

DDIFO Calls for New Oversight in the Wake of Federal Indictment of Former Dunkin' Brands

Executive

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The DD Independent Franchise Owners (www.ddifo.org), which represents the largest association of Dunkin' Donuts franchise owners in the U.S., is calling for the institution of greater controls over the franchisee ad fund, including direct franchisee oversight and regular audits by an independent CPA and made available to all franchisees.

This comes in response to the news that a former executive with Dunkin' Brands has been indicted by the U.S. Attorney's office on charges of mail fraud in connection with an alleged kickback scheme involving ad fund dollars.

DDIFO President Mark Dubinsky says, 'Dunkin' Brands acts as ad fund fiduciary on behalf of its franchisees, which hold the integrity of their ad fund as near-sacrosanct. That such an alleged breach occurred is totally unacceptable. The DDIFO feels that appropriate controls of the ad fund, including direct franchisee oversight and CPA audit, must be instituted immediately.'

The U.S. Attorney's case, filed on August 31, 2008, alleges Carolyn Kravetz, the former communications director for Dunkin' Brands steered \$400,000 in business to Boris Levitin, owner of Luminore, a graphic design company, in exchange for a 50% kickback. The funds Dunkin' Brands paid to Luminore came from the ad fund, which is financed by contributions from all Dunkin' Donuts franchisees.

Kevin McCarthy, Chairman of the Board of Directors for DDIFO, points out that this case highlights the fact that no entity can realistically be expected to always 'obey all laws' even though that language is currently used by Dunkin' Brands as justification for the termination of Dunkin' Brands' franchise agreements.

McCarthy says, 'If nothing else, this federal case shows that not even Dunkin' Brands can comply with its own 'obey all laws' clause. It is unconscionable to terminate franchisees for failing to do what even the franchisor can't do.'

Dubinsky says, 'The DDIFO firmly believes the "obey all laws" clause should be eliminated from the franchise agreement as an unworkable standard of perfection, particularly as it is being used by Dunkin' Brands to justify franchise terminations.'

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