

## MEMORANDUM

**To:** Dunkin' Donuts Franchisees

**From:** Robert Rodriguez, President, Dunkin' Donuts  
Steve Caldeira, EVP, Global Communications  
& Chief Public Affairs Officer, Dunkin' Brands, Inc.

**Date:** November 9, 2007

**Subject:** Racial Discrimination Allegations

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### Executive Summary

In the past, there have been instances where unfounded allegations were made against Dunkin' Brands from various franchisees that could have warranted a corporate response from our perspective, but because we are steadfastly committed to strengthening our partnership, we chose the high road and took a pass. Recently however, Dunkin' Donuts was accused of racial discrimination by a New York-based franchisee, so given the outrageous and terribly misguided accusations we have chosen to respond in this particular instance.

Many franchisees are aware that a claim has been made that Dunkin' Donuts is discriminating against certain groups in our system. To be clear, Dunkin' Donuts has in fact filed a lawsuit against a franchisee in the Hudson Valley area of New York seeking to terminate the franchisee. We intend to prove extensive illegal conduct, including falsified business records, false identification and a scheme to deny employees the overtime to which they were entitled. In response, the franchisee has claimed that Dunkin' Donuts has intentionally pursued a policy of discrimination against "brown-skinned" minorities to deprive them of their franchise.

The claim is false. It is also unfortunate that this issue continues to be played out in the media, which could potentially cause damage to our reputation. The key take away here is that the actions of one franchisee can have a significant impact on the perception of our brand — as we all know, the value of your business is in fact based on the strength of our brand.

The Dunkin' Donuts system, as much as any other franchise system, is comprised of a diverse body of franchisees, many of whom were born in other countries. The first big expansion of our system was largely propelled by franchisees that came from European countries. The second, most recent expansion included franchisees from Asia, Southeast Asia, the Middle East and other countries. America is a big, diverse country, and while we like to say that "America Runs on Dunkin'," it is also true that the Dunkin' system runs on the American ideal of diversity and inclusion. Our customers come from all walks of life and so do our franchisees. Clearly, diversity and inclusion are a source of pride and strength within our system (as they should be) and our management's commitment to diversity and inclusion will not waiver as we continue to grow and expand as a company. Whether it is through our franchising recruitment efforts, or our participation in the EAC, BAC, RAC or the DAC groups, we are committed to providing strong and innovative leadership to enable franchisees of all backgrounds to join and thrive in the system. We are also committed to helping those franchisees expand and assume leadership positions that will help to guide our future.

In addition, Dunkin' Brands continues to invest both financial and intellectual capital support to important diversity-related organizations such as the Aga Khan Foundation, an organization dedicated to developing and promoting creative solutions to problems that impede social development, primarily in Asia and East Africa; the Multicultural Foodservice & Hospitality Alliance, an organization dedicated to promoting the economic benefits of having both a diverse and inclusive workforce; and the Women's Foodservice Forum, an organization dedicated to both developing and advancing women executives in the foodservice industry.

Our system also follows the rule of law. We do not tolerate illegal schemes operated under the name that we all share. Every franchise agreement has an "obey all laws" clause that requires that the franchised business be run honestly. We have terminated a number of relationships in which franchisees have broken the law, more often than not involving fraudulent payroll schemes similar to the aforementioned Hudson Valley case. Many of these "payroll fraud" cases involve Caucasian franchisees, including the biggest cases (in terms of network size) currently being litigated in Massachusetts and Chicago. Most franchisees know more than one franchisee that has had to leave the system, and anyone who is paying attention knows that group includes big and small franchisees of different races and national origins. It is not about who you are; it is all about what you do.

It has been said time and time again: franchisees that live up to their agreement, have their agreement. No franchisee who honors their agreement has to worry about termination, regardless of whether the franchisee has one store or one hundred stores, and regardless of where that franchisee was born or where his or her family came from. On the other hand, franchisees who take advantage of poor employees by denying them their legal rights on issues such as overtime and decent working conditions are not welcome in a system that respects the dignity of every man and woman, including the dignity of every employee.

Please keep this in mind: when Dunkin' Donuts files a termination case against a franchisee, we never try to remove the franchisee from the system without the court's approval. In other words, we are always ready, willing and able to prove what we claim is true. Every notice of termination says that if the franchisee does not agree with the stated grounds for termination, then the case will go forward "until the court determines which party is right." If we are wrong, then the franchisee will stay, but that rarely happens. Most franchisees leave the system before the court decides the case because they know what the facts are and how the case is going to turn out. We usually allow those franchisees to sell their stores, although we frequently impose penalties to deter other people from engaging in the same, illegal behavior.

The truth will come out in the Hudson Valley case, just as it has in other cases. We want all franchisees in the system to have confidence that it is the franchisee who determines his or her own future and security in the Dunkin' Donuts system. Once again, it is not about who you are; it is all about what you do.

Dunkin' Brands conducts its business with uncompromising integrity, and we expect the same from our franchise partners. Employees are held to the highest standards of professional and ethical conduct. Simply put, our character values guide everything we do.

## *Living Our Values*

- Honesty – Embrace the truth about oneself and the world
- Transparency – Demonstrate openness and vulnerability
- Humility – Acknowledge own mistakes and commit to learning
- Integrity – Say what you think and do what you say
- Respectfulness – Honor the dignity, inclusion and diversity of others
- Fairness – Do what is right on common principles
- Responsibility – Make yourself accountable to the community

## Synopsis

In closing, it is important to note that moving forward Dunkin' Brands will not sit by idly as franchisees, organizations and other third-party entities continue to promote and release unfounded and outrageous statements (and allegations) to the media that could be detrimental to the Dunkin' Donuts brand that we have all worked so hard to build, and are all so proud of. Our response will be swift, factual and firm.

Thank you for your time, understanding and continued support; it is truly appreciated.