National Coalition of Associations
of 7-Eleven Franchisees

May 30, 2017

Joseph M. De Pinto
President and Chief Executive Officer
7-Eleven, Inc.
3200 Hackberry Road
Dallas, TX 75063

Re: Announced Maintenance Price Increase

Dear Joe:

I am writing to memorialize several conversations that you and I have had regarding the impending price increase related to the equipment maintenance functions carried out by Vixxo, formally announced by Larry Hughes at the most recent National Coalition Board Meeting in St. Louis, Missouri. We protest this increase in the strongest possible terms and insist that it be promptly withdrawn. To date, we have knowledge that there are petitions being circulated signed by more than 1,600 franchisees throughout the country, insisting on this outcome.

In summary, our reasons are the following:

1. The National Coalition long ago identified numerous, persistent and systemic issues with the way that Vixxo deals with franchisees. You have previously agreed that these problems have been widespread and needed to be fixed and you promised on several occasions, that there would be no price increase until these problems were resolved to the satisfaction of all concerned. There can be no doubt, notwithstanding assurances from Vixxo to the contrary, that there has not been a material improvement in their performance.

2. No one can deny that there is a direct correlation between the age of the equipment in franchised stores and the cost of maintaining that equipment. The relationship between SEI and its franchisees on this score is fraught with conflicts of interest. SEI has an economic interest in allowing equipment to be continued to be used beyond its useful life, because the escalating cost of caring for that equipment is transferred to franchisees. As just one representative example, a franchisee has provided us with documentation showing that in the fall of 2015, a coffee maker in one of his stores was the subject of seven service calls within a span of five weeks. As you know, coffee equipment is a priority and you promised

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to focus Vixxo efforts on major revenue-generating equipment. That piece of equipment is still in service.

3. We have asked Vixxo for data regarding actual capital expenditures for equipment replacement in 2016 and the budget for equipment replacement in 2017. They contend that they are not in a position to provide that data without SEI's consent. To date, that information has not been provided, which we find disturbing because the franchisees, and not SEI, are their true customers.

4. There are many other issues and problems with the Vixxo maintenance arrangement. Among them are that the company has no way to verify the amount of time that maintenance contractors spend on travel and repair. This has led to repetitive fraudulent activity involving inflated time charges. In addition, there are numerous instances of unacceptable delays in service, overcharging for parts, and the like.

5. The conflict of interest is further enhanced by the decision of SEI to substantially alter the balance between franchise stores and company owned locations. From 2013 to 2016, the number of company owned stores fell by 538 or 34%. The percentage of locations owned by franchisees rose from 79.7% to 86.9% during the same period of time. As fewer and fewer locations become company-owned, SEI has less and less skin in the game and more and more incentive to continue to burden franchisees with the escalating cost of maintaining outmoded, failure-prone equipment, rather than replacing it.

6. Under Section 20(b) of the franchise agreement, SEI has reserved to itself the right to retain contractors to perform equipment maintenance. Under Section 20(d) of the franchise agreement, SEI has further reserved to itself the right to determine when it is necessary to replace equipment. We do not believe that these decisions and determinations have been carried out in compliance with the implied covenant of good faith and fair dealing.

For these reasons, we are once again insisting that the anticipated price increases be rescinded. In addition, we request that the following data and information be provided to the National Coalition within 15 days following the date of this letter, following which we can engage in a dialogue regarding a fair and reasonable allocation of the financial obligations of SEI and the franchisees regarding equipment.

A. The precise criteria by which SEI decides when an item of equipment is beyond its useful life and is therefore scheduled for replacement.

B. Average age of all equipment in franchised stores as of the end of each of the years 2013 to 2016.

C. Average age of all equipment in company-owned stores as of the end of each of the years 2013 to 2016.

D. Actual expenditures for equipment replacement, by category of equipment, for calendar years 2013 to 2016 for franchised stores.

E. Actual expenditures for equipment replacement, by category of equipment, for calendar years 2013 to 2016 for company owned stores.

F. Budgeted expenditures for equipment replacement, by category of equipment, for calendar years 2017, 2018 and 2019, for franchised stores.

G. Budgeted expenditures for equipment replacement, by category of equipment, for calendar years 2017, 2018 and 2019, for company-owned stores.

H. Average annual cost of equipment maintenance incurred by franchisees by zone for the years 2013 to 2016.

I. Average annual cost of equipment maintenance incurred by company-owned stores by zone for the years 2013 to 2016.

J. Disclosure of those portions of the agreement between SEI and Vixxo, if any, which deal with the issue of whether or not SEI has the power to withdraw Vixxo from one or more markets, in order to conduct a test with SMS Assist, a market-leading alternative supplier that has credibly promised better service at a lower cost.

I look forward to hearing from you.

Very truly yours,

Joseph Galea

Joseph Galea, National Chairman

cc: Executive Officers and Directors, National Coalition of Associations of 7-Eleven Franchisees