Franchise Services of North America Inc.

August 29, 2016

Management Discussion and Analysis of Financial Condition and Results of Operations

This Management Discussion and Analysis ("MD&A") was prepared as of August 29, 2016, and describes the business and financial results of Franchise Services of North America Inc. as of June 30, 2016, except where otherwise indicated. This MD&A should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements and related notes as at and for the three and nine months ended June 30, 2016 and 2015, as well as the audited Consolidated Financial Statements and related notes as at and for the years ended September 30, 2015 and 2014, and its other public disclosures available on SEDAR, at www.sedar.com.

GENERAL

Business of the Company

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'.

The Company operates one principal subsidiary, U-Save Auto Rental of America Inc. ("U-Save"). 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"), which provides insurance discounts and products and services to its members who operate independent vehicle rental businesses.

In September 2015, the Company sold its subsidiary Practicar Systems Inc. ("Practicar"). Practicar owns the Rent-A-Wreck trademark in Canada and operates the Rent-A-Wreck and Practicar car rental and sales franchise system in Canada. See further discussion below.

Discontinued operations – Practicar

On September 9, 2015, the Company completed the sale of all of the issued and outstanding shares of Practicar Systems Inc., its wholly owned Canadian subsidiary, to Grandville Equities Corp. for an aggregate cash purchase price of $200,000 Canadian dollars. The transaction is anticipated to improve cash flow of FSNA and allow FSNA to focus on its core business units which are primarily based in the United States.

As a result of the Company's sale of Practicar during the year ended September 30, 2015, the Company has classified the operations of Practicar as discontinued operations, with the net loss for Practicar reflected as a single line item in the Company's Condensed Consolidated Interim Statement of Profit (loss) for the three and nine months ended June 30, 2015.

The results for Practicar for the three and nine months ended June 30, 2015, included in discontinued operations are presented below:

	Three Months Ended June 30, 2015	Nine Months Ended June 30, 2015
Revenue	$ 221,066	$ 699,821
Expenses	392,320	1,091,065
Operating loss	(171,254)	(391,244)
Income tax expense (benefit)	-	-
Loss from discontinued operations	$ (171,254)	$ (391,244)

The major classes of assets and liabilities of Practicar as of the sale date of September 9, 2015 are as follows:

	As at September 9, 2015
Assets	
Cash and cash equivalents	$ 11,629
Restricted cash	879,448
Accounts receivable, net of allowance for doubtful accounts	56,074
Prepaid expenses and other current assets	2,924
Property and equipment, net	22,990
Other intangible assets, net	759,294
Total assets	1,732,359
Liabilities	
Accounts payable and accrued liabilities	458,008
Insurance loss reserves	713,325
Deferred tax liability	281,354
Total liabilities	1,452,687
Net assets	279,672
Less: proceeds from sale	(177,862)
Loss on sale of assets	$ 101,810

Simply Wheelz LLC

In July 2012, the Company entered into an agreement to acquire Simply Wheelz LLC f/d/b/a Advantage Rent A Car (“Advantage”, “Simply Wheelz” or the “Debtor”) from Hertz Global Holdings, Inc. (“Hertz”). The agreement called for the acquisition of Simply Wheelz by Adreca Holdings Corp. (“Adreca”), a subsidiary of Boketo LLC (“Boketo”) and an affiliate of Macquarie Capital (USA) Inc. (“Macquarie Capital”). The acquisition of Simply Wheelz by Adreca was completed in December 2012. On May 3, 2013, the Company completed the acquisition of Simply Wheelz by way of a merger of Adreca with and into a wholly owned subsidiary of the Company, with the Company issuing 62,212,600 preferred shares representing approximately 49.76% of the as converted common equity of the Company to Boketo in exchange for its ownership of Adreca.

On November 5, 2013 (the "Petition Date"), Simply Wheelz filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Mississippi (the “Court” or “Bankruptcy Court”), Case No. 13-03332-ee (the “Bankruptcy Case”). As a result of the bankruptcy filing and the Company’s resulting loss of control of Simply Wheelz, effective November 5, 2013, Simply Wheelz was deconsolidated from the Company’s consolidated financial statements.

