



October 28, 2022

**By Email**

Vanessa A. Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 205499-1090  
[rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re: No. S7-21-21 Share Repurchase Disclosure Modernization**

Ms. Countryman:

Investors & Franchise Community appreciates commenting on the U.S. Securities and Exchange Commission's (the "SEC" or "Commission") release on proposed Rule 13f-2 ("Proposal") under the Securities Exchange Act of 1934.

A corporate insider has filed a well-documented whistleblower report with the U.S. Securities and Exchange Commission (SEC) against Domino's Pizza, its top-level officers, and various staff members. The complaint states serious allegations against the franchisor related to the circumstances surrounding the company's misconduct. It lists, "Fraudulent investment scheme; general trading practices; manipulation of security; insider trading; material misstatement or omission in company's public filings or financial statements; and bribery."

Domino's Pizza [DPZ] filed 8K with the SEC, containing explicit terms placed under the Securitization Transaction "No Commingling: Misdirected Payments" "The Manager shall not commingle with its own assets and shall keep separate, segregated and appropriately marked and identified all Managed Assets" effectively DPZ violated and commingled Assets when "We [Domino's] are going forward with the amendment adding in the missing dollars from the three franchise owners" these Securitization Transactions Loans were used in conjunction with Share Repurchase and Dividend Issuance Programs.

The crux of the whistleblower report details how Domino's allegedly forced and orchestrated an unapproved advertising and promotion increase to franchisees in order to pay a \$1.85 billion Securitization Transaction (March 25, 2007) with a new partially funded [\\$1.67 billion Securitization \(March 15, 2012\) debt owed to Securitization entities \(pg. 505\)](#). The report alleges that in return, Domino's Pizza's CEO, board members, officers, and employees ["could enjoy higher stock prices and dividends through share repurchases and dividend payouts."](#)



Domino's Pizza used a series of coercive actions "exit will be orchestrated a few pay grade above me. In the meantime his operations continue to be good." Domino's own public disclosure and notification to franchisee was a "100 percent of system participation" vote "unanimously" to increase in Domino's Pizza [DPZ] "Advertising Rate". As illustrated with Domino's deposition, testimonies, SEC filing, public disclosures and statements.

Prior to the "Exit will be orchestrated", DPZ Securitized all of its Assets, including those of "Advertising" Ad fees. Those Asset were "No Commingling" meaning when there was no "100 percent of system participation" "unanimous" vote, DPZ lack the necessary asset to Collateralize the Securitization Transactions. The Advertising Amendment funding which was in "segregated" account and "shall not commingle" basically was violated by "Manager" Domino's Pizza.

Domino's Pizza needed the Securitization funding to initiate "Share Repurchases" and "Dividends" which was already slated prior Advertising Amendment Vote. Essentially Domino's Pizza as "Managers" embezzled funds from "No Commingling" Assets "DPZ will fund the shortfall from the three "no" votes so the ad fund will 100 percent funded". This explicitly violated the SEC 8K Filing for the Securitization Transaction which specially states "No Commingling" & "shall keep separate, segregated and appropriately marked and identified all Managed Assets" The "Advertising" Asset which were Collateralized was ultimately used for advancement in funding for Share Repurchase & Dividend Issuance.

## **Conclusion**

Franchise Investors appreciate the opportunity to respond and include an example to why the Proposal and ultimately rule is needed. Thank you for considering our comments and we would be happy to answer any questions or further explain any of the points.

Sincerely,

[Retail Franchise Investor]

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The  
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): March 15, 2012

**DOMINO'S PIZZA, INC.**

(Exact name of Registrant as specified in charter)

Delaware  
(State or other jurisdiction  
of incorporation)

001-32242  
(Commission  
File Number)

38-2511577  
(I.R.S. Employer  
Identification Number)

30 Frank Lloyd Wright Drive  
Ann Arbor, Michigan 48106  
(Address of Principal Executive Offices)

(734) 930-3030  
(Registrants' telephone number, including area code)

(g) Collection of Payments; Remittances; Collection Account. The Manager shall cause the collection of all amounts owing under the terms and provisions of each Managed Document in accordance with the Management Standard.

(h) Collections. The Manager shall use commercially reasonable efforts to cause all Collections due and to become due to any Securitization Entity to be deposited into a Concentration Account or the Collection Account, as the case may be, in accordance with Section 5.10 of the Base Indenture.

(i) Deposit of Misdirected Funds; No Commingling; Misdirected Payments. The Manager shall promptly deposit into any Concentration Account, as determined by the Manager, by the second Business Day immediately following actual knowledge of the receipt thereof by the Manager or any of its Affiliates and in the form received or in cash, all payments received by the Manager or any of its Affiliates in respect of the Managed Assets incorrectly sent to the Manager or any of its Affiliates. The Manager shall not commingle with its own assets and shall keep separate, segregated and appropriately marked and identified all Managed Assets and any other property comprising any part of the Collateral, and for such time, if any, as such Managed Assets or such other property are in the possession or control of the Manager to the extent such Managed Assets or such other property is Collateral, the Manager shall hold the same in trust for the benefit of the Trustee and the Secured Parties (or, following termination of the Indenture, the applicable Securitization Entity). Additionally, the Manager shall notify the Trustee in writing of any amounts incorrectly deposited into the Collection Account, and arrange for the prompt remittance by the Trustee of such funds from the Collection Account to the Manager. The Trustee shall have no obligation to verify any information provided to it by the Manager hereunder and shall remit such funds to the Manager based solely on the notification it receives from the Manager.

(j) Other Amounts Received. The Manager shall cause all amounts received, other than Collections, to be deposited directly into an account maintained by Domino's Pizza LLC or its Affiliates (other than the Securitization Entities) and not subject to the Lien of the Trustee pursuant to the Related Documents.

(k) Asset Management Services. In connection with the Asset Management Services, the Manager shall use commercially reasonable efforts to renew real property leases and equipment leases related to the distribution, manufacturing and supply chain solely in the name of the relevant Securitization Entity and to remove any Non-Securitization Entity that is a co-obligor on any such lease.

(l) Supplied Products and Services. The Product Supply Entities hereby engage and authorize DPL, and DPL hereby accepts such

**From:** Gerald Carpenter (FRAN - EFRanRegn)  
**To:** Sandy Jamerson (FRAN - EFRanRegn)  
**Sent:** 1/28/2013 2:56:53 PM  
**Subject:** RE: F Fran Update

Franchisee Name	2012 Grade	Current Store Ct excl. Pizzazz	Assigned Area Leader	2013 Field Proposed Grade	Notes
Huth, Bobby	B	29	Carpenter, Gerald	F	Huth's exit will be orchestrated a few pay grades above me. In the meantime his operations continue to be good.
Ivey, Chris	B	3	Carpenter, Gerald	F	Chris has an offer on the table and is working on that one and working to get more offers.
Johnson, Tammy W.	F	1	Carpenter, Gerald	F	Kenny Cobbs has expressed interest in this store.
Mak, Conan	F	1	Carpenter, Gerald	F	Tied up in legal conf call happened 1-28-13 tro discuss next steps. A plan is in motion here.

