

Franchise Services of North America Inc.

Management's Discussion and Analysis

September 30, 2007

This Management Discussion and Analysis ("MD&A") was prepared as at February 23, 2008 and should be read in conjunction with the audited Consolidated Financial Statements and related notes for the thirteen months ended September 30, 2007 and for the year ended August 31, 2006, all available on SEDAR, at www.sedar.com.

Franchise Services of North America Inc. ("FSNA" or the "Company"), is a public company whose common shares are listed on the TSX Venture Exchange under the symbol 'FSN'. Prior to November 30, 2006, the Company's principal asset was the Rent-A-Wreck trademark and franchise system in Canada, owned and operated by its wholly owned subsidiary Practicar Systems Inc. The Company operated at that time under the name Rent-A-Wreck Capital Inc. and traded under the symbol 'RAW'. This report describes the business and financial results of the Company for the thirteen month period ended and as of September 30, 2007, and includes the transactions resulting from the business combination transaction with U-Save Auto Rental of America, Inc. ("U-Save") completed on November 30, 2006. U-Save licenses franchises to operate U-Save Auto Rental and U-Save Car & Truck Rental businesses worldwide and offers to franchisees and independent car rental operators ("associates") insurance products including liability and physical damage coverages on their rental fleet. U-Save also operates an association, Auto Rental Resource Center ("ARRC"). ARRC provides insurance discounts and products and services to its members who operate independent vehicle rental businesses.

Some of the risks, uncertainties and other factors affecting the Company are discussed in our public filings with the securities regulatory authorities in Canada. Copies of the Company's Canadian filings, including our most recent management information circular, annual information form, annual financial statements, material change reports, unaudited quarterly financial statements and news releases, are available online at www.sedar.com. Information in this document is presented as of February 23, 2008 and is subject to change after this date.

From time to time, we make written or oral forward-looking statements. We may make such statements in this document, in other filings with Canadian regulators, in reports to shareholders, or in other communications

These forward-looking statements include, among others, statements with respect to our objectives in the coming year and beyond, our medium-term goals and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words, "may", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective", and word and expressions of similar import are intended to identify forward-looking statements.

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By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections, and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially for the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, management of the market, liquidity and funding and operational risks; the strength of the U.S. and Canadian economies, and the economies of any other countries in which we and/or our franchisees conduct business; the impact in the laws and regulations and enforcement thereof; judicial judgements and legal proceedings; our ability to obtain accurate and complete information from on or behalf of our customers and counterparts; our ability to complete strategic acquisitions and to integrate our acquisitions successfully; changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; other factors that may affect future results including timely development and introduction of new products and services, changes in our estimates relating to reserves and allowances, natural disasters such as hurricanes, the possible impact on our business from international conflicts and other developments including those relating to the war on terrorism; and our success in anticipating and managing the foregoing risks.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Currency

All amounts in this MD&A are expressed in US dollars unless specified otherwise.

Business Combination Transaction ("BCT")

The Company completed a BCT on November 30, 2006 with U-Save Auto Rental of America, Inc. ("U-Save"), a privately held Mississippi company, based in Jackson, Mississippi. Under the terms of the Amended & Restated Share Exchange Agreement (as filed on SEDAR), the Company obtained shareholder approval at a special meeting of the shareholders held on November 30, 2006 to approve the consolidation of its common shares, the acquisition by the Company of all of the outstanding stock of U-Save in a "reverse take-over" ("RTO") transaction, the name change of the Company from Rent-A-Wreck Capital Inc. to Franchise Services of North America Inc., the appointment of a new Board of Directors, the amended and restated stock option plan and the extension of certain options of the Rent-A-Wreck option plan.

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The transaction involved the conversion of the Company's convertible debentures and accrued interest to March 31, 2006 into common shares, the forgiveness of the interest on the convertible debentures for the period from April 1, 2006 to November 30, 2006 by the debenture holders and the consolidation of the Company's common shares on a 4.0785967-for-one basis resulting in 2,781,962 consolidated common shares. The Company issued 45,600,000 consolidated common shares to shareholders of U-Save, in exchange for all the shares of U-Save. At the conclusion of the transaction, the Company had 48,381,962 consolidated common shares and the former shareholders of U-Save held 94.25% of the outstanding shares and the former shareholders of the Company held 5.75% of the outstanding shares.

