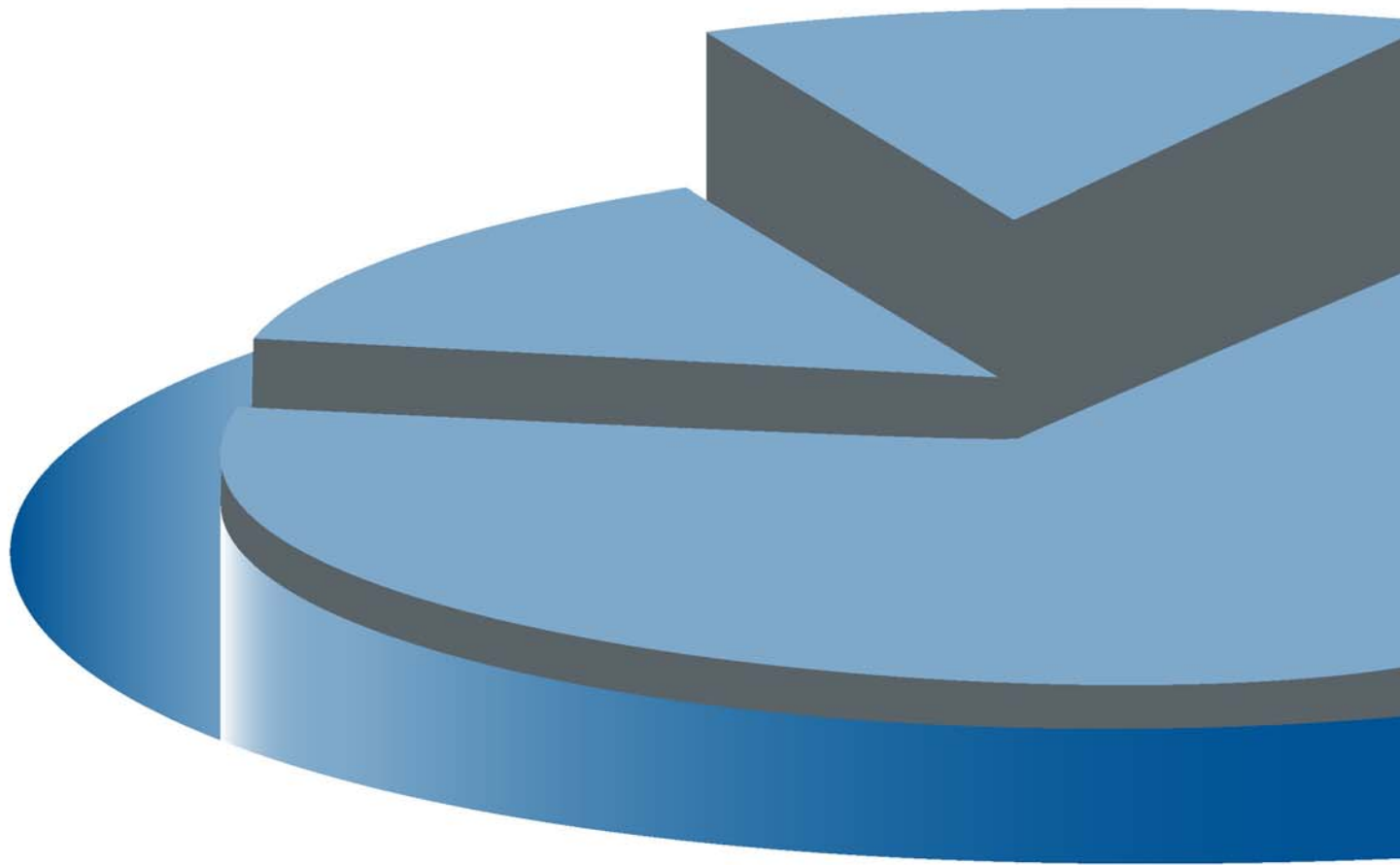


Small Business Lending Matrix and Analysis

The Impact of the Credit Crisis on the
Franchise Sector

December 2009



Source Material

Information for this report is based on SBA data, the Economic Impact of Franchised Businesses Study (Volume 1 and 2) and additional third-party data such as government agencies. Additional information in this report was compiled from FDDs received and registered by state franchise examiners. Franchisors are required under state and federal laws to produce and deliver FDDs to prospective franchisees. As part of this disclosure process, certain state regulatory agencies require complete and updated FDDs to be filed and approved before a franchisor is permitted to sell franchising rights within their jurisdictions. These documents must be accurate by law.

More information concerning FDD disclosure guidelines is available at the North American Securities Administration Association (NASAA) website:

http://www.nasaa.org/Industry_Regulatory_Resources/Corporation_Finance/588.cfm

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EXECUTIVE SUMMARY

In 2010, four factors will impact the ability of the franchising sector to recover from the economic recession, to develop new franchise units, and in doing so, create more jobs for the beleaguered U.S. economy. These factors are –

- The demand for unit transactions by existing franchisees and franchise prospects, based on both their willingness to invest in franchise businesses and their financial ability to do so.
- The amount of capital available to finance new and transfer units and the willingness of lenders to make this capital available.
- The impact of government programs and policies on small businesses in general, and in particular the role of the Small Business Administration (SBA) to support increased lending to franchise businesses.
- The pace and shape of the economic recovery, chiefly as measured by consumer and CEO confidence and job growth.

This report examines each of these factors in the sections that follow.

FRANdata predicts that demand for new units will increase in 2010. While banks will have sufficient capital to meet this demand, the limiting factor will be the banks' willingness to lend. Banks and regulators continue to show a high level of risk aversion which will have a stifling impact for franchise unit growth in 2010.

The economy is expected to recover in 2010 but there are doubts as to how strong and how wide reaching that recovery will be. The predominant reasons cited for the tightening credit standards are reduced risk tolerance, weak economic outlook, and worsening industry-specific issues. This uncertainty has led most experts to agree that the recovery is unlikely to be "V" shaped but will be much slower appearing like a capital "L". This is caused by reduced consumer spending and slow job growth. U.S. GDP is estimated to grow at 3% in 2010¹.

A slow recovery with limited job growth underscores the importance of protecting and encouraging lending to small businesses, which account for 60% of all U.S. jobs. There is a direct correlation between dollars loaned and jobs created. Every million dollars added to franchisee lending creates or protects an estimated 40.4 total jobs and generates an estimated \$4.2 million in annual economic output. This increase from 34.1 jobs and \$3.6 million in annual economic output in 2009 is caused by lower initial borrowing amounts. Increased capital flow to the franchising sector can have a very positive impact on the pace of the U.S. economic recovery. Likewise, constrained capital flow will have a negative impact not only on franchising sector growth but also the U.S. economic recovery as whole.

Franchise Demand in 2010

In 2009, FRANdata predicted a drop of 24% in small business investor willingness and 30% in investor ability to invest in a unit transaction compared to 2008. In 2010, based on improving consumer and business confidence levels, FRANdata projects overall investor willingness to improve by 18%. On the other hand, there will be a projected 5% decrease in the ability of new franchisees to invest, due to eroded net worth and limits to other sources of funds. Existing franchisees looking to add new units or purchase existing units will see an improvement in ability based on a combination of factors.

¹ The Financial Forecast Center: forecasts.org

Overall FRANData expects demand for new units to increase 6.3% and demand for transfer units to increase by 11.3% in 2010. As a result, 13,655 new units and 22,690 transfer units will seek financing in 2010. As was done in the previous study, these numbers exclude units with investment levels of less than \$50,000. Also excluded was the hotel industry. Franchises in that industry have a unique capital requirement which makes comparisons with other industries more difficult. If both of these categories were included, the number of unit transactions and financing needs would be higher.

FRANData predicts further reductions in the cost of starting or purchasing a unit which will be mostly influenced by decreased lease costs related to the continued weakness in the commercial real estate market. This weakness, combined with discounts and other cost cutting measures will combine to decrease overall costs by 2.5% in 2010, which means the average franchise unit transaction will cost \$375,453.

Based on the projected 36,345 total unit transactions and an average unit cost of \$375,453, franchising will require as much as \$13.6 billion in capital in 2010. Of this amount FRANData projects that 74% — or \$10.1 billion — will be required from borrowed capital with the rest being equity contributions.

The Lending Environment in 2010

For 2010, the SBA has an approved budget of \$28 billion with which to guarantee loans. This is based on the assumption that: Banks maintain the same level of lending in 2010; approximately 20% to 25% of all SBA loans are made to franchisees; and conventional lending remains consistent. Based on these forecasted assumptions, FRANData estimates a pool of over \$11.9 billion in conventional and SBA money for banks to lend to franchisees. Assuming total borrowing requirements of \$10.1 billion, banks should have the ability to meet 100% of demand for funds in 2010.

This increase in the supply of funds represents a major change between 2009 and 2010. Entering 2009, concerns about the collapse of the housing market and uncertainty related to the valuation of bank assets meant that many banks did not have the ability to lend even if they had wanted to. To offset these concerns, the government made substantial amounts of money available to protect the banking industry. Combined with greater certainty about loan asset valuations, most banks are in a much better capital position going into 2010.

