



"The FRANdata Bank Credit Report provides an accurate and thorough third party representation of our Brand in a format that lenders understand. It has been a great resource for streamlining new relationships with both National Lenders and a franchisee's Local Bank." - Adam Scott, COO & Co-Founder, Wing Zone Franchise

Bank Credit Report

In today's franchisee lending environment, many of the larger, franchise-experienced lenders that historically provided franchisee loans have curtailed or exited lending. With their departure went many of the preferred lender programs you relied upon. Access to debt financing has shifted towards local banks that have little or no experience with your brand. So what are these local, largely franchise-inexperienced, lenders looking for?

The best way to get them comfortable quickly is to do their risk evaluation work for them, using banking terminology, and analyzing standard underwriting topics. The **Bank Credit Report** gives you a powerful tool to provide to banks: An objectively prepared, credit department-style evaluation of your brand's risk factors – franchisor financial and operational risks, and franchise system and franchise unit performance risks.

With a 20 year reputation of being the objective and comprehensive source of information about franchising, banks have come to rely on FRANdata's findings. Banks know that FRANdata has a good understanding of how to assess franchising lending risks and can put those risks in context for easier evaluation.

To Learn More:

FRANdata
www.frandata.com
800.485.9570

BANK CREDIT REPORT (BCR)

The primary responsibility of a bank credit analyst is to assess the risks of the franchisee borrower. But today banks are also taking a much closer look at the brand associated with the franchisee loan. Because many local lenders are not experienced franchise lenders, the Bank Credit Report provides a peer group for comparative risk analysis purposes.

The franchise peer group that is selected is based on multiple objective measures such as size, industry/sector, brand life-cycle phase, and franchise business model in order to give prospective lenders context for your brand's performance.

Once the brands are selected, FRANdata uses a series of banking risk metrics to analyze, in words, tables and graphs, a particular brand against this peer group. Where the subject brand's metrics diverge from the peer group, additional insights are noted. If appropriate, we include franchisor management comments related to specific risks.

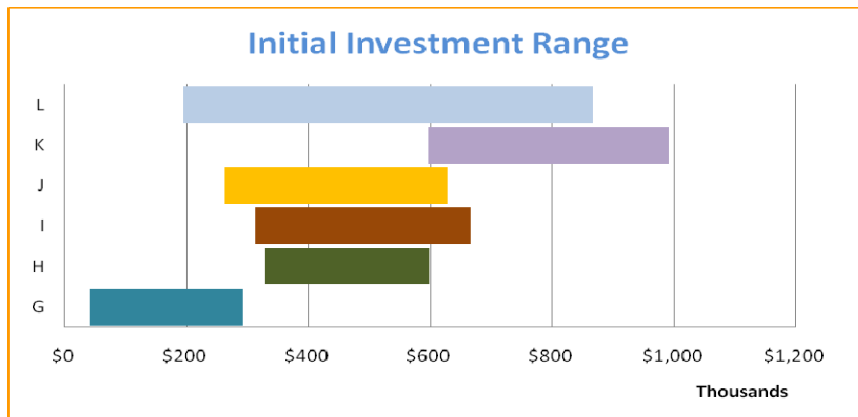
What Are Some Examples of Franchise Risk Metrics?

Franchisor financial and operational risks, and franchise system and franchise unit performance risks are all important. Here are a few examples:

Brand	Sales to Average Initial Investment Ratio
A	0.79
B	1.12
C	0.95
D	1.35

Example #1 – Where the money goes and how it compares: Initial fees, initial investment, ongoing fees, and ultimately how unit performance and unit investment compare.

The BCR models what the average franchisee in your system and your peers could expect in start-up and ongoing franchise-related costs.



