November 28, 2011

**MATCO Tools 2011 FDD:**

**Analysis of Information contained in Item 20 Tables**

We have reviewed the data contained in MATCO Tools franchise Disclosure Document issued March 11, 2011 (the “FDD”). The FDD provides information about the franchise system during calendar years 2008, 2009, and 2010.

In Item 20 of the Disclosure Document, MATCO discloses information which suggests a fundamental failure of its franchise system is taking place.

For the three year period beginning January 1, 2008, and ending December 31, 2010, MATCO presents the following results:

During the three year period from 1/1/08 to 12/31/10, seven hundred fifteen (715) Distributors, **forty nine percent (49%)** of the total number of MATCO Tools Distributorships open at any time during the period, left the MATCO system.

Of that 715, only fifty (50) transferred their MATCO Tools business to third party franchisees. Of the remaining six hundred and sixty five (665) Distributors who left the MATCO Tools system, five hundred thirty one (531) closed their Distributorships, and one hundred thirty four (134) had their distributorships terminated. If a MATCO Tools distributor desired to exit the system during this three year period, and hoped to sell its business through a MATCO approved transfer, that franchisee had less than a seven percent (7%) chance of success. Statistically speaking, such a low success rate indicates that the MATCO Tools businesses run by distributors who were leaving the MATCO system were so unprofitable as to be unmarketable.

MATCO Tools has, nonetheless, continued to offer and sell Distributorships despite the pattern of early failure. In fact, during the three year period from 1/1/08 to 12/31/10, six hundred sixty six (666) new Distributors came into the MATCO Tools system, six hundred sixteen (616) opening new MATCO Tools businesses, and fifty (50) new Distributors as Transferees.

In 2008, MATCO discloses that 213 Distributorships opened for business, 42 were terminated, and 200 ceased operations. Only seven Non-Renewals occurred, none of which is included in this analysis.

In 2009, MATCO discloses that 215 Distributorships opened for business, 41 were terminated, and 152 ceased operations. Only three Non-Renewals occurred, none of which is included in this analysis.

In 2010, MATCO discloses that 188 Distributorships opened, 51 were terminated, and 179 ceased operations. Only two Non-Renewals occurred, neither of which is included in this analysis.

The information contained in the Disclosure Document paints a picture of failure on large scale, year after year, with MATCO seeking to replace Distributors whose tenure in its system is woefully short, and doing so within the calendar year in which a distributor fails: not a single signed but not opened Franchise Agreement is disclosed in Table 5. In fact, the number of closed Distributorships disclosed in Table 3 closely tracks the number of projected Openings in Table 5, in several cases, matching exactly (by way of example only, in Arizona and Alaska, the number of projected openings equals the number of closures disclosed in Table 3 during the period). The conduct evidenced by the FDD demonstrates a pattern of churning.

The actual operating results of a MATCO Tools Distributor may be worse that the picture presented by the FDD because Item 20 Tables, prepared in accordance with the FTC Rule and NASAA Disclosure Guidelines, only include the last event in time for each Distributorship, be it a termination, a closure, or a transfer, which artificially lowers the number of terminations, closures, or transfers reflected in the FDD and as a result, analyzed.