Banks' Willingness to Lend

While banks technically will be able to meet 100% of franchise demand for funds, the limiting factor will be the banks' willingness to lend. Between January and September 2009, 100 banks have failed. This is the first time since 1992 that so many closures happened in a single year. Although they represent a small portion of total lending capacity, this rapid increase in bank closings caused both regulators and banks to take a much more conservative approach to the near future.

2010 could see a continuation of these difficulties and the problem may be accentuated by uncertainty in the commercial real estate market. Commercial property values have fallen by 30% to 50% from their peaks. This plunge could continue to cause building owners to default on an estimated \$500 billion to \$750 billion of mortgage debt, further exposing banks to bad debt².

Larger, nationwide banks have traditionally had more commercial real estate exposure than small community banks. Already reeling from home mortgages, if the decline in commercial real estate continues, large banks will be even less likely to lend. Smaller banks with less exposure to residential housing and commercial real estate are in a better position to make small business franchise loans. Their lending decisions are increasingly influenced by the performance of the franchisor, the franchise system

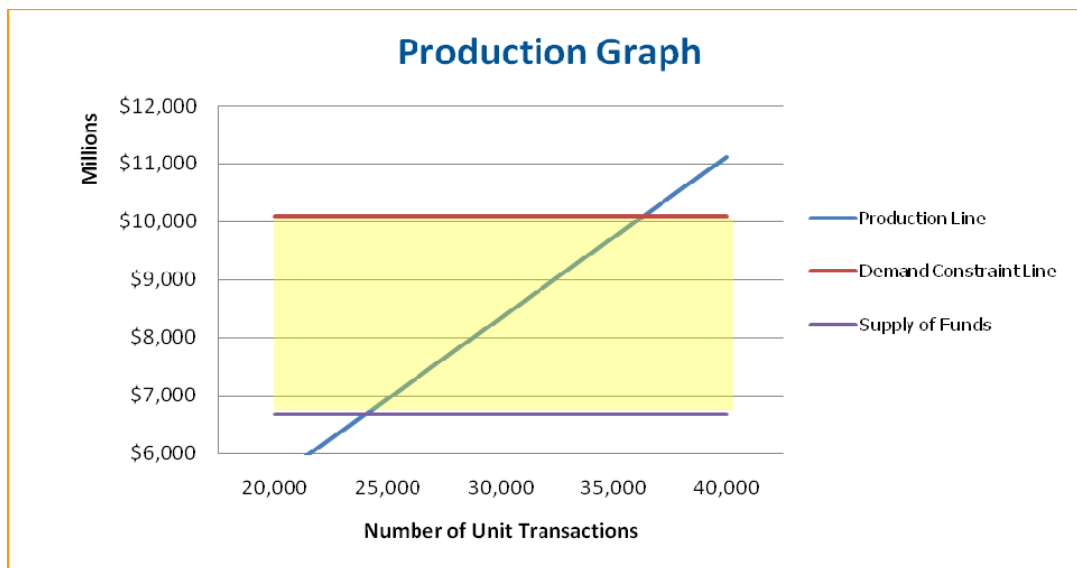
² The Atlantic: business.theatlantic.com "The Ugly Commercial Real Estate Picture" November 11, 2009.

and unit economics. Mitigating these perceived risks will be important. Further, SBA lending activity will play a key role as an inducement for lenders to extend small business credit.

In 2008, banks loaned an estimated \$11.7 billion dollars to franchisees made up of \$1.9 billion in SBA lending and \$9.8 billion in conventional lending. The 36% drop in lending in 2009 equates to an estimated \$7.5 billion in bank loans to franchisees in 2009, which is estimated to consist of \$1.2 billion in SBA lending and \$6.3 billion in conventional lending. FRANData assumes conventional bank lending will tighten by another 25% in 2010, in part reflecting the results of the Federal Reserve Board's October Survey. At the same time the SBA will increase its total lending to franchisees by 55% to reflect the increased budget the SBA has for loan guarantees in 2010. This leads to an estimated \$6.7 billion in lending to franchises in 2010.

Shortfall in Lending to Franchise Businesses in 2010

Considering all these factors, FRANData predicts a shortfall of more than \$3.4 billion or 34% in lending to franchise businesses in 2010. Banks are estimated to lend \$6.7 billion to franchises in 2010 versus the \$10.1 billion that would meet 100% of demand. This shortfall of \$3.4 billion represents 12,350 franchise units that will not be developed or transferred in 2010. This shortfall is represented by the yellow portion of the graph below.



Assuming that these unfinanced unit transactions are spread evenly between new unit transactions and transfer transactions means 6,175 new units will not be created and 6,175 transfer transactions will not be completed. Of the 6,175 transfer transactions, FRANData estimates that 5%, or 308 units, will be forced to close and thus will further contribute to job losses and decreased economic output.

Each franchise unit accounts for an estimated average of 20.6 direct and indirect jobs and \$2.2 million in direct and indirect economic output. Based on these estimates, if the total 13,655 of projected new units demanded were financed, franchising would create 281,427 total jobs and \$29.5 billion in annual economic output. The estimated 6,174 reduction of new units translates to 127,255 jobs not created and \$13.3 billion of lost annual economic output.

Scenario	New Units	Total Jobs Created	Total Annual Economic Output Created
Maximum Output	13,655	281,427	\$29,409,077,347
Effect of Shortfall	(6,175)	(127,255)	(\$13,298,186,582)
Reduced Output	7,481	154,171	\$16,110,890,765

The 6,174 transfer transactions not completed have a similar but more muted effect on the over-all economy. FRANData assumes that if a transfer unit fails to obtain financing, 95% of the time the franchisee will continue operations, while 5% of the units will be unsustainable and be forced to close. This means that if 100% of demand for transfer unit transactions is met, 1,134 units that otherwise would have closed stay open, which in turn maintains 23,381 jobs and \$2.4 billion in economic output. The projected shortfall of lending will cause 308 units to close that could have been maintained with more bank lending. These 308 units will cost the economy 6,363 jobs and \$665 million in annual economic output.

Scenario	Transfer Units Transaction	Total Jobs Maintained	Total Annual Economic Output Maintained
Maximum Output*	22,690	23,381	\$2,443,361,264
Effect of Shortfall	(6,175)	(6,363)	(\$664,909,329)
Reduced Output	16,515	17,019	\$1,778,451,935

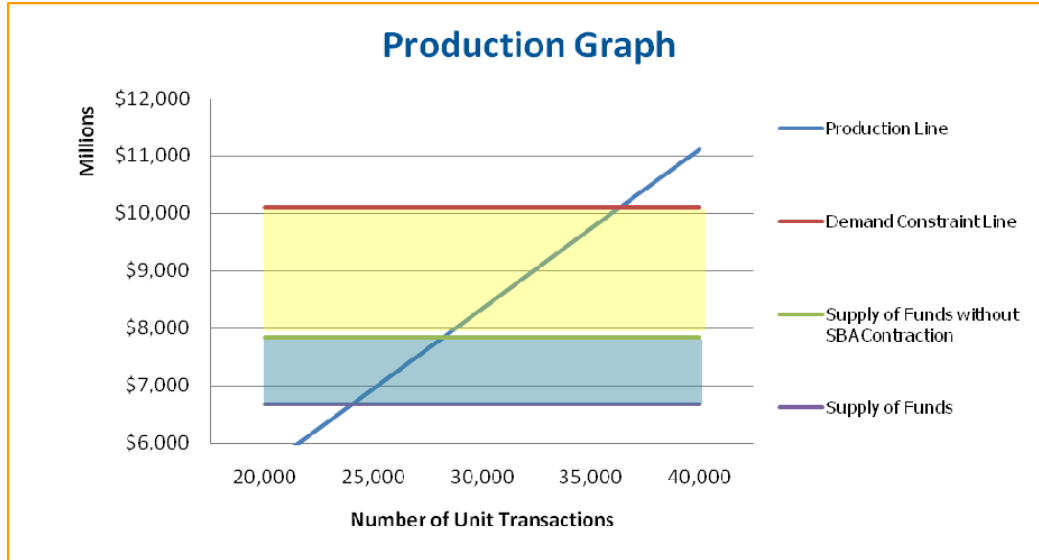
*The number of jobs maintained was calculated by taking the 22,690 unit transactions times the estimated 20.6 jobs and then multiplying the total by 5% to get the number of jobs lost from the units that would have closed without financing.

In summary, franchising could create 304,808 total jobs and \$31.9 billion of annual economic output in 2010. The shortfall in lending would result in 133,618 total jobs not created or maintained and \$13.9 billion of annual economic output or benefit not created or maintained.

Scenario	Total Jobs Created or Maintained	Total Annual Economic Output Created or Maintained
Maximum Output	304,808	\$31,852,438,612
Effect of Shortfall	(133,618)	(13,963,095,912)
Reduced Output	171,190	\$17,889,342,700

SBA Policy Changes in 2010

In 2010, the SBA will have a major role in facilitating lending to franchise businesses if potential policy changes are passed. These policy changes include: increasing loan guarantees to 90%, eliminating and/or reducing SBA fees, increasing guarantees from \$2 million to \$5 million, expanding the 7(a) loan program, and offering inventory financing. If these proposed changes were passed, FRANData estimates improved lender willingness would increase bank lending from \$6.7 billion to \$7.8 billion, which is represented by the blue square on the table below.