The transaction also included the consolidation of the Company's 640,000 outstanding stock options exercisable at CDN \$0.10 to 156,917 options exercisable at CDN \$0.41. The Company granted 6,865,169 consolidated stock options at an exercise price of CDN \$0.1016 and 920,693 consolidated stock options at an exercise price of CDN \$0.50 to replace the U-Save stock options outstanding at the time of the transaction.

In connection with the business combination transaction, the Company closed two concurrent private placements led by Blackmont Capital Inc. and Meridian Merchant Capital Canada Ltd. for gross proceeds of CDN \$3.5 million and net proceeds of CDN \$2,996,116 (US \$2,623,110), after direct expenses. The Company issued 7 million consolidated shares at CDN \$0.50 per share and granted options to acquire 700,000 consolidated shares at CDN \$0.50 per share for two years. The proceeds were used to expand the Rent-A-Wreck brand in Canada, introduce U-Save into Canada, retire debt of the Company, and expand its marketing and sales activities. After the closing of the private placement, the Company had 55,381,962 consolidated common shares outstanding and 8,642,779 options to acquire consolidated common shares at prices ranging from CDN \$0.1016 and CDN \$0.50 per share.

At the request of the Company, the trading of the shares of the Company had been halted by the TSX Venture Exchange as of June 7, 2006. Following the transaction, the shares resumed trading under the symbol 'FSN' on December 15, 2006.

The Company engaged Blackmont Capital Inc. ("Blackmont") to act as agent for a public equity offering of common shares of the Company (the "Offering"). An initial closing occurred on February 6, 2007 with the issue of 6,678,600 common shares at CDN \$0.85 per share for aggregate gross proceeds of CDN \$5,676,810. As agent of the offering, Blackmont received a cash commission equal to 9% of the gross proceeds of the offering and compensation options entitling it to purchase for a period of 24 months, at a price of CDN \$0.85 per share, a number of shares equal to 9% of the common shares sold pursuant to the offering. A second closing took place in March 2007, where an additional 642,000 common shares were issued for aggregate gross proceeds of CDN \$545,700. As agent of the offering, Blackmont received a cash commission equal to 9% of the gross proceeds of the offering and compensation options entitling it to purchase for a period of 24 months, at a price of CDN \$0.85 per share, a number of shares equal to 9% of the common shares sold pursuant to the offering. Proceeds were used primarily for debt reduction, growth of the Company's business in the airport and neighbourhood sectors of the car rental market and growth of the U-Save brand into Canada.

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Business Acquisition

Effective January 15, 2007, the Company, through its wholly owned subsidiary, U-Save Financial Services, Inc., acquired certain assets of DRSN Holdings, LLC, an Arizona-based limited liability company. These assets consisted of a full-service insurance agency with an established book of business across various product lines and customers throughout North America. The initial purchase price, which totaled \$1,191,214, was paid with cash funded by a major shareholder. In addition, there are two contingent payments of \$188,150 which can be adjusted based on the amount of revenue retained in relation to specified baseline revenue. Any additional consideration paid will be reflected in goodwill.

The acquisition was accounted for using the purchase method of accounting and the purchase price was allocated to the identifiable assets and liabilities acquired based on their estimated fair value at the acquisition date. Any excess of the purchase price over the estimated fair values of the net identifiable assets acquired was allocated to goodwill. The results from operations have been included in the Company's consolidated financial statements from the acquisition date.

The purchase price was allocated as follows:

Goodwill	\$ 409,838
Customer List	\$ 703,000
Non-Compete Agreement	<u>\$ 78,376</u>
	<u>\$1,191,214</u>

The purchase price was based on 2.2x annual revenue of the book of business, \$703,000 or \$1,567,514. The purchase price was allocated to the customer list at 1x annual revenue stream of \$703,000, 5% or \$78,376 to the covenant not to compete and the difference (excluding the contingent consideration, discussed below) to Goodwill of \$409,838. The excess of the purchase price over the value ascribed to the customer lists and the covenant not to compete was attributed to goodwill as there were no other significant assets or liabilities acquired.

The contingent consideration noted above was excluded from the initial purchase price allocation. Under Canadian GAAP, if the contingency can be determined beyond a reasonable doubt, it should be recognized as part of the cost of the purchase. When it cannot be reasonably estimated or the outcome cannot be recognizably determined beyond a reasonable doubt, details of the contingency should be disclosed. It is the opinion of management that the outcome cannot be reasonably determined until the contingency is resolved (based on each measurement date) and the consideration is issued or becomes issuable. The consideration, if any is due is a function of the successful retention of the baseline revenue as established in the agreement. Thus, the fair value of that consideration issued or issuable will be recognized as an additional cost of the purchase when the contingency is resolved. For these reasons and in line

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with the guidance, any future contingent consideration paid on the anniversary dates of January 15, 2008 and 2009 will be recorded as part of the purchase price and allocated to goodwill.

