



March 10, 2010

Georgia House of Representatives
State Capitol
Atlanta, Georgia 30334

Dear Representative:

On behalf of the International Franchise Association (IFA), I want to offer our strong support for HR 178 (Levitas), regarding the enforcement of contracts, and encourage your support when it comes before the House of Representatives. This bill starts the process of making improvements to the state of Georgia's rules for in-term and post-term non-compete clauses in employment and business contracts, including franchise agreements, thereby fostering a better environment for business in the state.

IFA is the world's oldest and largest organization representing franchising with a growing membership of more than 1,100 franchise systems, 12,000-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 Georgia alone there are over 32,000 franchised businesses employing 390,000 workers and contributing \$29.7 billion in economic output.

Enforcing in-term covenants not to compete is central to the concept of franchising, a chief mechanism for protecting a brand's unique systems and proprietary concepts. Recognizing that the law should not prevent someone from further pursuing their entrepreneurial spirit, post-term covenants should be treated as a distinctly different mechanism once a franchisee leaves a system. But within the term of a franchise agreement, non-compete clauses are essential to protecting the value of the franchisee's investment as well as the intellectual property maintained by the franchisor. Approval of HR 178 by the General Assembly and subsequent endorsement by the voters of the state will clarify that distinction.

Again, IFA urges your support of the critical measure in order to improve the business climate of Georgia and allow its citizens to continue pursuing their own American dream through the ownership of franchised businesses.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Troy Flanagan', is written over a white background.

M. Troy Flanagan

Director, Government Relations