This increase in lender willingness will result in 4,234 total unit transactions. Once again assuming that these transactions are split evenly among new and transfer units, the 2,117 new units will result in 43,631 jobs created and \$4.6 billion in annual economic output created.

Scenario	New Units	Total Jobs Created	Total Annual Economic Output Created
Maximum Output	13,655	281,427	\$29,409,077,347
Effect of Shortfall	(6,175)	(127,255)	(\$13,298,186,582)
Effect of SBA Changes	2,117	43,631	\$4,559,421,033
Reduced Output	9,598	197,802	\$20,670,311,798

The 2,117 transfer unit transactions completed will prevent 106 units from closing. These units remaining open would protect 2,182 total jobs and \$228 million in annual economic output.

Scenario	Transfer Units Transaction	Total Jobs Maintained	Total Annual Economic Output Maintained
Maximum Output*	22,690	23,381	\$2,443,361,264
Effect of Shortfall	(6,175)	(6,363)	(\$664,909,329)
Effect of SBA Changes	2,117	2,182	\$227,971,052
Reduced Output	18,632	19,200	\$2,006,422,987

*The number of jobs maintained was calculated by taking the 22,690 unit transactions times the estimated 20.6 jobs and then multiplying the total by 5% to get the number of jobs lost from the units that would have closed without financing.

The total effect of passing the proposed SBA changes would result in 45,812 total jobs and \$4.8 billion in total annual economic output created or protected.

Scenario	Total Jobs Created or Maintained	Total Annual Economic Output Created or Maintained
Maximum Output	304,808	\$31,852,438,612
Effect of Shortfall	(133,618)	(13,963,095,912)
Effect of SBA Changes	45,812	4,787,392,085
Reduced Output	217,002	\$22,676,734,785

INTRODUCTION

This report was created to provide a framework to estimate how the current lending environment will impact franchised unit transactions (defined as an investment in a new unit or a unit transfer). Each franchised unit accounts for an estimated average 20.6 direct and indirect jobs and \$2.2 million direct and indirect annual economic output. In light of the struggling US economy the ability to create and protect jobs is paramount and franchising plays an important route.

In early 2009, FRANData's first Small Business and Lending Matrix and Analysis projected that franchise systems across all industries excluding Lodging would require total capital of \$12.7 billion and total borrowings of \$8.4 billion. These projections were based on the following factors:

1. Average initial investment for a unit transaction
2. The number of unit transactions defined as both new units and transfers
3. Distinctions between prospective franchisee and experienced operator franchisee willingness and ability to start new units and acquire existing units
4. Bank loan terms

Potential new unit owners were divided into two groups, first time owners and experienced franchisees. FRANData took into consideration possible changes in both the ability and the willingness to invest in a unit transaction for each group separately. It was assumed that both had decreased due to the effects of the economy on housing prices, the unemployment rate and 401(k) portfolio losses.

FRANData projected that unit transaction investments by experienced franchisees would decrease by 33% and those by first time owners by 21%. Investments by experienced franchisees were expected to decrease more than those of new franchisees because they are generally leveraged by their current units and the equity in their businesses has not allowed for a significant amount of new leverage.

FRANData estimated that of 45,463 unit transactions that required new ownership in 2009, excluding Lodging, only 33,302 units would be applying for financing, a reduction of 27% from 2008 estimates.

The above factors were all identified to be relevant for the demand side of the lending equation. FRANData then examined the supply side and presented three scenarios as shown in the table below.

Lending Scenario	Units	Unit Shortfall	Dollars	Dollar Shortfall
Equilibrium	33,302		\$8.4 billion	
30% Reduction	32,308	994	\$8.2 billion	\$252 million
35% Reduction	30,000	3,302	\$7.6 billion	\$837 million
40% Reduction	27,693	5,610	\$7 billion	\$1.4 billion

In November 2009, FRANData analyzed how the actual events of the year had shaped the economy and how close its 2009 projections had been. Based on the first Small Business and Lending Matrix and Analysis and newer data, FRANData then looked ahead to make projections for 2010.

With what is known as of November 2009, FRANData's 35% lending scenario came closest to what actually happened. Between October 2008 and October 2009, small business loans are down 36%³. This reduction in lending was due to various factors. These same factors all impacted the variables FRANData used for its first projection and are now re-visited to examine how they may affect franchise growth in 2010.

³ CNN Money: www.cnnmoney.com; A Grim Year for Small Business Lending. October 1st, 2009

Projected Franchised Unit Transactions for 2010

The demand for franchise unit transactions in 2010 was determined by using the demand for 2009 as a baseline and adjusting these estimates for 2010. For this analysis, the Lodging industry is removed as an outlier. The Lodging industry is highly capital intensive and its financing comes primarily from capital markets activities that are not often available to other franchise segments. The main factors impacting unit transactions are franchisor capacity, an investor's willingness and an investor's ability to open or purchase a unit.

Franchisor Capacity

2009 saw a period of reduced franchisor capacity as brands reduced their work force in response to the down economy. In August alone American companies with fewer than 50 employees cut 122,000 workers from their payrolls⁴. However, franchisor capacity can be easily adjusted once willingness to grow picks up. It only requires hiring more development and training staff rather than capital investment. Outsourcing of the development function adds to the relatively quick response to market conditions. There is evidence that franchise systems in many industries are expecting to outperform 2009 unit growth. To simplify these estimates, FRANdata assumes franchise companies will not be a constraint on capacity. Franchisors will be able to adjust quickly to market changes.

Investor Demand for Unit Transactions

From mid-2008 until mid-2009, the economy suffered through the worst economic downturn since the Great Depression. In late 2009 the first signs of recovery began to surface. In 2010, FRANdata predicts the economic recovery to continue, albeit slowly. This recovery will increase the willingness to invest in new and transfer units. Unfortunately, the recovery may not have the same effect on franchisee ability.

Investor Willingness and Ability to Invest in Unit Transactions

While it is difficult to assess emotional and psychological factors that influence willingness to invest, some assumptions are possible. Perhaps the most important factor is the generally held belief that the worst of the recession is over. From a point in the second half of 2008 when it was not clear whether a world-wide financial meltdown would occur, recent economic news suggest a gradual, albeit, slow climb from the depths of this recession. The generally improved economic outlook has been reflected by increasing consumer and CEO confidence and increases in stock markets since the low in March 2009. These more recent developments will positively impact both existing and prospective franchisees' willingness to invest in franchising⁵.

Willingness

Historically, as unemployment rises, the pool of prospective franchisees increases. With unemployment above 10%, the potential pool of people willing to try franchising has been increasing. Experienced franchisee willingness is also influenced by consumer and business confidence indicators which show improvements as mentioned above. In addition, some costs of unit expansion are declining, such as real estate/leasing costs. Such factors are likely to increase the willingness of experienced franchisees in 2010.

⁴ CNN Money: www.cnnmoney.com "Staff Cuts: 'This was the Last Resort'". September 3, 2009

⁵ For more detail on this please view page 20 of the Appendix

Ability

Franchise unit demand will be most heavily constrained by new and existing franchisees' ability. This is a trend continuing from 2009. With the continued weakness in the housing market and decreased 401(k) plan values and other factors, net worth levels are down and prospective franchisees will not easily qualify for business loans⁶.

In a period of decreased consumer sales, many existing franchisees have experienced decreases in operating margins and, in many cases, a subsequent decline in unit valuations. As a consequence, experienced franchisees are exposed to a decline in private assets and business equity and face many of the same restrictions on their ability to invest in a unit transaction that new franchisees are encountering.

Conventional lending will continue to be seriously constrained by lender concerns. Lower equity requirements will increase an investor's ability to qualify for a loan. If the cap is increased to \$5 million, additional investors will be able to make use of SBA guaranteed loans, possibly increasing both the willingness and the ability to invest in a unit transaction.

Investment Willingness and Ability by Investor Type

Considering how these factors could impact the ability and willingness to invest in a unit transaction for each of the two groups of potential buyers — prospective and experienced franchisees — FRANdata created the following matrix. It is assumed that new franchisee willingness to invest in a unit transaction would be lower than that of existing franchisees because of their lack of franchise experience.

In early 2009, FRANdata projected a decline in demand for unit transactions due to a large decrease in both willingness and ability to invest. These estimates were based on the poor economy, higher risk aversion, decreasing housing prices, poor performing 401(k) portfolios and over-leveraged consumers. In particular, FRANdata predicted a 43% decrease in willingness and ability for new units in 2009 from 2008 levels and an 11% decrease in willingness and ability for transfers. The reason for the larger reduction for new units was the increased risk associated with new units.

