Franchise Services of North America Inc. Q3

Third Quarter Report for the Nine Months Ended June 30, 2007

Report to Shareholders

Dear Fellow Shareholders:

We are pleased to present to you the third quarterly report for Franchise Services of North America Inc. ("FSNA") for the nine months ended June 30, 2007.

As previously reported, Rent-A-Wreck Capital Inc. went through a name change in conjunction with the business combination transaction that was completed on November 30, 2006. The attached quarterly report reflects the activity of the combined entity, but the comparative information from the previous year does not reflect any of the results of U-Save Auto Rental of America, Inc. Because of the materiality of the U-Save operations in comparison to those of Practicar in Canada, we refer you to the filings on SEDAR for a more descriptive analysis of the combined entity.

The Third Quarter included an expansion into the Caribbean for the U-Save brand in addition to the opening of another airport location servicing Newark/Liberty, New Jersey International Airport. Several other franchise candidates have been identified and are under consideration. Practicar's entire IT platform has been replaced and the Rent-A-Wreck brand in Canada has begun a re-branding with an exciting new look. The FSNA website has been updated and we continue to expand our internet presence.

As we head into our final quarter of the year, we look forward to growing the system and awareness of the brands to the benefit of our franchisees and mutual shareholders.

Sincerely,

Sandy Miller
Co-Chairman
Co-Chief Executive Officer

Tom McDonnell
Co-Chairman
Co-Chief Executive Officer

August 27, 2007

Management's Discussion and Analysis

This Management Discussion and Analysis ("MD&A") was prepared as at August 27, 2007 and should be read in conjunction with the unaudited interim Consolidated Financial Statements for the nine months ended June 30, 2007, together with the audited Consolidated Financial Statements for the year ended September 30, 2006 and the notes to those financial statements, and the financial statements contained in the Information Circular dated November 3, 2006, all available on SEDAR, at www.sedar.com.

Franchise Services of North America Inc. ("FSNA" or the "Company"), is a public company whose 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 nine months ending and as of June 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.

This MD&A contains forward-looking information relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate," "believe," "expect," "goal," "plan," "intend," "estimate," "may," and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This Management's Discussion and Analysis contains forward-looking information, included in, but not limited to, the sections titled 'Business Combination Transaction,' 'Quarterly Results' and 'Subsequent Events.' Shareholders and prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. 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 and news releases, are available online at www.sedar.com. Information in this document is presented as of August 27, 2007 and is subject to change after this date. However, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Currency

All amounts in this MD&A are 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 Share Exchange Agreement, 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.

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 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 $3,099,460 (US $2,715,252), 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 will be 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.

Financial Statements and Basis of Presentation

The Company's Consolidated Financial Statements as of and at June 30, 2007 include the information resulting from the business combination transaction. 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 acquisition 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 Statement of Operations and Retained Earnings and the Consolidated Statement of Cash Flows include the operations for the three month and nine month periods ending June 30, 2007. The year-to-date numbers for the period ending June 30, 2007 include nine months for the Canadian operations, including Practicar, and corporate activities and seven months for U-Save, as the BCT did not take place until November 30, 2006. 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.

All comparative financial information dated September 30, 2006 or prior includes only the Canadian and Corporate operations of the company as was previously reported originally for each of these periods, and has been converted to US dollars.

Selected 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 and the unaudited consolidated financial statements for the nine months ended June 30, 2007:

Selected Annual Information	Nine Months Ended June 30	Years ended September 30		
	2007	2006	2005	2004
	US $	CDN $		
Total revenues	$ 9,821,382	$ 823,710	$ 783,868	$1,254,705
Net income (loss) before discontinued operations	$ 307,821	$ (71,690)	$ (195,046)	$ 241,491
per share - basic	$ -	$ (0.01)	$ (0.03)	$ 0.03
per share - diluted	$ -	$ (0.01)	$ (0.03)	$ 0.03
Net income (loss) after discontinued operations	$ 307,821	$ (71,690)	$ (195,046)	$ 241,491
per share - basic	$ -	$ (0.01)	$ (0.03)	$ 0.03
per share - diluted	$ -	$ (0.01)	$ (0.03)	$ 0.03
Total assets	$ 23,507,465	$ 805,392	$ 868,636	$1,064,096
Total long-term financial liabilities	$ 4,399,346	$ 334,432	$ 350,470	$ 34,349
Cash dividends declared per share	$ nil	$ nil	$ nil	$ nil

Note: As previously discussed, these nine month results for the period ending June 30, 2007, include nine months of the Canadian Operations, and only seven months of the U.S. Operations, as the BCT was not completed until November 30, 2006. 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.

Operations

For the nine months ended June 30, 2007, the Company reported a net income from operations of $307,821 compared with a net loss of ($90,717) for the nine months ending June 30, 2006. The significant improvements are a result of the inclusion of the U-Save operations as a result of the BCT, in comparison to the previous year's nine months, which reflect only the operations of Practicar.

Revenue

Revenue for Insurance premiums and related fees totaled $6,860,822 (2006 - $92,160). Royalties and other fees earned during the nine-month period were $2,496,494 (2006 - $360,772). Franchise fee revenue for the nine months increased to $464,066 (2006 - $20,097). The improvements in all revenue categories result from the inclusion of seven months of operations from the U-Save group.

