NATIONAL FRANCHISE MEDIATION PROGRAM

Steering Committee

Wednesday, May 8, 2002

Present: Morton H. Aronson (Chair), G. Lowell Dixon, Kenneth S. Kaplan, William G. Hall, Donald Hazlett, Raxit Shah, Mark Zuckerman

Absent: Tom Damigella, John F. Dienelt, Donald Hachenberger, Scott Mclester, Richard L. Rosen

Also Attending: Mike Amin, Brian Graham, Mike Patel, F. Peter Phillips, Elaine Pope, Matthew Shay, Neil J. Simon, Eddie Webster, Karen Wycliff,

Introduction and Welcome  Mr. Aronson convened the meeting at 9:15 a.m. and reviewed the history and current status of the Program. He said that a main focus of today's meeting would be to re-invigorate participation in, and usage of, the Program. He then asked the attendees to introduce themselves. Each member and guest explained their professional backgrounds and their interest in the Program. Messrs. Patel and Amin were particularly welcomed by the Chair, as representatives of the Asian American Hotel Operators Association (AAHOA).

Approval of Minutes  On motion duly made and seconded, the Minutes of the Meeting of November 26, 2001 were approved.

Recent Events and Reports of Experiences  Attendees were encouraged to share recent experiences relating to mediation or conflict management. Ms. Pope distinguished between mediation that occurs by mutual consent and court-ordered or otherwise compelled mediation, which she found less useful. Mr. Shah discussed the predicament of a franchisee who is prompted to engage counsel upon receiving a violation notice, rather than discussing the problem first; he and Mr. Hazlett thought there might be a better, less confrontational way to start the process of problem identification and solution seeking. Mr. Patel agreed that franchisors themselves should wait before referring problems to their Legal Department, to try to “nip it in the bud” before becoming confrontational and legalistic. Mr. Dixon said that McDonalds' Ombuds program was an effort to do exactly that, though it is difficult to measure its success.
Mr. Hall suggested that the resources to produce this result on an industry-wide basis already exist, but are uncoordinated and therefore of too little effect. He expressed concern that the efforts of various organizations confuse potential users. He urged the creation of a single, coordinate, meaningful, consistent program that would be presented in uniform structure to all franchisors and franchisees – a “single phone number” where an inquiring franchisor or franchisee could be directed to the IFA Ombudsman, the NFMP, industry or corporate dispute resolution programs, or other appropriate resources. He further suggested that IFA was the organization uniquely positioned to fulfill this “single-source” function, to act as a coordinator of a “single path” of dispute management that franchisees could trust. Ms. Pope and others noted that franchisees continue to distrust the NFMP as a franchisor-dominated organization.

**Report on Program Usage** Mr. Phillips reported on Program usage to 12/31/01 (attached). He noted that since that date only one new matter has been submitted to the Program.

**Report on ABA Activities** Mr. Aronson reported on a conversation with Mr. Deinelt in which Mr. Aronson had expressed his disappointment that the ABA Franchise Forum had declined to include a program on mediation in its recent annual meeting. Mr. Kaplan offered to schedule the topic on the upcoming meeting of the Corporate Counsel section of the Forum.

**Update on National Franchise Council** Mr. Simon reminded the group of the purposes and activities of the National Franchise Council. About 70 to 80 franchisees have been notified of corrective proceedings within the Council’s purview, but all such disputes were resolved without the need for referral to the Program. Mr. Aronson urged that every NFC member be persuaded to join NFMP.

**Update on IFA Activities** Mr. Shay noted the ad for the program that has been running all year in Franchising World and the Franchise Opportunity Guide and mentioned an article by Mr. Phillips that will appear in an upcoming issue. There may be an opportunity to have a series of recurring articles on ADR in the magazine. Mr. Aronson urged all members of the IFA Board to become members of NFMP and asked Mr. Shay if letters can be prepared to the Board and to the IFA membership at large to that effect. Mr. Shay agreed that both could be done.

**Report of Subcommittee** At Mr. Shah’s request Mr. Phillips explained the work of the Subcommittee that had been appointed at the last meeting, and talked through the proposed changes to the Program (attached). Mr. Hazlett believed the changes would attract many more franchisee associations, and Mr. Simon believed the changes would obviate any remaining objection to joining held by franchisors. On motion duly made and seconded, the proposed changes were adopted. Mr. Phillips will prepare new documentation reflecting the changes.
Membership Contributions  Mr. Aronson described last year's effort to require contributions from franchisor participants, which resulted in less than expected revenues and some membership defections. He proposed suggested levels of contributions by franchisors and franchisee associations, depending on size, but nevertheless voluntary. Some members were doubtful that a voluntary strategy would be successful, and stated that the value savings of the Program were sufficient to justify the imposition of a set fee. Mr. Hall urged that the Program determine its financial needs by way of a budget, and that appropriate sources of funds would be identified as a reflection of the nature of the intended uses of those funds. Mr. Patel believed that, if a sound value proposition were articulated to franchisee organizations, sufficient funds to realize that value could be found.

Marketing Strategies  The group viewed a section of videotape from a 1994 franchisee meeting, where a mock mediation was held. The view was expressed that videotapes were good for training but not for marketing purposes. The creation of a single-page tri-fold product was encouraged and Mr. Shay offered the services of the IFA to layout, print and help distribute such a product.

Upon motion duly made and seconded, the meeting adjourned at 12:10 p.m.

Respectfully Submitted,

F. Peter Phillips