

Draft

Information Sharing Project

Franchise Industry

Ministry of Consumer and Business Services
Toronto, Canada

Prepared by:

Mr. Les Stewart
1201 Bayfield Street North
Midhurst, ON L0L 1X1

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Draft

Information Sharing Project

Knowledgeable franchise industry observers have noted the significant imbalance in information and economic power between franchisors and franchisees. The Information Sharing Project (ISP) attempts to equalize the information imbalance.

Many issues in the franchise relationship are win:win. However, the zero-sum issues are (1) the franchisor managing franchisee free riding and (2) the franchisee defending against franchisor opportunism (Hadfield).

One predictive model is the "Tragedy of the Commons". Investor confidence in the industry appears to be following the theory of "The Tipping Point". The pathogen is: don't invest in any franchise because the risk of loss is too high."

Fundamental Question

As an investor, the primary question is: "if I invest my time and money, will the franchisor likely act in an equitable manner so I can achieve an adequate return?" Will they act opportunistically?

Information on historical franchisor behaviour is very difficult to get. Those that know, won't or can't say anything. The evaluation is flawed because the investor does not know what questions to ask let alone is competent to judge the truthfulness of the answers.

Modern franchise agreements have the franchisor retain a great deal of discretionary power during the term of the contract.

Purpose

The purpose of the ISP is to improve franchise investment decision-making. This will be web-based and in layperson's language. Pre-sale disclosure of financial information is useful but misleading if not matched with knowledge of how modern franchising is practiced.

Model

There are 2 main components to the ISP: Reputation Registry and Self-Learning Module

A. Reputation Registry

Interested person can search the database by name:

- franchise system
- executive, trade executive, lawyer, agency
- vertical market (ie. fast-food, coffee, etc.)

The searcher simply types in the word or words and the database is searched. A summary report is generated listing the documents that relate to the enquiry. The subscriber then calls for the documents, reads and prints the relevant ones. The process is repeated.

i) Reputation: Market economy versus Franchising

In a free market, the normal reputation cycle in business is a product or service is offered, tested and the buyers form an opinion as to its relative value. The company develops a reputation for high or low value.

In franchising, that cycle is thwarted. The barriers are: the extensive use of confidentiality agreements (pre-sale, renewal and post-sale), contractual prohibitions on free speech and the media, "any action deemed to damage the system" clauses that triggers termination or litigation, and on and on.

In Canada there are perhaps 12 law firms that do the bulk of franchise law work. It has been estimated that 95 per cent of all legal fees are paid by franchisors. Lawyers know as businesspeople that they will be penalized if they advocate too much for franchisees. The trade association helps in “drawing the line” also and by not referring new cases to member lawyers who wander from the creed.

B. Self-Learning Module

Franchising is practiced, not only the same way from system to system, but from country to country. Over years, unique and increasingly complex applications of common law and management principles have been developed. Generally, only franchisors and their counsel know where these, if you will, weapons of mass destruction reside.

This component will extend that knowledge to all stakeholders. Perhaps franchisees’ can learn to stop bringing knives to a gunfight.

An interested person can view the Keyword Groupings (see Appendix A.), and click on the phrases (by country, too) to call the documents that relate to that keyword. By reading the document, the examples of that specific issue are revealed.

Investment decisions require an informed assessment of risk.

Franchisee-investors are in an unnecessary high-risk situation if they do not know the “rules of the game”. The relationship has a beginning, middle and end and, as the authors of the game, franchisors can exercise their knowledge in an opportunistic manner.

The ISP allows franchisees to follow a path and learn at their own speed.

Database Description

There are over 1,400 documents derived from newspaper and magazine articles, public hearing testimonials, government documents, correspondence, notes, bulletin board postings, legal documents, etc. Approximately 600 to 700 are added annually and they are from 27 countries.

Almost 600 franchise industry-specific keywords or phrases are applied to each document. On average, each document has between 20 to 30 keywords. Over 80 per cent of the documents are three years old or less.