Assuming that there was demand for 22,741 new units and 25,819 transfer units in 2008, the 2009 decrease reduced demand down to 12,852 new units and 20,395 transfer units. On top of that, the 36% decrease in lending between October 2008 and October 2009 suggests only 11,499 new units and 18,039 transfer units of that demand was met.

For 2010, FRANdata projects improvement to willingness and ability for existing, experienced operators based on the general increase in confidence. Prospective new franchisees will have a greater willingness to open a unit or purchase a transfer unit but will face even more difficulty qualifying loans in 2010 than they did in 2009 because of continued lender underwriting conservatism. During economic downturns, not losing money generally trumps a lender's desire to make money. This only gradually changes as recent business financial performance can be analyzed. Lenders use trailing 12 month financial performance as an important basis for credit extension.

⁶ For more information please refer to page 21 in the Appendix.

Franchisee Type	Changes in Willingness and Ability	
	New Unit Transactions	Transfer Transactions
Existing Operator Willingness	15%	25%
Existing Operator Ability	5%	5%
New Franchisee Willingness	10%	20%
New Franchisee Ability	-5%	-5%

FRANdata predicts existing operator willingness to invest in new units will increase by 15% over 2009 levels. Existing operator willingness to invest in transfer units will be even higher due to decreased lease expenses and improving consumer and CEO confidence. Their ability to invest in both new and existing units will be up 5% from 2009. This increase is based on the assumption that only operators of profitable units will want to add units.

New franchisee willingness to invest in new and transfer units follows similar trends though the increase in demand will not be as high. This slightly lower demand is due to higher risk aversion from never having operated a business before. New franchisee ability to invest in new and transfer units will be down 5% from 2009. This decrease is caused by continued decreases in net worth and restrictions on the source of funds caused by the weak housing market and underperforming 401(k)s. Also, not having an established performance history will make it more difficult for new franchisees to qualify for loans.

Based on the above analysis, the matrix shows the most affected group will be existing operators. Many of these operators are beginning to see opportunities arising from better real estate/lease terms, lower commodity prices and more favorable unit valuations.

As in 2009, the bulk of unit transactions in 2010 will consist of transfers rather than new units. An investment in a transfer is relatively more attractive in a down economy because new units that do not have a sales history represent greater investor risk. Transfer unit prices are more affected by future cash flows and not the value of existing assets. A demonstrated performance history makes valuation more certain.

Transfers represent special consideration in this phase of economic recovery. Owners of poor operating units can hold on for only so long. The sale of existing units is a function of negotiations between buyers and sellers. More activity will take place when pricing comes down, as it has in 2009. Transfers, like new units, require financing and thus require attention in the forecast of capital access.

There is a pick-up of transfers taking place and this activity will increase in 2010 for several reasons. Transfers are an alternative to starting a new unit for both new and experienced franchisees. Transfers of existing units are of particular interest to experienced franchisees that generally have greater insights into the potential of a specific operating unit. With unit valuations coming down from recent multiples, more demand for transfers is a typical outcome of this stage of an economic recovery.

Transfers are especially important to franchise brands since greater scrutiny of unit performance is taking place by lenders. To the extent that a franchisor can put a poorly performing unit in the hands of an experienced operator, the franchisor increases the likelihood of a successful outcome and avoidance of a statistical blemish on unit performance. Taken together, new and experienced franchisee willingness will rise in 2010.

In 2010, FRANData projects that the ability to purchase a new or existing unit will be a more limiting factor than the willingness to do so. Overall, new unit transactions are predicted to increase by 6.3% from a baseline of 12,852 new units to 13,655. Transfer units are expected to increase 11.3% from a baseline of 20,395 to 22,690. This results in a total of 36,345 projected unit transactions in 2010, up 9% from 33,302 in 2009.

Estimated Unit Transactions and Capital Requirements

Based on the estimated new 13,655 units (excluding Lodging) and 22,690 transfers (excluding Lodging), FRANData projects a total of 36,345 unit transactions that will require financing in 2010. Following recent trend statistics, it is assumed that there will be about an equal number of new franchisees and existing operators involved in unit transactions in 2010.

Estimated Average Initial investment

As with the first Small Business Lending Matrix and Analysis, FRANData took a sample of over 1,960 brands to calculate an average initial investment for each individual business line. FRANData again excluded brands with initial investment levels of less than \$50,000. The assumption holds that they would finance through non-institutional sources or would not require any debt to start.

Based on the aggregation of franchise brands into eleven NAIC categories, the average initial investment breaks out for 2008 as follows:

Industry	Average Initial investment	Standard Deviation
Automobile & Truck Dealers*	\$212,933	\$230,291
Automotive	\$386,188	\$653,719
Business Services	\$185,779	\$192,532
Commercial & Residential Services	\$179,112	\$402,337
Food Retail	\$366,318	\$550,361
Gasoline Service Stations**	\$854,000	N/A
NEC - not elsewhere classified	\$92,001	\$50,669
Personal Services	\$274,872	\$395,885
Quick Service Restaurants	\$417,326	\$358,754
Retail Products & Services	\$240,206	\$191,673
Table/Full Service Restaurants	\$1,082,941	\$871,773
Average Initial investment	\$390,152	\$389,799

*Automobile & Truck Dealers were rolled up into Automotive because of a limited sample size.

**There is no standard deviation because of a small sample size.

As the table shows the average initial investment for 2008 across all industries is \$390,152 (Lodging was removed as an outlier).⁷ FRANData assumed that transfer unit purchase prices would be similar to the creation of a new unit while any difference in price would be based on individual sales performance, which cannot be measured. In 2009, the price indexes fell by 1.3%. Generally, FRANData projects a continued fall in prices. As a result, the average initial investment will fall from \$390,152 to \$385,080. Similar to the 2009 projections, FRANData expects further price decreases for 2010.

⁷ Each industry average initial investment was calculated independently as was the total average initial investment. One challenge for the estimate is the high standard deviation in average initial investment. In each industry there was a wide array of different types of companies and each of these had very different initial costs associated with starting the business. Also, franchisors disclose initial investment levels for each brand as average initial investment, which is based on a range of new unit costs. As in the first matrix, FRANData used a flat average instead of a weighted average for the overall industry average in an attempt to limit the number of assumptions made about unit growth. The number of factors impacting growth projections varies by industry. Also, additional unknowns would have increased the number of necessary assumptions for this calculation. A flat average avoids such additional assumptions.

FRANdata predicts that 2010 initial investment costs decreases will mainly be driven by decreased lease costs affecting the need for start-up working capital and some easing in franchise initial investment program costs as franchisors scrutinize each initial cost requirement. The competition for qualified franchisees will be very aggressive. It is likely that franchisors will find ways to reduce initial investment costs in order to entice buyers. Also, the current commercial real estate market is still down from its peak resulting in falling lease rates. Overall, FRANdata predicts average initial investment to fall another 2.5% in 2010 to \$375,453.

Using the adjusted average initial investment of \$375,453 and the total unit transactions of 36,345, FRANdata projects that franchisees will require total capital of \$13,645,739,279 in 2010, up 6.7% from \$12,733,166,682 in 2009.

Advance Rates

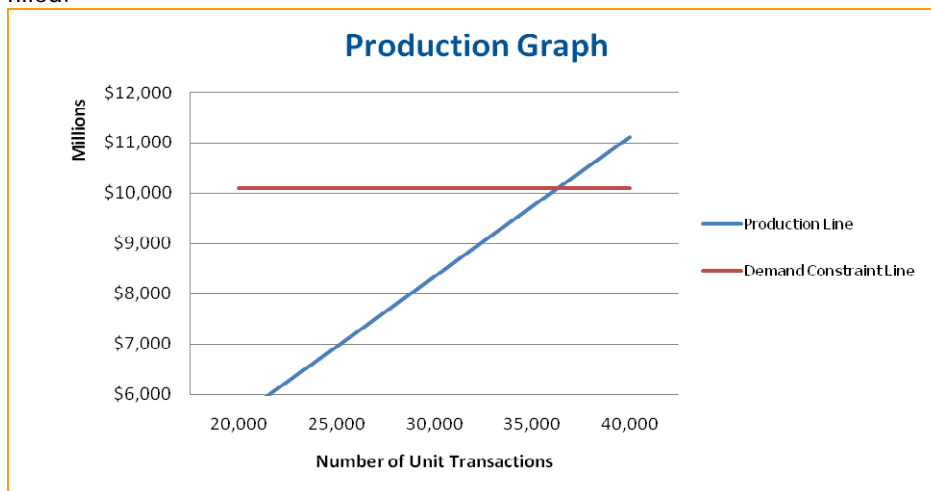
Of the calculated \$13.6 billion in required capital in 2010, only a portion will come from lenders because borrowers need to provide a portion of the capital themselves. The advance rate banks expect on franchise transactions is based on the type of transaction. Since SBA loan transactions have a government guarantee protecting the bank from default, they often have a higher advance rate than conventional loans. This means franchisees have to provide a smaller cash piece to qualify for a loan.

In 2008, the SBA debt-to-initial investment ratio was nearly 80% and for conventional loans it was about 65%. Both have been declining as lenders seek to reduce their risk and put more of the unit risk on franchisees. Conventional advance rates are in the 55% to 65% range, although not much conventional lending is taking place in the franchise space. SBA advance rates are in the 70% to 80% range going into 2010.

