

Nate Kelsey

Nate Kelsey
Co-Founder & CEO

A Decade of Décor

You can read our entire history on our website at www.realdeals.net and we hope you will. It's been a wild ride since we franchised in 2006. This year we're celebrating our 10th anniversary. Unbelievably, the franchise now has 69 locations in 19 states and 4 provinces in Canada, and is listed in the Top 500 Franchises of Entrepreneur Magazine. In January we teamed up with World Market Center to bring our franchise owners to the annual convention, holding it during the Spring Las Vegas Market.

Giving our owners their franchise awards during convention was humbling and incredible – in 2015 we had 3 franchise stores top \$800,000 in annual sales, in 3 days of retail per week. Our remarkable owners and loyal fans have helped us create something incredible. We're proud and awed and so grateful to go to work every day doing something we're passionate about, for people we love.

Your Estimated Initial Investment

ITEM	AMOUNT RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM IS THE PAYMENT MADE?
1. Initial Franchise Fee	\$30,000 (Note 1) (\$35,000 outside of the U.S.)	Lump Sum	At Signing	Real Deals Inc.
Travel & living expenses while training	\$1,500 - \$3,000 per person trained (Note 2)	As Incurred	During Training	Airlines, Hotels & Restaurant
Real Estate & Improvements	\$5,000 - \$10,000 (Note 3)	As Incurred	As Incurred	Vendors & Contractors
Equipment, Fixtures, Software & Supplies	\$1,500 - \$10,000 (Note 4)	As Incurred or Leased	Before Opening	Real Deals Inc. and Suppliers
Store Front Signage	\$1,500 - \$5,000 (Note 5)	As Incurred	Before Opening	Suppliers
Grand-Opening Advertising	\$5,000 (Note 6)	As Incurred	Before Opening	Real Deals Inc. or Media vendors & Suppliers

Misc. Opening Costs	\$1,500 - \$2,000 (Note 7)	As Incurred	As Incurred	Suppliers, Utilities, Etc...
Opening Inventory	\$60,000 - \$70,000 (Note 8)	Lump Sum	Before Opening	Real Deals Inc. & Suppliers
Advertising – 3 Months	\$9,000 - \$12,000 (Note 9)	As Incurred	As Incurred	Real Deals Inc. or Media vendors & Suppliers
Additional Funds for 3 Months	\$25,000 - \$35,000 (Note 10)	As Incurred	As Incurred	Suppliers, Accountants, Employees, Etc...
*Total	\$130,000 - \$161,500 (Note 11)	*Does not include ongoing royalties, advertising fees & lease payments		

Note 1: Initial Franchise Fee The initial franchise fee is \$30,000 and is paid at the time you sign the franchise agreement. It is not refundable. We do not finance any portion of this fee. (See Item 5) If you sign a deposit agreement for this franchise, the deposit fee is \$1,000 and will be credited against the initial franchise fee if you purchase the franchise. Except as noted above, these costs and fees are uniform for all franchisees and are not refundable. However, a number of our franchises and affiliates paid less than \$30,000 for their initial fee.

Note 2: Training You are responsible to pay all travel, living, and other associated training expenses for yourself and your employees during training, directly to the supplier (hotels, airlines, restaurants, rental car companies, etc.).

Note 3: Real Estate You must purchase or lease a suitable location for your Real Deals on Home Décor® store. Costs of commercial property or leases and improvements vary widely based on location, terms of the lease, the total area of your space as well as construction and material costs. We have not included an amount for the lease or purchase of real property because it is impossible to estimate and varies widely per location. You should review these costs with a local contractor, commercial real estate agent and other professionals. Your space will vary depending on your needs, but we estimate you will need between 2,000 and 4,000 square feet with a minimum of 1,500 square feet of show room space. Your improvements may include painting, signage, counter, shelving, refinishing, fixtures, furniture, wall coverings, and electronics, all of which must be approved by us. We will help you with standard plans and specifications for construction of improvements; and you must follow our décor specifications. Construction of your premises must be completed and your store must be open for business within 15 weeks following the date of your franchise agreement. Failure to meet these deadlines may result in termination of your franchise agreement.

Note 4: Equipment, Fixtures, Software and Supplies In addition, you must purchase from us between \$500 and \$2,000 in products, signs, fixtures, uniforms and marketing materials. As part of the initial franchise fee we provide you with a computer and point-of-sale hardware and software including QuickBooks™ Point-of-Sale and QuickBooks™ Pro that is compatible with our system and display fixtures. You must negotiate all purchase agreements or leases with suppliers. For any items purchased from us, immediate payment is required. You must have high speed, broadband internet access. We will have

independent access to any information or reports generated by you on this computer and software system. In any event, we require you to maintain this information for us. For defects in the computer or software you must work directly with the manufacturer. You must use the standardized profit and loss template and balance sheet template we provide to you. Any payments to us are non refundable.