Appendix B is an example of one document in its pre- and post-coding format.

Article Access

There are two ways to know an article exists on, say, an industry executive. One, the person could subscribe to ISP and search using our internal engine.

Two, a person can use any existing internet search function. For example, by typing “Levitt” in the *Google* engine, all of the “Levitt” documents residing on the ISP server will be shown. These fields will appear: media outlet, date, heading and subheading, number of words and 5 line abstract. The article can be retrieved via the media outlet’s archive process or subscription to the ISP.

The articles have been captured, coded and entered into ISP’s database. The author or outlet retains full ownership of the content, with the exception of correspondence. The ISP is fully web-enabled, an important feature.

Scope

Franchise systems are managed using an idiosyncratic set of legal and management techniques. Everyday legal instruments are used in such a unique way so as to surprise even experienced, lawyers. Of course, the vast majority of franchisees are ignorant of these tools.

Since they are rooted in the British common law tradition, these hybrid alternatives can be, and are, used identically, worldwide.

Implementation

Upon completion of the website revisions, an international promotional program will start. The ISP concept has already been acknowledged by four industry experts as being extremely important for the long-term survival of the industry.

Targets

The preliminary users of the ISP are felt to be: potential franchisees, renewing franchisees, lawyers, academics, media, elected officials, civil service, franchisors and trade associations.

Open Source

Visitors to the website will be encouraged to contribute documents. Appropriate information will be added.

Business Model

Subscribers will pay an annual fee to access the resource. Sponsors will be solicited and the website will list who chooses to and who chooses not to support the ISF.

Additional Resources

Ancillary information will support the ISP: franchise term glossary, essays, FAQs, bulletin board, Q&As, probes and links.

Public Policy Relevance

To perform their duty, public servants require independent, reliable and materially complete information. The ISP will assist in determining the veracity of volunteer advice.

Benefits

More accurate pre-sale risk assessment

Potential franchisee investors can better evaluate business risk by seeing the “cradle-to-grave” risks. In the case of pharmaceuticals, it is an accepted consumer standard to disclose risks, however remote. Without risk disclosure, there can be no informed consent.

Better legal advice to potential franchisees

The standard of care would be raised in the quality of advice given. Accountability will be improved. The ISF will become a standard legal reference, in Ontario initially and then internationally. It would be negligent of any of Ontario’s 32,000 lawyers to provide franchise legal advice without searching the ISP. It will take one lawsuit, I understand.

Fewer disputes

Disputes arise from perceived broken promises and unfulfilled expectations. By understanding franchising’s logic or “software”, there should be fewer disputes that are based in ignorance.

Fewer lawsuits

There would be significantly less than the 5,000 lawsuits started in Ontario annually if franchisees had a more accurate understanding of their potential franchise relationship. Stakeholders will adjust their practices to retain and expand Ontario’s 40,000 franchisee investors. Those systems that persist will fall away as their reputation is publicized.

Decreased externalities

Unplanned business cessations are devastating to franchisees and their families. Losing your life savings, your job, your wife’s job (usually), insolvency and bankruptcy are the usual economic and measurable costs. Usually more long-term and effects include: unemployment, divorce, opportunity cost, stigma, welfare and health deterioration. Any of these changes alone are difficult; having them all happen within a 6-month timeframe is catastrophic. Of course, business cessation often occurs after years of degrading economic and emotional trauma, culminating with health issues such as Post Traumatic Stress Disorder. Fewer opportunistic activities help the Ontario economy by decreasing demands on the social safety net.

McLuhan said: "Violence is the quest for identity. When identity disappears with technological innovation, violence is the natural recourse." Unexpected, extremely rapid, unexplainable financial ruin is a comprehensive stripping of personal identity (eg. owner, employer, provider, independence, competence, etc.). The fully predictable result is significant domestic and self-directed violence. I have read that ignoring facts doesn't make them go away.

