National Coalition of Associations
of 7-Eleven Franchisees

The 2019 7-Eleven Franchise Agreement

Revisions Required to Obtain Committee Endorsement

October 31, 2016

1. **Level the Playing Field with Committee Access to SEI Data**
   - Holistic reviews
   - Franchise Consulting Group report
   - Analysis of gas commissions
   - *Pro forma* income statements for real estate/equipment alternative ownership formats
2. **Term**
   - 15 Year Renewal Term, plus, if an early renewal, the unexpired term of the current agreement
   - Franchise Agreement does not terminate when the Master Lease expires or is terminated
   - Negotiated terms and conditions open to all franchisees
   - Negotiated terms and conditions available for franchise agreement signed for new stores purchased by existing franchisees
3. **Independent Contractor**
   - Make this a reality, not just a mission statement
   - Franchise owner actually controls the manner & means of the operation of the Store
   - Cease exercising control over employee interactions with customers
   - Mandate only that training required by government agencies
4. **Non-Competition Covenant/Protected Territory**
   - Create a protected territory equal to the same radius around the Store protected by the in-term non-competition provisions
   - Prohibit competition within the protected territory based on alternate channels of distribution, including, internet sales fulfilled by corporate warehouses and delivery by drone or other method

5. **Franchisee Employee Payroll**
   - Outsourcing costs paid by SEI
   - Submission of employee data limited to that required for payroll
   - Franchise owner option to assume responsibility for issuance of payroll

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6. **Renewal**
    - Eliminate the renewal fee
    - Reminder notices provided to franchisees
    - 15 Year Renewal Term
    - Market withdrawal or SEI desire not to continue to operate the Store will not be grounds for nonrenewal
    - Next renewal agreement not materially different from expiring agreement
    - Operational Reviews and additional training requirements to be based on commercially reasonable and published criteria developed in collaboration with the National Coalition and the NBLC, and applicable to both franchised and company owned stores
7. **Operations Manual and System Specifications**
    - Operations Manual or other specifications cannot override the Franchise Agreement
    - Cannot add new or different fees, transfer costs to franchise owner, require capital investment or implement system changes that would materially affect gross profit or net profit
8. **Net Worth**
    - Incorporate current policy permitting payment by the end of the month
    - Franchise owner option to apply excess net worth in one commonly owned Store to another Store under the net worth requirement
9. **Gross Profit Split**
    - 50/50 for the duration of the Renewal Term
    - Tie the GPS to increases in applicable Minimum Wage in excess of the federal minimum wage, to create a sharing of the impact between franchisor and franchisee
10. **Hot Food/Fresh Food Gross Profit Split**
    - Calculated breakeven for franchisee on daily sales. SEI does not share in gross profit until breakeven is reached (similar to ATM contract)
    - Audit to audit adjustments by SEI (reconciliation on food write offs)
    - Outside consulting firm to determine proper GPS for this category in light of unique labor, food and write off expenses
11. **Revenues**
    - Designate all revenues generated from any entity as "System Transaction Amounts" and as defined in Exhibit F in the Franchise Agreement, as shared income and applied to the gross profit split
12. **Advertising Fund**
    - Maximum franchise owner contribution of 1.5% per current agreement
    - All company-owned stores to contribute on the same basis
    - SEI to match all franchise owner contributions dollar for dollar
    - Maintain prohibition on reimbursement of internal administration costs

- Executed by utilizing a partnership oversight committee comprised of both franchise owners and SEI personnel

13. Gasoline

- Commission based on 2% of the monthly average retail price computed on all gallons sold or $.04 per dispensed gallon, whichever is higher.
- Pricing will be on an open book basis, competitive with market conditions based on good faith and transparent criteria
- Gasoline franchise owners are continuously provided with market data used by SEI to set retail prices
- If SEI terminates gas segment, franchise owner receives (a) not less than six months' notice, (b) monthly mitigation payments for the balance of the term of the franchise agreement to compensate for resulting loss of merchandise sales equal to the average gasoline commissions paid during the 12 month period prior to the termination, and (c) a special right to transfer, under which approval will not be unreasonably withheld, conditioned or delayed