Note 5: Signs We require that all signage be designed and manufactured by our approved vendor/s. Your exterior signage will be mocked up by us prior to production and will carry the Real Deals on Home Décor[®] trademark. Upon approval and deposit from you, your signage will be produced and shipped to you, to be installed by a local signage contractor. All signs must conform to our specifications and all sign purchase agreements or leases must be negotiated with approved suppliers.

Note 6: Grand-Opening Advertising You must spend a minimum of \$5,000 on grand-opening advertising for your business. Advertising is essential to the successful opening of your franchise business. Your dollars will go towards these and other avenues of marketing required: advertising on Facebook and Instagram, full page or ½ page full-color ads in local and regional newspapers, 5,000 postcards to be handed out personally in your community, postcards mailed to friends and family list along with others garnered from chamber of commerce, etc., your Constant Contact email account, gift card giveaways, auctions or other promotions, printing and distributing parade postcards/flyers and door hangers, and submitting press releases to local papers, DJ's, TV stations for local coverage before opening.

Note 7: Miscellaneous Costs These miscellaneous costs include but are not limited to utility deposits, business entity organization expenses, employee training, deposits, insurance and licenses. You must obtain comprehensive general liability insurance, commercial automobile liability insurances, workers compensation insurance and other insurances we specify in the franchise agreement and in the policies and procedures manual.

Note 8: Opening Inventory This amount may not cover freight. Opening inventory items include: home décor, furniture, clothing and accessory items. You should expect to spend about \$35,000 for each 1,000 square feet of showroom space. The amount in Item 7 reflects the cost needed to have a complete opening inventory, deposits on substantial direct import inventory for future delivery and enough money to pay for the future deliveries when they occur.

Note 9: Advertising In addition to the Grand Opening Advertising described in Note 6, you will be required to pay us the advertising fee of 1.5% for the national advertising fund and you will also be required to spend a minimum of \$500 per month on your local advertising. Advertising is essential to the successful operation of your franchise business and this amount estimates the additional advertising amount above the required amount that should be spent during your first year in business. This estimates the costs of promotional materials used for media advertisements, direct mail, flyers and in-store advertising such as placards, posters, brochures, etc after opening. You cannot establish a website or social networking site, or advertise on the Internet without our prior written approval.

Note 10: Additional Expenses This estimates your initial start up expenses excluding real estate acquisition expenses or shipping and installation of equipment, and includes payroll costs, but not taxes. Employee compensation is between you and your employee and may vary widely. Therefore, this compensation cannot be accurately estimated. In addition, you need to include an amount payable to you.

Note 11: Total These figures are estimates and we cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on factors such as: how well you follow our method and procedures; your management skill, experience and business acumen; local economic conditions; the prevailing wage rate; and competition. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer direct or indirect financing for any item. We recommend you develop a business plan for your store. We relied on the experience of our principals to compile these estimates.

Frequently asked questions:

How much is the Franchise Fee?	Currently \$30,000 (\$35,000 outside the U.S.)
What does the Franchise Fee pay for?	Real Deals University Training, lap-top computer, QuickBooks Point-of-Sale software and hardware, QuickBooks software
What is the minimum investment for a Real Deal on Home Décor Franchise?	\$125,000 is an average minimum amount that seems to be adequate to get a store open. This amount includes the franchise fee, inventory, initial advertising, remodel, signage, shelving, props and other miscellaneous items. This amount may vary.
What is the royalty structure?	Currently it is 5% of gross sales
Are there any advertising fees?	Yes, 1.5% national advertising royalty is paid per month
How is the royalty fee paid?	As outlined in the Real Deals on Home Décor®, Inc. FDD, it is currently paid weekly by automatic bank sweeps.
How long does it take to open a Real Deal on Home Décor store?	Minimum of three months During which you will be attending training in Twin Falls. The time frame varies based on circumstances & location.
Financing	We are Small Business Association (SBA) approved.
When I open a Real Deals on Home Décor® franchise, do I have rights to a certain area?	Your territory will be left to the discretion of the Franchisor.
When can I expect to be profitable?	It varies by location and market as well as franchise management. As in any business we cannot predict earnings or profitability.
How do I select my store location?	The store location is not a typical site selection. Please see the FDD for complete details.
What are the minimum square footage requirements for opening a Real Deals store?	2,500 square feet
What are payment terms with each manufacturer?	Typically there are 30-days-net. This depends on your credit and each manufacturer.
What is the point of sale and account systems we will be using?	POSIM hardware and software and QuickBooks software

What is the ordering timeframe for ordering product?

If it is in stock, the product usually arrives in a couple of weeks.

So how do you get started?

There are three ways to get started:

1. Fill out an online application by visiting www.realdeals.net/franchise. This application will be submitted to us and a member of our team will contact you shortly.
2. Email us at development@realdeals.net
3. Call or contact us:
 - a. Nate Kelsey
CEO
208-731-7076
nate@realdeals.net
 - b. Brent Christensen
US Franchise Development
970-556-1644
brent@realdeals.net
 - c. Tom Simek
Director, Canadian Development & Operations
250-919-9084
tom.simek@realdeals.net