## 2013 Amendment

DPZ Communications <Dominos.Communications@dominos.com>  
To: "noreply@dominos.com" <noreply@dominos.com>

Thu, Jan 10, 2013 at 6:41 PM

We have taken a big step forward in the Domino's Pizza system. We asked the system to support a 0.5 percent shift of advertising spend from local to national. We believe our recommended advertising shifts out of local will provide an extra \$25 million of system wide incremental profit, or an average of \$5,000 to the bottom line of each store. A strong case was presented to shift dollars from inefficient local print to national TV and digital and we're happy to see that many of you have already changed your local print buys for 2013. **In exchange for your support and amendment of existing standard franchise agreements (SFA), we have agreed to extend standard profit sharing agreements by 5 years.**

**Going forward, all new SFA's will contain the rolled-up 6 percent national advertising rate.**

As you know, we set a goal of **100 percent participation** to move forward. As of today, **three franchise owners have declined to participate and not extend their profit sharing agreements.** The right target was 100 percent to ensure that all franchise owners participate. **We are at 99.7 percent "yes" votes and, with the overwhelming support of the system,** it is in the best interest of the franchise system to move forward by rounding to 100 percent. This means, of course, that profit sharing agreements will be extended for 5 years. For the good of the system, Domino's Pizza LLC (DPZ) will contribute its own money (i.e., money totally outside of the national ad fund) to the national ad fund the dollars missing from those **three franchise owners (84 stores) who have chosen so far not to support this amendment. We estimate those payments to be well in excess of \$250,000 and will satisfy our commitment to you that the contributions from 100 percent of eligible franchisees will be funded into the national advertising fund.** Further, 100 percent of the available incremental dollars received by the national ad fund will be used for working media in 2013.

During this process, we received feedback that certain franchise owners wanted a performance criterion for this 6 percent rate to remain permanent. Based on this feedback, we have added a performance measure, total positive cumulative same store sales over 2013 and 2014. If we achieve this level of performance, then the rolled-up 6 percent national advertising rate in the amendment will become permanent. If not achieved, we will follow the voting procedures outlined in the 2010 "roll-up" that 100 percent of you approved, and rates would then go back to pre-amendment levels if **65 percent of franchised stores under pre-2013 SFA's in good standing vote to do so.** Regardless of whether we hit this performance measure, your five year profit sharing extensions will remain in place.

**We are going forward with the amendment, adding in the missing dollars from the three franchise owners,** and even adding in this new performance requirement (leaving your profit sharing extensions in place regardless of whether we beat this new requirement) because this amendment is yet another important step on our Road to #1. We have great momentum as a system with average store EBITDA and AWUS at all-time highs. In order to become the #1 pizza company in the world, we cannot get complacent and be satisfied that we have led the QSR segment over the last several years. We must continue to work together as a system to feed the momentum we have collectively created.

Please send an email to Jim Stansik ([jim.stansik@dominos.com](mailto:jim.stansik@dominos.com)) by January 17, 2013 if you have concerns with this approach. **If we cannot resolve those concerns, those franchise owners will be considered "no" votes, their profit sharing will not be extended, their rolled-up rate will remain 5.5% until renewal, and Domino's will not fund their shortfall in the ad fund. Otherwise, we will conclude that you continue to agree to and support the amendment and, of course, the extension of your profit sharing agreement. All renewals will be at 6 percent. Assuming sufficient support, the new advertising rate will begin January 28, 2013.**

To summarize:

- Target was **100 percent of system participation and we are moving forward at 99.7 percent.**
- **DPZ will fund the shortfall from the three "no" votes so the ad fund will be 100 percent funded.**
- DPZ will provide a performance criterion of two-year total positive cumulative same stores sales for 2013 and 2014.
- If cumulative same store sales are not positive for 2013 and 2014, you can call for a vote and 65 percent of pre-2013 contracts would have to vote "yes" to revert to pre-amendment ad rate.
- 100 percent of the incremental contribution in 2013 will go to working media.
- **DPZ will extend all standard SCS profit sharing agreements five years for all "yes" voters,** regardless of DPZ performance.
- **Any franchise owners with a concern email Jim Stansik ([jim.stansik@dominos.com](mailto:jim.stansik@dominos.com))**
- **Assuming sufficient support, the new advertising rate will begin January 28, 2013.**

We appreciate your support of this important initiative and we look forward to continued success for our franchise system.

We are on a mission; we will be the number #1 Pizza Company in the World.



This message was sent to all U.S. franchisees and all corporate above-store team members.

Note to franchisees and other readers. The above information is provided for general informational purposes only. As independent business owners, franchisees remain solely responsible for the operation of their stores including, without limitations, all employment practices and policies, all safety and security issues, and all other work place issues. The persons employed by franchisees are their employees, and not employees of Domino's Pizza LLC. By providing this information, we do not assume or undertake any of franchisees responsibilities or duties.

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## *1/2% Advertising Amendment Survey Results*

I am sending this email to provide an executive summary of the DFA survey, which was sent to Franchisees earlier this week, and as a follow up to the DFA email we sent yesterday announcing our support of DPZ's new 1/2% advertising amendment proposal.

### 1/2% Amendment Survey

The results reflect the individual opinions of more than 33% of the 999 Franchisees currently in the Domino's system and are not weighted by the number of stores each Franchisee has.

- 1 and 2 store Franchisees = 49% of the respondents
- 3 and 4 store Franchisees = 21% of the respondents
- 5 to 9 store Franchisees = 18% of the respondents
- 10 to 20 store Franchisees = 7% of the respondents
- 21+ store Franchisees = 5% of the respondents

The overall results on the surveys reflected the following...

- >50% felt their vote was not voluntary
- >80% felt the amendment required 100% support of every Franchisee to pass
- >80% felt the amendment had a 12-31-12 or before deadline in order to pass
- >70% of all respondents felt the amendment should move forward regardless if it was voluntary or if the parameters were met.

### Revised 1/2% Amendment Supported By DFA

This issue was very polarizing and had very few Franchisees on the fence trying to decide whether to support or not. Even though the significant majority of Franchisees surveyed thought DPLLC did not

Seeking Alpha<sup>α</sup>

## Domino's Pizza Management Discusses Q4 2012 Results - Earnings Call Transcript

Feb. 28, 2013 3:20 PM ET  
by: SA Transcripts

Domino's Pizza (NYSE:DPZ)

Q4 2012 Earnings Call

February 28, 2013 11:00 am ET

### Executives

Lynn M. Liddle - Executive Vice President of Communications, Legislative Affairs & Investor Relations

Michael T. Lawton - Chief Financial Officer, Principal Accounting Officer and Executive Vice President of Finance

J. Patrick Doyle - Chief Executive Officer, President and Director

### Analysts

Brian J. Bittner - Oppenheimer & Co. Inc., Research Division

Michael Kelter - Goldman Sachs Group Inc., Research Division

Jeffrey Andrew Bernstein - Barclays Capital, Research Division

John S. Glass - Morgan Stanley, Research Division

Mitchell J. Speiser - The Buckingham Research Group Incorporated

John W. Ivankoe - JP Morgan Chase & Co, Research Division

Mark E. Smith - Feltl and Company, Inc., Research Division

Peter Saleh - Telsey Advisory Group LLC

### Operator

Good morning. My name is LaShondra, and I will be your conference operator today. At this time, I would like to welcome everyone to the Q4 and Year End Financial Results

In closing, our strong fourth quarter continued our consistent performance throughout 2012. Our focus remains on improving our operating performance, growing our global store base and utilizing our free cash flow to drive shareholder value.

Thanks for your time today. And now, I'll turn it over to Patrick.

