NATIONAL FRANCHISE MEDIATION PROGRAM

Revenue Subcommittee

Thursday, January 16, 2003

Present: Morton H. Aronson, Bill Hall, Scott McLester, Bob Purvin, Richard Rosen

Also Attending: F. Peter Phillips

The Revenue Subcommittee met by telephone at 3:00 p.m. (Eastern time). Mr. Phillips explained that the purpose of the subcommittee was to devise a business plan to raise the revenues implied by the expense budget that was approved by the Steering Committee last year. Mr. Aronson said that CPR has been, in effect, subsidizing the Program and should begin to be reimbursed, at least in part, for its efforts. He suggested that, as a gesture of good faith, about $5,000 could be sent to CPR from current balances. He expressed the expectation that AAHOA and others may increase its support for the Program. Subcommittee members agreed that CPR should be compensated, but noted that the bigger issue is devising a process that would result in a continuing revenue stream.

Mr. McLester reported that there are indications that AAHOA and others will make a commitment to increase usage. Mr. Aronson and Mr. Phillips noted that the usage fee covers the costs associated with usage, not the expenses of administering and marketing the Program.

Mr. Purvin suggested that Program mediators might return a portion of their fees back to the Program. Mr. Hall speculated that the IFA might be willing to financially support the Program, but there might be some risk in franchisees perceiving that the Program is not trustworthy. The IFA's interests would be served by the Program's existence and its financial contributions would be steady and reliable. The Subcommittee questioned whether the Program's reliance on the IFA would mean control by the IFA over the Program's operations. Mr. Hall suggested that perhaps 50% comes from IFA and the remainder from franchisors and franchisee associations.

At Mr. Purvin's request, Mr. Phillips reviewed the sources and uses of the monies now being collected to support out-of-pocket expenses of the Program. Mr. Rosen questioned whether the source of funding would, in fact, be a disincentive to franchisee use. Mr. Purvin expressed concern that IFA money supplement, but not replace, current revenue sources, and Mr. Aronson assured him that current contributors would remain and, he hoped, expand. Mr. Purvin felt that investment by franchisee groups is a necessary first step to getting them to use it.
Mr. McLester thought that getting more money from IFA would be important, and would not discourage other sources. Mr. Purvin and Mr. Phillips discussed the benefits and risks of asking mediators to contribute to the administrative costs of the Program. Mr. Hall expressly noted that he had no authority to speak for IFA's willingness to address funds to the Program, or even to make a recommendation at this point. Mr. McLester suggested holding a specific conference on ADR in franchising, though some participants doubted that it would draw enough attendance or revenue to have made the effort worthwhile. Mr. Rosen asked about the use of TV to teach people about mediation. Mr. Purvin noted that many mediations happen because of the Program, but don't go through.

Mr. Phillips suggested that we need more information on (a) IFA's willingness to make a contribution, and on what basis; and (b) franchisee associations' willingness to put in real money. Mr. Hall was willing to informally approach the IFA, noting as he does so that the IFA would want to monitor the operations of the Program closely.

The Subcommittee agreed to meet again at 3:00 p.m. Wednesday February 5. Upon motion duly made and seconded, the meeting adjourned at 4:00 p.m.

Respectfully Submitted,

F. Peter Phillips