14. Franchise Fee

- Utilize an established, transparent formula based on historical gross profit performance
- Include a 180 day right of rescission with a prorated refund
- Allocate 50% of the franchise fee toward remodel fees to be utilized during the initial ten years of the Franchise Agreement

15. Equipment Maintenance

- Franchisee may contract with any maintenance provider for SEI Equipment
- Capital replacement program based on specific budget over the first five years of the Renewal Term
- Capital replacement thereafter based upon explicit industry standard criteria, to prevent payment of elevated maintenance expenses for equipment that is beyond its useful life
- No monthly maintenance charges on equipment past its useful life
- Open book accounting of preventive and reactive maintenance costs and capital replacement program
- Parity between treatment of franchised and company owned outlets

16. Transfers

- Consent not to be unreasonably withheld
- Buyer not provided with list of other stores for sale
- Buyer receives an assignment of seller's Franchise Agreement
- Release of claims is mutual

17. Survivorship

- Survivors/estate may liquidate Store at fair market value
- SEI buys Store at fair market value if designee not qualified or in the case of multiple Stores, where designee does not meet established and transparent multiple operator criteria
- Approval of qualified designees not to be unreasonably withheld

- Designee who meets SEI multiple operator criteria receives comparable number of stores
- No transfer or franchise fees for family transfers

18. Cost of Goods
- Supply chain operated on an open book basis with one goal: franchise owners realize the absolute lowest possible cost of goods
- All revenue designated as wholesale vendor discounts, back-end payments, sponsorships, exhibitor fees, allowances, and any other payment or other consideration from any vendor, no matter how characterized, will be included in cost of goods calculation
- Except for proprietary items, Stores may bypass CDC/McLane/wholesaler markups to obtain lowest costs of goods on an item-by-item basis

19. Recommended Vendor Purchase Requirement
- Franchise owner has the opportunity to demonstrate that any purchase outside of RVPR guideline improves profitability for both the franchisee and franchisor, in which case, RVPR requirement will be waived until subsequent review
- Lower RVPR threshold to 80%

20. FSC
- Commit to complete and total transparency
- Make disclosures self-executing
- Relax confidentiality
- Allow for streamlined dispute resolution and recovery of legal fees
- Punitive damages if willful violation found

21. Banking Fee Expense
- Any banking expense deemed to be normal, ongoing fees related to a commercial banking relationship borne by SEI
- Fees which are due to the mismanagement of funds by a franchise owner should be borne by the franchise owner

22. Shared Cost Items
- Sharing of expense on licenses and other recognized "normal course of business" items such as plastic bags, etc.

23. Credit/Debit and other Transaction Fees:
- SEI is responsible for all transaction fees
- Franchisee owners have neither control over these relationships nor the subsequent performance of these organizations
- Franchise owner not responsible for chargebacks due to system failure

24. Indemnification
- Increase the indemnification provided by SEI to $1M

25. Security System
- Terms and conditions of DVR Settlement extended to the life of the renewal franchise agreement
- Same form of Security System and Monitoring Amendment as negotiated remains in force for the term of the renewal agreement

26. Ownership of Real Estate and/or Equipment

- Provide comparative *pro forma* profit and loss statements
- Increase territorial protection due to increased investment
- Address disposition of these assets upon termination or expiration

27. Notices of Default/LONs

- All notices of default and LON's to be issued in a fair, evenhanded, nondiscriminatory and non-retaliatory fashion
- All System Standards applied equally to franchise and company-owned locations
- No notice of default or LON's to be issued based on multiple alleged defaults
- SEI to publish statistics quarterly on the number and basis of notices of default and LON's issued in each zone