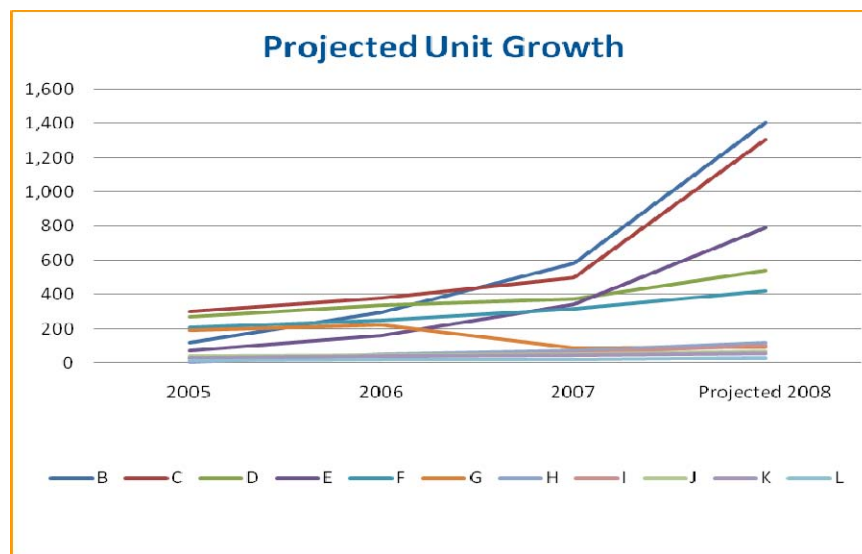
Example # 2 – How the franchise system has grown over time and how successful franchisees have been in keeping their units operating: The BCR examines system performance in many ways, using non-franchise banking terminology:

- Historical unit growth trends by brand
- Projected unit growth by brand
- Unit continuity performance by brand
- Unit financial performance by brand
- SBA performance by brand
- Franchisee support by brand
- Franchising-related litigation by brand

Unit Continuity

Brand	Discontinued Units*	Transfers	Total Units	% of Discontinued Units	% of Units With Continuous Operation
A	19	30	560	3.4%	96.6%
B	0	1	27	0.0%	100.0%
D	7	8	219	3.2%	96.8%

*Sum of "not renewed", "reacquired", "canceled", "other"



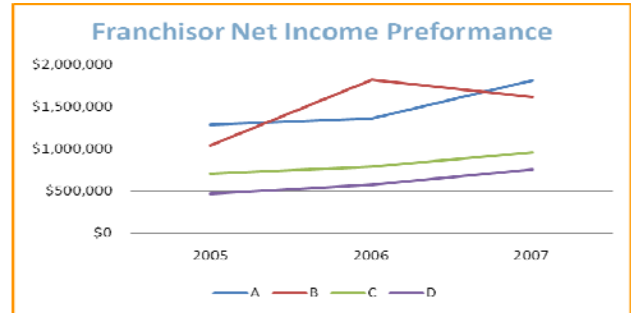
SBA Loan Performance Data as of September 2008

Disbursements	Amount Disbursed	Failure Percentage	Charge Off Percentage
121	\$24,415	8.26%	1.71%
67	\$123,900	2.5%	1.1%
248	\$542,889	6.9%	3.4%

Example # 3 – How well, financially and operationally, the Franchisor has performed.

Franchisor financial analysis includes:

- Franchisor revenue trend (3 year)
- Franchisor income trend (3 year)
- Franchisor total assets trend (3 year)
- Franchisor financial ratios (Profitability, Liquidity, Leverage)



These are just some of the risk factors found in a standard BCR and the examples above are abbreviated here. Depending on how a specific brand compares, additional analysis and management comments may be added. Without a basis to understand the risk factors, a lender may never even get to an evaluation of the franchisee's application.

FRANdata's BCR makes it as easy as possible for banks to get comfortable with brand risk and get past it to a fair consideration of your franchisee. Our experience lets us even go so far as to lay the BCR out in a way familiar to banks for analyzing risks and includes tabular and graphical visuals to enhance interpretation.

How do I Learn More?

For 20 years now FRANdata has been analyzing franchise systems of all kinds, in every industry, of every size, and at every stage of growth. And we have over a decade of experience developing franchise capital access analysis products. We will evaluate your system's creditworthiness and provide you with the most useful analysis report we can, objectively and accurately.

If you'd like to see a sample of a standard Bank Credit Report and discuss how FRANdata could do a BCR for your franchise, just give us a call at **800.485.9570**. Our Client Solutions Specialists will be glad to discuss a project with you.

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