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27TH ANNUAL FRANCHISE 500[®]

Every now and again, a team has a banner year: Think the 2004 Boston Red Sox or the San Francisco 49ers in the 1989 Super Bowl. But only in franchising can the entire league report a winning season. This year was a banner year for not only one company or even one category—franchising as a whole had an exceptional year. Apparently, a swarm of people have been buying franchises, bringing growth to almost every category. Franchising, by all accounts, is booming.

To help you get a piece of the pie while it's hot, we've spent the past few months doing research and analysis—not to mention the almost three decades we've invested in perfecting our ranking procedure and top-secret formula. The result: *Entrepreneur's* 27th Annual Franchise 500[®], the world's first, best and most comprehensive ranking of franchises.

Only franchise companies that submit full Uniform Franchise Offering Circulars (UFOCs) or Canadian disclosure documents and whose information is verified by *Entrepreneur* can receive a listing in this issue. To be eligible for the Franchise 500[®] rankings, a franchise company must have a minimum of 10 units with at least one being a U.S.-based franchise, it must be seeking new franchisees in the U.S., and it cannot be in chapter 11 at the time the rankings were compiled. (An exception to this rule is Canadian-based companies that are only expanding in Canada.)

All companies, regardless of size, are judged by the same criteria: objective, quantifiable measures of a franchise operation. The most important factors include financial strength and stability, growth rate and size of the system. We also consider the number of years in business and length of time franchising, startup costs, litigation, percentage of terminations and whether the company provides financing. Financial data is audited by an independent CPA. We do not measure subjective elements such as franchisee satisfaction or management style, since these are judgments only you can make based on your own needs and experiences. The objective factors are plugged into our exclusive Franchise 500[®] formula, with each eligible company receiving a cumulative score. The 500 franchisees with the highest cumulative scores become the Franchise 500[®].

Franchise companies are listed according to their industry categories. Ranked companies are shown in bold with their rank listed to the left of their names. As an additional research tool,



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we include franchise companies not ranked in the Franchise 500[®]. These companies are listed in italics in alphabetical order under the "Not Ranked" heading within each category.

As you begin your franchise research, understand the key data provided in the listings:

YEAR BEGAN/FRANCHISING SINCE: We reveal how long a company has been in business and how long it has been franchising. It's essential information in deciding whether you should go with an established system or be one of the first franchisees in a newer system.

AVAILABLE U.S. REGIONS AND SEEKING FOREIGN? Find out if a franchise system is expanding in your area. We also tell you if a company requires its franchisees to buy master franchises or multiple units.

NO. OF FRANCHISES/COMPANY-OWNED: It's important to know a franchise company's size and how quickly it's growing. We provide you with the number of both franchise and company-owned units for 2003, 2004 and 2005.

STARTUP COSTS: Here, we list the total startup costs (excluding any financing) necessary to open a franchise. This figure is affected by real estate and construction costs (if applicable), inventory, location, type of business and many other variables. Startup costs include the initial franchise fee; however, for easy reference, we also list the franchise fee in parentheses.

ROYALTY: Most franchise companies require you to pay an ongoing royalty fee. We present

the specific fees here, typically expressed as a percentage of monthly gross sales.

FINANCING OFFERED? Nearly two-thirds of franchisors in our listings offer either in-house or third-party financing of their costs for qualified franchisees.

HOMEBASED OPPORTUNITY: We tell you which franchise companies offer you the flexibility of running your business from home.

KIOSK/EXPRESS UNIT AVAILABLE: Some franchise companies offer kiosk opportunities, while others offer smaller express units that typically cost less than a full-size unit.

Remember that the Franchise 500[®] is not intended to endorse, advertise or recommend any particular franchises. It is solely a research tool you can use to compare franchise operations. {Entrepreneur} stresses that you should always conduct your own independent investigation before investing money in a franchise. Read the UFOC and related materials carefully, get help from an attorney and CPA in reviewing any legal and financial documents, talk to as many existing (and former) franchisees as possible, and visit their outlets. The best way to protect yourself is to do your homework.

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