Improved public policy

The ISF will establish a reference for the unbiased evaluation and formulation of public policy. Better discussions can take place on the micro- and macro-level.

Policy officials who only rely on volunteer experts may be perceived to be biased, incompetent or both. Great care should be taken to make sure conflict of interest guidelines are followed. Franchisee experts that derive substantial cash flow from franchisors should be excluded from policy advice.

Broader & more rational education

Accountability of elected and public officials will also be improved by organizing reliable information. The ISF fulfills the oft-stated desire by all stakeholders that more accurate quantitative analysis and industry statistics are needed.

Innovative

There has never been any model similar to ISP. It requires very little co-operation and has worldwide implications. It is organic, in a sense, as it can grow and become the locus of franchise research.

Non-legislative

Dr. Gillian Hadfield identified the need for a franchise reputation registry during the Bill 33 hearings. The ISF model is an extension of the research that the Standing Committee on Private Bills and Regulations, the Legislative Assembly of Ontario, accepted in 2000.

In summary, the ISF is information-based, pre-sale focussed, creates zero regulation, transparent and affordable. The only barriers are those stakeholders that don't want to share.

Costs

The monetary cost of sponsorship is to be determined. The ISF represents 1,000s of hours of time, significant industry and formal education (materials, lawsuit, MBA, BA, expenses, etc.).

Caveat

The public record shows the industry does not handle perceived criticism well. Their response is often irrational rage. While I have been assured they are cowards, I have little confidence in their character or integrity.

A partial explanation of this behaviour is that of an adult or serial bully. Additionally, as an amateur, I suspect that the estimate of 1 per cent of the population being subcriminal psychopaths under represents the franchising elite.

Some individuals have as low impulse control and self-esteem as the depths of their pockets. One sued Canada's largest newspaper and journalists. Another is suing an advocate for \$1.5-million because the consultant facsimiled their franchisees. The Ministry has a record of a franchisee receiving death threats. A Peterborough landlord held a pizza executive at knifepoint in 1998. The Just Desserts franchisor perhaps created an environment where anything could, and did, happen.

Predictions

Personal

Not only do I expect to see a continuation of my personal economic and career sanctions, but I expect it to get much worse with the implementation of the ISP.

Violence

It is my opinion that violence attributable to everyday franchise practices will increase. The violence will grow exponentially as more accurate information is accessible. This increase, as well as the baseline of violence, could be militated by government action. The price of supporting the status quo may become untenable.

Appendix A

Keyword Groupings

Aligned Interests

Bank alerts franchisor of problem franchisee
Banks as cheerleaders
Banks as statistical source
Big Auto
Big Food
Big Grocery
Big Oil
Big Tobacco
Collaborators
Economic conspiracy
Economics
Evils of the system defined in 1971
Fraudster banker
Funding for advocacy groups if you toe-the-line
Government guaranteed loans
Industry muscle
Most lucrative form of commercial lending, franchising
Portrait of a franchisor
Reserves a veto over any legislation
State sanction
Status quo winners
Tax subsidy
Tobacco industry-type defence
Undue influence
Very low lending loss risk

Awareness

Activists
Beyond the Tipping Point
Dissident leaders
Franchisee revolt
General counsel, CAFO
Globalization
Gripe sites
Internet, information sharing
Lawyers threatening franchisee advocates
Private Members' Bill
Protest, rally and demonstration
Sharecropping

Blue chip

I did drugs because I was sad
Loutish neighbours
McBooze
McCertified?, shut it down
McDonald's not so lily white
McFat
McLibel
McRoll in his grave
McStumble
We have no franchisee failures

Canadian Perspective

Canada: An American Perspective
Canada-U.S. relations
Canada: 1st stop internationally
Canada: least franchise-investor protection in the industrialized world
Canada: most heavily franchised economy in world
Civil actions are never heard before a jury in Canada
Competition Bureau
Enron-like scandals
Exempt from Ontario franchise law obligations
Founder of franchising a Canadian
Franchise Sector Working Team
Franchisors push for weak national franchise law
John Lorinc
Ministry of Consumer and Business Services, Ontario