Financial Statements and Basis of Presentation

The Company's Consolidated Financial Statements as of and at September 30, 2007 include the information resulting from the BCT noted above. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Company applied reverse take-over accounting principles to record the BCT using the purchase method of accounting. The Consolidated Balance Sheet includes all the assets and liabilities of all the subsidiaries of the Company including Practicar and U-Save, using the appropriate accounting treatment for a reverse take-over transaction. The Consolidated Statements of Operations and Accumulated Deficit Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows include the operations for the thirteen month period ended September 30, 2007 for U-Save (the accounting acquirer) and the ten month period ended September 30, 2007 for Practicar Systems, Inc. Additional information concerning the transaction and subsequent information can be obtained on SEDAR (www.sedar.com) under the Company's listing, Franchise Services of North America Inc.

Pursuant to the application of the Reverse take over ("RTO") accounting under Canadian GAAP, all comparative financial information dated August 31, 2006 or prior is that of U-Save Auto Rental of America, Inc., a privately held Mississippi Corporation, prior to the BCT and is reported herein. These comparative financial statements are also reported in US dollars. Certain amounts have been reclassified to conform to current year presentation.

Selected Financial Information

The following financial information is derived from the Company's audited consolidated financial statements for each of the three most recently completed fiscal years:

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Selected Annual Information	13 Months ended September 30 2007 US \$	12 Months ended August 31 2006 US \$	12 Months ended August 31 2005 US \$
Total revenues	\$ 18,180,802	\$ 18,027,381	\$ 16,149,499
Net income before discontinued operations	\$ 489,738	\$ 1,483,698	\$ 49,585
per share - basic	\$ 0.01	\$ 0.03	\$ 0.00
per share - diluted	\$ 0.01	\$ 0.03	\$ 0.00
Net income after discontinued operations	\$ 489,738	\$ 1,483,698	\$ 49,585
per share - basic	\$ 0.01	\$ 0.03	\$ 0.00
per share - diluted	\$ 0.01	\$ 0.03	\$ 0.00
Total assets	\$ 24,699,897	\$ 19,350,537	\$ 18,183,467
Total long-term financial liabilities	\$ 3,709,377	\$ 3,518,184	\$ 6,709,261
Cash dividends declared per share	\$ nil	\$ nil	\$ nil

Note: As previously discussed, these 2007 results reflect 13 months activity of U-Save and only 10 months of The Canadian operations as the BCT transaction was not completed until November 30, 2006.

Selected annual information for the twelve months ended August 31, 2006 and 2005 reflect that of U-Save Auto Rental of America, Inc, a private Mississippi Corporation prior to the BCT. Additional information concerning the transaction and subsequent information can be obtained on SEDAR (www.sedar.com) under the Company's listing, Franchise Services of North America Inc.

The following table reports the selected financial information of the Company by geographic jurisdictions. Management has determined that the Company operates in one dominant industry segment (the auto rental segment) in multiple jurisdictions, which involves (i) licensing to franchisees to operate auto rental business under Company owned brands and (ii) providing franchisees, independent auto rental operators and other related auto rental operations with financial services related to insurance products. The Canadian jurisdiction includes 10 months of operations since the BCT and also includes the corporate expenses incurred by the Company.

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Segmented Information	13 Months ended September 30, 2007		
	USA	Canada	Total
	US \$	US \$	US \$
Total revenues	\$ 17,285,959	\$ 894,843	\$ 18,180,802
Expenses	17,130,702	985,667	18,116,369
Other Income	770,742	-	770,742
Net income before tax	925,999	(90,824)	835,175
Income tax expense	439,233	(93,796)	345,437
Net income	\$ 486,766	\$ 2,972	\$ 489,738
Total assets	\$ 14,130,322	\$ 10,569,575	\$ 24,699,897
Total long-term financial liabilities	\$ 3,709,377	\$ -	\$ 3,709,377