On April 30, 2014, as part of the bankruptcy proceedings, Simply Wheelz completed the sale of substantially all of its assets to Advantage Opco, LLC d/b/a Advantage Rent A Car ("Advantage Opco"), a subsidiary of The Catalyst Capital Group, Inc. ("Catalyst").

On July 18, 2014, Simply Wheelz filed in the Bankruptcy Case a Motion to Assume, Assign and Sell Certain Vehicle Leases with Merchants Automotive Group, Inc. ("Merchants") to Advantage Opco [Dkt. # 619] (the "Motion to Assign") in connection with the sale proceedings before the Bankruptcy Court. In accordance with the terms of the Master Lease, the Motion to Assign requested the Court to recognize that Simply Wheelz's obligations other than with respect to the Leased Vehicles had been terminated and for authority to assign the Leased Vehicles to Advantage Opco. On August 11, 2014, Merchants filed an objection to the Motion to Assign. The Court conducted an evidentiary hearing on this contested matter on April 22, 2015 and briefing was concluded on June 15, 2015.

On December 30, 2015, the Bankruptcy Court entered an Agreed Order approving the assumption and assignment and sale to Advantage Opco of certain vehicle leases the Debtor had with Merchants.

On December 30, 2015, Simply Wheelz filed its Motion for authority to approve a settlement agreement among Simply Wheelz, Advantage Opco, Catalyst, FSNA, and Merchants and to dismiss the bankruptcy case.

On January 28, 2016, the Bankruptcy Court entered an Agreed Order approving the proposed settlement agreement and dismissing the bankruptcy case. Pursuant to that Order, the Debtor and FSNA each received $250,000 to pay for certain administrative expenses incurred.

Upon dismissal of the bankruptcy case, the Company regained control of Simply Wheelz. The Company has reconsolidated Simply Wheelz in its consolidated financial statements in the second quarter of fiscal year 2016 utilizing the acquisition method of accounting. The opening balance sheet was based upon closing balances as of January 31, 2016. Results of operations have been included in the Company's Condensed Consolidated Interim Financial Statements beginning February 1, 2016 (the "Accounting Effective Date") forward, as the activity occurring between the date control was obtained (January 28, 2016) and the Accounting Effective Date was not significant. The major classes of assets and liabilities of Simply Wheelz as of the reconsolidation date of January 31, 2016 are as follows:

		As at January 31, 2016
Current assets		
Cash	$	43,196
Total assets acquired		43,196
Liabilities assumed		(546,821)
Net	$	(503,625)

The results for Simply Wheelz for the three and five months ended June 30, 2016, included in discontinued operations are as follows:

		Three Months Ended June 30, 2016		Five Months Ended June 30, 2016
Revenue	$	-	$	-
Expenses		943		3,503
Loss from discontinued operations	$	(943)	$	(3,503)

Currency

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

Financial Statements and Basis of Presentation

The Company's unaudited Condensed Consolidated Interim Financial Statements as at and for the three and nine months ended June 30, 2016 and 2015 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The unaudited Condensed Consolidated Interim Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Any balances, unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated upon consolidation.

Effective January 31, 2016, the Company reconsolidated its former subsidiary Simply Wheelz LLC, as discussed above.

Selected Financial Information

The following financial information is derived from the Company's unaudited Condensed Consolidated Interim Financial Statements for the most recent interim period and the audited Consolidated Financial Statements for the two most recently completed fiscal years:

Selected Financial Information

(U.S. Dollars)	**Nine Months Ended June 30, 2016**	**Year Ended September 30, 2015**	**Year Ended September 30, 2014**
Total assets	$ 9,000,069	$ 10,066,483	$ 11,715,774
Total liabilities	7,872,363	8,440,015	9,759,336
Total revenues	7,060,937	9,648,371	10,886,731
Operating profit (loss) from continuing operations	8,366	196,172	(700,967)
Profit (loss) from discontinued operations	(3,503)	(608,789)	5,452,756
Profit (loss) per share - Basic			
Continuing operations	-	-	(0.01)
Discontinued operations	-	-	0.04
Profit (loss) per share - Diluted			
Continuing operations	-	-	(0.01)
Discontinued operations	-	-	0.04
Dividends Per Share	-	-	-

SEGMENT INFORMATION

The Company operates in one reportable business segment, the Franchise Auto Rental Business Segment (“Franchise Segment”), in multiple jurisdictions, which involves licensing franchisees to operate an auto rental business under Company-owned worldwide brands; and providing franchisees, independent auto rental operators and other related auto rental operations with financial services related to insurance products.

