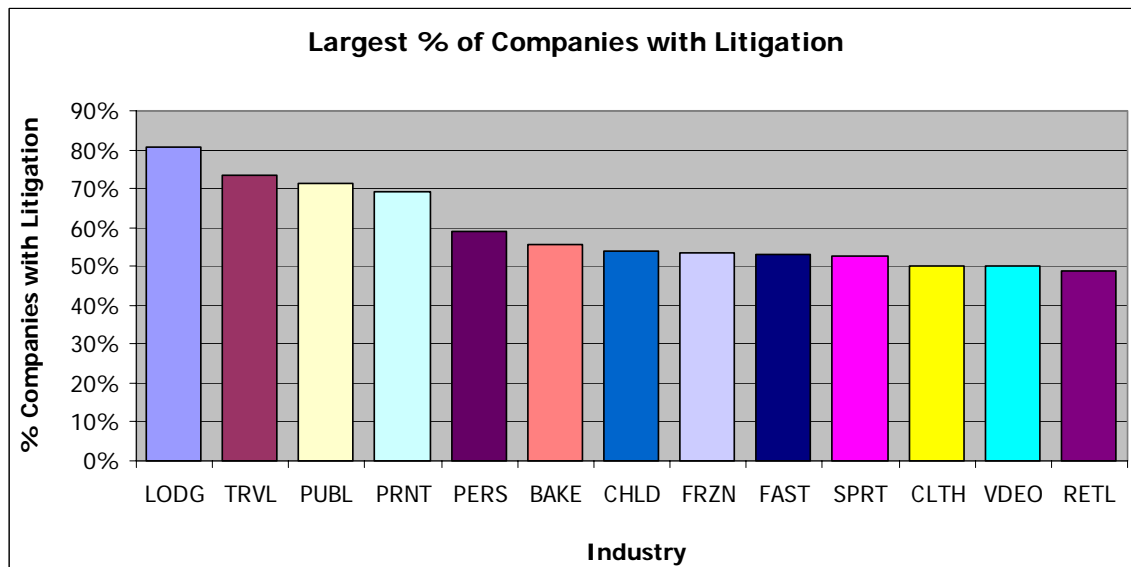


Lodging Industry Has Highest Percentage of Companies Reporting Franchise-Related Litigation, According to *2004 Litigation Report*

Over three quarters of the franchise companies in the lodging industry report having had some franchising related litigation, based on an analysis of the data they reported in their 2003 Uniform Franchise Offering Circulars (UFOCs).

At 81%, the lodging industry has the highest percentage of companies with completed proceedings. The top 5 industries were: Lodging, Travel, Publications, Printing, and Personnel Services. In comparison, only 53% of the companies in the the fast food industry - which has, by far, the largest amount of litigation overall (27% of all proceedings happened in this industry) – report franchising related disputes.

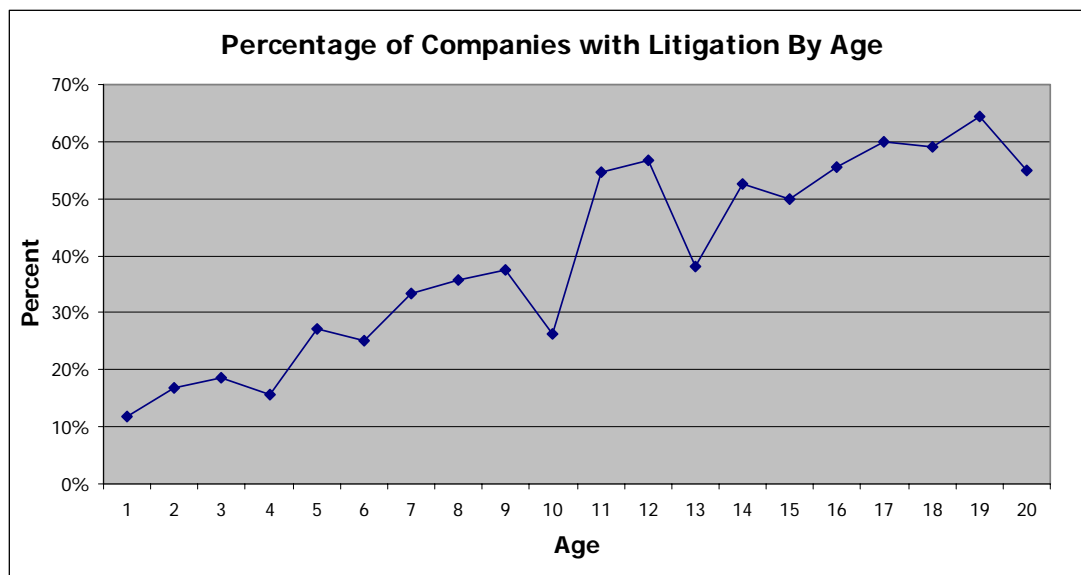


An across-the-board industry analysis is just one of the many ways litigation in franchising has been examined in FRANdata's new *2004 Litigation Report*. Using its unique and comprehensive database of information about franchisors and their franchise offerings, FRANdata has taken an in-depth look at the possible relationship between litigation and factors such as industry, company lifecycle, required initial investment, number and type of units, and unit change of ownership (e.g., turnover).

"For decades, decisions in the franchising world have been made with a little information and a lot of intuition," says Darrell Johnson, President of FRANdata. The *2004 Litigation Report* hopes to help its readers get a view of trends in litigation and perhaps understand how they might compare to their peers and even help them forecast what they might see in the future.

For instance, it is a fact of the world we live in that the longer you are in business the more legal disputes you will be involved in. But as a new franchisor just starting out, when can you expect to start to see your legal expenses go up?

Based on an analysis of over 1200 companies who ranged in "age" (i.e., years franchising) from <5 to >50 years, 16% of companies <5 years old report an average of 3 proceedings, but by the time they have been franchising for 10+ years, 50% will average over 6 completed proceedings. A year-by-year analysis for the first 20 years shows a fairly steady increase in the average number of cases per company with jumps at year 5 and year 11 (perhaps to be expected, as these are standard franchise term limits.)



"The solution to challenges is not just more information, but information that is focused on specific issues so that decision-makers can make better decisions," says Johnson. "Clearly there are few simple answers to business questions that involve such a dynamic industry. I am pleased to say that FRANdata is changing the reliance on intuition."

Source data

FRANdata collects and compiles information from UFOCs received and registered by state franchise examiners and retrieved from the public record. All franchisors are required under state and federal laws to produce and deliver UFOCs to prospective franchisees. As part of this disclosure process, twelve state regulatory agencies require complete and updated UFOCs to be filed and approved before selling within their jurisdictions. These documents become part of the public record upon approval and must be accurate by law.

More information concerning UFOC disclosure guidelines – including the types of proceedings that must be reported in the litigation section - is available at the North American Securities Administration Association (NASAA) website: http://www.nasaa.org/nasaa/scripts/fu_display_list.asp?ptid=34.)

With more than 15,000 UFOCs and 15 years of collecting and analyzing data on franchise companies, FRANdata is able to provide the only universal view of the entire franchising world from a completely objective perspective.

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