



## DEAR POTENTIAL FRANCHISEE:

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Thank you for your interest in Real Deals on Home Décor®. Our approach to owning your own business and home furnishings is totally unique.

Here is our formula for success:

2 days a week *plus*

Incredible selection & prices *without*

High overhead equals

An amazing store that customers love to discover

A few years ago when we decided to get involved in the home décor and furniture business we were stunned to see the big mark-ups and high prices in the industry. It didn't take long for us to find out that it didn't have to be that way. We discovered that we could make a profit without huge mark-ups and high prices. We set up a successful system and want you to be a part of our team.

Franchises can be expensive so we have decided to live up to our name and make sure our franchises are a Real Deals™ to you.

Customers get what they love: a deal, a discovery and beautiful décor. YOU get what YOU love: a proven business out of the box. We've done the thinking, planning, and preparation and set up our purchasing network. There is magic in our business model and systems. You reap the rewards.

As one of the co-founders of Real Deals on Home Décor® I am excited to offer you this chance to own your own business. I am confident you will find our business model to be the very best way to earn a good income being open part-time hours. We are new and we are growing. Come join us!

Sincerely,

Jeffrey Humphrey – Co-Founder & Vice President of Development

# THE REAL DEALS™ STORY:

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## **The Beginnings**

In early 2003, Jeff & Marisa Humphrey renovated the bottom floor of an old cotton mill in Jefferson Georgia and started a new business concept, Real Deals on Furniture. Because of the low overhead of the mill, they could stack it deep and sell it cheap. Their two-acre showroom of discount designer furniture and home decor was an instant success.

## **A Franchise is Unknowingly Born**

Meanwhile, Marisa's little sister Carie Kelsey and her husband Nate, who had just finished graduate school, were just getting started in Twin Falls, Idaho. Knowing the Kelsey's were broke after school, Marisa told Carie she was ordering her \$10,000 of home décor goods...and she better find a place to sell them. In December 2003, Carie and Nate opened the first Real Deals store in Twin Falls, Idaho. They literally started upstairs in three small office rooms of an old creamery in a less-desirable part of town. These 400 square feet were all they needed to get the ball rolling. They opened one day a week and pulled décor out in the hallway for more space. After almost a year, they moved to the first floor of the creamery into 4,200 square feet and began opening on Saturdays as well. Things really took off then.

Marisa and Carie's oldest sister Karmelle soon opened mini-co-op stores in Pocatello and Idaho Falls, Idaho. Another sister, Wendy, also opened in Bend, Oregon. Dori, the fifth and final sister, opened a store in Boise just a few months ago. Back in Georgia in 2004, the Humphreys started a direct import company, Jackson & Harrison Imports, named after their two sons. They started importing goods for the Real Deals™ stores.

With our success, people continued to ask how they could open a Real Deals™ store. It was easy to see that franchising was the way to go. So in August 2006 the Humphreys and Kelseys formed a partnership and began to offer franchises. Little did they dream there would be over 70 Real Deals on Home Décor® just a few years later. What a ride!

## Your Estimated Initial Investment:

ITEM	AMOUNT RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM IS THE PAYMENT MADE?
1. Initial Franchise Fee	\$25,000 (Note 1)	Lump Sum	At Signing	Real Deals Inc.
2. Travel & living expenses while training	\$1,500 - \$3,000 per person trained (Note 2)	As Incurred	During Training	Airlines, Hotels & Restaurant
3. Real Estate & Improvements	\$5,000 - \$10,000 (Note 3)	As Incurred	As Incurred	Vendors & Contractors
4. Equipment, Fixtures, Software & Supplies	\$1,500 - \$10,000 (Note 4)	As Incurred or Leased	Before Opening	Real Deals Inc. and Suppliers
5. Store Front Signage	\$1,500 - \$5,000 (Note 5)	As Incurred	Before Opening	Suppliers
6. Pre-Opening Advertising	\$5,000 (Note 6)	As Incurred	Before Opening	Real Deals Inc. or Media vendors & Suppliers
7. Misc. Opening Costs	\$500 - \$1,500 (Note 7)	As Incurred	As Incurred	Suppliers, Utilities, Etc...
8. Opening Inventory	\$32,500 - \$60,000 (Note 8)	Lump Sum	Before Opening	Real Deals Inc. & Suppliers
9. Advertising – 3 Months	\$9,000 - \$12,000 (Note 9)	As Incurred	As Incurred	Real Deals Inc. or Media vendors & Suppliers
10. Additional Funds for 3 Months	\$20,000 - \$30,000 (Note 10)	As Incurred	As Incurred	Suppliers, Accountants, Employees, Etc...
11. *Total	\$101,500 - \$161,500 (Note 11)	*Does not include ongoing royalties, advertising fees & lease payments		