In 2008, SBA guaranteed loans represented approximately 16% of total borrowing by franchisees. This percentage increased in 2009. FRANdata projects that the increase in the SBA loan guarantee budget will result in SBA lending representing 60% of all franchisee unit transactions in 2010.

Using this ratio, FRANdata projects that total borrowings required to meet demand in 2010 will be \$10,097,847,067, up from \$8,442,089,510 in 2009. This represents a 20% increase in borrowing demand.

The graph below shows the estimated economic equilibrium point at which 100% of demand will be filled.



The Lending Environment

The lending environment is determined by two main factors. First, the amount of money banks have available to lend and second, how much of that money they are willing to lend and at what rate. This section provides a review of both the banks' ability and willingness to lend.

Ability to Lend

In 2008, banks loaned an estimated \$11.7 billion dollars to franchisees, which consisted of \$1.9 billion in SBA guaranteed loans and \$9.8 billion in conventional bank loans. The 36% drop in lending in 2009 equates to \$7.5 billion in bank loans to franchisees with \$1.2 billion from the SBA and \$6.3 billion in conventional lending.

For 2010, the SBA has an approved budget of \$28 billion with which to guarantee loans. Assuming banks maintain the same level of lending in 2010 and approximately 20% of SBA loans are made to franchisees, FRANdata estimates a pool of over \$11.9 billion for banks from conventional and SBA loans to lend to franchisees. Assuming total franchisee borrowing requirements of \$10.1 billion, banks should have the ability to meet 100% of demand for funds in 2010. This represent a major change compared to 2009, when banks were not able to meet borrowing capital demand.

Willingness to Lend

While FRANdata assumes that banks are able to meet technically 100% of franchise demand for funds, the limiting factor in 2010 will be the banks' willingness to lend. According the Federal Reserve Board's October Survey of Lending Intuitions, banks are expecting to tighten standards for the rest of 2009 and early 2010⁸. This is not surprising, given the relative high number of banking failures over the past year and the rapid growth in non-performing loans on the consumer side. Between January and September 2009, 100 banks have failed. This is the first time since 1992 that so many closures happened in a single year. The banks' continued high level of risk aversion is a major limiting factor in unit growth in 2010.

2010 could see a continuation of these difficulties accentuated by uncertainty in the commercial real estate market. Commercial property prices have fallen by 30% to 50% from their peaks. This plunge could continue to cause building owners to default on an estimated \$500 billion to \$750 billion of mortgage debt further exposing banks to bad debt⁹.

Larger, nationwide banks have traditionally had more commercial real estate exposure than smaller community banks. If the decline in commercial real estate continues, large banks will be even less likely to lend than they are now. On the other hand, smaller banks are in a better position to make small business loans. Their lending decisions in turn are often influenced by perceived franchisor risk and franchisee performance. Mitigating these perceived risks will be important. Further, SBA lending activity will play a key role as an inducement for lenders to extend small business credit.

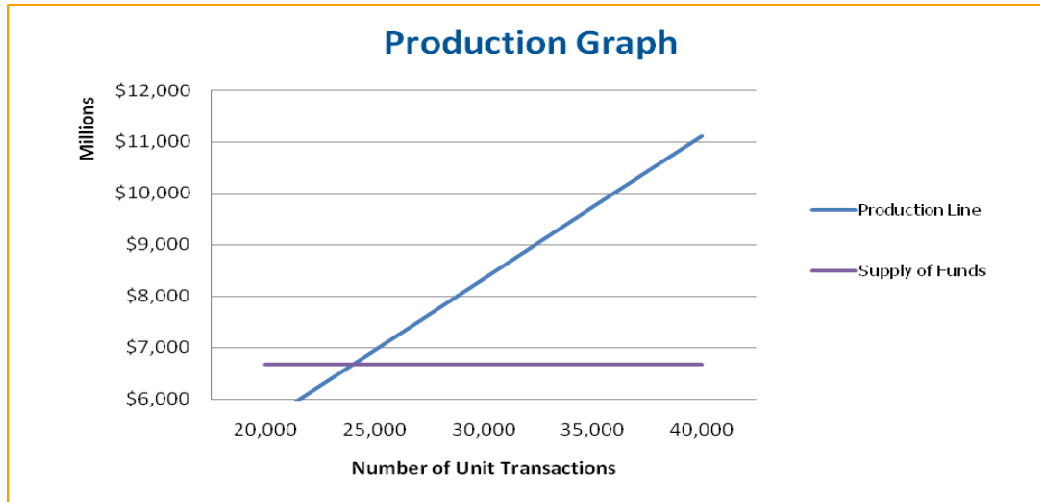
Based on 2008 estimates of \$11.7 billion in franchise lending and the 36% reduction in lending in 2009 as of October 2009, banks will lend a total of \$7.5 billion to franchisees in 2009, consisting of \$1.2 billion in SBA guaranteed loans and \$6.3 billion in conventional loans. FRANdata assumes conventional bank lending will tighten by another 25% in 2010, in part reflecting the results of the Federal Reserve Board's October Survey. Based on the SBA budget for 2010 and assuming that increase is applied evenly there

⁸ The Federal Reserve Board: www.federalreserve.gov The October 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices.

⁹ The Atlantic: business.theatlantic.com "The Ugly Commercial Real Estate Picture" November 11, 2009.

should be \$1.8 billion in SBA guaranteed loans made to franchisees. This combines for a total lending of \$6.7 billion.

This is presented in the graph below:



Franchising Economic Impact in 2010

Based on the Economic Impact of Franchised Business Study, the average franchise unit provides 10.85 direct jobs and 9.7 indirect jobs (excluding Lodging) and creates \$828,353 of direct economic output and \$1.3 million in indirect economic output (excluding Lodging)¹⁰. This section examines the economic impact of franchising in 2010 if borrowing capital requirements were met by lenders.

The following table breaks out the averages by NAIC code per unit:

NAIC Code	# of Direct Jobs per Unit	# of indirect Jobs per Unit	Direct Economic Output per Unit	Indirect Economic Output per Unit
Auto	4.94	4.45	\$710,355	\$1,136,568
Business Services	6.98	6.28	\$780,574	\$1,248,919
Commercial and Residential	5.76	5.19	\$603,725	\$965,960
Lodging	18.99	17.09	\$1,599,254	\$2,558,806
NEC	4.57	4.12	\$775,811	\$1,241,298
Personal Services	12.21	10.99	\$1,250,911	\$2,001,458
Quick Service Restaurants	18.82	16.93	\$907,637	\$1,452,219
Retail Food	12.76	11.49	\$770,000	\$1,231,999
Retail Products	6.84	6.16	\$464,253	\$742,804
Table Service	24.74	22.26	\$1,191,912	\$1,907,059

*Data was derived from the Franchise Business Economic Outlook report and the Economic Impact of Franchised Business, Volume 2, published by the IFA Educational Foundation.

The projected 13,655 new units for 2010 would create 148,119 new direct jobs and 133,307 indirect jobs¹¹, a total of 281,427 jobs. This compares to 267,195 new total jobs that could have been created in 2009, or a 5.1% increase. These new units account for \$11.3 billion in direct total annual economic

¹⁰ Data was derived from the Franchise Business Economic Outlook report and the Economic Impact of Franchised Business, Volume 2, published by the IFA Educational Foundation.

¹¹ Jobs are defined as positions filled by part-time and full-time employees or by self-employed individuals. Economic Output is defined as the gross value of the goods and services it produces.

output and \$18.1 billion in indirect economic output, a total of \$29.4 billion annual economic output. By comparison, the estimated total annual output possible in 2009 was \$27.9 billion.

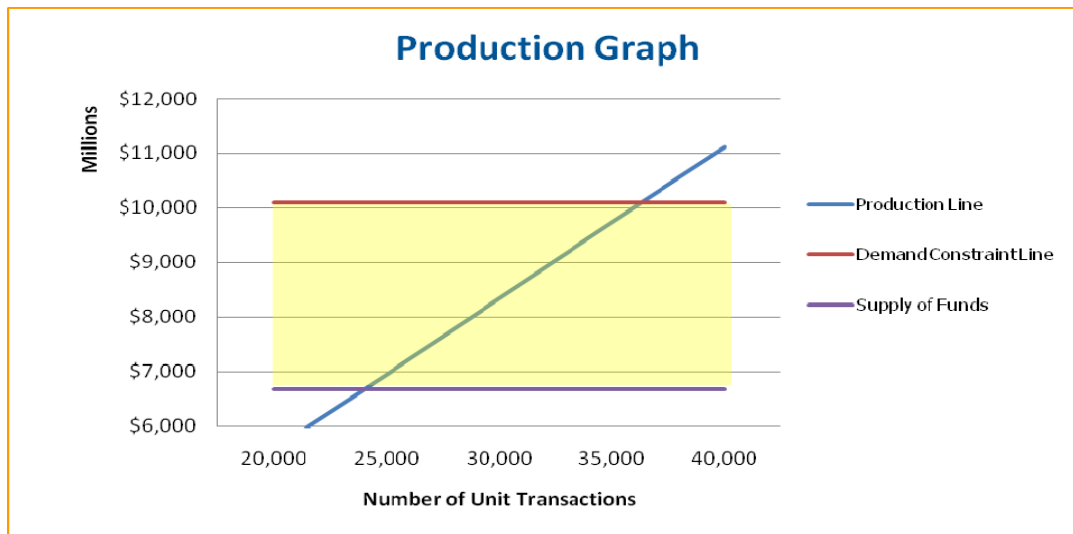
Transfer units do not generate new jobs or additional economic output because at existing units all employees have been hired and are already creating output. However, some units that are looking to transfer ownership might not find a buyer. While some franchisors may re-acquire these units and ensure continued operations others will be closed. FRANData assumed that 5% of such units will be closed in 2010. Thus, the 22,690 transfers that would occur without the limitation of lending sustain 12,306 total direct jobs and 11,075 indirect jobs. These transfers also maintain \$939.8 million of direct annual economic output and \$1.5 billion in indirect economic output.

