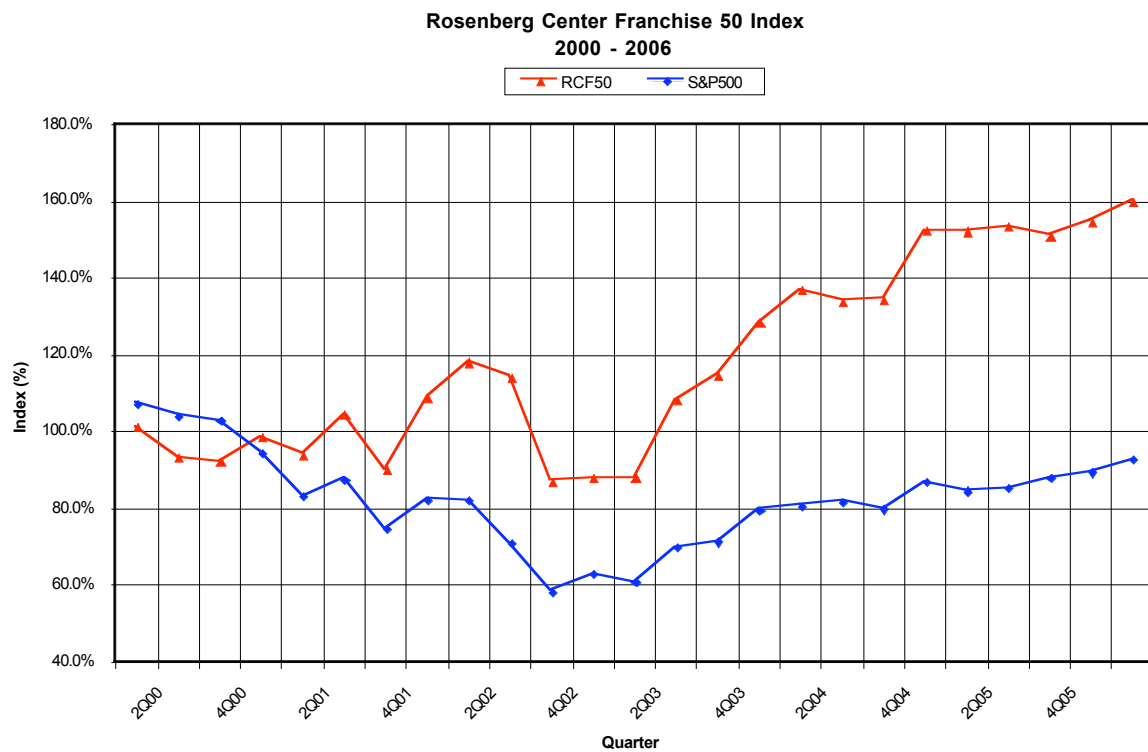


## THE ROSENBERG CENTER FRANCHISE 50 INDEX UP 3.4 PERCENT IN 1<sup>ST</sup> QUARTER 2006 AS KRISPY KREME REBOUNDS BY 56 PERCENT

The Rosenberg Center Franchise 50 Index rose 3.4 percent this quarter, helped by increases in 41 of its 50 components. The S&P 500 Index moved up 3.7 percent over the same period thanks to large increases in its energy and materials components (see table below).

RCF 50 Index and S&P 500 Index

Period	Rosenberg Center Franchise 50 Index	S&P 500 Index
1 <sup>st</sup> Quarter 2006	+3.4%	+3.7%
Year-to-Date 2006	+3.4%	+3.7%
2000-2006	+60.1%	-7.1%



This quarter, Krispy Kreme led the winners, followed by Ruth's Chris Steak House Inc. H&R Block and Regis Corporation were the biggest losers this quarter.

**Krispy Kreme (KKD)**, the struggling doughnut maker, recovered some of the large losses it suffered over the last few years as it jumped 56.4 percent this quarter. On March 7, its stock shot up over 20 percent after it announced that it had hired Daryl G. Brewster as its new CEO. Brewster was previously the head of Kraft Inc.'s \$6 billion North American snacks and cereals business. He has significant experience turning around struggling businesses (Campbell Soup in the 1980s, Planters division of Kraft more recently). The share price of the company continued to rally as investors seemed increasingly confident that Krispy Kreme was making progress in resolving the numerous problems that eventually turned the company from a fast

growing Wall Street darling to a company beset by scandals and struggling for its survival: accounting irregularities, executive purges, shareholder and employee lawsuits, allegations of channel stuffing, falling sales and profits, deteriorating franchisee relationships, etc. From a high of \$49.37 in August 2003, Krispy Kreme's stock price tumbled to \$4.05 by October 2005, a 92 percent drop. The company recently reported many efforts to strengthen its business: new management team, franchise and operational restructuring, and a sharper focus on profitability and growth.

The share price of **Ruth's Chris Steak House Inc** (RUTH), the operator and franchisor of upscale steakhouse restaurants jumped 32.2 percent this quarter, driven by increasing same-store sales, strong revenue and profit growth, and positive analyst comments. RUTH has now 95 locations worldwide.

**H&R Block Inc** (HRB), the nation's largest tax preparer and the provider of other financial services (investment services, mortgages, back office accounting,...), lost 11.5 percent of its market value this quarter due a number of negative developments. In February, it announced a 68 percent drop in its quarterly profits, a reduction in its annual revenue estimates, and the restatement of its 2004 through 2006 financial reports because it misstated its own income tax liabilities. Its stock price plunged almost 9 percent the day after the announcement. Its stock price dropped again by over 7 percent on March 14 after New York Attorney General Eliot Spitzer filed a \$250 million lawsuit against it, accusing it of fraudulent business practices related to IRA accounts marketed to its tax preparation customers.

**Regis Corporation** (RGS), the owner, operator and franchisor of hair and retail product salons, beauty career schools and hair restoration services, got a 10.5 percent cut in its stock price on March 22 after it warned that it would miss its profit targets for its 3<sup>rd</sup> and 4<sup>th</sup> fiscal quarters 2006. Regis blamed excess inventory and a "protracted long-hair cycle" (more potential customers are choosing to let their hair grow long) for their shortfall. The profit miss led to a flurry of negative analyst comments and downgrades. Regis ended the quarter with a 10.4 percent loss. Regis' worldwide operations include Supercuts, Jean Louis David, Vidal Sassoon, Regis Salons, MasterCuts, Trade Secret, SmartStyle, and Cost Cutters.

The RCF 50 Index is up 3.4 percent year-to-date 2006. It is up 60.1 percent since January 2000.

Note:

1. The Rosenberg Center Franchise 50 Index, developed by the University of New Hampshire's Rosenberg International Center for Franchising, is an index that tracks the market performance of the top 50 US public franchisors. These 50 franchisors represent over 98 percent of the market capitalization of all US public companies engaged in business format franchising. For more information on the RCF 50 Index, contact Dr. E. Hachemi Aliouche ([Hachemi.Aliouche@unh.edu](mailto:Hachemi.Aliouche@unh.edu)) or Dr. Udo Schlenrich ([Udo.Schlenrich@unh.edu](mailto:Udo.Schlenrich@unh.edu)). For more information on the William Rosenberg International Center of Franchising, visit the Center's web site at <http://franchising.unh.edu>.