Segmented Information	12 Months ended August 31, 2006		
	USA	Canada	Total
	US \$	US \$	US \$
Total revenues	\$ 18,027,381	\$ -	\$ 18,027,381
Expenses	16,214,069	-	16,214,069
Other Income	528,867	-	528,867
Net income before tax	2,342,179	-	2,342,179
Income tax expense	858,481	-	858,481
Net income	\$ 1,483,698	\$ -	\$ 1,483,698
Total assets	\$ 19,350,537		19,350,537
Total long-term financial liabilities	\$ 3,518,184	\$ -	\$ 3,518,184

Operations

For the thirteen months ended September 30, 2007, the Company reported a net income from operations of \$489,738 compared with net income of \$1,483,698 for the year ended August 31, 2006. The reduction in net income was primarily the result of increases in operating and general and administrative expenses as discussed below as well as approximately \$200,000 of non-recurring expenses related to the DRSN Insurance agency acquisition.

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Revenue

Revenue of \$18,180,802 for the thirteen month period ended September 30, 2007 was not materially different from the \$18,027,381 reported by U-Save for the twelve month period ending August 31, 2006. The Company experienced a significant increase in franchise fee revenue (\$650,045 in 2007 vs. \$287,250 in 2006) due to sale of master franchise agreements in Canada and the Middle East as well as new franchise locations in Puerto Rico and the Newark, New Jersey airport. The Newark, New Jersey, and Puerto Rico franchisees are in operation, and are currently generating the Company revenue in the form of reservation fees and royalty fees. Royalty Revenue increased from \$3,377,120 in 2006 to \$4,341,978. The majority of this increase is a result of the inclusion of the operations of Practicar. This was marginally offset by a decrease in Insurance premium revenue (\$14,363,011 in 2006 vs. \$13,188,779 in 2007) due to lower fleet counts maintained by the U-Save franchisees during the year, and fewer vehicles participating in the physical damage program.

Expenses

Total expenses for the thirteen months ended September 30, 2007 were \$18,116,369 as compared to \$16,214,069 reported for the twelve months ended August 31, 2006. The increase in operating expenses is due to the addition of The Canadian operations as well as the inclusion of an extra month of expense for U-Save operations due to the change in fiscal year. The Company incurred incremental expense increases resulting from its annual Convention held in February 2007, and the addition of the Canadian subsidiary and its franchisees attendance, the expansion of reservation booking channels for its franchisees in the form of listing fees and development costs. General and administrative expenses were higher due to the increased public company activities that resulted from and after the BCT (namely, legal fees travel and investor relations expenses), in addition to the travel and management of the new Canadian subsidiary. Additionally, the company incurred approximately \$200,000 of incremental expenses as it related to DRSN acquisition, and the integration costs to acquire and implement accounting and insurance related software for the new division, new offices were secured and a relocation of its ARRC subsidiary was also completed.

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Quarterly Results

The following financial information is derived from the Company's unaudited quarterly consolidated financial statements for each of the eight most recently completed quarterly periods. The amounts for the quarters ending December 31, 2006, March 31, 2007, June 30, 2007 and September 30, 2007, reflect the accounting of the BCT as completed on November 30, 2006, thus the first quarter of the 2007 fiscal year, ending December 31, 2006 actually reflects four months of operations of U-Save and one month operations of Practicar. All subsequent quarterly periods of 2007 reflect three months combined operations of the Company. The four quarters for the thirteen months ended September 30, 2007 have been updated and restated to reflect the accounting of the BCT in accordance with Canadian GAAP related to reverse takeover accounting. This restatement differs from the original reporting of the operations from the first quarter, and the subsequent carry forward of year to date results. Previously, the company reported the first quarter results as one month of U-Save and three months of Practicar operations. Under Canadian GAAP, the accounting acquirer should be considered to be U-Save, and accordingly, the below quarterly numbers for the quarter ended December 31, 2006 reflect four months of U-Save (September-December, 2006) and One month of Practicar (December, 2006). The four quarters from the fiscal year ended August 31, 2006 only relate to the unaudited quarterly results of U-Save Auto Rental of America, Inc Certain amounts have been reclassified to conform to current year presentation. The previously reported quarters of the Company when traded as RAW prior to the BCT information can be obtained on SEDAR (www.sedar.com) under the current Company's listing.