Selected Financial Data

The following provides a summary of the number of franchises granted, acquired and closed during the nine months ended June 30, 2016 and the year ended September 30, 2015:

Franchise Activity	**Nine Months Ended June 30, 2016**	Year Ended September 30, 2015
Number of franchises - beginning of period	**110**	161
New franchises granted	**6**	11
Discontinued operations - Practicar	**-**	(48)
Franchises closed	**(8)**	(14)
Number of franchises - end of period	**108**	110

Revenue

Total revenue for continuing operations for the three months ended June 30, 2016 was $2,149,193 compared to $2,339,411 for the three months ended June 30, 2015, a decrease of $190,218 or 8%. This decrease is primarily a result of a decline in insurance premiums and related fees offset by an increase in continuing franchisee and related fees. Insurance premiums and related fees decreased $221,512 or 13.6%. This decrease is primarily attributable to a one-time adjustment in commission revenue resulting from a premium audit of a large customer. Continuing franchisee and related fees increased $91,294 or 14%. This increase is due to higher reservation revenue from two large market airport franchisees that were not fully operational during the prior year period.

Total revenue for continuing operations for the nine months ended June 30, 2016 was $7,060,937 compared to $6,989,229 for the nine months ended June 30, 2015, an increase of $71,708 or 1%. This increase is primarily a result of $250,000 in other income received in conjunction with the settlement agreement amongst FSNA, Simply Wheelz, Advantage Opco, Catalyst and Merchants Automotive Group, Inc. as discussed above. Insurance premiums and related fees decreased $312,477 or 6%. This decrease is attributable to a one-time adjustment in commission revenue as discussed above. Continuing franchisee and related fees increased $207,185 or 11%. This increase is due to higher royalty and reservation revenue from two large market airport franchisees that were not fully operational during the prior year period.

Expenses

Total expenses for continuing operations including corporate costs for the three months ended June 30, 2016 were $2,301,052 compared to $2,097,717 for the three months ended June 30, 2015, an increase of $203,335 or 10%. This increase is primarily attributable to general and administration expenses which increased $175,345 or 76%. This increase is due to the prior year period including a one-time forgiveness of approximately $106,000 in legal fees as well as an insurance reimbursement of legal fees of approximately $32,000. Franchise operating expenses increased by $160,719 or 16% primarily due to higher reservation expense for large airport franchisees (approximately $110,000 or 77% increase from the prior year quarter) as well as an increase in bad debt reserves due to slow paying customers.

Total expenses for continuing operations including corporate costs for the nine months ended June 30, 2016 were $7,052,571 compared to $6,496,892 for the nine months ended June 30, 2015, an increase of $555,679 or 9%. Franchise operating expenses increased by $451,946 or 16%. This increase is consistent with the increase discussed above and is primarily attributable to higher reservation expense due to increased volume from airport franchisees. General and administration expenses increased $156,487 or 14% due to the reasons discussed above.

Operating profit (loss)

For the three months ended June 30, 2016, the Company reported a loss from continuing operations of $151,859 as compared to a profit of $241,694 for the three months ended June 30, 2015. The decrease in profit is attributable to a 10% increase in expenses and an 8% decrease in revenue, as discussed above.

For the nine months ended June 30, 2016, the Company reported a profit from continuing operations of $8,366 as compared to a profit of $492,337 for the nine months ended June 30, 2015. The decrease in profit is primarily attributable to the 9% increase in expenses, as discussed above.

Quarterly Results

The following financial information is derived from the Company's unaudited Condensed Consolidated Interim Financial Statements for each of the eight most recently completed quarterly periods. Certain amounts have been reclassified to conform to current year presentation. The previously reported quarters of the Company information can be obtained on SEDAR (www.sedar.com) under the Company's current listing.

