



**FRANCHISE SERVICES OF NORTH AMERICA INC.
(formerly RENT-A-WRECK CAPITAL INC.)**

Management's Discussion and Analysis

January 29, 2007

This management's discussion and analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements of Rent-A-Wreck Capital Inc. ("the Company" or "RAW") for the fiscal years ended September 30, 2006 and 2005, the notes thereto, and the Auditors' Report dated January 29, 2007.

Franchise Services of North America Inc. ("FSNA"), formerly Rent-A-Wreck Capital Inc., 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. This report describes the business and financial results of Rent A Wreck Capital, Inc. for the fiscal year ended September 30, 2006 and the subsequent events including the business combination transaction completed on November 30, 2006.

All amounts in this MD&A are in Canadian dollars, unless specified otherwise.

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 January 29, 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.

Business Combination Transaction

The Company completed a business combination transaction ("Business Combination") on November 30, 2006 with U-Save Auto Rental of America, Inc. ("U-Save"), a privately held Mississippi company, based in Jackson, Mississippi. 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 adoption of a the name change of the Company 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 granted under the RAW option plan.

Other transactions related to the Business Combination included the conversion of the Company’s convertible debentures and accrued interest thereon 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 prior to the issue of consolidated shares to U-Save shareholders as part of the Business Combination. 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 outstanding and the former shareholders of U-Save held 94.25% of the outstanding shares and the former shareholders of RAW held 5.75% of the outstanding shares.

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

In connection with the Business Combination, the Company closed two concurrent private placements led by Blackmont Capital Inc. and Meridian Merchant Capital Canada Ltd. respectively for aggregate gross proceeds of \$3.5 million. The company issued 7 million consolidated shares at \$0.50 per share and granted options to acquire 700,000 consolidated shares at \$0.50 per share for 2 years. The proceeds will be used to expand into the airport and neighbourhood markets, expand the Company’s financial services, expand the U-Save brand into Canada, retire debt and pay general and administrative expenses. After the closing of the private placements the Company had 55,381,962 consolidated common shares outstanding and 8,642,779 options to acquire consolidated common shares at prices ranging from \$0.1016 and \$0.50 per share.

Following the Business Combination the Company repaid the total bank indebtedness and cancelled the two credit facilities and also repaid the total amount due to an officer described under the section Related party balances.

At the request of the Company, the trading of the shares of the Company had been halted by the TSX Venture Exchange since June 7, 2006. Following the Business Combination the shares resumed trading under the symbol ‘FSN’ on December 15, 2006.

The Company has engaged Blackmont Capital Inc. to act as agent for a proposed public equity offering of common shares of the Company (the “Offering”). Gross proceeds from the Offering, anticipated to be between \$4 million and \$8 million, will be 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 in Canada. The Company has filed an amended and restated short form prospectus dated January 11, 2007 with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia in connection with the Offering. Closing of the Offering is expected to occur in early February 2007 and is subject to certain conditions, including but not limited to, receipt of all necessary securities regulatory approvals including the approval of the TSX Venture Exchange.

Financial Statements

The Company’s audited Consolidated Financial Statements for the fiscal years ended September 30, 2006 and 2005, together with the notes thereto, have been prepared in accordance with Canadian generally accepted accounting principles and do not reflect or include the Business Combination or the operations of or any financial information related to the RTO. Additional information concerning the Business Combination,

and subsequent information can be obtained on SEDAR (www.sedar.com) under the Company's new name, Franchise Services of North America Inc.

Selected Annual 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:

	Years ended September 30,		
	2006	2005	2004
Total revenues	\$ 823,710	\$ 783,868	\$ 1,254,705
Net income (loss) before discontinued operations	\$ (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	\$ (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	\$ 805,392	\$ 868,636	\$ 1,064,096
Total long-term financial liabilities	\$ 334,432	\$ 350,470	\$ 34,349
Cash dividends declared per share	nil	nil	nil

Operations

For the year ended September 30, 2006, the Company reported a net loss from operations of \$71,690 compared with a net loss of \$195,046 for the year ended September 30, 2005. The reduction in the net loss result primarily from the increase in revenue from franchise fees during 2006 and the reduction in franchise development expenses which are partially offset by an increase in professional fees.

The Company had 49 Rent-A-Wreck franchise locations at September 30, 2006; during the fiscal year, two new Rent-A-Wreck locations opened, while four non-performing locations closed. At January 29, 2007, the Company had 49 locations.

Revenue

Royalties earned during the year totalled \$523,708, slightly higher than in 2005. The increase reflects the business improvement for several locations in addition to a 16% increase in vehicle sales royalties, compensated by the loss of revenue from the four locations that closed during the year.