Quarters Ending	Insurance Premiums and Related Fees US \$	Total Revenues US \$	Net Income		
			US \$	per Share	
				Basic US \$	Diluted US \$
13 Months ended September 2007					
Q4, September 30, 2007	3,170,131	4,442,959	324,565	0.01	0.00
Q3, June 30, 2007	3,023,279	4,110,665	235,011	0.00	0.00
Q2, March 31, 2007	2,882,050	4,322,575	88,181	0.00	0.00
Q1, December 31, 2006 (4 months)	4,113,319	5,304,603	(158,019)	0.00	0.00
Fiscal year ended August 2006					
Q4, August 31, 2006	3,767,538	4,753,796	457,697	0.01	0.01
Q3, May 31, 2006	3,563,203	4,571,903	650,593	0.01	0.01
Q2, February 28, 2006	3,515,006	4,348,243	190,045	0.00	0.00
Q1, November 30, 2005	3,517,264	4,353,439	185,363	0.00	0.00

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* Q1, ending December 31, 2006 is inclusive of four months of U-Save Operations and one month of Practicar.

The royalty revenue trend for the Company's vehicle rentals and sales is greatly influenced by the tourism cycle; consequently the summer quarter ending in September, the 4th quarter of our fiscal year, traditionally generates the highest levels of revenue, followed by the spring (3rd) quarter ending in June, then the fall (1st) quarter ending in December, which includes the Christmas holiday season, and finally the winter (2nd) quarter which is usually the lowest in both tourism and car sales. Although tourism is a significant part of the rental revenue, the system also caters to the local rental markets and vehicle replacement market. These markets do not necessarily follow the same cycle patterns as tourism; for example, the vehicle replacement market is typically stronger during the winter months. In 2007, this trend was not as prevalent as Q3 royalty revenue declined due to a general slowdown in car rental activity and tourism in the third fiscal quarter of the year. The Company does not anticipate that trend to continue into subsequent years.

The Insurance premiums reported are a function of the number of cars insured by the underlying franchisees. The seasonality aspects that are attributed above to the tourism cycle, also greatly influence the number of vehicles a franchisee will operate and make available for rent. Additionally, as the number of airport locations increase based upon a successful opening of a new location, these airport locations tend to rent a greater number of vehicles than a local market store, thus as each airport location is opened, if the Company also provides that new franchisee with his vehicle liability program for his fleet, the overall car count of insured vehicles will increase, having a positive effect on this revenue stream.

The total revenues in each quarter are impacted by the franchise fee revenue resulting from the granting of new franchises. Franchise fee revenues do not follow a particular pattern and accordingly may have a significant impact in any given quarter.

The total expense levels are generally uniform during the year. However, the Company's claims expense from its insurance programs is susceptible to significant change in any given quarter.

The Company's royalty revenue stream and insurance premiums are greatly influenced by the performance of the underlying franchisees. This can be affected in either a positive or negative manner based upon current trends in the car rental industry.

Rental rates charged by franchisees affect the amount of royalty paid from a significant number of franchisees that incur fees based upon a percentage of rental revenue. As pricing fluctuates in the market for the rental fees charged by car rental operators, this can vary the amount of royalty earned by the Company. Competition, air fares, availability of cars, the cost of gasoline, as well as general economic conditions can all have an influence on both the price and demand for rental car activity. The Company aggressively develops its internet marketing strategy to drive reservations to the franchisees. As the number of distribution channels and the efficiency of

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channels of availability to the franchisees increase, consumers will have the opportunity to reserve vehicles from the underlying franchisees from a greater number of distribution points, which in turn increases the ability to gain new customers from which rental revenue will be derived. The growth in rental revenue of the franchisees will in turn, generate higher royalty payments.

Insurance premiums are affected based upon the number of cars the underlying franchisees operate in their fleet on a monthly basis. In addition to the seasonality aspect of the business mentioned above, competition, pricing, the change in the mix of repurchase vehicles available from the car manufacturers, and the number of risk vehicles the franchisee buys and general economic conditions all affect the franchisees decision as to the proper number of vehicles to maintain in his fleet on a monthly basis. Premiums are paid on a per car basis, and the premiums paid by the franchisees and the underlying margin are a function of fleet size.

Whereas the car rental industry has shown steady growth over the last several years, an economic downturn could impact overall car rental demand, which in turn could impact both the rates charged in the car rental industry and the overall number of cars available for rent.

Contingent Liabilities

The Company is periodically involved in legal actions and automobile accident claims that arise as a result of events occurring in the normal course of operations. In the regular course of business, the Company evaluates estimated losses or costs related to litigation and provision is made for anticipated losses whenever the Company believes that such losses are probable and can be reasonably estimated.