Quarters Ending	Insurance Premiums and Related Fees US $	Total Revenues US $	Profit (Loss) from continuing operations US $	Per Share Basic US $	Per Share Diluted US $
Fiscal Year Ended September 2016					
Q3, June 30, 2016	1,401,810	2,149,193	(151,859)		
Q2, March 31, 2016	1,491,868	2,221,108	(215,357)	-	-
Q1, December 31, 2015	1,714,034	2,690,636	375,582	-	-
Fiscal Year Ended September 2015					
Q4, September 30, 2015	1,830,269	2,659,142	(296,165)	-	-
Q3, June 30, 2015	1,623,322	2,339,411	241,694	-	-
Q2, March 31, 2015	1,572,512	2,266,590	155,772	-	-
Q1, December 31, 2014	1,724,355	2,383,228	94,871	-	-
Fiscal Year Ended September 2014					
Q4, September 30, 2014	1,870,395	2,538,691	(196,500)	-	-

Factors Influencing Franchise Business Segment Operations and Results

The royalty revenue trend for the Franchise Segment’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 as tourism; for example, the vehicle replacement market is typically stronger during the winter months. However, these traditional patterns are less likely to be followed if the economy and overall travel patterns soften under recessionary pressures.

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 Franchise Segment also provides that new location with vehicle liability insurance for its fleet, the overall car count of insured vehicles will increase thereby having a positive effect on this revenue stream.

The total revenue in each quarter is 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 Franchise Segment claims expense from its insurance programs is susceptible to significant change in any given quarter.

The Franchise Segment 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 Franchise Segment. 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 Franchise Segment conducts an internet marketing strategy to drive reservations to the franchisees. As the number of distribution channels made available to the franchisees increases, consumers will have the opportunity to reserve vehicles from the underlying franchisees from a greater number of distribution points, which in turn improves 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.

Franchise sales can vary significantly from period to period. The results of one reporting period are not necessarily indicative of results to be expected in subsequent periods.

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 car manufacturers and the number of risk vehicles the franchisee buys, and general economic conditions all affect the franchisee's decision as to the proper number of vehicles to maintain in its 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.

OTHER FINANCIAL INFORMATION

Contingent Liabilities

The Company and its subsidiaries are periodically involved in legal actions, commercial disputes 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 and its subsidiaries evaluate estimated losses or costs related to litigation and provision is made for anticipated losses whenever the Company or its subsidiaries believe that such losses are probable and can be reasonably estimated.

Events after the reporting date

During fiscal year 2014, a former employee initiated an arbitration action against the Company's subsidiary, U-Save, for compensation and benefits which were allegedly due to be paid under the agreement. On May 6, 2015, an award was issued in favor of the plaintiff in the amount of $596,645. In an effort to collect the arbitration award from the Company's subsidiaries, the employee also initiated an action in federal court to pierce the corporate veils of the Company's management structure. Additionally, the former employee and a former director brought claims against the Company, in federal court, in relation to stock options awarded to these individuals while they served in their capacities as employee and director. All claims were mutually negotiated to a resolution on or about August 12, 2016. In connection with the resolution, the Company executed a promissory note to a bank in the amount of $558,715, payable in monthly installments through August 2018.

Financial Position

The Condensed Consolidated Interim Statements of Financial Position of the Company are detailed in the following table:

Condensed Consolidated Interim Statements of Financial Position

(U.S. Dollars)

		Unaudited As at June 30, 2016		Audited As at September 30, 2015
Assets				
Current assets				
Cash and cash equivalents	$	1,136,761	$	1,753,201
Restricted cash (Note 5)		1,544,248		2,133,167
Accounts receivable, net of allowance for doubtful accounts		896,467		657,134
Related party accounts receivable (Note 14)		23,544		19,201
Related party notes receivable (Note 6)		150,000		150,000
Other notes receivable		25,000		31,000
Prepaid expenses (Note 7)		103,383		95,703
Total current assets		3,879,403		4,839,406
Non-current assets				
Property and equipment, net (Note 8)		285,423		279,834
Related party notes receivable, net of allowance for doubtful notes (Note 6)		732,355		882,355
Security deposits (Note 9)		99,815		99,815
Other assets		5,600		5,600
Goodwill (Notes 10,11)		3,959,473		3,959,473
Other intangible assets, net (Notes 10, 11)		38,000		-
Total non-current assets		5,120,666		5,227,077
Total assets	$	9,000,069	$	10,066,483
Liabilities and shareholders' equity				
Liabilities				
Accounts payable and accrued liabilities	$	7,358,734	$	7,888,833
Customer prepayments and deposits		207,958		193,573
Insurance loss reserves (Note 5)		305,671		357,609
Total current liabilities		7,872,363		8,440,015
Total liabilities		7,872,363		8,440,015
Going concern (Note 2)				
Commitments and contingencies (Notes 5, 15)				
Events after the reporting date (Note 18)				
Shareholders' equity				
Common shares	$	15,000,041	$	15,000,041
Preferred shares		32,085,685		32,085,685
Contributed surplus		1,628,629		1,628,629
Accumulated deficit		(47,822,630)		(47,323,868)
Accumulated other comprehensive income		235,981		235,981
Total shareholders' equity		1,127,706		1,626,468
Total liabilities and shareholders' equity	$	9,000,069	$	10,066,483

