Major Developments in Quest for Fair Contract Agreement

As we approach the end of the 2018, many of you continue to feel crushing pressure from 7-Eleven, Inc (SEI) to sign an unfair franchise agreement which does not represent your best interests, or the best interests of franchisees across the country. As a result, the Board of the National Coalition of Associations of 7-Eleven Franchisees recently took a vote of No Confidence in the management of SEI. This decision was not one which was taken lightly. It came after months of repeated requests by this Board to meet with Joe DePinto or other representatives from SEI's executive team to discuss ways to make the new agreement fair and equitable for all.

"We are at an absolute low point in the history of 7-Eleven in the United States," said Jay Singh, NCASEF Chairman. "A recent survey of our franchise owners shows how bad things really are. You know franchisees are not happy with the current state of things, when only 18 percent of responding franchisees say, if they had to do it all over again, they would invest in 7-Eleven."

In a further sign of distrust and discontent many of us are feeling towards SEI, an overwhelming majority of NCASEF's Board of Directors voted to skip the 2019 7-Eleven Experience. We are urging all of you to consider doing the same with the following in mind. SEI earns millions of dollars each year from vendors who pay to exhibit at the trade show. All franchisees are entitled to transparency in regards to transactions between SEI and these vendors. Franchisees have a right to know whether this money could or would be better used to help lower the costs of goods we must buy. As the 2019 contract states, SEI makes no guarantee that we are receiving the lowest cost of goods from the supply chain it runs or controls. This has been a sticking point for franchisees for years. The invitation to attend this year's Experience asks us "to join franchisees from across the country to celebrate this year's achievements and find out what 7-Eleven plans for the future." The 2019 franchise agreement and the roll out process doesn't give franchisees much reason to celebrate and doesn't leave many questions for what the future holds.

In a strong show of support for the plight of 7-Eleven franchise owners, the CFA (Coalition of Franchisee Associations) recently sent a letter to California Attorney General Xavier Becerra asking him to investigate whether SEI has conducted predatory business practices related to the writing of, and lack of negotiations for, the new franchise agreement. The CFA letter refers to the agreement as "an unbalanced contract," which "may be in violation of California State Law." The letter says the contract will force us into a situation where franchisees will be "gouged" by

SEI and “could have far-reaching negative implications for the entire franchise business community.”

The letter specifically sites 4 areas in the new agreement which may violate California law:

1. Violating *California Civil Jury Instruction 325* by incorporating the so-called business judgement rule which is designed to obliterate the implied covenant of good faith and fair dealing.
2. Violating *California Civil Code §1670.5* by forcing California franchisees to waive their rights to a covenant of good faith and fair dealing; thus deeming the agreement as “overly harsh,” “unduly oppressive,” and “unfairly one-sided.”

3. Requiring franchisees to sign a release of their claims under wage and hour litigation that is now pending at the Ninth Circuit Court of Appeals.

4. Reports of threats from many franchisees, including those whose contract will expire in several years, to sign the agreement before the end of the year in order to avoid penalties including a greater gross profit split in favor of SEI.

CFA leadership come from a variety of franchise organizations in the United States including, but not limited to, Dunkin’ Donuts, Supercuts, Little Caesars and Subway.

The press release NCASEF sent to major national news and business media informing them of the No Confidence vote and the plan to skip the 7-Eleven Experience has resulted in significant coverage including stories in the Dallas Morning News, CSP Daily and Convenience Store. Yet our calls to Joe DePinto and SEI leadership to meet with us continue to be ignored.

As we have for the last several months, we urge all 7-Eleven franchise owners to communicate your unhappiness with the current state of affairs to SEI management and to ask them to reconsider the 2019 agreement, open communication with the NCASEF Executive team and begin to work in a collaborative and transparent fashion with your local FOA leadership to address franchisee concerns because it is the RIGHT thing to do.