## **J. Patrick Doyle**

Thanks, Mike, and good morning, everyone. Nothing makes me happier than reporting another great quarter and another terrific year. Really, everything went our way in the fourth quarter, and it capped off a very successful 2012. We maintained our store growth and sales momentum, we grew market share in the U.S. and in international markets, we increased EPS by 20%, and we reached 10,000 stores worldwide, putting us in a league with only a select few restaurant peers.

We also hit over \$2 billion in digital sales globally, making us a top technology brand around the world. And as Mike just mentioned, we're proud to have also just announced the initiation of a regular quarterly dividend.

Domestically in the fourth quarter, we launched our Handmade Pan Pizza, a very high-quality, fresh-dough product that we believed would be a hit with consumers, and we were right. We helped drive higher sales as well as increase traffic into our stores, something that's a key metric for us. Early indications are that online customers were some of our best pan pizza customers, engaging strongly with this new product. Consumer feedback on the product has been very positive, and our theory is that consumers prefer a fresh-dough product over frozen alternatives. We now have a product competing nicely in this category, and we're gaining a meaningful foothold with lots of opportunity for future growth.

Meanwhile, the net domestic unit growth we recorded in the fourth quarter means that we ended the year up 21 net new stores. Modest growth, but we consider it a hopeful sign for continued U.S. store development in the years to come. Promotions that increased store-level profits at our successful Pan Pizza launch, coupled with tame commodities, all led to a strong year for franchisee store profits, which ultimately leads to an energized franchise base.

In fact, our franchisees recently voted to increase our national advertising spend going forward, upping it to 6% of top line sales from 5.5%. Through extensive market research and media modeling, we were able to make an informed and thoughtful recommendation for increased national advertising toward domestic franchise owners. This is expected to



be a shift from local advertising into national advertising, and we think this is a positive vote of confidence from our franchisees.

Our franchisees in the U.S. have a lot to feel good about, including our strong technology focus, which we believe is giving us the edge over smaller pizza players and garnering market share increases. Our best information so far indicates that our growth in 2012 was higher than the overall category and that our ability to continue to gain market share in the U.S. grows with our continued innovation around technology and the consumer experience. From store operations to direct marketing, technology was an important focus for us in 2012 and will remain an area of investment and leadership for us in 2013.

Another area of leadership for our brand is in our international division, where we have once again produced excellent results. International store growth was robust all year, and the fourth quarter was no exception, as we ended the year up a net 492 stores, our best year ever for international store growth. That dynamic store count growth was matched by another remarkable year for same-store sales, up 5.2% in the quarter and for the year. For those keeping score, that is 76 consecutive quarters of positive same-store sales, which is 19 years of positive growth from this division. And the international franchisees did this in a year when the macroeconomic picture wasn't all rosy. But again, we drove good, steady results from a wide mix of countries. In large countries, small ones, new markets or established markets, our geographic diversity and long runway for growth has helped keep our international business vigorous. Our international business continues to be a growth engine for Domino's Pizza.

Notable markets with good sales growth in the quarter included South Korea, Turkey and Brazil, and even an economically troubled market, like Spain, managed to have positive sales results in the quarter.

Continued success in store growth in our international business has resulted in the change in our long-term outlook, as communicated in January. We now believe that we will drive 4% to 6% global net unit growth, which is an increase over our previous range of 350 to 400 net new units. This also led to an increase in our global retail sales range, which we now believe will fall in the plus 6% to plus 10% range. This change reflects the confidence we have in our international business and the tremendous growth potential that this division can drive growing forward.

We believe investors have good reason to be happy with their investment in Domino's in 2012. We increased adjusted EPS 23% in the fourth quarter and nearly 20% for the full year. We used \$88 million of cash to repurchase shares, we paid a \$3 special dividend,,

different ways people use your brand?

**J. Patrick Doyle**

Yes. So carryout has grown a little bit faster than delivery over the last few years, but we're getting growth from both sides of the business. But in the overall category, particularly going back even a little bit longer term, carryout has clearly been a little stronger than delivery, if you go back kind of 3 to 5 years. From a profitability standpoint, the ticket on a carryout customer is lower than the ticket on a delivery customer, but your costs are also lower because you're not delivering to them. So net-net, we're relatively agnostic between -- from a profit standpoint on carryout or delivery. They're both nicely incremental for us when we pick up new orders on either side. So -- but yes, I think the one thing in there is carryout has definitely been a little healthier than delivery over the last few years.

**Jeffrey Andrew Bernstein - Barclays Capital, Research Division**

Got it. And then just in the advertising spend that you talked about. Just to clarify, I know you had said it's going up from 5.5% to 6%. But you're saying the -- so what does the franchisee spend in total? Presumably it's well above that major shifting in their -- first, I want to figure out what the franchisee paid in total, because it sounds like you're saying they're not going to increase their spend, it's just moving 50 basis points to you.

**J. Patrick Doyle**

Yes, typical is that they're spending a couple of percent more. So they've got 2% or so more that they're spending on -- mostly on print. So the coupons that you're seeing showing up in the Sunday papers and in your mailbox. And we're simply seeing a better ROI on the activities that we're doing at a national level than we've seen on some of the local. We did a lot of research around it, kind of media mix modeling, and went back to them with a recommendation and said, "We think you should keep your overall spend consistent with what it's been, but the shift 0.5% out of your local into the national."

**Jeffrey Andrew Bernstein - Barclays Capital, Research Division**

And that was approved across the board? So now everybody does the same thing?

**J. Patrick Doyle**

Yes.

**Mark E. Smith - Feltl and Company, Inc., Research Division**

Okay. And then secondly, it's maybe too anecdotal. But yesterday, I was in California, bought gas for \$4.69. Can you just walk us through, historically, with gas price spikes, what you've seen from the consumer? Also the impact on distribution and at the store level from delivery?

**Michael T. Lawton**

Historically, we have not seen a lot of change in the consumer behaviors as gas price spiked. And we also haven't had -- when you think of the gas prices going up and you think of us as a delivery company, typically, the first thought is, well, that means a lot more reimbursement to drivers, that means expenses go under a lot of pressure. There is more reimbursement to drivers, but it's not a huge additional cost at the stores. And when we see the gas price spikes, we typically have, from our history, a little more concern about how, over time, that can feed into the overall cost of the food supply, our ingredient cost. We've been -- we just provided information earlier in my comments that with what we see out there right now, it's still looking at 3% to 4% for the year, and we aren't seeing a change to that at this point based on the ag economists and the people that we use for inputs into our estimates.

**J. Patrick Doyle**

So, yes, that's the big deal. I mean, we saw that in 2007 when gas prices spiked up a lot, it started to flow through into -- into commodities. And that's honestly where our biggest concern is when you look at gas prices. Consumer behavior, reimbursements, they're just -- we just haven't seen that much in the past that it's -- that's that material. The bigger issue is if it starts to flow through commodities.

**Operator**

Your next question comes from the line of Peter Saleh of Telsey Advisory Group.

**Peter Saleh - Telsey Advisory Group LLC**

I just wanted to ask if you guys could just take us back a step. I believe in 2010 there was a shift as well on the advertising from more local to national. So if you could remind us what that shift was and kind of just relate it to what's going on today?