See accompanying notes to the condensed consolidated interim financial statements.

Statements of Cash Flows:

	Unaudited Three Months Ended June 30, 2016	Unaudited Three Months Ended June 30, 2015	Unaudited Nine Months Ended June 30, 2016	Unaudited Nine Months Ended June 30, 2015
Cash flows from continuing operations				
Operating activities				
Profit (loss)	**$ (151,859)**	$ 241,694	**$ 8,366**	$ 492,337
Items not affecting cash:				
Amortization and depreciation (Notes 8,10)	**31,664**	27,950	**89,323**	109,715
Provision for doubtful accounts receivable	**73,000**	16,500	**154,000**	52,534
Note received as payment for franchise fee	**-**	(25,000)	**-**	(50,000)
Changes in non-cash working capital:				
Accounts receivable	**(226,259)**	(470,758)	**(397,676)**	(342,033)
Prepaid expenses and other assets	**10,313**	21,091	**(7,680)**	(31,738)
Accounts payable and accrued liabilities	**(498,172)**	(577,086)	**(524,939)**	(615,773)
Insurance loss reserves	**(91,573)**	(148)	**(51,938)**	(114,201)
Deposits received from franchisees	**(2,700)**	(11,600)	**14,385**	(1,763)
Net change in non-cash working capital	**(808,391)**	(1,038,501)	**(967,848)**	(1,105,508)
Net cash used in operating activities	**(855,586)**	(777,357)	**(716,159)**	(500,922)
Investing activities				
Change in restricted cash	**505,952**	707,655	**588,919**	357,305
Property and equipment expenditures	**(47,869)**	(1,040)	**(94,912)**	(43,635)
Payments for intangible assets	**(12,500)**	-	**(38,000)**	-
Reconsolidation of Simply Wheelz, net of cash acquired (Note 4)	**-**	-	**(503,625)**	-
Repayments on notes and other receivables	**-**	4,000	**156,000**	156,000
Net cash provided by investing activities	**445,583**	710,615	**108,382**	469,670
Net decrease in cash from continuing operations	**(410,003)**	(66,742)	**(607,777)**	(31,252)
Net cash flows from discontinued operations				
Operating activities	**20,348**	(730)	**(8,663)**	(41,610)
Investing activities	**-**	3,851	**-**	26,753
Effect of foreign exchange rate changes on cash	**-**	(591)	**-**	(7,629)
Cash attibutable to discontinued operations (Note 4)	**-**	(1,046)	**-**	(1,046)
Net cash provided by (used in) discontinued operations	**20,348**	1,484	**(8,663)**	(23,532)
Net change in cash and cash equivalents	**(389,655)**	(65,258)	**(616,440)**	(54,784)
Cash and cash equivalents, beginning of period	**1,526,416**	1,441,600	**1,753,201**	1,431,126
Cash and cash equivalents, end of period	**$ 1,136,761**	$ 1,376,342	**$ 1,136,761**	$ 1,376,342
Supplemental disclosures of cash flow information:				
Continuing operations				
Cash paid during the period for:				
Income taxes	**$ 24,799**	$ 1,937	**$ 35,264**	$ 10,687
Interest	**540**	1,624	**1,792**	3,310
Discontinued operations				
Cash paid during the period for:				
Interest	**-**	423	**-**	1,396

See accompanying notes to the condensed consolidated interim financial statements.

Liquidity and Capital Resources

As at June 30, 2016, the Company had a working capital deficit of $3,992,960 primarily due to obligations still existing related to the Simply Wheelz acquisition.

The Company does not anticipate significant cash requirements for capital asset acquisitions during fiscal year 2016 for its existing operations.

