



5 Reasons Why the New Franchise Agreement is Bad for The Brand – Edition #3

This is the third article in NCASEF’s series highlighting provisions in the new Franchise Agreement which we believe are bad for both franchisees and the 7-Eleven brand. Please take these items into careful consideration before signing the new agreement. Also, it has been almost two weeks since NCASEF Chairman Jay Singh sent a registered letter to SEI CEO Joe DePinto asking him to meet with us in good faith and renegotiate the terms which are detrimental to our futures. We still have not received a response.

Here are the next 5 reasons:

1. Hours of Operation – Page E9

- The new agreement MANDATES that we stay open 7 days a week, 24 hours a day, 365 days a year. Franchisees no longer have the option to close their stores on Christmas Day. It has always been each individual franchisees’ decision whether to remain open or close on Christmas (the only day or hours an operator has had a choice) – this choice is now gone. In a statement to the N.Y. Times, 7-Eleven said “... Christmas was one of its most popular shopping days, and that only 1.7 percent of stores had closed for the holiday last year.” With increased competition sales the Christmas holiday has become less significant over the years. If ONLY 1.7% of stores closed, and it was important to these franchisees and their employees, one must ask why 7-Eleven felt the need to make this change.

2. Jury Trial – Section 30(d)

- The right to a trial by a jury of our peers is now waived by both parties. This is a mutual waiver of the constitutional right of jury by trial.

3. Costs and Attorney Fees – Section 30(c)

- This provision is another example of how one-sided the new agreement is. SEI has the right to recover ALL legal fees and expenses utilized to enforce their rights or our obligations under the Agreement. This obligation exists even if SEI does not begin a formal legal proceeding. That means, even if they lose, we must pay their legal fees, including fees for appeals and settlements.

4. Mediation – Section 29

- Mediation is no longer required. While mediation is often a successful way to resolve disputes through the intervention of a neutral party, SEI will now pay 50 percent, instead of two-thirds (as in previous agreements), of any costs incurred during mediation. Either party can opt out or terminate mediation at any time during the process.

5. Store Managers – Section 4,6(b)

- Franchisees who own more than one store must now employ a Store Manager, who must be approved by SEI. Store Managers must complete training to the satisfaction of SEI. The company has claimed it is distancing itself from “employment issues,” yet this new provision clearly shows it wants more control of how we operate our businesses. Store Manager training adds an additional expense to franchisees. SEI claims it will not “automatically” require current managers to undergo training.