Franchise fees earned were \$36,773 during the year up \$33,511 from the previous year's \$3,262. This increase result from the granting of one new franchise and the re-sale of another franchise location during the year compared to no new franchises in 2005.

Other income increased slightly to \$263,229 from \$258,909 the prior year from franchise programs.

Expenses

Total expenses decreased by \$83,514 or 9% to \$895,400 from \$978,914 the previous year.

Franchise system development expenses decreased by \$126,789 or 22% to \$444,241 from the prior year's level of \$571,030. Franchise system development expenses include a group of expenses directly related to marketing new franchises and providing support and services to the existing franchise system. These expenses include salaries and benefits for staff directly responsible for franchise development, travel and communication expenses, franchise marketing expenses, franchise support and services expenses such as materials and training, and new franchise start-up costs.

The decrease in franchise system development expenses reflects reduction in salaries and benefits, franchise marketing and franchisee meeting expenses.

The decrease in administrative salaries and benefits reflects the decision of a senior officer to decline any salary for the current year.

The increase in professional fees results primarily from expenses of \$37,000 incurred in conjunction with the Business Combination up to September 30, 2006.

The Company's lease for office premises remained at the same level as the prior year.

The office and communications expenses decreased as a result of fewer expenses incurred for the maintenance of the office information systems during 2006.

The Company re-financed its convertible debentures on March 31, 2005. As a result of this re-financing the majority of the debentures are now recorded as long-term liabilities versus being recorded in the equity section of the balance sheet. Following this change the interest expense on the long-term portion of the debentures has increased to \$28,828 in 2006 compared to \$20,837 in 2005 and no interest recorded in the equity portion compared to \$4,748 in 2005.

Bank charges and interest expense increased to \$28,868 in 2006 compared to \$17,645 as a result of the increased interest on the higher average balances outstanding for the operating credit line.

Beginning in the fiscal year 2002, management adopted the new accounting rules regarding the amortization of goodwill. Under these rules, amortization of intangible assets is not required where it can be determined that such assets have an indefinite life and that the fair value of these assets is estimated to be greater than the cost carried on the balance sheet. Accordingly no amortization was recorded for the goodwill and intangible assets in 2006 and 2005. The amortization expense relates to capital assets and is comparable to the prior year's expense.

The stock-based compensation expense is based on the 200,000 stock options granted by the Company in August 2006. The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model. Based on this estimate non-cash stock based compensation expense of \$9,100 was recognized for these options with a corresponding amount recorded in contributed surplus.

The bad debt expense increased slightly to \$5,019 from \$3,489 in 2005.

Quarterly results

The following financial information is derived from the Company's unaudited consolidated financial statements for each of the eight most recently completed quarterly periods:

Quarter Ending	Royalties Revenues \$	Total Revenues \$	Net Income (Loss)		
			\$	per Share	
				Basic \$	Diluted \$
Fiscal year ended September 2006					
Q4, September 30, 2006	192,564	279,964	32,590	0.00	0.00
Q3, June 30, 2006	116,958	182,781	(29,369)	0.00	0.00
Q2, March 31, 2006	103,555	174,218	(52,049)	(0.01)	(0.01)
Q1, December 31, 2005	110,631	186,747	(22,862)	0.00	0.00
Fiscal year ended September 2005					
Q4, September 30, 2005	190,358	239,949	(17,364)	0.00	0.00
Q3, June 30, 2005	119,573	194,892	(30,394)	0.00	0.00
Q2, March 31, 2005	103,322	171,389	(67,493)	(0.01)	(0.01)
Q1, December 31, 2004	108,444	177,638	(79,795)	(0.01)	(0.01)

The royalties revenue trend for the Company's vehicle rentals, sales and leasing is greatly influenced by the tourism cycle. Given the impact of tourism, the summer quarter ending in September generates the highest levels of revenue, followed by the spring quarter ending in June then followed by the fall quarter ending in December, which includes the Christmas holiday season, and finally the winter, the weakest quarter which is usually the lowest in both tourism and car sales. Although tourism is a significant part of the rentals revenue for the franchisees, the system also caters to the local rental markets and vehicle replacement markets and these markets do not necessarily follow the same business patterns as tourism.

In general the rental royalties were higher in 2006 as a result of new locations opened during the second quarter and improvement by several larger locations, partially offset by the closures of four smaller locations. The Company is working with the franchisees to increase fleets and improve rental vehicle utilization levels and vehicle sales volumes.

The total revenue level in each quarter is also impacted by the franchise fees revenue 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 Company granted one new franchise and one franchise transfer in 2006 compared to no new franchises during 2005.

