



National Coalition Response To 7-Eleven's Propaganda About the Lawsuit

March 5, 2018

7-Eleven, Inc. (SEI) recently issued its latest salvo spreading more misleading information about the lawsuit pending in a Los Angeles federal court that the National Coalition fully endorses and supports. In the undated an unattributed communication, SEI claims that the lawsuit seeks to turn franchisees into employees by claiming, among other things, that franchisees have no "special skill" and that no skill is required to run a franchise store. SEI further claims that, if successful, franchisees will lose ownership of their store and retirement plans will be hurt, and that, as deemed employees, franchisees will lose all rights to set their own hours and vacation times.

The National Coalition's simple response: none of this is true.

Contrary to SEI's mischaracterizations, the Plaintiffs contend in the lawsuit that franchisee skills would be useful in a system that allows true independence, but those skills mean very little under the suffocating control SEI is currently exercising over nearly every aspect of the day to day operations of franchised stores.

Moreover, the 100% backing the FOAs currently making up the National Coalition, plainly reflects a belief by franchisee leadership that the lawsuit will prove that 7-Eleven has illegally turned franchisees into employees in the eyes of the law and that the renewal clause in all franchise agreements requiring tender of



a "store franchise agreement" will not give 7-Eleven the right to offer franchisees a "store employment agreement."

SEI has it backwards. The lawsuit does not seek to turn franchisees into employees; it seeks confirmation that SEI has already done that. SEI claims that if the plaintiffs win, franchisees will lose the right to make independent business decisions. Here is a question for SEI: exactly what meaningful independent business decisions do franchisees actually get to make?

Beyond the inaccuracy of 7-Eleven's propaganda, the question posed back to the franchise community is why any franchisee would believe anything coming from SEI? This is the same group that has brought franchisees the CDCs, BT, outsourced maintenance oversight costs passed on to franchisees, and now proposes outsourced payroll processing services also to be paid by franchisees. Additionally, SEI management consists of the same group of individuals that promised for years, a fair and balanced franchise agreement moving forward beginning in 2019, but then proposed at recent town halls a new system that does nothing to address franchisee concerns about 7-Eleven control and, instead, proposes terms that will only further erode franchisee profitability. This includes a hideously regressive form of graduated gross profit split that, in the context of declining store gross profit, will seriously harm franchisees and their families. We call this GGPS-OS, or Graduated Gross Profit Split on Steroids.

This is also the same group of decision makers in Dallas that promised in a recorded National Coalition board meeting to extend all franchise agreements for one year while talks continued related to the roll out of new franchise agreements

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and then shamelessly reneged on that promise and refused to engage in any dialogue on the contract.

And, when litigation was filed, 7-Eleven's response has been to spread misinformation, threaten supporters of the litigation, offer financial inducements to those that will oppose, and "hot box" unwitting franchisees on the fence by unannounced calls from senior executives with lawyers in tow intended to force signatures on declarations denouncing the lawsuit. And then SEI commenced a groundless retaliatory lawsuit over the National Coalition's logo. A logo that has been in use by the both the National Coalition and SEI since December 2009.

Given this behavior, the question the National Coalition asks is whether the leadership in Dallas can be trusted when reporting on the progress of the lawsuit - or anything else?

In contrast to 7-Eleven's report about lawsuit progress, the National Coalition is proud to advise that all early rulings in the case have favored the Plaintiffs and the case is currently postured for decisions by the judge within the next month to 45 days, which will address 7-Eleven's challenge to the case's merit and whether the case can proceed as a class/collective action. This is unheard of progress in a case filed less than 5 months ago. Moreover, if successful on these early rulings, a mediation will be held in May or June of this year, and, if SEI refuses to budge, then the case is set for trial in early December of this year. Progress at this pace in a federal court lawsuit is very atypical. These results reflect a dedication to protection of franchisee rights that only exists when the trial lawyers representing the franchisee plaintiffs truly believe in the merits of what they are doing.

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