Expenses

Total expenses for the nine months ending June 30, 2007 were $9,167,680 compared with $563,746 the previous year. All expense categories increased significantly as a result of the inclusion of seven months of operations for the U-Save group. The interest expense recovery resulted from the cancellation and reversal of a portion of the interest previously accrued on debentures and subordinated debt in conjunction with the repayment of these amounts owed.

Quarterly Results

The following financial information is derived from the Company's unaudited consolidated financial statements for each of the eleven most recently completed quarterly periods. The amounts for the quarters ending December 31, 2006, March 31, 2007 and June 30, 2007 show significant increases as a result of the inclusion of the U-Save operations starting in December 2006, following the November 30, 2006 BCT.

Quarter Ending		Royalties Revenues	Total Revenues	Net Income (Loss)	per Share Basic	per Share Diluted
Fiscal year ended September 2007						
Q3, June 30, 2007	**US $**	**986,238**	**4,109,784**	**129,156**	**0.00**	**0.00**
Q2, March 31, 2007	**US $**	**1,121,076**	**4,323,046**	**80,029**	**0.00**	**0.00**
Q1, December 31, 2006	**US $**	**389,180**	**1,388,552**	**98,636**	**0.00**	**0.00**
Fiscal year ended September 2006						
Q4, September 30, 2006	***CDN $***	*192,564*	*279,964*	*32,590*	*0.00*	*0.00*
Q3, June 30, 2006	***CDN $***	*116,958*	*182,781*	*(29,369)*	*0.00*	*0.00*
Q2, March 31, 2006	***CDN $***	*103,555*	*174,218*	*(52,049)*	*(0.01)*	*(0.01)*
Q1, December 31, 2005	***CDN $***	*110,631*	*186,747*	*(22,862)*	*0.00*	*0.00*
Fiscal year ended September 2005						
Q4, September 30, 2005	***CDN $***	*190,358*	*239,949*	*(17,364)*	*0.00*	*0.00*
Q3, June 30, 2005	***CDN $***	*119,573*	*194,892*	*(30,394)*	*0.00*	*0.00*
Q2, March 31, 2005	***CDN $***	*103,322*	*171,389*	*(67,493)*	*(0.01)*	*(0.01)*
Q1, December 31, 2004	***CDN $***	*108,444*	*177,638*	*(79,795)*	*(0.01)*	*(0.01)*

The royalty revenue trend for the Company's vehicle rentals, sales and leasing 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 and both these markets do not necessarily follow the same cycle patterns as tourism; for example, the vehicle replacement market is usually stronger during the winter months.

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 quarter.

The total expense levels are generally uniform during the year. The quarters ending December, 2006 and March, 2007 show considerable increases from the non-recurring expenses related to the business transaction. The quarter ended June 30, 2007 reflects non-recurring expenses related to the acquisition and development of the insurance agency.

Liquidity and Capital Resources

Following the transaction, the Company repaid the total bank indebtedness, cancelled the two facilities and repaid the total amount due to an officer and director.

The Company's working capital improved significantly to $4,188,603 at June 30, 2007 (September 30, 2006 – ($210,284)). During the nine-month period ending June 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.

The Company does not anticipate significant cash requirements for capital asset acquisitions during the fiscal year 2007 and expects that these requirements will be met through cash flow and working capital.

Related Party Transactions

Members of the Company's Board of Directors 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. At June 30, 2007, related party receivables totaled $801,995.

At June 30, 2007, an unsecured note receivable from a shareholder 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.

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

Financial Instruments

The Company's financial instruments included in the balance sheet at June 30, 2007 consist of cash and cash equivalents, accounts receivable, prepaid expenses and cash deposits held, accounts payable and accrued liabilities, insurance reserves, long-term debt and capital lease obligations.

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 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.

Outstanding Share Data

Authorized
- Unlimited number of common shares
- Unlimited number of preferred shares

Issued:

June 30, 2007	62,731,985 common shares

Stock options

Stock options outstanding:

	Options	Exercise Price Range CDN $
December 31, 2006	14,937,875	$0.10 to $0.50
March 31, 2007	10,276,306	$0.10 to $1.04
June 30, 2007	10,478,306	$0.10 to $1.04

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual and interim filings and other reports filed under regulatory securities requirements is reported within the time periods specified by the securities regulations. 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 disclosure 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.

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

Franchise Services of North America Inc.

Corporate Information

Directors

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Toronto, Ontario, Canada

David I. Forseth
Calgary, Alberta, Canada

Thomas P. McDonnell, III
Madison, Mississippi, USA

Sanford Miller
Ormond Beach, Florida, USA

J. Michael Linn
Daytona Beach, Florida, USA

Officers

Thomas P. McDonnell, III
Co-Chairman and
Co-Chief Executive Officer

Sanford Miller
Co-Chairman and
Co-Chief Executive Officer

Robert M. Barton
Executive Vice President and
Chief Operating Officer

O. Kendall Moore
Vice President, General Counsel
and Secretary

Dennis M. Via
Senior Vice President and
Chief Financial Officer

Henri H. Lefebvre
Chief Accounting Officer and
Canadian General Manager

Stock Exchange Listing

TSX Venture Exchange
Symbol: FSN

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Auditors

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