The Company's future operations are dependent upon its ability to maintain profitable operations and to obtain additional capital to meet its cash flow needs. There can be no assurance that the Company will raise additional capital on favorable terms or at all. There is also no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

Related Party Transactions

Related Party Notes Receivable

The following table describes the Company's related party notes receivable as of June 30, 2016 and September 30, 2015:

		June 30, 2016		September 30, 2015
This note originated February 1, 2010, as a restructuring of certain amounts due from and payable to the Chief Executive Officer of the Company. The note is unsecured, bears interest at prime+2% (currently 5.5%) payable quarterly, with annual principal payments of $150,000. The note matures in 2020.	$	**882,355**	$	1,032,355
Note receivable from an executive officer of the Company. This note originated in May 2000, is non-interest bearing and is unsecured. The note matures in May 2020 and allows $30,000 of the note to be forgiven if the balance is paid in full. During the year ended September 30, 2009, the Company fully reserved this note after considering the likelihood that the note will ultimately be repaid.		**80,000**		80,000
Allowance for notes deemed uncollectible		**(80,000)**		(80,000)
Current portion of related party notes receivable		**(150,000)**		(150,000)
Total	$	**732,355**	$	882,355

Other Related Party Transactions

A member of the Company's Board of Directors, who is also an officer and significant shareholder of the Company, has investments in certain vehicle rental operations and transportation companies which have transacted with the Company. Transactions include insurance, reservation and royalty payments that were provided in the normal course of business and recorded at the exchange amount.

The Company also agreed to pay Macquarie Capital, whose affiliate, Boketo, is the Company's sole Series A Preferred shareholder, an arrangement fee of $2.5 million in cash as part of the acquisition of Adreca at the later of (i) 90 days following the date of Adreca's acquisition of Advantage or (ii) the date of the Company's acquisition of Adreca, though both the Company and Macquarie have agreed to defer payment of the arrangement fee until a later date. For providing advisory support, as well as the collateral to support the working capital facility, the

Company agreed to pay Macquarie Capital a $500,000 fee. These liabilities to Macquarie Capital are included in the Company's accounts payable and accrued liabilities balance as of June 30, 2016 and September 30, 2015.

The Company recorded revenues and expenses related to these transactions as follows:

		Three Months Ended June 30, 2016		Three Months Ended June 30, 2015		**Nine Months Ended June 30, 2016**		Nine Months Ended June 30, 2015
Continuing operations:								
Continuing franchise and related fees	**$**	**9,482**	$	9,103	**$**	**27,713**	$	26,637
Insurance premiums and related fees		**39,449**		39,301		**108,441**		102,674
Interest income, included in continuing franchise and related fees		**11,507**		13,513		**37,301**		43,192

At June 30, 2016 and September 30, 2015, related party accounts receivable totaled $23,544 and $19,201 respectively. Interest receivable on related party notes totaled $7,742 and $9,058 at June 30, 2016 and September 30, 2015, respectively.

Financial Instruments

The Company's financial instruments included in the Condensed Consolidated Interim Statement of Financial Position at June 30, 2016 and the audited Consolidated Statement of Financial Position at September 30, 2015 consist of all cash and cash equivalents, restricted cash, accounts and notes receivable, accounts payable and accrued liabilities, customer prepayments and deposits.

The fair value of all short-term financial instruments approximates their carrying amounts. The fair value of capital lease obligations approximates their carrying values. The Company's notes receivable are discussed in greater detail under the headings "Related Party Transactions – Related Party Notes Receivable"; and "Related Party Transactions - Other Related Party Transactions".

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 3 and Note 6 to the Consolidated Financial Statements as at and for the year ended September 30, 2015 for a more detailed explanation of the insurance programs and related restricted cash and cash equivalents.

The majority of the Company's Franchise Segment accounts receivable are with franchisees and 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. Reference is hereby made to Note 18 of the Consolidated Financial Statements as at and for the year ended September 30, 2015 in regards to the Company's principal credit risk.

Future Accounting Pronouncements

The following are new standards and amendments to existing standards that are not yet effective and which have not been applied within the Condensed Consolidated Interim Financial Statements and may or may not have an effect on the Company's future consolidated financial statements:

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization*
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Annual Improvements *2012-2014 Cycle*
IAS 34 *Interim Financial Reporting*
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively and is effective for annual periods beginning on or after January 1, 2016.