Fourth Quarter Results

The following table reports the consolidated statements of operations for the fourth quarter ended September 30, 2007, with comparisons for the fourth quarter ended August 31, 2006:

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Consolidated Statement of Operations	3 months ending		Variance
	September 30 2007 \$	August 31 2006 \$	
Revenues			
Insurance premiums and related fees	\$ 3,170,131	\$ 3,767,538	-16%
Royalties, licensee fees and other	1,156,747	970,008	19%
Franchise fees	116,081	16,250	614%
	4,442,959	4,753,796	-7%
Expenses			
Franchise development	1,182,020	977,214	21%
Insurance operating	791,309	275,524	187%
Claims expense	806,689	1,531,724	-47%
Insurance underwriting expense	586,164	934,649	-37%
General and administration	466,240	314,501	48%
Amortization	55,345	23,073	140%
Interest	114,690	123,888	-7%
Stock based compensation	17,500	-	n/a
	4,019,957	4,180,573	-4%
Net income before income taxes	423,002	573,223	-26%
Income taxes expense	98,437	115,526	-15%
Net income	324,565	457,697	-29%
Net income per share - basic	\$ 0.01	\$ 0.01	
Net income per share - diluted	\$ 0.00	\$ 0.01	

Revenue

Revenue in the fourth quarter decreased by 15%, as compared to the revenue of the fourth quarter of 2006, as the franchisees began reducing their fleets in anticipation of an economic downturn in the U.S economy, resulting in fewer vehicles in their rental fleets. This was compounded by the depressed U.S. auto sales industry, which had resulted in depressed auction pricing for vehicles on the used market. The result is franchisees reducing their fleets, and the number of vehicles they make available for rent. This resulted in fewer insured vehicles and lower royalty collections from the corresponding vehicles; these reductions were partially offset by the increase in royalty revenue of Practicar.

Expenses

Expenses decreased 3.8% in the quarter, compared to the fourth quarter of 2006. Insurance underwriting expenses decreased as a function of fewer cars being insured by the franchisees in the quarter. Claims expense also decreased in the quarter as a result of lower claims experience and fewer cars participating in the physical damage pool. This was offset by an increase in general and administrative expenses and an increase in insurance operating expenses as it related to the DRSN acquisition.

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Liquidity and Capital Resources

Following the BCT, the Company repaid the total Practicar bank indebtedness, cancelled the Practicar debt facilities and repaid the total amount due to an officer and director of Practicar.

Upon conclusion of the public offering in February 2007, the Company repaid \$5,000,000 in subordinated debt. In connection with this repayment, the debt holder forgave approximately \$800,000 in accrued interest and the detachable warrants originally issued in connection with the subordinated debt were cancelled.

The Company's working capital improved significantly to \$5,257,382 at September 30, 2007 (August 31, 2006 – (\$349,519)). During the thirteen month period ending September 30, 2007, the Company completed two closings of a public equity offering with the issue of 7,320,600 common shares at CDN \$0.85 per share for aggregate gross proceeds of CDN \$6,222,510.

Subsequent to year end, and prior to this filing, the Company amended the terms the notes payable totaling \$2,500,000 from their anticipated expiration date of December, 2007 to a new maturity date of December, 2008.

The Company does not anticipate significant cash requirements for capital asset acquisitions during the fiscal year 2008 and expects that these requirements will be met through operating cash flow and working capital.

The Company has the following contractual obligations over the next five years as part of its on-going operations:

Fiscal years ending September 30,	Long term debt US \$	Capital lease obligations US \$	Operating leases US \$	Total US \$
2008	54,626	21,037	288,865	364,528
2009	2,500,000	12,660	177,517	2,690,177
2010	1,191,214	5,503	45,406	1,242,123
2011	-	-	4,515	4,515
2012	-	-	-	-
Total	3,745,840	39,200	516,303	4,301,343

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Related Party Transactions

At August 31, 2006, a non-interest bearing note receivable from Holdings for \$2,652,994 was outstanding with no set repayment terms. In conjunction with the BCT described in Note 4, Holdings became a wholly-owned subsidiary of the Company. As part of that transaction, a major shareholder and officer of the Company incurred an obligation to Holdings in exchange for his investment in Holdings. At September 30, 2007, the balance of the note receivable was \$2,652,994. The note is non-interest bearing, unsecured and payable on demand.

At September 30, 2007, an unsecured note receivable from a shareholder related to his ownership in a franchise for \$302,000 was outstanding. The note bears an interest rate of 6% with five annual payments of principal and accrued interest due beginning August 2007. The note matures in August 2011.