In total, FRANData estimates that unit transactions seeking capital in 2010 would account for 304,808 total direct and indirect jobs either created or protected and \$31.9 billion in total direct and indirect annual economic output either created or protected.

The Economic Impact of the Shortfall in Lending in 2010

Based on FRANData's estimate for 2010 franchises will require \$10.1 billion to fulfill 100% of demand for new units and transfer units. At the same time banks will only make available \$6.7 billion to lend to franchising. This will lead to a shortfall of 12,349 unit transactions that will not be completed due to restrictive lending policies. The following section examines the negative impact on economic output caused by the shortfall in lending capital.

The yellow area on the graph represents the range of unfulfilled demand caused by the shortfall in the banks' willingness to lend.



This shortfall of 12,349 unit transactions, assuming they are spread out evenly among new and transfer units, will cost the economy 133,618 total jobs and \$13.9 billion in annual economic output. Another way to view this is that every million dollars of lending equal approximately 40.4 total jobs and \$4.2 million in total annual economic output.

Each franchise unit is estimated to employ 20.6 people and creates \$2.2 million in annual economic output. Carrying this forward, the 13,655 new unit transactions possible in 2010 would create 281,427 total jobs and added \$29.4 billion in annual economic output. It also means that the shortfall in lending would cost the economy 6,175 new units or 127,255 jobs and \$13.9 billion in annual economic output.

Scenario	New Units	Total Jobs Created	Total Annual Economic Output Created
Maximum Output	13,655	281,427	\$29,409,077,347
Effect of Shortfall	(6,175)	(127,255)	(\$13,298,186,582)
Reduced Output	7,481	154,171	\$16,110,890,765

The lending shortfall has a similar but more muted effect on transfer units. FRANData assumes that if unit is unable to get transfer funded 95% of the time the unit would continue to operate for the next year, while 5% would be unsustainable. This means that 22,690 transfer unit transactions allowed 1,134 units to stay in business that would have otherwise closed. These protected units maintained 23,381 jobs and \$2.4 billion in annual economic output. The means the shortfall in lending and the 6,175 transfer unit transactions that did not occur cost the economy 6,363 total jobs and \$665 million in annual economic output that could have been otherwise protected.

Scenario	Transfer Units Transaction	Total Jobs Maintained	Total Annual Economic Output Maintained
Maximum Output*	22,690	23,381	\$2,443,361,264
Effect of Shortfall	(6,175)	(6,363)	(\$664,909,329)
Reduced Output	16,515	17,019	\$1,778,451,935

*The number of jobs maintained was calculated by taking the 22,690 unit transactions times the estimated 20.6 jobs and then multiplying the total by 5% to get the number of jobs lost from the units that would have closed without financing.

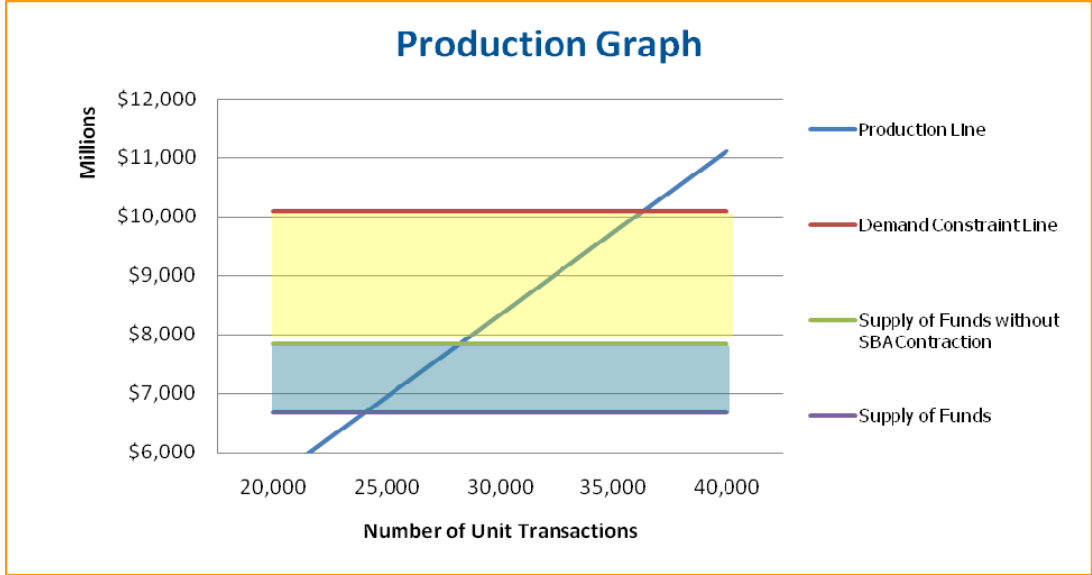
The total effect of the shortfall in lending would be 133,618 jobs lost or not created and \$13.9 billion in total annual economic benefit either lost or not created.

Scenario	Total Jobs Created or Maintained	Total Annual Economic Output Created or Maintained
Maximum Output	304,808	\$31,852,438,612
Effect of Shortfall	(133,618)	(13,963,095,912)
Reduced Output	171,190	\$17,889,342,700

The Potential Effect of SBA Policy changes for 2010

The Obama administration is planning substantial changes to the SBA's loan guarantee program to help facilitate lending. These changes include: increasing loan guarantees to 90%, eliminating and/or reducing SBA fees, increasing guarantees from \$2 million to \$5 million, expanding the 7(a) loan program, and offering inventory financing.

These changes are designed to increase overall small business lending by increasing the amount and number of loans guaranteed by the SBA. If these proposed changes were passed, FRANData estimates improved lender willingness would increase bank lending from \$6.7 billion to \$7.8 billion, which is represented by the blue square on the table below.



This increase in bank lending would result in 4,234 transaction completed that would have otherwise failed. Assuming these units are broken out evenly among new and transfer units, these policy changes would result in creating or maintaining 45,812 jobs and total annual economic output of \$4.8 billion. The 2,117 new unit transaction would result in 43,631 new jobs created and \$4.6 billion in annual economic output.

Scenario	New Units	Total Jobs Created	Total Annual Economic Output Created
Maximum Output	13,655	281,427	\$29,409,077,347
Effect of Shortfall	(6,175)	(127,255)	(\$13,298,186,582)
Effect of SBA Changes	2,117	43,631	\$4,559,421,033
Reduced Output	9,598	197,802	\$20,670,311,798

The 2,117 transfer unit transaction completed if the proposed legislation based would maintain 2,182 jobs and \$228 million in annual economic benefit.

Scenario	Transfer Units Transaction	Total Jobs Maintained	Total Annual Economic Output Maintained
Maximum Output*	22,690	23,381	\$2,443,361,264
Effect of Shortfall	(6,175)	(6,363)	(\$664,909,329)
Effect of SBA Changes	2,117	2,182	\$227,971,052
Reduced Output	18,632	19,200	\$2,006,422,987

*The number of jobs maintained was calculated by taking the 22,690 unit transactions times the estimated 20.6 jobs and then multiplying the total by 5% to get the number of jobs lost from the units that would have closed without financing.

The combination of the new and transfer transaction creates a total 45,812 jobs and \$4.8 billion in annual economic output.