Confidence

American Dream
Appearance of government oversight
Be your own boss
Buying a job
Celebrity endorsement
Disclosure document: best franchisor selling tool
Economies of scale promise
Fairy tales
Franchise show
Hefty severance packages
In business for yourself, not by yourself
Mask of respectability
Selling around a disclosure document
Selling franchises same as stocks, mutual funds, lending, and securities
Seminar selling
Siren song
Trade association hype
Treat franchisees like family
Wanted: sheep

Contracts

95 per cent of legal fees are paid by franchisors
American Bar Association, Forum on Franchising
Contracts across systems are virtually the same
Controlling, trapping or defeating the franchisee
Indemnification provisions
I own the assets but the franchisor controls them
Lawsuits, individual
Lawsuits, group
Lawsuits, class-action
Masterpieces of deceptive wording and artful omission
New buyer must sign current, often less favourable, contract
Performance-based exit clauses
Protect gross negligence, wanton recklessness and intentional misconduct
Renewing contract much tougher
Sign away human rights and legal remedies

Corporatism

20 terminations turn into 200
Conflict of interest, trustee/consultant
Corporate accountability
Corporate governance

Franchisees are pawns in insolvency flip
Income trusts
Initial public offering, IPO
Intentional franchisor insolvency
Mergers and acquisitions
Opposed bankruptcy discharge
Opposition to fake franchisor insolvency and ownership flip
Related company transactions
Relative of franchisor buys assets from Trustee
Re-sales as a profit centre
Secret offshore accounts
Shell companies
Stock manipulation
Structured finance deals
Trustee/consultant does mass terminations during protection to flip to new owner

Criminal Behavior

Advance-fee fraud
Bait advertising
Cheque-kiting
Conspiracy to commit fraud
Convicted fraud artist
Convicted of spousal assault
Embezzlement
Extortion
Forcible confinement
Forgery
Fraud
Fraudster accountant
Fraudster broker
Fraudster finance expert
Fraudster franchisor
Fraudster, real estate
Insider trading
Loan-sharking
Mail fraud
Manipulate stock prices
Money laundering
Obstruction of justice
Organized crime
Outright scam
Ponzi scheme
Prime bank fraud
Professional hit
Pump-and-dump
Pyramid scheme
Racketeering
Russian mafia
Securities fraud
Tax evasion
Telemarketing fraud
Theft
Uttering threats
Wire fraud
Wiretaps

Current Practice

1,001 ways to make your life miserable
Abuse inherent in modern franchising
Cannon fodder
Expropriation without compensation

Feudal relationships
Franchising practiced the same, worldwide
Gag order (confidentiality agreement)
Imbalance of information and power
Indentured servants
Renting a business
Robber baron
Sweat-shops
The game is rigged
Tied buying
Trap for the trusting
Unsophisticated tyranny

Diversity

Discrimination
Immigrants as prey
Immigrants as unacceptable ethnics
Insider betrayal
Racial discrimination

External Costs

Anticipatory grieving
Bankruptcy
Bargaining
Blame themselves
Broken relationships, ruined lives and alienated children
Childhood obesity
Child labour
Clinical depression
Diabetes
Divorce
Drive-through
Drug distribution
Fraud on the public purse
Life savings gone
Local suppliers with no shelf space
Lost homes
Love money
Mad cow disease
Miscarriage of justice trauma
Monopoly
Obesity
Oligopsony
Opportunism
Physical health deterioration
Police intervention
Psychological denial
Unpaid government remittances
Usury
Welfare

Franchisee Behavior

Award-winning franchisees
Charity without hustling customers and franchisees
Company man
Current franchisees can't talk freely
Disgruntled
Dispute resolution
Dispute resolution means franchisee goes broke
Disputes heard on franchisor's home turf

