



## UNVEILING THE TRUTH BEHIND NMSDC AFFILIATE NEGOTIATIONS

As corporate members and minority businesses invested in the success of the National Minority Supplier Development Council (NMSDC) network, you deserve transparency and accountability in the decisions that affect our shared mission.

The recent communication from the National Office, claiming progress in the affiliate agreement negotiations, misrepresents the reality of these discussions. It omits critical details about the concessions made by affiliates to preserve this network's integrity and sustainability, and glosses over the potentially devastating consequences of their current position to the network.

Over the past 11 months, affiliates have gone above and beyond to reach a fair agreement, demonstrating unparalleled flexibility to ensure the network's survival. Yet, despite our efforts, the National Office's intransigence, particularly regarding the unjustifiable "termination without cause" clause threatens everything we have worked to rebuild.

### Key Concessions Made by Affiliates

- **Financial Sacrifices:** Affiliates conceded to a reduced national corporate dues revenue split from 80-20 to 70-30, costing affiliates an estimated **\$1.4 million** annually. Although the affiliates proposed an independent third-party survey to collaboratively gather corporate member input about how they would like their dues distributed, the National Office declined corporate partner input.
- **Certification Revenue Loss:** Despite public assurances from NMSDC that affiliates would remain whole for certification related revenue for two years post-certification centralization, this promise was recently withdrawn without explanation or the affiliates' support, resulting in an estimated **\$4.5 million loss** for affiliates.
- **Increased Certification Costs:** The National Office's estimates of the processing costs for certification have skyrocketed, doubling since the initiation of their certification transformation process. Despite their original estimates of actual processing costs averaging only 22% of certification revenue, affiliates have agreed to give 38% to the National Office with their most recent estimate. Because affiliates remain responsible for most Minority Business Enterprise (MBE) services, such an increase significantly reduces the net revenue available to the affiliates delivering essential services to MBEs. Likewise, based on the National

Office's current processing cost estimates, the millions of dollars in savings for the network they projected in the original hybrid model have all but been eliminated.

- **Third-Party Oversight Rejected:** Affiliates proposed a third-party lockbox or fiduciary oversight to ensure transparency and accountability in national corporate dues management. The National Office refused, raising continued concerns about fiscal accountability.
- **Reduced Agreement Term:** Historically evergreened agreements were reduced to a five-year term at the National Office's insistence, further destabilizing long-term planning.

### **Division Tactics and Lack of Transparency**

In past affiliate negotiations, smaller councils often received less favorable terms than their counterparts. To prevent such disparities, all 23 affiliates agreed to work together to develop a solution that would fairly support all regional partners and the National Office.

Our representatives have worked tirelessly to craft balanced solutions, considering the needs and input of affiliate board chairs and presidents. They have ensured regular communication and updates, keeping leadership informed and advocating for the collective interests of the entire network.

Despite this unified approach, the National Office is now employing tactics to divide us by circumventing the collective decision of all 23 regional affiliate council presidents and board chairs. Instead of honoring the consensus, they have targeted the four affiliate representatives tasked with leading negotiations on our behalf. This deliberate distraction seeks to undermine those who have defended the interests of the full network. Furthermore, the National Office has begun approaching individual affiliates directly, disregarding our collective stance and repeatedly affirmed commitment to negotiate a single, balanced affiliate agreement for the entire network.

Additionally, the National Office has failed to engage all national corporate members in these critical discussions. Instead, they have selectively communicated with corporations they perceive as allies, leaving many of those corporate members uninformed about the full scope and implications of the negotiations. This calculated exclusion erodes the principles of transparency, accountability, and inclusivity that our network was built upon.

### **The Termination Clause: An Existential Threat to Network Stability**

Despite our many concessions, the National Office **refuses** the only open issue not yet complete; the elimination of the "termination without cause" clause. This provision is a direct affront to the principles of trust, stability and shared mission of promoting MBE growth and development that underpin our network. Termination without cause introduces unnecessary risk, erodes affiliate autonomy, and undermines the services critical to MBEs. Additionally, it grants the National Office unlimited authority to restructure the network without input from affiliates, leaving us powerless to contest or influence decisions that could drastically impact MBEs, corporate members, and the future of our network. We continue to propose a termination clause that incorporates

an industry acceptable "for cause" clause that adequately defines those elements of breach, curing mechanism, and curing time.

This clause places affiliates in perpetual jeopardy, subject to unjustified termination at any time in retaliation for actions or positions that may displease the leadership of the National Office but do not violate the terms of the agreement. It contradicts NMSDC's stated commitment to "alignment and collective impact" and threatens to fracture the network at its core.

### **Misrepresentation of Negotiations**

The National Office's recent communication conveniently misstates and omits these critical details. Their narrative paints a picture of consensus and compromise while ignoring the significant sacrifices made by affiliates and the unilateral actions by the National Office that have further derailed trust.

We hope that the network joins the affiliates in rejecting the assertion that this proposed agreement by the National Office is the "Last, Best, and Final Offer." Instead, we call for an honest, transparent discussion with the full national board to resolve the termination clause and ensure that our network's foundation is not built on instability and inequity.

### **A Call to Action**

We urge all stakeholders - corporate members, MBEs, and affiliate leaders, to stand united against this overreach. The termination clause must be revised to align with industry standards, ensuring termination is based solely on breach of agreement and not the personal whims of the National Office's leadership. Only by securing this critical amendment can we protect the services and support that are essential to the success of MBEs and corporate members.

We remain committed to finding a resolution that reflects our shared mission and upholds the integrity of this network. Your support in demanding accountability, fairness, and unity is vital.