Bob Rodi, FranFund

As you are aware, our business is centered primarily in the franchise industry. Franchising is generally more resistant to downturns than the overall economy. We also have a very diverse customer base as we serve many franchise sectors, not only those in the QSR, fast casual and full service dining segments. Since we cover 401K rollovers, SBA loans and conventional franchise lending we are less susceptible to a downturn or tightening in any one segment. That said, same store sales in the food service industry is growing only modestly and shows signs of slowing even further. New gov't regulations such as the "joint employer" ruling from the NLRB as well as upward pressure on wages and benefits due to Obamacare and pressure to increase minimum wages, especially for QSR workers, is beginning to depress restaurant formation. In the short to medium term, we expect lending opportunities in that sector to come increasingly, from acquisition and refinance rather than startups. We are also seeing an increase in requests for technology initiatives in these segments. As the upward pressure on wages continues, servers and counter people will be increasingly replaced by kiosks and tablet based "apps" that will streamline management and integrate front of the house with back of the house operations. Very soon, we will also see machines (robots) replacing humans in tasks like pizza making. In other sectors however, we are seeing tremendous growth. Hair care, personal and household services, and automotive franchising are all growing and Average Unit Volume is up in those segments which encourages expansion. One of the fastest growing areas in franchising is the "elder care" segment. We expect to see increased volume in this sector as the "Baby Boomers" continue to age and retire. Bottom line is that volume in franchise lending is always growing and the challenge will be to establish guidelines for some of the service sector franchises that may not have the same amount of personal property assets, brick and mortar that lenders are traditionally used to seeing.