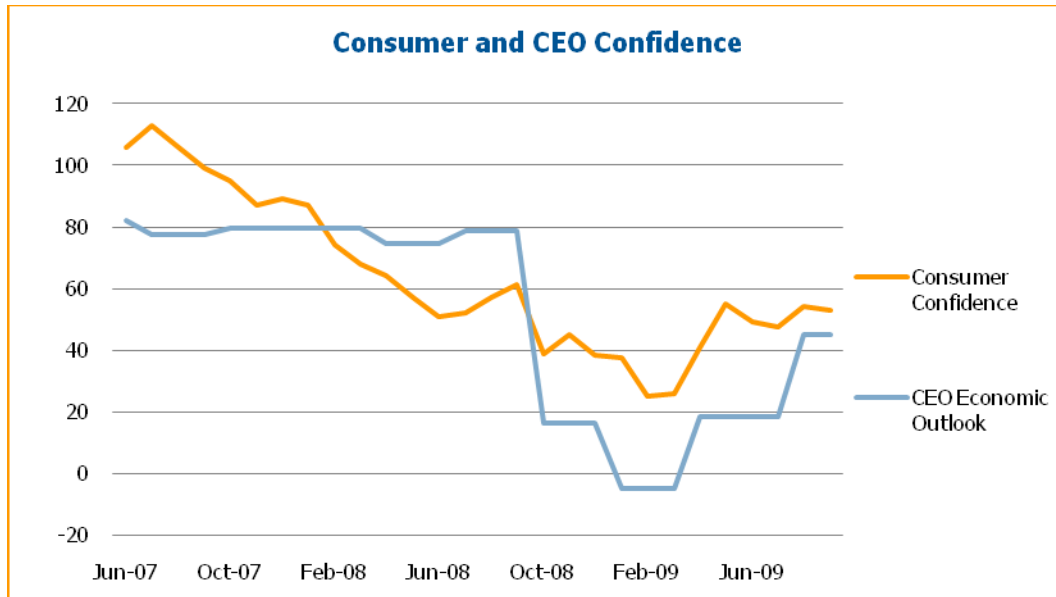
Scenario	Total Jobs Created or Maintained	Total Annual Economic Output Created or Maintained
Maximum Output	304,808	\$31,852,438,612
Effect of Shortfall	(133,618)	(13,963,095,912)
Effect of SBA Changes	45,812	4,787,392,085
Reduced Output	217,002	\$22,676,734,785

APPENDIX

Factors Affecting Franchisee Willingness

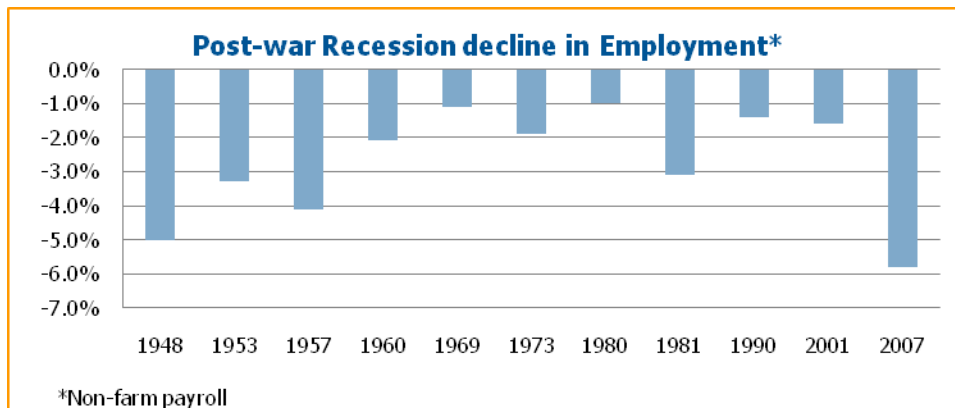
Increasing Confidence

The recession is officially over and many people believe that the US economy will recover in 2010. There are indicators that consumer and CEO confidence has generally been increasing. In fact, CEO confidence has seen a remarkable increase in the 3rd quarter of 2009 from 18.5 to almost 45, as shown in the graph below.



Unemployment

However, only 2% of Americans believe that there will be a full recovery in 2010. One challenge will be sustained levels of unemployment as a result of the crisis. Between December 2007 and September 2009, 8 million payroll jobs disappeared. Whereas job losses in the immediate aftermath of previous crises have historically always been common, the drop in unemployment has rarely been as severe as this time. In fact, one has to revisit the 1948 economic crisis to find similar levels as the next graph shows.



Following the crisis in 2007, non-farm employment dropped by 5.8%. Since December 2007, the unemployment rate has almost doubled, increasing to 10.2% as shown in the next graph. This is almost 2% higher than in March 2009, when the first Small Business Lending Matrix and Analysis was published.



Due to uncertainty about how sustainable and at what level the economic recovery will be, studies suggest that even if new jobs were created at a rate of 2.4 million a year as happened during the 1990s, the current unemployment rate would not be reduced to 5% until 2017. This makes a sustained pool of unemployed people willing to invest in a franchise business more likely. How many of these unemployed represent a qualified pool of prospective franchisees remains to be seen and is a critical factor in determining franchising effectiveness as a job creator.

Factors Affecting Franchisee Ability

Wobbly Economy

Despite stock market increases, it has been widely recognized that the recovery will be slow. In addition, most of the current recovery in the stock market has been based on government spending, rather than investors' instincts. And stimulus dollars cannot continue to be the stimulant. At some point, the economy must develop its own momentum. As of July 2009, the US government had spent 41% of its planned stimulus. How far the remaining 59% will go is open to debate.

Between the low in March 2009 and today, the NASDAQ went up, from around 1,300 points to well over 2,100, a trend followed by the DOW Jones Industrial Average, which was even up to briefly over 10,000 in October 2009 from a low in March the same year at around 6,550. What remains to be seen is how much of these gains will last or whether they were simply the result of a so-called echo bubble. Echo bubbles have historically followed the collapse of large bubbles and tellingly after governments artificially provided cash to fight of the original bubble. According to Edward Chancellor, they reach an average of up to 40% of the size of the original before bursting themselves.

Overleveraged Banks and Households

US banks and households held overpriced assets that were accompanied by vast debt. Once the assets lost value, banks and households were left with their liabilities. By the end of the first quarter in 2009, 14 million US households, of which 27% were mortgage holders, owed more than their homes were worth. At 487% of disposable income, current US household net worth is below its level in 1990 and down from its peak in 2006 at 639%. Household debt is still at 129% of disposable income. A ratio of above 100% is generally considered unsustainable. The deleveraging period will likely take time and will continue to keep consumer demand lower than recent levels.

Further, the question remains as to what level the economy will recover. Milton Friedman's theory that deep recessions in the US are followed by strong recoveries always assumes a pick-up in demand. Yet, in a recent survey conducted by the National Federation of Independent Business, of its members only 4% mentioned financing as their biggest problem, compared with 32% citing weak sales. No one knows yet whether the current shortfall in demand will persist. There are signs of significant shifts in consumer behavior which point into exactly this direction, namely that consumers will reduce their spending for a considerable time. As a result, if firms are forced to produce at lower levels, even more people will lose their jobs. And with a choppy recovery, many unemployed are likely to remain unemployed.

Traditional Sources of Funding Are Down

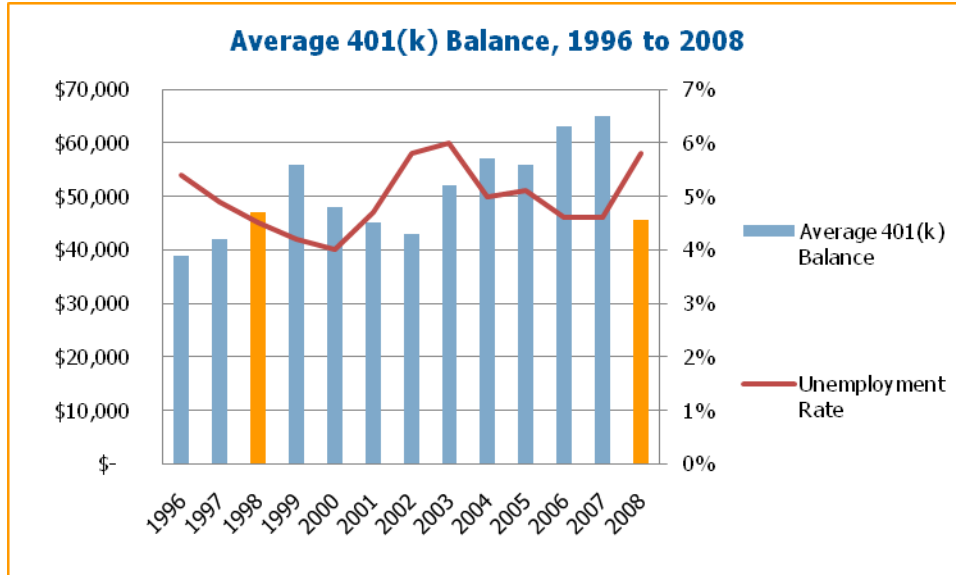
As mentioned above, those with money tied in the stock market have witnessed a recovery from earlier in 2009. This upward trend had an impact on 401(k) accounts, which had decreased by 27% in 2008 alone.

401(k)

By March 2009, it had dropped by 31% since December 2007. To put that into perspective, it took a seven year period from 1999 to 2006 to increase the average 401(k) by 50%.

Since March 2009, it has also become apparent that the drop did not hit all 401(k) account holders equally. When contributions are included in the analysis, the change in average account balances during a similar time period varies from a loss of 17% to 18% for 401(k) participants with the longest tenure with their current employer to gains of 19% to 47% for those in the shortest tenure category. That means the older the 401(k) holders and the longer their tenure, the harder they have been negatively impacted.