**J. Patrick Doyle**

Yes. In 2010, we went from 4% to 5.5% nationally. There was -- there had been, at that point, kind of a 2% minimum required local co-op spend. So it was money that was being collected at DMA by DMA and would be spent largely on kind of local television and some radio. So in 2010, what we did was we eliminated that 2% requirement on DMA-level spend or co-op spend, as we called it. So there were kind of 3 buckets then, and we went from 3 buckets to 2 buckets. We eliminated the 2% requirement. They could still do it if they chose, but we've eliminated the 2% requirement and added 1.5% to the national level. So the requirement for them actually went from 4% plus 2% down to 5.5%. So it was actually a reduction in the requirement of 0.5%. We were comfortable doing that then because we could see the efficiencies that we were going to get by making that shift, and we saw those. And 2010 was a clearly a very, very strong year for us with the relaunch at the same time. But yes, you've got that exactly right. So we had to shift back then. It increased the national at that time from 4% to 5.5%, offset by the 2% requirement going away at the co-op level. What we've just done is moved from 5.5% to 6%. So actually, the requirement was returning to kind of where it had been then, but with the recommendation to them that they'd probably fund that by a commensurate reduction in their local spend.

#### Operator

That was the last question. Are there any closing remarks?

#### J. Patrick Doyle

No. I just want to thank you for joining us today, and we look forward to reporting our first quarter results to you on April 30. Thank you, everyone.

#### Operator

This concludes today's conference call. You may now disconnect.

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1 three positions similar to mine, to one position, and I  
 2 held that position. I worked for Patrick Doyle who was  
 3 the EVP of Team USA, which is company owned stores and I  
 4 was his right-hand vice president. So Patrick and I  
 5 2004 leading the company stores.  
 6 Q. How many company stores were there at that time?  
 7 A. About 750 or so.  
 8 Q. Have, just in terms of corporate stores do you  
 9 still have that many in today's market or?  
 10 A. No.  
 11 Q. How many corporate stores are there right now?  
 12 A. I believe about 345.  
 13 Q. Quite slimmed down?  
 14 A. Yeah.  
 15 Q. What's the reasoning behind that; can you tell  
 16 me?  
 17 A. Well, there was some markets that were  
 18 challenging to operate, states that made it pretty  
 19 complex, states like California that weren't real  
 20 business friendly. We had a good number of stores.  
 21 Same thing it goes with New York, particularly New York  
 22 City, and we just found that it's, you know, better for  
 23 owner operators, people who live in the market, to  
 24 operate those stores. Just better them for maneuver and  
 25 they frankly do a better job.

1 Q. So, in other words, a lot of the corporate  
 2 stores, you didn't close them necessarily you sold them  
 3 to franchisees?  
 4 A. We did.  
 5 Q. I think this came up with Buddy and he couldn't  
 6 answer it necessarily. Have you ever heard of  
 7 franchisees selling their stores back to corporate, has  
 8 that ever happened?  
 9 A. Yes.  
 10 Q. How often does that happen?  
 11 A. Not very often.  
 12 Q. But it does happen?  
 13 A. It does.  
 14 Q. What are the circumstances usually when that  
 15 happens where corporate decides to go ahead and buy back  
 16 a franchisee's store?  
 17 A. If the geography makes sense and a center of  
 18 operation and the span of control is appropriate and  
 19 they're continuous, you know, if it makes good business  
 20 sense, we would look to do that.  
 21 Q. Let's get back to your jobs. Back in Ann Arbor  
 22 at this point in time?  
 23 A. Yes, sir.  
 24 Q. What was your title then; you were working with  
 25 Patrick Doyle as a...

1 A. Vice president of corporate operations.  
 2 Q. Okay. And that was with Team USA?  
 3 A. Correct.  
 4 Q. And you said Team USA is?  
 5 A. Corporate operations.  
 6 Q. Corporate operations?  
 7 A. Yeah.  
 8 Q. So you didn't have anything at that point in time  
 9 to do with franchisees at all necessarily?  
 10 A. No.  
 11 Q. And then after that where did you go?  
 12 A. In 2007 I was promoted to executive vice  
 13 president. I replaced Patrick Doyle who was promoted to  
 14 president. Still in Michigan, Ann Arbor, Team USA.  
 15 Q. Still the same type of duties and  
 16 responsibilities that you were doing just you were in  
 17 charge basically, right?  
 18 A. Yes.  
 19 Q. Okay. And then you reported directly to Patrick  
 20 Doyle, correct?  
 21 A. Correct.  
 22 Q. Was Jim Stansik at that point in time reporting  
 23 to you or what was his position?  
 24 A. It could have been a number of positions but he  
 25 did not report to me. I believe he reported to the CEO.

1 Q. And then, so what was your title again in 2007  
 2 when...  
 3 A. Executive vice president Team USA.  
 4 Q. How long did you hold that position for?  
 5 A. Six months.  
 6 Q. Not very long?  
 7 A. Not very long.  
 8 Q. Where were you promoted to after that?  
 9 A. Executive vice president of franchisee operations  
 10 and development. January 2008.  
 11 Q. And is that your current position at Domino's?  
 12 A. Correct.  
 13 Q. So you've held that since approximately 2007,  
 14 2008?  
 15 A. 2008, 12 years.  
 16 Q. Any promotions on the horizon?  
 17 A. I don't believe so. I think I'm good. Yep.  
 18 Q. And you said you've worked for Domino's how many  
 19 years now?  
 20 A. 33 and a half years.  
 21 Q. Looking at retirement?  
 22 A. No. No.  
 23 Q. Got too many kids to go to college still?  
 24 A. Yes, there's plenty of work to be done.  
 25 Q. All right. So now your current title is what

1 APPEARANCES:  
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 15 norman.leon@dlapiper.com  
 16 Appearing on behalf of the Respondents.  
 17  
 18 ALSO PRESENT:  
 19 Robert Huth  
 20  
 21  
 22  
 23  
 24  
 25

1 EXHIBITS CONTINUED:  
 2 DEPOSITION EXHIBIT NO. 8 64  
 3 1/5/2013 E-mail RE: #5683 Temporary Closing  
 4 DEPOSITION EXHIBIT NO. 9 69  
 5 Lease for Isle of Palms #5683  
 6 DEPOSITION EXHIBIT NO. 10 73  
 7 Mutual Termination Request Dated 1/4/2013  
 8 DEPOSITION EXHIBIT NO. 11 76  
 9 1/14/2013 Inter-Office Memo RE: #5683 Termination  
 10 DEPOSITION EXHIBIT NO. 12 79  
 11 Notice of Rejection of Mutual Termination Request  
 12 DEPOSITION EXHIBIT NO. 13 81  
 13 Grade Table  
 14 DEPOSITION EXHIBIT NO. 14 88  
 15 2/1/2013 Notice of Termination Letter  
 16 DEPOSITION EXHIBIT NO. 15 92  
 17 2/1/2013 E-mail RE: Termination  
 18 DEPOSITION EXHIBIT NO. 16 93  
 19 Group - 2/13/2013 Letter and Attachments  
 20 RE: Terminating Mr. Huth's Profit Sharing  
 21 DEPOSITION EXHIBIT NO. 17 95  
 22 4/1/2018 E-mail RE: Monies Owed  
 23  
 24  
 25 (Exhibits attached to transcript.)