Fourth Quarter results

The following tables report the consolidated statement of operations and statement of cash flow for the fourth quarter ending September 30, 2006 with comparisons for 2005:

Consolidated Statement of Operations	3 months ending September 30,		
	2006 \$	2005 \$	Variance
Revenues			
Rental and vehicle sales royalties	192,564	190,358	1%
Franchise fees	13,672	1,330	928%
Other revenues	73,728	48,261	53%
	279,964	239,949	17%
Expenses			
Franchise development	93,705	152,237	-38%
General and administration	152,349	93,944	62%
Bad debt (recovery)	(9,913)	(724)	1269%
Amortization	3,814	4,183	-9%
Interest	7,419	7,673	-3%
	247,374	257,313	-4%
Net income (loss) before income taxes	32,590	(17,364)	288%
Income taxes recovery	-	-	
Net income (loss)	32,590	(17,364)	288%
Net income (loss) per share	\$ -	\$ -	

Consolidated Statement of Cash Flow	3 months ending September 30,		
	2006 \$	2005 \$	Variance
Cash provided by (used in)			
Operating activities:			
Net income (loss)	32,590	(17,364)	288%
less:			
Amortization	3,814	4,183	-9%
Interest accretion on convertible debentures	7,419	7,115	4%
Loss on disposal of capital assets	2,351	-	
Stock-based compensation	9,100	-	
	55,274	(6,066)	1011%
Net change in non-cash working capital	(26,285)	54,735	-148%
	28,989	48,669	-40%
Financing activities:			
Bank debt	(27,574)	(1,600)	1623%
Capital leases	(1,242)	(1,093)	14%
Long term debt	(1,726)	(1,725)	0%
	(30,542)	(4,418)	591%
Investing activities, Capital assets	1,084	-	
Change in Cash for the period	(469)	44,251	-101%
Cash, beginning of period	27,942	-	
Cash end of period	27,473	44,251	-38%

The rental and vehicle sales royalties are up slightly for the fourth quarter of 2006 reflecting locations that generated higher revenues which were partially offset by the closures of smaller locations. During the 2006 fourth quarter the Company granted one franchise transfer compared to no franchises in 2005. Other revenues reflect a net increase of \$25,467. In 2005 the amount of other revenue included adjustments relating to prior quarters which reduced the revenue recorded during the fourth quarter. Excluding the adjustments during the 2005 quarter the other revenues are similar between 2006 and 2005.

Total expenses in 2006 are lower by approximately \$10,000; the decreases are mostly in the franchise development expenses as a result of the reduction of staff, the recovery of bad debts, partially compensated by increases in the general and administrative expenses mostly related to the Business Combination expenses during 2006.

Liquidity and Capital Resources

The Company's working capital deficiency increased by \$59,782 to \$234,529 at September 30, 2006 from \$174,747 at September 30, 2005. Of the working capital deficiency at yearend \$102,440 (2005 - \$89,020) represents amounts owing to an officer for advances made to the Company, unpaid salary and expense reimbursements owing, all of which do not have fixed terms of repayment.

The Company has a business credit line facility of \$110,000 of which \$1,000 was available at year-end and a credit card facility of \$50,000 of which \$42,000 was available; both facilities were fully repaid following the Business Combination completed on November 30, 2006. The company is not in payment default with any of its creditors.

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 \$	Capital lease obligations \$	Operating leases \$	Total \$
2007	6,903	5,377	57,283	69,563
2008	4,602	6,105	19,162	29,869
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
Total	11,505	11,482	76,445	99,432

The Company does not have any other off-balance sheet financing arrangements or obligations in addition to the amounts listed above.

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 or financing through equity issues related to the business combination.

In conjunction with the Business Combination the Company consolidated the 640,000 stock options outstanding at September 30, 2006 at the rate of 4.0796598 to one, resulting in 156,917 options with an exercise price of \$0.41. Options outstanding at January 29, 2007 to acquire consolidated shares are as follows:

	<u>Number of Options</u>	<u>Exercise price</u>
RAW options converted to consolidated options	156,917	\$0.41
U-Save holders	6,865,169	\$0.1016
	920,693	\$0.50
Private placement – Blackmont and Meridian	850,000	\$0.50
Forfeited RAW options	<u>(4,904)</u>	\$0.41
Total at January 29, 2007	<u>8,787,875</u>	

Subsequent Events

Following the Business Combination completed on November 30, 2006, the Company engaged Blackmont Capital Inc. to act as agent for a proposed public equity offering of common shares of the Company (the “Offering”) at a price of \$0.85 per share. Gross proceeds from the Offering, anticipated to be between \$4 million and \$8 million, will be 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 in Canada. The Company has filed an amended and restated short form prospectus dated January 11, 2007 with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia in connection with the Offering. The Offering is expected to close in early February 2007.

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 Accounting 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 Accounting 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

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

