



INTERNATIONAL FRANCHISE ASSOCIATION

Steven J. Greenbaum, CFE
PostNet International Franchise
Corporation
Chairman

Dina Dwyer-Owens, CFE
The Dwyer Group
1st Vice Chairman

Kenneth D. Walker, CFE
Driven Brands, Inc.
2nd Vice Chairman

John "Jack" Earle
Earle Enterprises LP
Secretary

Russell J. Frith, CFE
Lawn Doctor, Inc.
Treasurer

Peter Cohen
Sylvan Learning, Inc.
Assistant Treasurer

Michael M. Isakson
ServiceMaster Clean, Furniture
Medic, AmeriSpec
Immediate Past Chairman

Lawrence "Doc" Cohen, CFE
Doc & Associates
Past Chairman

John W. Francis
PostNet of MN & WI
Chairman, Franchisee Forum

Stephen P. Joyce
Choice Hotels International, Inc.
Chairman, Franchisor Forum

Andrew F. Perrin
Larkin Hoffman Daly & Lindgren,
Ltd.
Chairman, Supplier Forum

BOARD OF DIRECTORS

Kay Marie Ainsley, CFE
Michael H. Seid & Associates
1st Vice Chair, Supplier Forum

Bill Anderson
UPS Store of Philadelphia, PA

Ron Berger
Figaro's Italian Pizza, Inc.

Melanie Bergeron, CFE
Two Men And A Truck
International, Inc.

Joe Bourdow, CFE
Valpak

Jose Cofino
Pollo Campero - Adlr Restaurants
Corp.

Jerry Crawford, CFE
Jani-King International, Inc.

Lane Fisher
FisherZucker LLC

Philip Friedman
McAlister's Corporation

Scott Haner, CFE
Yum! Brands, Inc.

David Jordan
PepsiCo Foodservice

Aslam Khan
Falcon Holdings, LLC

John Kujawa
McDonald's Corporation

William Kussell
Dunkin' Brands, Inc.

Stuart Mathis
The UPS Store

Eric McCarthy
The Coca-Cola Company

Barry E. Miller
Sylvan Learning Center of Girard, OH
1st Vice Chair, Franchisee Forum

Catherine Monson
PIP Printing & Marketing Services

Barbara Moran
Moran Industries, Inc.

Steve Romaniello, CFE
FOCUS Brands, Inc.

Ann M. Rosenberg, CFE
D'Vine Wine

Larry Tate
Golden Corral Buffet & Grill

Samuel Wright
FedState Strategic Consulting, Inc.

George Zografos
Z Donut Co.

Matthew R. Shay
President and CEO

June 11, 2008

The Honorable Joseph Cryan
New Jersey Assembly
985 Stuyvesant Avenue
Union, New Jersey 07083-6906

Dear Assemblyman Cryan:

On behalf of the International Franchise Association, I write to express concerns with your bill, A2491, relating to the New Jersey Franchise Practices Act. The IFA believes this legislation unnecessarily expands the regulation of franchised businesses throughout the state.

IFA is the world's oldest and largest organization representing franchising with a growing membership of more than 1,300 franchise systems, 10,000-plus franchisees and more than 500 firms that supply goods and services to the industry. According to a 2008 study by PricewaterhouseCoopers, there are more than 900,000 franchise establishments in the U.S. that are responsible for creating 21 million American jobs and generating an annual economic output of \$2.3 trillion. In New Jersey alone there are 20,636 franchise establishments employing 246,000 workers.

As you know, A2491 would amend the Franchise Practices Act by expanding the definition of "place of business." This will likely cause certain franchised businesses already regulated by the Federal Trade Commission Franchise Rule to be unnecessarily subjected to additional state scrutiny. For more than two decades, the Federal Trade Commission's Franchise Rule has required extensive pre-sale disclosure of information about every franchise investment.

After more than 12 years of contemplation, the FTC released in March 2007 an overhaul of the Franchise Rule. Recognizing the impact that such over-regulation would have on the broad array of franchised industries, the FTC concluded in its final rule notification: "Therefore, the Commission declines to impose industry-wide provisions mandating substantive terms of private franchise contracts that would impact on the entire franchise industry, not just those franchise systems that are the subject of commenters' complaints." (*Federal Register*, Vol. 72, No. 61, March 30, 2007)

Franchising is a successful and growing business model in New Jersey and research suggests that over-regulation of franchised outlets can lead to a

Assemblyman Joseph Cryan

Page 2

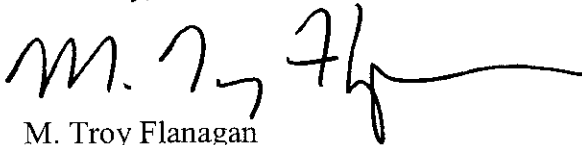
June 11, 2008

decline in the number of franchised businesses. Therefore, New Jersey residents would be denied the opportunity to invest in franchised businesses. Additionally, employment in franchised industries is “significantly reduced when states enact restrictions on franchisor termination rights and the effect is larger when states limit the ability to contract around these restrictions.” (*The Effect of Contract Regulation: The Case of Franchising*; Klick, Kobayashi, Ribstein; 2006; <http://ssrn.com/abstract=951464>)

As you can see, the negative ramifications of A2491 outweigh isolated concerns within a single brand. A legislative response to very specific concerns between two parties will cause disruption to franchising statewide. This legislation’s impact should be carefully debated and considered.

Please contact me should you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Troy Flanagan". The signature is stylized and includes a long horizontal flourish extending to the right.

M. Troy Flanagan
Director, Government Relations