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 12 DEPOSITION EXHIBIT NO. 1 34  
 13 2/12/2009 Letter from Mr. Mounts RE: 1% Roll-up  
 14 DEPOSITION EXHIBIT NO. 2 38  
 15 3/25/2009 E-mail to Mr. Huth from Ms. Frisk  
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 22 DEPOSITION EXHIBIT NO. 6 58  
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 25 1/10/2013 E-mail RE: 2013 Amendment

1 Ann Arbor, Michigan  
 2 January 9, 2020  
 3 About 9:30 a.m.  
 4 SCOTT HINSHAW,  
 5 having first been duly sworn, was examined and testified  
 6 on his oath as follows:  
 7 EXAMINATION BY MR. STEVENS:  
 8 Q. This is the deposition of Scott Hinshaw in the  
 9 case of Robert W. Huth and Holiday Delta, Inc versus  
 10 Domino's Pizza, LLC, et al. Case number 1-19-3102.  
 11 It's a case pending in arbitration with the American  
 12 Arbitration Association. Today's date is January 7th --  
 13 January 9th. We're taking this deposition at the court  
 14 reporting service Huron Reporting. You can put that  
 15 address in. And if I could have people identify  
 16 themselves for the record in the case. Norman?  
 17 MR. LEON: Norman Leon, counsel for the  
 18 Domino's respondents.  
 19 MR. HUTH: Robert Huth.  
 20 THE WITNESS: Scott Hinshaw.  
 21 EXAMINATION BY MR. STEVENS:  
 22 Q. And Scott, if you could spell your last name for  
 23 the record, please.  
 24 A. H-I-N-S-H-A-W.  
 25 Q. All right. And Scott, have you ever given a

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1 Q. So you only remember having the discussion with  
2 Jim about it?  
3 A. Yes.  
4 Q. Okay. Was there a discussion at all in terms of  
5 Bob Huth's operations as a franchisee in terms of  
6 whether he was a good operator or a bad operator?  
7 MR. LEON: At what point in time? Establish  
8 context.  
9 MR. STEVENS: During this time that you were  
10 making a decision to terminate his franchise agreement  
11 for store number 5683.  
12 THE WITNESS: No.  
13 BY MR. STEVENS:  
14 Q. Did you know whether or not Bob was a good  
15 operator at the point in time in 2013?  
16 A. How do you define good?  
17 Q. Most of his stores were doing very well, making  
18 profits for himself as well as Domino's.  
19 A. My perspective is Bob was above average.  
20 Difficult to say good. Above average.  
21 Q. Okay. But you were aware of the fact that he had  
22 actually gotten awards for some of the stores like the  
23 Camp Lejeune store, right? Am I pronouncing that right?  
24 A. Lejeune. Yes.  
25 Q. But overall you said that he was a very good

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1 operator or a good operator?  
2 A. Above average.  
3 Q. Okay.  
4 DEPOSITION EXHIBIT NO. 12  
5 Notice of Rejection of Mutual Termination Request  
6 And Notice of Unilateral Termination  
7 WAS MARKED FOR IDENTIFICATION  
8 BY MR. STEVENS:  
9 Q. Scott, I'm showing you what's been marked as  
10 number 12 for today's deposition. Have you ever seen  
11 this document before?  
12 A. I believe so.  
13 Q. When did you first see this document?  
14 A. I can't recall.  
15 Q. Okay. Would you have seen it approximately about  
16 the date of the document January 14th, 2013?  
17 A. I can't recollect. I can't recall.  
18 Q. But this is, you know, referenced to a certain  
19 degree with the previous memo that we went over, the  
20 interoffice memo, that there would be a termination so  
21 this just is the actual document being sent to Bob  
22 terminating his agreement; is that correct?  
23 A. Correct.  
24 Q. And this is something that's sent out, it's  
25 entitled notice of rejection of mutual termination

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1 request and notice of unilateral termination. Is this a  
2 form letter that's typically sent out?  
3 A. No.  
4 Q. For these type of situations; no?  
5 A. No.  
6 Q. So there is no such form?  
7 A. We don't have many situations like this so I  
8 don't believe that we have a form letter.  
9 Q. Gotcha. This was kind of aberrant in your mind  
10 that this didn't happen very often?  
11 A. Yes.  
12 Q. Do you remember ever having a discussion other  
13 than Jim Stansik about what would go into this letter?  
14 A. No.  
15 Q. So nobody ever sent this to you prior to it being  
16 sent out for your approval?  
17 A. No.  
18 Q. Okay. And you weren't necessarily cc'd on this  
19 so you weren't actually given this document as it went  
20 out necessarily, right?  
21 A. No.  
22 Q. Okay. But if you look on the last page in term's  
23 of the cc'd individuals I think some of the individuals  
24 that you said that were underneath you, Scott McLeod,  
25 Randy Hough, Beth Richmond, Belinda Kaeser and Kim

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1 Ridge, all these people that ultimately report to you;  
2 is that correct?  
3 A. Scott McLeod was a direct report to me. Kim  
4 Ridge was a direct report to me. Randy Hough reported  
5 to Scott McLeod. Belinda Kaeser reported to Scott  
6 McLeod and Beth Richmond reports to Scott McLeod.  
7 Q. Okay. Why would Kim Ridge be on the cc then if  
8 Belinda and Scott were the ones ultimately --  
9 A. As I stated before I believe that Bob owned  
10 stores in both the east and the south regions. I'm  
11 assuming that that's why.  
12 DEPOSITION EXHIBIT NO. 13  
13 Grade table  
14 WAS MARKED FOR IDENTIFICATION  
15 BY MR. STEVENS:  
16 Q. Scott, I'm showing you what I've marked as  
17 Exhibit Number 13 for today's deposition. Have you ever  
18 seen this document before?  
19 A. I don't believe so, no.  
20 Q. Okay. In this document it's a document from  
21 Gerald, sometimes known as Buddy Carpenter, to Sandy  
22 Jamerson and it's discussing grades, field grades and  
23 grades themselves. Are you aware of the grading system  
24 for franchisee owners?  
25 A. Yes, I am.

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1 Q. Now when I talked with Buddy about this he said  
2 he'd get this document and it already had the grades on  
3 it. Where would these grades come from, if you know?  
4 A. Yeah, so the ABF system so I can't speculate on  
5 where Buddy said the grades came from but the process  
6 starts with numbers. There's objective and subjective  
7 look at the franchisees and their performance and their  
8 standings within the brand. From the regional offices  
9 they send out a template, only numbers; sales, sales  
10 growth, service, operations, only the operational  
11 metrics and numbers. And they compare the franchisees  
12 to other franchisees in their market in their state, in  
13 their region and benchmark their sales and operational  
14 performance against those other franchisees. That's the  
15 starting point of the template, which will bucket  
16 franchisees directionally but that's ultimately or  
17 potentially not where the grade may end up. So comes  
18 from the region and it kind of forecasts before we get  
19 into other areas of the business where a franchisee may  
20 fall out in the grades.  
21 Q. How long has this system been in place, do you  
22 know?  
23 A. Since 2008.  
24 Q. Okay. Who put the system into place?  
25 A. The person who's in charge prior to me. It was

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1 implemented and started by Mike Soignet who was EVP of  
2 franchise operations for a number of years prior to me.  
3 Q. So what's the purpose of this ABF system  
4 typically? Is it something that is used within  
5 corporate to determine what should be done to  
6 franchisees that are not performing well?  
7 A. No, not specifically.  
8 Q. Okay. So it's done globally for all franchisees;  
9 is that correct?  
10 A. No.  
11 Q. No? Is it done just regionally?  
12 A. US. I'm not sure globally what we do with our  
13 franchisees.  
14 Q. Okay. But in the US all franchisees are put into  
15 a system of A, B and F?  
16 A. Yes.  
17 Q. Now if you looking at the document itself it has,  
18 you know, four people on the first part Bob Huth, Chris  
19 Ivey, Tammy Johnson and Conan Mak. And Bob's got a B  
20 grade in 2012 as well as Chris has got a B grade in 2012  
21 but there's an F for Tammy Johnson and F for Mak Conan.  
22 Can you explain to me the difference between a 2012  
23 grade would be and then the 2013 field proposed grade?  
24 Is there something that's done internally that you're  
25 aware of where they look at what's happened with the