Due diligence
Forensic accounting
Franchisee on short leash
Franchisee who doesn't want relationship protection
Franchisees viewed as employees
Happy serfs
Philanthropy
Sales, overstating
Sales, understating

Franchisee Groups

American Franchisee Association, AFA
American Association of Franchisees and Dealers, AAFD
Canadian Alliance of Franchise Operators, CAFO
Franchisee advisory group (lap-dog)
Franchisee association, independent
Ignore, gag, belittle and post head on pole
Refusal to acknowledge franchisee association
Right to associate
Right to associate but refuses to acknowledge
Scum
Terminate or buy off leaders

Franchisor Behavior

101 ways to terminate a contract
30 different programs of kickbacks, shelf allowances and inside money
Advertising fund paid to executives
Advertising fund buys franchisor's assets
Advertising slush fund
Bankruptcies, several
Blame 9/11
Blame the franchisee
Brand hype
Bribery
Cash grab
Cocaine
Cockroach infestation
Cost of doing business
Dead-beat dads
Death-spiral financing
Development agents
Expands too quickly
Franchisor abandonment
Franchisor bankruptcy
Franchisor sells out
Head lease advantage
Ignores court orders
Ineffective marketing
Intentional interference with economic relations
Internet franchise-sales hype
Insolvency
Labour unrest
Landlord betrayal
Listing fees and inside money
Mean drunk
Pooled money
Refusal to renew contract
Refusing franchisee re-sale
Religion as sheep's clothing
Secret kickbacks and rebates
Stay out of group lawsuit and I'll pay you

Suspiciously high earnings growth
Termination of franchisee, single
Termination of franchisee, mass
Trademark
Zero qualifications needed

Franchisor Groups

Academic scorn
Accurate and unfavourable industry trends
Agree with proposed law or you get nothing
Call to investigate refusal to enforce their code of ethics
Call to investigate their undue influence
Canadian Franchise Association, CFA
Chicken Little, no numbers
Close ties: IFA & CFA
Code of ethics, a joke
Endorsed mediation program
Endorsed mediation program, in 5 years used zero times
Foghorn Leghorn
Frenzied lobbying
General counsel, CFA
General counsel, IFA
Horror stories are merely anecdotal
Ignore advocates and they'll go away
International Franchise Association, IFA
Ludicrous demands
Need more statistics
No duty of care to public
Pinocchio
Refused to answer politician's question
Refuses to accept complaint
Refuses to investigate complaints
Success rates fudged
Uniform national franchise law
Uniform international franchise law
World Franchise Council, WFC

Ignorance

Academic research
Books
Edgar Allan Poe
Free academic materials
Francine LaFontaine
Gillian K. Hadfield
Grange Report
John Kenneth Galbraith
Marshall McLuhan
Timothy Bates

Justice

44 charges of professional misconduct
Access to justice
Alan Eagleson
Anti-trust provisions not applied to franchising
Basic legal standards inapplicable to franchisees
Conflict of interest
Contingency fees
Corporatist puppets
David & Goliath
Disbarment
Drop the lawsuit and we'll give you what you want

Fee surprises at settlement time
Gag order, court-mandated
Jealously guarded monopoly on the provision of legal services
Justice only for the rich
Lawyerless litigants
Lawyers being threatened with lawsuits for speaking out
Lawyers getting religion
Lawyers sued by franchisor
Lawyers threaten to get Code of Ethics complaint letter withdrawn
Queen's Counsel
Rules of Professional Conduct
Run the billable hour clock
Serve franchisors or franchisees, never both
Settlement just covers fees
Solicitor-client privilege waived
Subservient intellectual class
Sue your lawyer
Tier 2 lawyers
War of attrition
Within the four corners of the contract