Amendments to IAS 1 *Disclosure Initiative*
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) or profit or loss and other comprehensive income and the statement of financial position may be disaggregated

- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* and amended IAS 17 *Leases*. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting, however, remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and the Company is currently evaluating the impact of the standard on its financial statements.

The Company has not yet assessed the impact of these new standards and amendments or determined whether they will adopt the standards or amendments early in a future period.

Outstanding Share Data

Authorized

- 300,000,000 common shares, $.001 par value
- 76,000,000 preferred shares (75,000,000 Series A Preferred Stock), $0.001 par value

Issued

June 30, 2016	62,212,600 preferred shares
August 29, 2016	62,212,600 preferred shares
June 30, 2016	62,820,426 common shares
August 29, 2016	62,820,426 common shares

Stock options

Stock options outstanding on:	# of Options	Exercise Price Range *(CDN $)*
June 30, 2016	5,185,401	$0.10 to $0.50
August 29, 2016	5,185,401	$0.10 to $0.50

During the three months ended June 30, 2016, no options expired and 202,440 options were cancelled. Between June 30, 2016 and the date of this filing, no options were issued by the Company, no options were cancelled and no options expired.

FORWARD LOOKING INFORMATION

Certain statements contained in this MD&A may be considered “forward-looking statements”. The forward-looking statements contained herein are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by any such forward-looking statements. Forward-looking statements include information concerning our future financial performance, business strategy, projected plans and objectives. These statements may be identified by the fact that they do not relate to historical or current facts and may use words such as “believes,” “expects,” “anticipates,” “will,” “should,” “could,” “may,” “would,” “intends,” “projects,” “estimates,” “plans,” and similar words, expressions or phrases. The following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- Our ability to raise working capital when required;
- Our ability to resolve certain financial liabilities arising from the acquisition, insolvency and disposition of Advantage;
- The high level of competition in the rental car industry and the impacts of such competition on our pricing and level of transactions;
- A change in our fleet costs and those of our franchisees as a result of a change in the cost of new vehicles, disruption in the supply of new vehicles, and/or a change in the price at which we and our franchisees are able to dispose of used vehicles either in the used vehicle market or under repurchase or guaranteed depreciation programs;
- A change in travel demand, including changes in airline passenger traffic;
- Any changes in economic conditions generally, particularly during our peak season in in key market segments;
- Our ability to continue to achieve and maintain cost savings and successfully implement our business strategies;
- Our ability to sell new franchises and maintain existing franchisees;
- Our ability and the ability of our franchisees to obtain financing for operations, including the funding of vehicle fleets;
- An occurrence or threat of terrorism, pandemic disease, natural disasters or military conflict in the geographies in which we and our franchisees operate;
- Our dependence and the dependence of our franchisees on third-party distribution channels, third-party suppliers of other services and co-marketing arrangements with third parties;
- Our failure or inability to comply with laws, regulations or contractual obligations or any changes in laws, regulations or contractual obligations, including with respect to personally identifiable information and taxes;
- Costs and risks associated with litigation;
- Changes in our senior management team;
- Our ability to continue to attract talented people for key management positions; and
- Other risks and uncertainties described from time to time in periodic and current reports the Company files with the TSX-V.

We operate in a continuously changing business environment and new risk factors emerge from time to time. New risk factors, factors beyond our control, or changes in the impact of identified risk factors may cause actual results to differ materially from those set forth in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. Moreover, we do not assume responsibility for the accuracy and completeness of those statements and other factors and assumptions included in this report that could cause actual results to differ materially from those projected in the forward-looking statements. Such statements are based upon assumptions and known risks and uncertainties.

Although we believe that our assumptions are reasonable, any or all of our forward-looking statements may prove to be inaccurate and we can make no guarantees about our future performance. Should unknown risks or uncertainties materialize or underlying assumptions prove inaccurate, actual results could differ materially from past results and/or those anticipated, estimated or projected. Except to the extent of our obligations required, we undertake no obligation to release any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events.

ADDITIONAL INFORMATION

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 financial statements, material change reports, unaudited quarterly financial statements and news releases, are available online at www.sedar.com.

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) or on the Company's website www.fsna-inc.com.