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1 statistics that you just referenced and come up with a  
2 proposed field grade?  
3 A. Yeah, it's more than statistics. Like I said  
4 there's the objective and then there's subjective  
5 components to the evaluation of the franchisees. I  
6 can't speak to Chris Ivey, Tammy or Conan.  
7 Q. But as to Bob do you know how he came up with a  
8 2012 field proposed grade F?  
9 A. I believe there are a number of indicators and  
10 this is not specifically to Bob. This is about  
11 franchisees across the system. And I want to be clear  
12 we have franchisees that operate fantastic stores; their  
13 sales are good, their profits are good, their service is  
14 good and they are F franchisees. We take a look at more  
15 than the physical operation of the store and the  
16 performance of the store and evaluate that franchisees.  
17 Are they an advocate of the brand? Do they participate  
18 in regional, local and national initiatives? Are the  
19 things that we implement and roll out are they always  
20 pushing back on those? Are they with us or are they  
21 against us? Do they believe that, you know, the  
22 resources that we bring are they working or they don't  
23 work? And as I stated we have people who may run  
24 average or above average operations but they aren't  
25 aligned with the brand and other franchisees and those

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1 people at times are categorized as F franchisees.  
2 Q. So, if you're aware, with the fact that Bob was  
3 one of the three individuals that was not agreeing to  
4 sign on to the 2013 amendment that we saw earlier, was  
5 that one of the bases for determining he had a grade F?  
6 A. Yeah, I can't say specifically that that was one  
7 but Bob through our system has been known historically  
8 as a franchisee who thought that he had better ideas,  
9 knew more about advertising or the business or  
10 operations or marketing or new product launches than  
11 people that were more than technically qualified to  
12 provide those insights and recommendations for, you  
13 know, a six billion dollar company; and often spent a  
14 great deal of time, based upon what I heard from the  
15 regional vice presidents and Jim Stansik, debating what  
16 it is a national brand should do and often disputed or  
17 didn't want to line with the majority; majority, you  
18 know, of the system.  
19 Q. And when you say of the system majority of other  
20 franchisee owners?  
21 A. Franchisees.  
22 Q. And you said earlier that you had had meetings  
23 sometimes with franchise owners. You'd go to like, you  
24 know, on an annualized basis you'd have franchise owners  
25 comes in and discuss things with you and/or Jim Stansik.



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1 when you'd have a regular team meeting?  
2 A. The CEO typically, yeah.  
3 Q. Okay. Were there minutes made of any of those  
4 meetings?  
5 A. No.  
6 Q. Anybody take notes that would be later  
7 distributed?  
8 A. Not usually. No.  
9 Q. Okay. I forgot to ask Jim Stansik's position  
10 before he retired was what, do you remember?  
11 A. Executive vice president of franchise relations.  
12 Q. Now does anybody currently have that position?  
13 A. We have a vice president of franchise relations,  
14 not an executive vice president; so we have same  
15 position but it's just not an executive vice president  
16 position. Her name is Debbie Sweeney.  
17 Q. So she doesn't necessarily sit on the team  
18 meetings that we were just talking about, right?  
19 A. No. To date she's certainly not part of the  
20 senior leadership team.  
21 Q. And after Jim left and retired did you take over  
22 any of his responsibilities?  
23 A. No.  
24 Q. No? They were all given to did you say  
25 Ms. Sweeney?

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1 A. There was somebody in between but yes.  
2 Q. Who was in between?  
3 A. Tom Curtis.  
4 Q. Tom Curtis. How long did Tom Curtis have that  
5 position?  
6 A. One year.  
7 Q. And he wasn't executive level either, though,  
8 right?  
9 A. Not then. He is today.  
10 Q. He is today?  
11 A. Yes.  
12 Q. Okay. What was he promoted to?  
13 A. Executive vice president of Team USA.  
14 Q. Your old job?  
15 A. My old job; yes, sir. Yep.  
16 Q. So you guys talk to each other? Does he still  
17 look to you for information?  
18 A. Every day.  
19 Q. Yeah?  
20 A. Yeah. Or just about every day.  
21 Q. All right. You're not necessarily in charge of  
22 the profit sharing agreement but you know about it,  
23 right?  
24 A. I do.  
25 Q. Do you remember when they started this profit

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1 sharing program? Were you with Domino's at the time  
2 that the profit sharing program started to the best of  
3 your knowledge?  
4 A. Yes.  
5 Q. Okay. Who started the profit sharing program;  
6 was that Tom Monaghan?  
7 A. I'm sure he was, you know, in charge of the  
8 business at that point in time.  
9 Q. And just for my edification could you explain  
10 generally what the profit sharing program is just  
11 generally?  
12 A. As it sits today?  
13 Q. No, back when it first started.  
14 A. I was in corporate operations then and unaware  
15 and didn't have exposure to what that was about.  
16 Q. Okay. Do you remember approximately what year it  
17 might have started?  
18 A. In the '90s.  
19 Q. And profit sharing still exists today?  
20 A. Correct.  
21 Q. With the franchisees, okay. And if you know I  
22 know you said you couldn't describe what it was back  
23 when it first started but in terms of a general  
24 explanation just for the record what is a profit sharing  
25 agreement with the franchisees currently, if you know?

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1 MR. LEON: Just object to the form to the  
2 extent it calls for the witness to characterize the  
3 profit sharing agreement, which is the best evidence of  
4 its terms. You can give your understanding.  
5 THE WITNESS: That our franchisees purchase  
6 their food from Domino's Pizza supply chain and the  
7 profits that are made at the individual supply chain  
8 centers are split 50/50 with the franchisees.  
9 BY MR. STEVENS:  
10 Q. Okay. And by split 50/50 what do you mean?  
11 A. Exactly what I said.  
12 Q. Right. So they do an accounting on like a, what,  
13 a quarterly basis, a monthly basis for 50/50?  
14 A. I'm not sure.  
15 Q. Okay. But in any event franchisees get a check  
16 based on the amount of purchases that they've made from  
17 Domino's with that 50/50 split, correct?  
18 A. Yes.  
19 Q. Yes?  
20 A. Yeah.  
21 Q. I forgot to ask earlier you know Bob Huth,  
22 correct?  
23 A. Not well but yes.  
24 Q. But you've met him prior to today, correct?  
25 A. Yes. Yes.

