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Interviews & News!

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Franchise Bancorp Is Not Your Average Franchise Business, With Three Totally Different Divisions, Working With Family Businesses And Entrepreneurs To Develop Successful Strategies For Growth



Franchise Bancorp Inc.

Services
Marketing Consulting Services
(FBI-TSXV)

Franchise Bancorp Inc.

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Edward (Ted) Loyst
Chairman & Chief Executive Officer

BIO:

Edward (Ted) Loyst has a background in the Advertising Agency business and over 40 years experience in the Franchise Industry. He is a founding member member of the Canadian Franchise Association. Mr. Loyst started his first franchise company in 1967 and is now the major shareholder of Franchise Bancorp Inc., a public company controlling three franchise retail chains.

Company Profile:

Franchise Bancorp is a specialized multi-concept franchise organization whose management team has a history of success in the Canadian franchise industry. Franchise Bancorp determined that growth opportunities existed by consolidating and integrating small and medium sized franchise companies. Creating a larger network has brought synergies, efficiencies and expertise to the individual companies and better buying power was achieved through economies of scale.

Franchise Bancorp currently owns the following four (4) franchise systems:

- *Living Lighting Inc.* established in 1968, is Canada's largest franchised chain of residential lighting stores operating 35 stores in Ontario, Alberta, and the Maritimes.

- *LIV Canada Gift Group Inc.* operates nationally under the brand names The Panhandler, Rafters and Rafters Home Store.

- *Global Pet Food Stores Inc.* is a chain of over 100 corporately owned and franchised pet food and pet supply stores, operating as Global Pet Foods and Ryan's Pet Foods coast to coast.

- *Franchise Bancorp Consulting Ltd.* specializes in franchise marketing and sales activities for all divisions of Franchise Bancorp, as well as providing franchise consulting services to developing franchise companies.

Franchise Bancorp believes that franchising will continue to dominate specialty

retail growth in North America. It's the only way you can give individual store-owners the independence and the tools they need to be competitive. Our franchised stores are owner-operated with an independent business person on the scene daily to make decisions. Franchise owners have the latitude to use their own initiative, energy, taste and style. Franchise Bancorp contributes the major elements of accumulated experience, sound training, marketing and advertising expertise, as well as the purchasing power of a large chain.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Loyst, you have a long history in franchising; what was your vision when you created Franchise Bancorp, and where are you today?

Mr. Loyst: "Franchise Bancorp was created as a small public company that would acquire a number of small and medium-sized franchise organizations that needed development capital and specialized assistance. Our organization has experience in a number of fields and franchising. In addition, having started a number of franchise companies myself, it seemed a natural evolution. The company went public in 1997, raised a limited amount of capital. We amalgamated our companies, which consisted of a company called LIV Canada Gift Group Inc., which was a chain of residential gift stores, a chain called Living Lighting Inc., gift stores called Rafters, Rafters Home Stores and The Panhandler Shops. Subsequently following the public issue, we acquired a company called Ryan's Pet

Foods and another company called Global Pet Foods, amalgamated those companies to form a Global/Ryan's Pet Food chain. We have continued to expand that organization; it now has a 100 operating stores across Canada, with growth plans to reach 200 units by 2011."

CEO CFO: What does Franchise Bancorp provide for your franchisees that they may not be getting elsewhere?

Mr. Loyst: "Franchise Bancorp is the upper holding company and essentially it provides centralized services for the three divisions, the lighting division, gift division and the pet food division; it provides the accounting services, the leasing services, and all of the general administrative services. Each of the corporations has their own management team and "product specific" specialists. For the individual corporations we find locations whether it be the pet food, gift or lighting. We also search and find the location for the franchisee investor. We train the franchisee; we build the store and purchase the initial inventory. On an ongoing basis we provide them with buying support, advertising support, and regular seminars to guide them in the improvement of their business."

CEO CFO: What do you look for in a franchisee?

Mr. Loyst: "Energy. It doesn't matter the age, the education or background, what is the most vital component is someone who truly wants to be in a business of their own. We are looking for someone who has the entrepreneurial drive to take one of our concepts and add their own personality and effort to making it a success in their local marketplace."