Law

Able to put kids through graduate school
Alberta Franchise Act, Canada
Alternate dispute resolution, ADR
Arbitration, secret
Arthur Wishart Act (Franchise Disclosure), 2000, Canada
Australia Franchise Act
Call for franchise law
Caveat emptor - let the buyer beware
Class-action dead end
Congressional Hearings, United States, 1997
Disclosure laws: 10 per cent solution
Disclosure laws: False sense of security
Fox to guard henhouse, self-regulation
Franchisors want the minimum regulation they can get away with
F.T.C. Public Comments, United States, 1997
General disclosure worse than no disclosure
Intimidation through lawyers
Iowa Franchise Investment Act, United States
McPuppetry
Mediation
Mediation as information gathering
Ombudsman
Ombudsman, franchisee must sign gag order 1st
Ombudsman, no franchisee accountability
Ombudsman, risk of information going to franchisor
Ontario Public Hearings, Canada, 2000
Prince Edward Island Public Hearings, Canada, 2001
Perception is that it's a franchisor program
Reform school
Relationship legislation
Sham of self-regulation
Toothless law
Weak law worse than no law

Limits

Abuse of dominant position
Futility of taking legal action
Model capitalists
Personal guarantees

Right to associate and right to harass
Slap on the wrist for white-collar crime
Unbridled corporate power
Without conscience

Media

Advertorial
Ban junk food advertising
Hates publicity
Franchisees more willing to speak up
Media informs trade association their member is a convicted fraud artist
Media sued by franchisor
Negative publicity
Only one side presented
Press conference
Punished for talking to press
Refuses interview
Sends disciples into public forum
Stock price falls

Outcomes

1 per cent of population are psychopaths
1/3 franchises do well, 1/3 break even & 1/3 lose money
55 per cent of franchisees would not advise others to join their system
75 per cent of new franchise systems die within 10 years
Abandonment
Buying an existing outlet even riskier than a new one
Cancer
Death
Emotional collapse
Entrepreneurs flee away
Franchisee decision, independence
Franchisee decision, transfer (resale)
Gangland-style execution
Health consequences
Hepatitis
Imminent death
Incapable of empathy
Independence
Independent businesses survive longer than franchised ones
Independent businesses much higher profit than franchised ones
Lower quality franchisees
Myth of success
Narcissists
Personality disorders
Psychopath
Success rate, 95 per cent
Success rate, Timothy Bates' study
Success rate, we don't know
Survivability (franchisee and franchisor)
When the franchisor dies, so does the franchisee
Wild West of the business world

Perceived Risk

5,000 new lawsuits per year
Air of desperation
Attempts to rehabilitate image
Credibility
Declaration of war

Defaults quadrupled
Don't buy any franchise
Franchises aren't selling
Free-fall in fast-food industry worth
Greed
Industry in disrepute
Massive defaults
Price wars
Public perception of sleaze and greed
Raining litigation
Rate of return on investment
Return on investment
Signs that potential franchisees are nervous and aren't buying
Tougher to sell franchises
Unfavourable

Rules of the Game

Advertising fund misappropriation
Bank account access by franchisor
Cannibalization of sales
Can't talk to media
Can't talk to member of parliament
Centralized order taking system
Churning (serial reselling)
Coerced waiver of legal rights, self
Coerced waiver of legal rights, self & descendants
Corporate stores competing with franchisees
Credit note system
Cross-default provisions
Deny expansion because of media, political or association involvement
Encroachment (too many outlets in area)
Eviction cheaper and faster than termination
False earnings claims
Franchisor controls retail prices
Franchisor has right to buy outlet before anyone else
Franchisor takes franchisee stores
Franchisor takes franchisee store, gives to relative
Franchisor takes franchisee store, resells to new dealer
Gag order muzzles self & descendants
Gouging on rent and equipment
Gouging on supplies
Lease controlled by franchisor
Location chosen by franchisor
Must lease, not buy, land and/or building
Must work only as a franchisee
No franchisor support
Non-compete restrictions
Non-compete restrictions defeated
Non-compete restrictions not enforced in California
Price discrimination
Re-sale permission unreasonably withheld
Retaliation
Self-help
Short- or forced-shipping
Tied contracting
Unilateral fines
Variable rate royalty fees