At September 30, 2007 and August 31, 2006, various unsecured notes receivable, primarily from franchisees, were outstanding and totaled approximately \$471,000 and \$229,000, respectively. The notes bear interest at rates ranging from 0% to 9.25%. At September 30, 2007 and August 31, 2006, an allowance of \$65,000 and \$30,000, respectively, was established for notes deemed uncollectible. Of these notes receivable, approximately \$286,000 and \$104,000 as of September 30, 2007 and August 31, 2006, respectively, were from franchisees in which one of the Company's Co-CEOs had a financial interest.

In conjunction with its purchase of an insurance agency, the Company entered into a note payable with a major shareholder of \$1,191,214. The note bears interest at 8.25% per annum and is unsecured. Payments of interest only are due monthly. The note matures January 2010.

In conjunction with its purchase of Xpress Rent-A-Car Association in February 2005, the Company entered into two note payable arrangements with the former owner of Xpress totaling \$200,000. One note payable of \$50,000 bearing no interest was paid in full August 1, 2005. The remaining note of \$150,000 has an interest rate of 6% and matures February 2008. The note is payable in three annual installments of principal and interest of \$56,116 beginning February 2006 and is unsecured. At September 30, 2007 and August 31, 2006, the outstanding balance of the notes aggregated \$50,000 and \$100,000, respectively.

In January 2005, the Company entered into a note payable arrangement with a financial institution to finance the purchase of its domain name. The note was paid in full in January 2007. At August 31, 2006, the outstanding balance of the note was \$31,250.

In December 2003, the Company entered into a note payable with a non-related party for \$1,500,000 bearing interest at the rate of 10% per annum. A shareholder of the Company has collateralized the note with personal assets. The note matured in December 2007. Subsequent to year end, an amendment to the note was executed thereby extending the maturity date to December 2008.

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In December 2003, the Company entered into another note payable with a non-related party for \$1,000,000. The note is collateralized by stock of Auto Rental Resource Center, Inc. (a wholly-owned subsidiary of the Company), and bears interest at the rate of 10% per annum. The note matured in December 2007. Subsequent to year end, an amendment to the note was executed thereby extending the maturity date to December 2008.

The Company has entered into various other non-interest bearing notes payable with a shareholder related to his ownership in a franchise. The notes are payable on demand and are unsecured. At September 30, 2007 and August 31, 2006, the outstanding balance of the notes aggregated \$208,399 and \$211,848, respectively.

Members of the Company's Board of Directors who are also officers and significant shareholders of the Company have investments in certain vehicle rental operations and transportation companies, which have transactions with the Company. Transactions include insurance, reservation and royalty payments that were provided in the normal course of business. The Company recorded revenues in the amount of \$1,287,292 and \$797,586 related to these transactions for the thirteen months ended September 30, 2007 and year ended August 31, 2006, respectively. At September 30, 2007 and August 31, 2006, related party receivables totaled \$778,454 and \$155,331, respectively.

In May 2001, the Company entered into a \$5,000,000 subordinated debt arrangement with a non-related party, which included the issuance of detachable common stock warrants. The warrants were recorded at estimated fair value at the date of issuance and the yield on the subordinated note adjusted accordingly. At August 31, 2006, the outstanding balance of the note was \$4,432,817, net of unamortized discount of \$567,173. Upon conclusion of the public offering in February 2007, the Company repaid the debt in full. Upon payment, the debt holder forgave \$795,705 in accrued interest and forgave the warrants. The Company recognized a gain on settlement of the debt of approximately \$771,000.

Financial Instruments

The Company's financial instruments included in the consolidated balance sheet at September 30, 2007 consist of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities and long-term debt.

The fair value of all short-term financial instruments approximates their carrying amounts. The fair value of the long-term debt and capital lease obligations is not significantly different than their carrying values. The Company's Notes receivable and payable are discussed in greater detail under the caption of Related Party Transactions

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The Company deposits funds with its insurance carriers, in a restricted account, to pay claims and other expenses within its deductible programs. Reference is hereby made to Note 5 and Note 2 to Company's Consolidated Financial Statements as of and for the period ending September 30, 2007 for a more detailed explanation of the insurance programs, and related restricted cash and cash equivalents

The majority of the Company's accounts receivable are with franchisees and are subject to normal industry credit risk which is considered moderate to high. Management reviewed the accounts receivable as at the date of balance sheet and the Company provided for all the amounts considered uncollectible.