By way of example, at the end of 1998 the average 401(k) balance was \$47,004. By the end of 2008, the average balance was down to \$45,519. Practically all gains made over the previous ten years were wiped out. The drop in 401(k) fell together with an increase in unemployment. As the graph shows, the average 401(k) account balance trend moves down with rising unemployment.



While the pool of prospective franchisees may increase with rising unemployment, the parallel dramatic loss in average 401(k) account balances will make it harder this time for prospects to invest in a franchise. In addition, only 50% of the US workforce actually has a 401(k) and despite the current average of some \$45,000, 46% of all 401(k) accounts have less than \$10,000, further decreasing the number prospects able to invest in a franchise.

On top of an increased pool of unemployed, prospective franchisees can increasingly come from an even older group. Recent research has shown that the age at which workers say they plan to retire has crept upward slowly over time, from a midpoint of age 62 in 1991 to age 65 in 2004 to 2009. While the average age at retirement is likely to continue to increase, large proportion of retirees (47% in 2009) leave the work force earlier than planned for health reasons, changes at their company, and other reasons.

Yet, as shown above, prospects who had the longest time to accumulate investment resources in their 401(k) accounts (45 years and older) are the ones the least able to put any money down now, because this group lost the most of their accumulated 401(k) retirement money. This is also the same group with presumably the highest equity in their houses, assuming that they bought relatively early and were able to pay off some of the principal.

Home Equity

Traditionally, home equity was an alternative or additional way to find investment sources for prospective franchisees. However, housing prices are at historically low levels. In the second quarter of 2009, some took comfort in the fact that according to the Case/Schiller housing index, house values had increased by 2.9%, the first quarterly increase in three years. However, according to the FHFA index, house values were down by 2.4% in the same period. The difference is due to the different kind of properties examined by both indices. The FHFA only covers properties that have not been financed by sub-prime mortgages, nor covers it deals that are above the price cap for regulated mortgages which is currently just under \$730,000.

This has implications for the prospective franchisee's ability to invest. Presumably, most of the prospective franchisees are part of exactly this group, the ones between the sub-primers who had no sufficient capital in the first place and the ones who had more resources anyway. Their home equity continued to decline, while the ones who bought a house after 2002 had even less equity to begin with.

The reason for this is the 90% debt to house value ratio in 2009, up from 66% in 2003. This together with the drop in 401(k) values puts a further damper on the ability to start a franchise.

To summarize, prospective franchisees are robbed of two important sources of financing. 401(k) account balances are low and only a fraction of the workforce has a high enough balance to provide them with funding means. In addition, home equity has decreased significantly, not to mention that it was low to start with for buyers who entered the housing market late. While increasing optimism about the technical end of the recession may have increased the willingness to invest, prospects will find their ability to do so even more constrained than in early 2009.

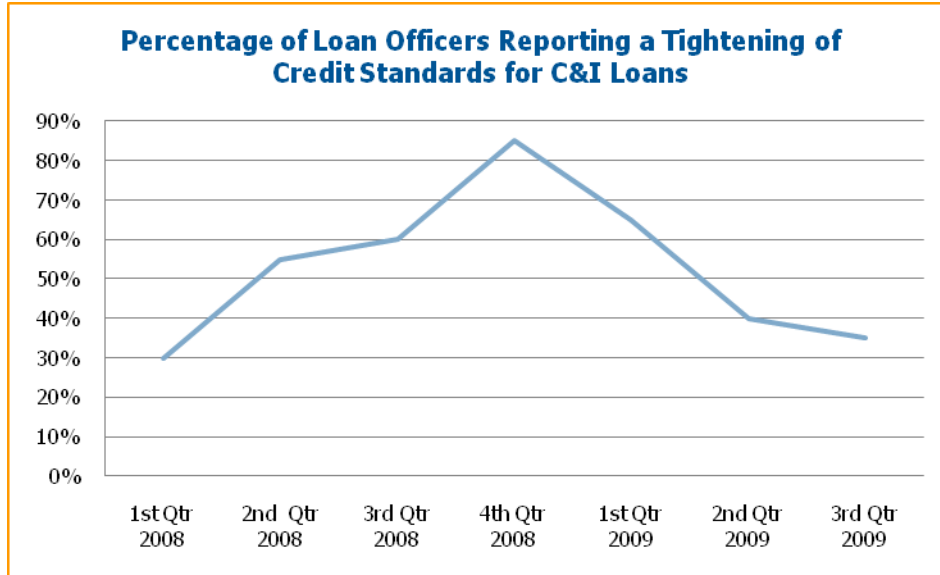
Bank Willingness and Ability to Lend

Factors Affecting Bank Willingness

With economic uncertainty still present, lenders remain hesitant to make loans available. Banks themselves are not in the best of shapes. Between January and September 2009, 100 banks had failed, the first time since 1992 that so many banks closed within a single year. According to the FDIC, as of October 2009, 416 additional banks are at risk of failure. There are regional differences, too. While most states reported one or two banks failing in 2009, Georgia reported 19, followed by Illinois with 16, California with 9 and Florida with 6. In addition, there is not much room for any FDIC bail out. Since December 2007, its bank rescue fund has been depleted from \$51.8 billion to practically nothing.

Paradoxically, usage of the Fed's special liquidity facilities has fallen and it is winding down its asset purchases. Securitization markets are approaching pre-crisis levels in credit card debt and car loans — with the notable exception of mortgages. Still, overall level of credit is dropping. Bank lending expanded during the crises due to pre-agreed credit lines but has fallen from \$7.14 trillion in May 2009 to \$6.78 in September 2009, a drop of more than 5%.

At the same time, the trend to tighten underwriting standards for commercial and industrial loans for large businesses is still there but falling, from 40% in April 2009 to 30% in July, according to the Federal Reserve July survey of loan officers. For small business lending, the decrease is even more significant. In January 2009, 70% of respondents reported a tightening of standards. By April 2009, this had dropped to 40% and as of July, 35% of loan officers reported tightening credit standards. With that, the credit standards for commercial and industrial loans are back to the level they were in January 2008 as the next graph shows.



Banks may report a lessening of credit standards, but this slight easing was preceded by significant tightening. Further companies are conservative about new investment. This has been an ongoing trend that started even before the crisis. Since mid-2006, every quarter the demand for commercial and industrial loans has fallen. This goes hand in hand with a lessening of consumer credit. While banks have cut credit card lines by \$1.25 trillion between 2007 and 2009, borrowers are cutting back as well, saving more.

2010 could see a continuation of these difficulties mostly caused by uncertainty in the commercial real estate market. Property prices have fallen by 30% to 50% from their peaks. This plunge could continue to cause building owners to default on an estimated \$500 billion to \$750 billion of mortgage debt further exposing banks to bad debt.

Larger, nationwide banks have traditionally had more commercial real estate exposure than small community banks. If the decline in commercial real estate continues, large banks will be even less likely to lend than they are now. On the other hand, smaller banks might still be willing to make loans. Their lending decisions in turn are often influenced by perceived franchisor risk and franchisee performance.

Economic Influences and Predictions for 2010

The economy is expected to recover in 2010 but there are doubts as to how strong and how wide reaching that recovery will be. According to the Federal Reserve Board's October Survey of Lending Intuitions banks are expecting to tighten standards for the rest of 2009 and early 2010. The predominate reasons cited for the tightening credit standards are reduced risk tolerance, weak economic outlook and worsening industry-specific issues. Banks have not thrown open the doors to small business but instead are taking a very cautious approach to lending.

This uncertainty has led most experts to agree that the recovery is unlikely to be "V" shaped but will be much slower appearing like a capital "L". This is caused by reduced consumer spending and slow job growth. GDP is estimated to grow at 3% in 2010.

A major factor in whether or not GDP reaches the 3% estimate will be the actions of the Obama Administration and the SBA. To date, the Obama Administration has been very aggressively pushing economic recovery programs. To help spur bank lending there have been a number of purported substantial changes to SBA policies. These changes include an increase of SBA loan guarantees from 75% to 90%, waiving SBA guarantee fees, allowing loan applicants to include intangibles in asset value. In addition there are attempts to increase the SBA loan guarantee maximum from \$2 million to \$5 million. The SBA also has been budgeted approximately \$28 billion for loan guarantees in 2010. This is a 55% increase from 2008. Since the implementation of these changes there have been improvements in the lending environment. September 2009 had the \$1.96 billion in SBA loan guarantees, the highest amount since August 2007¹².

¹² The Small Business Administration: www.sba.gov SBA Loans in September 2009, Highest since August 2007.

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About FRANdata

Founded in 1989, FRANdata is the franchise industry's number one source for objective information and analysis. FRANdata receives no advertising or other fee arrangements that might influence its objectivity. Using its proprietary software to access data from various sources, including its library of more than 15,000 Uniform Franchise Offering Circulars, FRANdata supports the research and competitive intelligence functions of franchisors, helps franchisees evaluate different concepts, provide information and analysis for legal and financial organizations, and provide marketing access to franchisors and franchisees. FRANdata also is the exclusive contractor for the SBA Franchise Registry.

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