State

Anti-small business
Charade of public consultations

Competition rules a farce
Feet of clay
Freedom-of-information legislation
Government as system's ultimate liar
Political contributions by franchisees
Political contributions by franchisors
Protection from monopolies, price gouging
Sue regulators
Thin-skinned politicians not doing their duty

Sustainability

Access to knowledge is a right
Affordable, early and non-legal dispute resolution mechanism
Appropriate franchise law
Arbitration, transparent
Architectural conservation
Boycott
Boycott fast-food
Buying co-operatives
Commission with investigation, publication and enforcement powers
Fair dealings: treat assets as if they were their own
Hope
Humour
Industry "Better Business Bureau"
Mandatory membership in associations
National Franchise Council of Canada
Old-fashioned idea that politicians are relevant
Power to publish offenders name
Private right of action
Register franchisees and franchisors
Reparations
Restoring investor confidence
Reverse onus on good faith and fair dealing
RICO
Sympathy for the franchisor
Unionization

Trust

40 per cent of franchisees have unsuccessful relationship with franchisor
Bad faith and unfair dealings
Bully
Code of ethics, almost never enforced
Condescending view of community
Courts misunderstand relationship
Different deals for different dealers
Don't owe your lawyer money
Franchisor association not trusted by franchisees
Gosh, you're the first franchisee with that problem
Government refuses to answer request for information
Intimidation
Investor confidence crushed, no trust or buying
Investors see public scandals as just the tip of the iceberg
Lawyers issue threatening letters
Low investor confidence
McDonald's of...
One of us
Opinions at odds with the Minister
Paid informers
Political champions
Predatory actions
Sold during time of personal transition

State refuses to listen
Targeting children
Termination threats
Terrorizing franchisees
Threatening letters
Threatening staff
Threats of lawsuits
Threats toward politicians by franchisors
Trust
Work will set you free

Truth

A half-truth is a full lie
Ban gag orders
Behind closed doors
Cruellest lies are often told in silence
Defrauding the public
Fear of poverty
Hubris
Lies, misrepresentations & half-truths
Rain-forest chic
Veil of secrecy
Would you advise anyone to buy into your system?
Would you do it over again?

Violence

Assault
Death threats
De-humanization
Fear, distrust, hate and contempt
Murder
Rage
Restraining order
Sabotage
Suicide attempt
Talk to former franchisees
Threats of physical violence
Violence

Witnesses

Darrell Dunafon
Dave Michael & Tony Fammartino
Les Stewart
S. G. M. Grange, Q.C.
Samuel Crawford
Susan Kezios
The Toronto Star
Tony Martin
Unfaithful servants

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TOTAL = 588

Groups = 29

Les Stewart
Jan 24, 2002

Vertical Markets

Accounting
Automotive
Big auto
Big grocery
Big oil
Coffee
Convenience store
Crown corporation
Doughnut
Drug stores
Education
Fast-food
Financial
Grocery
Health
Home services
Hotel
Liquor
Office
Payday advance
Petroleum
Pizza
Postal services
Real estate
Restaurant

Retail
Sports
Tax-preparation
Travel
Video
Weight-loss
Miscellaneous

Country

Australia, Bahrain, Bolivia, Brazil, Canada, China, Denmark, Egypt, India, Ireland, France, Japan, New Zealand, Norway, Russia, Saudi Arabia, Scotland, South Africa, Switzerland, Syria, Tanzania, Thailand, United Arab Emirate, United Kingdom, United States