**Note 1: Initial Franchise Fee** The initial franchise fee is \$25,000 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 \$25,000 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** A minimum of one exterior sign displaying the Real Deals on Home Décor® trademark is required. We provide you with camera-ready artwork for your signs. However, we must approve the proof for your sign before it is made. This sign must be purchased from our approved suppliers and the minimum cost should be approximately \$1000. All signs must conform to our specifications. All sign purchase agreements or leases must be negotiated with approved suppliers.

**Note 6: Pre-Opening Advertising** You must spend \$5,000 on pre-opening advertising for your business. Advertising is essential to the successful opening of your franchise business. This \$5,000 pre-opening advertising allowance (POAA) is for buying advertising media (TV, radio and print media) to be run before and during the first week of opening. Our advertising team will compile a suggested media buy for you based on your market. Upon joint approval by our advertising team and you, the advertising will be purchased using the POAA. It is not refundable. Any money remaining from the POAA after the media time is purchased can be used towards the following required pre-opening marketing efforts, or for post-opening media buying: 5,000 to 10,000 grand opening postcards mailed to a bulk mailing list along with any names collected by franchisee, 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 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** Opening inventory items include: furniture 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 POAA described in Note 6, you will still be required to pay us the advertising fee for the advertising fund and you will still be required to spend a minimum of \$500 per month on local media advertising and spend an additional 1% on local general media 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:

<b>How much is the Franchise Fee?</b>	<b>Currently \$25,000</b>
<b>What does the Franchise Fee pay for?</b>	Real Deals University Training, lap-top computer, QuickBooks Point-of-Sale software and hardware, QuickBooks software
<b>What is the minimum investment for a Real Deal on Home Décor Franchise?</b>	\$125,000
<b>What is the royalty structure?</b>	Currently it is 5% of gross sales
<b>Are there any advertising fees?</b>	Yes – 1% local & 1% national per month
<b>How is the royalty fee paid?</b>	As outlined in the Real Deals on Home Décor®, Inc. FDD, it is currently paid weekly by automatic bank sweeps.
<b>How long does it take to open a Real Deal on Home Décor store?</b>	One to three months from the signing of the store lease until the store opens. The time frame varies based on location.
<b>What options do I have to get financing?</b>	There are many financial options including: <ol style="list-style-type: none"> <li>1. SBA – most common</li> <li>2. Home Equity Loans</li> </ol>
<b>When I open a Real Deals on Home Décor® franchise, do I have rights to a certain area?</b>	Your territory will be left to the discretion of the Franchisor.
<b>When can I expect to be profitable?</b>	It varies by location and market as well as franchise management. AS in any business we cannot predict earnings or profitability.
<b>How do I select my store location?</b>	The store location is not a typical site selection. Please see the FDD for complete details.
<b>What are the minimum square footage requirements for opening a Real Deals store?</b>	2,500 square feet
<b>What are payment terms with each manufacturer?</b>	Typically there are 30-days-net. This depends on your credit and each manufacturer.
<b>What is the point of sale and account systems we will be using?</b>	QuickBooks Point-of-Sale hardware and software and QuickBooks software
<b>What is the ordering timeframe for ordering product?</b>	If it is in stock, the product usually arrives in a couple of weeks.

## So how do you get started?

Continue to go through all 8 Steps on our Website, send us an email at [franchise@realdeals.net](mailto:franchise@realdeals.net) or call us at 208-543-6300