1 objection to form but you can answer the question.  
 2 THE WITNESS: I wasn't involved in this.  
 3 This is signed by David Mounts who ran the supply chain  
 4 business and the roll-up was around advertising, which  
 5 Russell Weiner was involved in. So I can't specifically  
 6 answer the question.  
 7 MR. STEVENS: Okay.  
 8 DEPOSITION EXHIBIT NO. 2  
 9 3/25/2009 E-mail to Mr. Huth from Ms. Frisk  
 10 WAS MARKED FOR IDENTIFICATION  
 11 BY MR. STEVENS:  
 12 Q. I'm just going to ask you a couple questions  
 13 about it in general. Scott, I'm showing you what's been  
 14 marked as Exhibit Number 2 for purposes of today's  
 15 deposition. It's an e-mail chain involving a number of  
 16 people from Domino's as well as Bob Huth. Had you ever  
 17 seen this e-mail chain before?  
 18 A. No.  
 19 Q. And feeding off of the Exhibit Number 1 we were  
 20 talking about Bob voting yes for the roll-up and him  
 21 being given a five-year extension and this is about the  
 22 same time, it's slightly after that we're talking about  
 23 the extension being given and at the point in time in  
 24 2009 what was your position again?  
 25 A. Executive vice president of franchise operations

1 and development.  
 2 Q. So you knew of the fact that individual  
 3 franchisees who were participating in the roll-up, as we  
 4 talked about, were given extensions; I think we had  
 5 already established that, correct?  
 6 A. Okay, yes.  
 7 Q. So was it something that was typically done when  
 8 somebody voted yes that they would get an extension to  
 9 their existing profit sharing agreement if there were  
 10 franchisees voting yes?  
 11 A. I was unaware of how the details of the process  
 12 worked.  
 13 Q. So this was something that you were not  
 14 necessarily involved in giving individual franchisees  
 15 extensions on profit sharing?  
 16 A. Correct.  
 17 Q. Who would have been involved doing that?  
 18 A. I believe the notice came from David Mounts who  
 19 was the executive vice president of supply chain  
 20 services and this is coming from Franchise Services.  
 21 Q. And also from legal, correct?  
 22 A. That's, yes, that's Franchise Services.  
 23 Q. Okay. So legal and Franchise Services work  
 24 together quite often?  
 25 A. It's within the same division. Franchise

1 Services tucks up within the legal division.  
 2 Q. Okay. And is that currently the same...  
 3 A. Yes.  
 4 Q. Division, okay.  
 5 DEPOSITION EXHIBIT NO. 3  
 6 2/24/2009 Profit Sharing Agreement  
 7 WAS MARKED FOR IDENTIFICATION  
 8 BY MR. STEVENS:  
 9 Q. Scott, I'm showing you what's been marked as  
 10 Exhibit Number 3 for the deposition today. And I know  
 11 the first is just a, looks like a fax transmittal cover  
 12 sheet sent to Bob and it sort of feeds into what we've  
 13 been talking about in Exhibits 1 and 2 about the same  
 14 time February of 2009 Bob is just getting his profit  
 15 sharing agreement it seems like from Denise Frisk. This  
 16 is pretty -- a standard extension if you're looking at  
 17 it, the addendum to requirements on page two on profit  
 18 sharing agreement it's a pretty standard extension as  
 19 far as you're aware of?  
 20 A. I'm unaware. I don't deal with these -- this.  
 21 Q. So you didn't deal at all with profit sharing at  
 22 all in your position?  
 23 A. No.  
 24 Q. Okay. Who would have been the person that would  
 25 have been in charge of profit sharing at this point in

1 time in 2009?  
 2 A. I would believe it's John Macksood who signed  
 3 this who was the executive vice president of supply  
 4 chain.  
 5 Q. And was John part of a team that would have  
 6 meetings with you on a regular basis?  
 7 A. Yes.  
 8 Q. Yeah? Back in the time that this took place and  
 9 I know -- if you remember, who did you meet with on a  
 10 regular basis as far as the team?  
 11 A. All the direct reports to Patrick Doyle, Dave  
 12 Brandon. It would be general counsel, supply chain  
 13 services, corporate operations, franchise operations,  
 14 investor relations, build the brand or advertising,  
 15 legal, if I didn't say that, franchise relations,  
 16 Stansik.  
 17 Q. Okay.  
 18 A. Yeah.  
 19 Q. So these people would meet as a team, all these  
 20 people you just referred to, and have a meeting with  
 21 whatever agenda was on that meeting that day, correct?  
 22 A. Correct.  
 23 Q. Okay. So and I think I asked Jim this before,  
 24 you know, you get the agenda before the meeting and then  
 25 you come in and who would conduct the meeting typically

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1 eat or something like that, let me know.  
2 A. I'm good thank you.  
3 DEPOSITION EXHIBIT NO. 1  
4 2/12/2009 Letter to Mr. Huth From Mr. Mounts  
5 RE: 1% Roll-up  
6 WAS MARKED FOR IDENTIFICATION  
7 BY MR. STEVENS:  
8 Q. I'm not going to ask you a whole lot of  
9 questions. I just wanted to pick your brain.  
10 A. Okay.  
11 Q. I'm showing you what's been marked as Exhibit  
12 Number 1 for today's deposition. Have you ever seen  
13 this document before?  
14 A. Yes.  
15 Q. Okay. But not necessarily the one addressed to  
16 Bob Huth but one that went out to a number of  
17 franchisees; is that correct?  
18 A. Correct.  
19 Q. So in the letter to Bob Huth who is a franchisee  
20 at the time and letter dated February 12th, 2009 there  
21 was a Domino's system proposal to do what was called a  
22 one percent roll-up of advertising contributions to  
23 national advertising for a total national advertising  
24 commitment of five percent. Do you remember when they  
25 did this roll-up?

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1 A. Yes.  
2 Q. Okay. Were you involved in this roll-up at all?  
3 A. Indirectly.  
4 Q. What do you mean by indirectly?  
5 A. It was an advertising roll-up and I wasn't part  
6 of the marketing or build the brand, as we call them,  
7 division.  
8 Q. Who was in charge of that at the time?  
9 A. I think Russell Weiner.  
10 Q. And Russell's still with the company, right?  
11 A. Correct.  
12 Q. What's his current title?  
13 A. COO and president of the Americas.  
14 Q. Back in 2009 what was his position if you can  
15 remember?  
16 A. I believe chief marketing officer.  
17 Q. So can you explain to me what this one percent  
18 roll-up that they were talking about doing, what that  
19 entailed? I know it's kind of an open-ended question  
20 but if you can just briefly explain to me, if you know,  
21 what the one percent roll-up meant to the franchisees?  
22 A. Increased national advertising to purchase  
23 advertising on a national level versus purchasing at a  
24 local level.  
25 Q. Okay. And I talked about that a little bit with

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1 Jim Stansik. A lot of the franchisees also did their  
2 own local advertising; is that correct? At this time in  
3 2009?  
4 A. A lot?  
5 Q. I mean, franchisees have the ability to, you  
6 know, buy radio time, buy television time in their  
7 regional area; is that correct?  
8 A. They do.  
9 Q. And do they still do that or is that something  
10 that is no longer?  
11 A. Very infrequently. Very.  
12 Q. And why is that?  
13 MR. LEON: Calls for speculation. You can  
14 answer, if you know.  
15 MR. STEVENS: If you know.  
16 THE WITNESS: Because they're really busy  
17 and many of them don't need it.  
18 BY MR. STEVENS:  
19 Q. And I know this is calling for your opinion is it  
20 because they don't need it because Domino's does the job  
21 for them?  
22 MR. LEON: Same objection, overbroad, calls  
23 for speculation. You can answer if you know.  
24 THE WITNESS: I believe, yes.  
25 BY MR. STEVENS:

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1 Q. And as part of agreeing to this roll-up as they  
2 called it in 2009 Bob was given the opportunity for a  
3 five year extension of his standard supply complain  
4 profit sharing agreement. Is this something that was  
5 happening across the board if a person agreed to a  
6 roll-up then they would also, you know, give them an  
7 extension of their profit sharing agreement?  
8 MR. LEON: Let me object to the form of the  
9 question to the extent your question was intended to  
10 incorporate a fact that Mr. Huth assented to the roll-up  
11 I'm going to object that as it misstates evidence and  
12 assumes facts not in evidence but you can answer the  
13 question. And I don't know if that was your intent but  
14 if it was, I just -- that's my objection.  
15 THE WITNESS: Can you ask the question  
16 again?  
17 BY MR. STEVENS:  
18 Q. Yeah. And maybe in a different way. Maybe it  
19 will be a little clearer. I mean, the letter's pretty  
20 clear it says that, you know, he agreed to the roll-up,  
21 and because he was a yes voter they're going to give him  
22 a five-year extension. And if you have any knowledge of  
23 it, is this something that they did to everybody that  
24 voted yes for the roll-up?  
25 MR. LEON: I'm going to make the same

FRANCHISES

# Insider Files Whistleblower Report Against Domino's Pizza

**Janet Sparks** Former Contributor ⓘ

Feb 15, 2019, 01:47pm EST



Domino's Pizza Shop in Camp Lejeune, North Carolina

A corporate insider has filed a well-documented whistleblower report with the U.S. Securities and Exchange Commission (SEC) against Domino's Pizza, its top-level officers, and various staff members. The complaint states serious allegations against the franchisor related to the

circumstances surrounding the company's misconduct. It lists, "Fraudulent investment scheme; general trading practices; manipulation of security; insider trading; material misstatement or omission in company's public filings or financial statements; and bribery."

The crux of the whistleblower report details how Domino's allegedly forced and orchestrated an unapproved advertising and promotion increase to franchisees in order to pay a \$1.85 billion Securitization Transaction (March 25, 2007) with a new partially funded [\\$1.67 billion Securitization \(March 15, 2012\) debt owed to Securitization entities \(pg. 505\)](#). The report alleges that in return, Domino's Pizza's CEO, board members, officers, and employees "[could enjoy higher stock prices and dividends through share repurchases and dividend payouts.](#)"

Why should franchisors be concerned about SEC whistleblower reports? Mainly because the Commission repeatedly expresses that it takes these reported allegations seriously in hopes of finding corporate securities fraud. Especially, when it comes from a corporate insider.

The Securities and Exchange Commission states it clearly saying it regards whistleblower complaints by individuals who know of possible securities law violations as the "most powerful weapon in its law enforcement arsenal." SEC's website concedes that "through their knowledge of the circumstances and individuals involved, whistleblowers can help the Commission identify possible fraud and other violations much earlier than might otherwise have been possible." The filed complaints also "allows SEC to minimize the harm to investors, better preserve the integrity of the United States' capital markets, and more swiftly hold accountable those responsible for unlawful conduct."

As an introduction, the whistleblower's extensive report describes how Domino's Pizza began to "orchestrate" a new round of recapitalization on March 15, 2012 with the placement of certain subsidiaries for a \$1.675 billion securitized debt facility. The CEO, officers, the board of directors, and employees increased the value of their stock options with stock repurchases and issued a \$3 per share special dividend. This was achieved by Domino's Pizza's full involvement, as the manager of an "Advertising and Promotion Amendment," which was conveyed to franchisees and investors that would become effective and binding as of December 31, 2012, once 100% of franchisees in good standing agreed to the obligations set forth in the amendment.

But when Domino's and its subsidiaries failed to achieve 100% unanimous support from the franchisees by the December 31, 2012 deadline, Domino's then "orchestrated a scheme to exit franchisees and negate the requirements set forth by Domino's Pizza LLC, and prior Securitization Transactions established with the financial institutions." The report alleges the Advertising and Promotion Amendment "was the key component in achieving the necessary funding required to be in compliance with Securitization and Financial Institutions." The securitization of those assets, which the Advertising and Promotion Amendment was one such asset that was desperately needed by Domino's Pizza LLC.

To clarify, documents show that although Domino's was required to get 100% votes from franchisees on raising the advertising fee from 5.5% to 6% as part of the securitization, the franchisor fell short of the votes. However, the company publicly stated that they did get the 100% and moved forward with the transaction.

Highlighted below, is the key component in describing the whistleblower's claims that Domino's concocted a well-orchestrated plan to increase the value of its stock.



SEC Whistleblower Program Website [HTTPS://SECWHISTLEBLOWERINFORMATION.COM/THE-SEC-WHISTLEBLOWER-PROGRAM/STATISTICS/3-SEC-WHISTLEBLOWER-PROGRAM/](https://secwhistleblowerinformation.com/the-sec-whistleblower-program/statistics/3-sec-whistleblower-program/)

## **Material Misrepresentation on Domino's National Advertising Fund and Domino's Advertising Increase Amendment**

**(Securities Exchange Commission, Federal Trade Commission, Investors, Shareholders, and Franchisees)**

In a significant section of the extensive whistleblower report, the insider explains how Domino's communicated to all national franchisees in January 2013 that the company had taken a big step forward in asking the franchisee system to support a 0.5 percent shift of advertising from local to national. The franchisor believed that shift would provide an extra \$25 million of systemwide incremental profit, or an average of \$5,000 to the

bottom line of each store. Domino's said in exchange for the franchisees support and amendment of the existing standard franchise agreements, the company agreed to extend standard profit-sharing agreements by five years.

That change was documented in Domino's **2013 Amendment** (attached to the report) that "going forward, all new standard franchise agreements will contain the rolled-up 6 percent national advertising rate."

[DPZ Communications on January 10, 2013 regarding 2013 Amendment](#) (to entire franchisee body) reads as follows:

To summarize, the Amendment states:

- Target was 100 percent of system participation and we are moving forward at 99.7 percent
- DPZ will fund the shortfall from the three "no" votes so the ad fund will be 100 percent funded...
- 100 percent of the incremental contribution in 2013 will go to working media
- DPZ will extend all standard SCS profit sharing agreements five years for all "yes" voters, regardless of DPZ performance...
- Assuming sufficient support, the new advertising rate will begin January 28, 2013.

Survey Results show a different scenario: [Domino's Franchisee Association \(DFA\) 1/2% Amendment Survey Results on January 12, 2013](#), Page One states, "The overall results on the surveys reflected the



following:

- 50% felt their vote was not voluntary
- 80% felt the amendment required 100% support of every Franchisee to pass
- 80% felt the amendment had a 12-31-12 or before deadline in order to pass"

Page Two of the survey results states, "To ensure the original commitments were honored, the DFA (Domino's Franchisee Association) was very clear with DPLLC that moving forward on the original amendment was unacceptable since we believed 100% support from every franchisee was needed by December 31, 2012."

During [Domino's Pizza February 24, 2015 Quarter 4 conference call](#), [J. Patrick Doyle](#) Domino's Pizza CEO, states: "In fact, our franchisees recently voted to increase our national advertising spend going forward, upping it to 6% of top line sales from 5.5%. We think this is a positive vote of confidence from our franchisees. (Page 2)

Jeffrey Andrew Bernstein, Barclays Capital, Research Division, questioned: "And that was approved across the board? So now everybody does the same thing?" J. Patrick Doyle, Domino's Pizza CEO replies, "Yes." (Page 3)

***[Note: The Whistleblower Report's comprehensive information with links related to Domino's Pizza's strategy in achieving its commitments to Securitization Entities will be published on [Bluemaumau.org](http://Bluemaumau.org) Janet Sparks, reporter.]***



## Janet Sparks

Janet Sparks is the former publisher of the Continental Franchise Review, an industry newsletter that covered the franchise... **Read More**

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