Les Stewart
January 20, 2003

Appendix B

20020114 Levitt letter

Levitt, Beber, Threatening letters, Threats of lawsuits, Lawyers can only serve franchisors or franchisees, never both, Lawyers issue threatening letters Lawyers threatening franchisee advocates, Intimidation through lawyers, Ludicrous demands, Ned Levitt, General Counsel, CFA, Canadian Franchise Association, Les Stewart, CAFO, Country Style Donuts, Right to associate and right to harass, Bad faith and unfair dealings, Right to associate, Independence, Unfavourable, Franchisor insolvency, intentional, 20 terminations turn into 200, Termination of franchisee, mass, Gouging on rent and equipment, Gouging on supplies, Tied buying, Doughnut, Lease controlled by franchisor, Industry in disrepute, Public perception of sleaze and greed, Rules of Professional Conduct

Canada

Country Style Donuts

Les Stewart

Specifically, you have implied in your remarks that I am not acting in the best interests of my clients, that I am acting in a conflict of interest, that I have breached the Rules of Professional Conduct and that I am or may be giving advice that is not in the best interests of my clients. I also demand that you immediately provide me with a list of those persons to whom you have circulated such false and defamatory statements; immediately retract those statements and apologize to me for making such statements and for any harm that such statements may have caused. I am reserving my right to commence an action against you for damages and an injunction restraining you from conducting yourself in this most reprehensible fashion

Letter from Levitt, Beber

January 14, 2002

Barristers & Solicitors

Letter from Levitt, Beber Barristers & Solicitors

Reply to: Edward N. Levitt
Direct Dial: 865-6701
e-mail: nlevitt@levittbeber.com

January 14, 2002

VIA REGISTERED MAILA AND ORDINARY MAIL

Les Stewart

C/o Canadian Alliance of Franchise Operators

1201 Bayfield Street North

Midhurst, ON L0L 1X1

-and-

CAFO

1201 Bayfield Street Noth (*sic*)

Midhurst, ON L0L 1X1

Attention: Les Stewart

- President

RE: Country Style Donuts

It has come to my attention that you have made statements in writing that are untrue, inaccurate and defamatory to me. I also have information that you have broadcast these defamatory remarks over the internet or otherwise published them.

Specifically, you have implied in your remarks that I am not acting in the best interests of my clients, that I am acting in a conflict of interest, that I have breached the Rules of Professional Conduct and that I am or may be giving advice that is not in the best interests of my clients.

These remarks are damaging to my name and reputation as a barrister and solicitor. I am writing to you to demand that you immediately cease making any remarks or utterances, orally or in writing, that are defamatory in nature and which tend to negatively affect my reputation in my profession.

I also demand that you immediately provide me with a list of those persons to whom you have circulated such false and defamatory statements; immediately retract those statements and apologize to me for making such statements and for any harm that such statements may have caused.

I am reserving my right to commence an action against you for damages and an injunction restraining you from conducting yourself in this most reprehensible fashion.

Yours very truly,

LEVITT, BEBER

Edward N. Levitt
JPH/sm

SCOTIA PLAZA, 40 KING STREET WEST, SUITE 3001
TORONTO, ONTARIO, CANADA M5H 3Y2
TELEPHONE: (416) 865-6700 FAX: (416) 865-6720
www.levittbeber.com

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Mr. Les Stewart
1201 Bayfield Street North
Midhurst, Ontario
L0L 1X1

January 29, 2003

Mr. Allan MacDermid
Senior Policy Advisor
Ministry of Consumer and
Business Services
35th Floor, 250 Yonge Street
Toronto, Ontario M5B 2N5

REGARDING: Franchise Industry Reputation Registry

Dear Mr. MacDermid,

Please accept a draft copy of the Information Sharing Project (ISP).

In my opinion, the ISP is a significant development. It is a low-cost, non-legislative opportunity to resolving some of the concerns as defined in the Ministry's 1998 white paper, the 2000 public hearings and the Grange Report.

I would be happy to assist the Ministry in selecting experts to evaluate the ISP. There could be substantial economic conflict of interest considerations in the evaluation process.

I ask the Ministry of Consumer and Business Services to support this project and accept it in the spirit it was intended.

Sincerely,

Les Stewart
Enclosures