Effective October 1, 2006, the Company adopted Section 3855 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook, "Financial Instruments – Recognition and Measurement", Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3861, "Financial Instruments-Disclosure and Presentation", Section 3862, "Financial Instruments-Disclosures, Section 3863, "Financial Instruments-Presentation and Section 3865, "Hedges". The Company has adopted these standards prospectively and as such the comparative financial statements have not been restated. The adoption of these standards has no effect on opening retained earnings or accumulated other comprehensive income.

a) Financial instruments – recognition and measurement

The new standard prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Financial instruments must be classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including any derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments, and other financial liabilities which are measured at amortized cost determined using the effective interest rate method. For Loans and Receivables and Other Liabilities, at initial recognition, cost of the instrument is fair value, adjusted for any transaction cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in the fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized at which time the amounts would be recorded in net earnings.

Following adoption of these standards, the Company has classified its Cash as held-for-trading, which is measured at fair value. Accounts and Notes receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and long-term debts are classified as other financial liabilities which are measured at amortized cost.

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b) Derivatives

The Company does not have any derivative instruments or hedging activities.

c) Other comprehensive income

The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income.

d) Transaction costs

Transaction costs attributable to financial instruments classified as other than held for trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument on an effective yield method.

Accounting Changes

In July 2006, the CICA issued the new handbook Section 1506, "Accounting Changes," effective for annual and interim periods beginning on or after January 1, 2007. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. This new standard is not expected to have a material effect on our financial position or results of operations. This standard applies to the Company's interim and annual financial statements beginning October 1, 2007.

As a result of the RTO, the Company had to adapt to Canadian GAAP. There were no individual policies that had to be adapted as a result of the operations of the Company's Canadian subsidiary that were inconsistent with the treatment and policies followed by U-Save prior to the BCT.

Capital Disclosures

In November 2006, the CICA issued the new handbook Section 1535, "Capital Disclosures," effective for annual and interim periods beginning on or after October 1, 2007. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies, and processes for managing capital. This new standard will have no material effect on our financial position or results of operations. This standard applies to the Company's interim and annual financial statements beginning October 1, 2007.

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International Financial Reporting Standards

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (IFRS) over a transition period that is expected to end in 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

Outstanding Share Data

Authorized

Unlimited common shares, without par value

Unlimited preferred shares, without par value

Issued:

September 30, 2007 62,744,279 common shares

February 22, 2008 62,820,426 common shares

Stock options

Stock options outstanding:

	Options	Exercise Price Range CDN \$
September 30, 2007	10,434,893	\$0.10 to \$1.04
February 22, 2008	10,358,746	\$0.10 to \$1.04

There were no additional Options or securities issued by the Company between the end of the reporting period and the date of this filing. During this time period, 76,147 options, at an exercise price of \$0.10 were exercised by employees.

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Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company has conducted a review of the design of its internal controls over financial reporting, with the conclusion that as at September 30, 2007, the Company's system of internal controls over financial reporting as defined under MI 52-109 is sufficiently designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian GAAP. The Co-Chief Executive Officers and the Chief Financial Officer have determined that, based on their evaluations, the Company's controls and procedures are effective to provide reasonable assurance that material information required to be disclosed by the Company is reported within the periods as established by the securities regulations. The Co-Chief Executive Officers and the Chief Financial Officer do not expect that the internal controls and procedures will prevent all errors and fraud; a control system, however well conceived or managed, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the audit of the 2007 Annual Financial Statements, it was determined that the methodology utilized by the Company in reporting the BCT in its unaudited quarters was not in full compliance with Canadian GAAP. Previously, the Company had reported that the Canadian public company (Rent-A-Wreck Capital, Inc., which was renamed Franchise Services of North America as part of the BCT), was the acquiring entity. While this remains true in the legal sense, in accordance with Canadian GAAP, U-Save is the acquiring entity for accounting purposes with the result that prior comparable periods should be those of U-Save and not Rent-A-Wreck.

The Company's accounting staff has a fair and reasonable knowledge of the rules related to Canadian GAAP and its application but the BCT was previously recorded incorrectly.

The Company employed a Chief Financial Officer in the third quarter of the fiscal year to complement the Company's accounting staff to assist in addressing complex operations and reporting of the Company. The Company also continues to consult with its third party advisors as needed in connection with the recording and reporting of complex and non-routine transactions.

Additional Information

Additional information relating to the Company is available on the SEDAR website at www.sedar.com under Franchise Services of North America Inc. (TSXV: FSN)

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www.fsna-inc.com