CEO CFO: What is different about your concepts and franchises?

Mr. Loyst: "Most large franchise companies, like a McDonald's franchise or Burger King, are not looking for entrepreneurial people; they are looking for managers of a business under national brand names. We are looking for entrepreneurial people because our brands are not as well-known as the big guys. The nature of our businesses, pet food and

home décor, requires specialized, personal services. The pet food franchise owner has to learn about holistic products, be able to talk intelligently to the customer who may want to save a visit to the vet. Customers want advice on healthy natural food for their dog or cat. Therefore, they need to put their personality into the business, along with our brand. They have to like pets, be able to invite a pet by name into the store because a lot of customers want to bring their dog or cat to the store. In the lighting business, they have to be able to guide people into the right type of product for their home, and similarly in the gift business it takes a personality to run the store. It is not standing behind the counter and flipping the burgers. Even the products

"We have franchisees that are in second generation. We are a franchise company that believes in the long-term support of the franchisee. I have one family that may be going to third generation, I sold his father a franchise forty years ago, and he is now getting his son involved in the business so we may make it to the third generation franchising in the one store. The difference is that we are not a big company, we still know who our franchisees are, we consider them our customers and work with them through the good times and bad times to keep their business going." - Edward (Ted) Loyst

must be varied with the market place demographics."

CEO CFO: Are you all over Canada?

Mr. Loyst: "We are in all provinces with our pet food. The gift stores are only in English-speaking Canada, and our lighting stores are only in English-speaking Canada. We operate a pet food chain under a different brand in Quebec province."

CEO CFO: What do you look for in a location?

Mr. Loyst: "We have a population criteria and income criteria. A Living Lighting store needs a surrounding population of approximately 50-100 thousand people. A Rafters gift store requires a population of 30 thousand and up, and a Global Pet Food store approximately 15-20 thousand. Obviously, the socio-

economic levels will make the difference in each area. People who buy residential lighting generally have their mortgage under control and we cater to homeowners. In the gift business, we are a medium-priced gift chain; we are not looking for the high end, so it is a medium homeowner's type of market. The pet food business appeals to all groups, but the segment of the market we are in is a little higher end because we are more holistic in the private brands that we offer."

CEO CFO: When someone walks into one of your stores, what are they going to experience that is different?

Mr. Loyst: "Given the retail climate today where everything has evolved to big box stores with limited staff, we provide an owner on the premises. Someone who truly cares about whether they make a sale to a satisfied customer. They are there to service, service, service, the customer. They are not interested in the quick sale, but the long-term relationship with that customer. Once someone starts to buy your private brands, they are a customer for five, six, ten years, for the life of the pet."

CEO CFO: What is the financial picture of the company today?

Mr. Loyst: "The financial picture is extremely good. The lighting business is stable and growing at a steady rate. The pet food business is booming and expanding rapidly. We just passed our ninth year of double-digit store-on-store sales increases. The gift industry has gone through five years of turmoil where it has not been particularly exciting because the market made an adjustment. The old mom and pop type of gift stores and shopping centers can no longer afford the rents, so we have had to start the process of ending those leases and moving the gift stores into strip centers or power centers where the occupancy costs are much better for the business. We moved away from collectable items and kitchen to more home décor and general giftware. We turned the corner on the business and it is now starting to grow again."

CEOCFO: What is ahead for the company?

Mr. Loyst: “We see many years of rapid growth to the pet food industry. We see the expansion into new markets in the lighting business, ie. British Columbia and Alberta. The gift business probably will be in the smaller markets, the smaller city where we are not getting squeezed out quite as heavily with the dominance of some of the bigger box

stores.”

CEOCFO: In closing, why should potential investors be interested and what might they miss about Franchise Bancorp that they should understand?

Mr. Loyst: “We have franchisees that are in second generation. We are a franchise company that believes in the long-term support of the franchisee. I have one family that may be going to third generation,

I sold his father a franchise forty years ago, and he is now getting his son involved in the business so we may make it to the third generation franchising in the one store. The difference is that we are not a big company, we still know who our franchisees are, we consider them our customers and work with them through the good times and bad times to keep their business going.”



LIVING LIGHTING
Home Décor

Rafters
HOME STORE



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