7-Eleven FOA Southern California

Perspective

FOURTH QUARTER 2009

Unity | Profit | Communication

A publication of the 7-Eleven Franchise Owners Association of Southern California • "The Largest FOA in the USA"

Featured in this Issue

"Pictures from the 2009 Holiday Event held at Universal Studios"

"Tips on how to handle an audit"

"Southwest Division 1st Quarter Sales Plan Highlights"

"California Employers Insight"

The President's Message

&

Much, Much More....

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smaller 14oz servings=
quick refreshment on-the-go

Smart Price

99¢

Customers will love a great new size beverage choice at an irresistible, affordable price. This exciting new 14oz bottle is designed to attract new users and built impulse purchase volume.

Ice-cold, refreshing servings of core Coca-Cola product can bring more customers in-store.

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**Deceased*

7 ELEVEN FOA
Southern California

"The Largest Association in the USA"

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Perspective is published quarterly. The publication staff welcomes comments, story ideas and viewpoint articles from Perspective readers. The editor reserves the right to edit all material submitted for publication.

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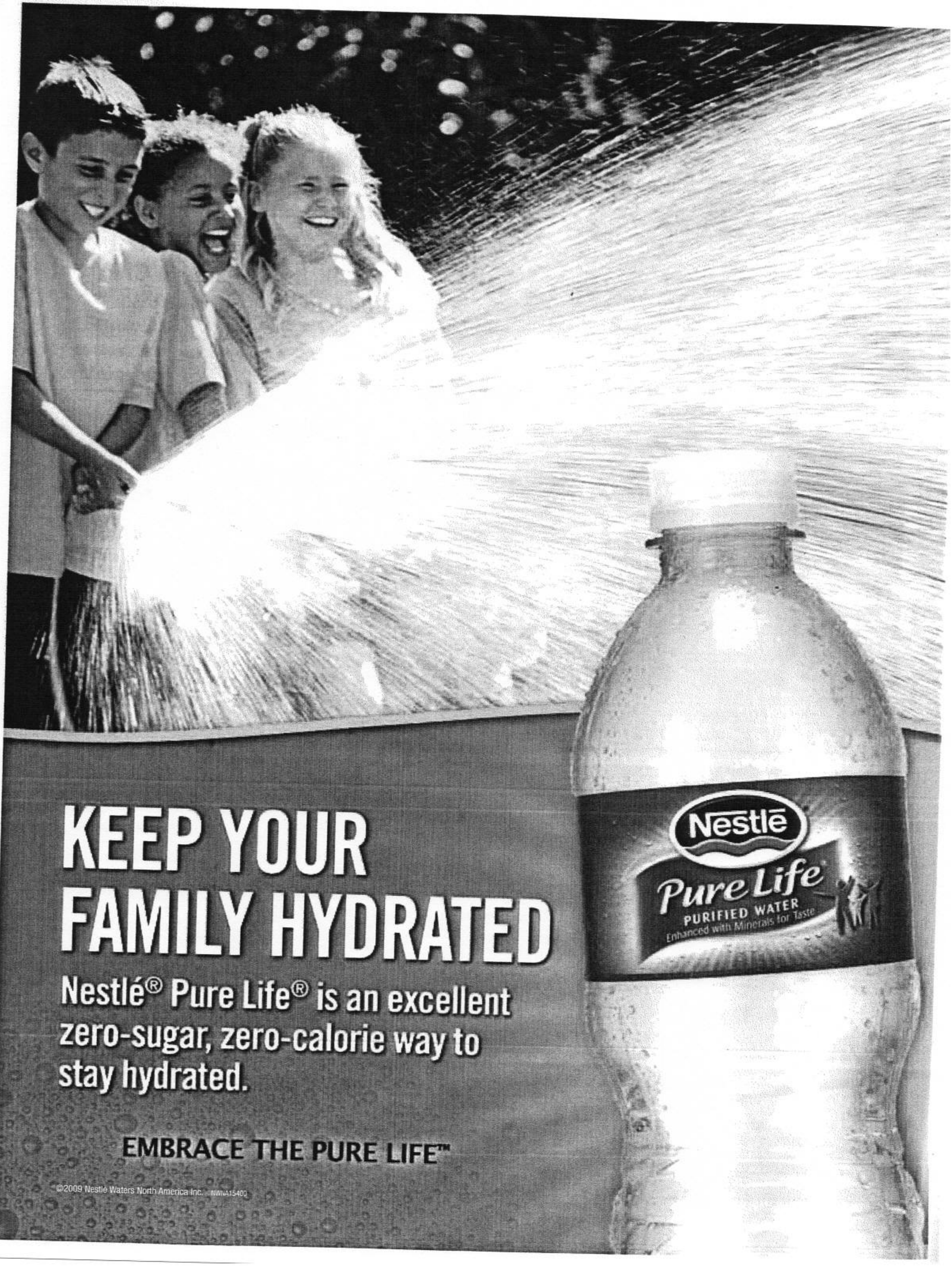
PERSPECTIVE

'The capacity to view things in their true relations or relative importance and to view your own task in a larger framework'

We chose to name our publication 'PERSPECTIVE' simply because of its traditional meaning. It seemed to encompass in one word the overall philosophy of the small group which formed our Association way back in the early seventies.

Today it stands the "test of time" maybe more so.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Perspective Magazine
7-Eleven Franchise Owners
Association of Southern California

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2010 Calendar of Events

January 21: Board of Directors Meeting
Embassy Suites Arcadia
February 18: Board of Directors Meeting
Embassy Suites Arcadia
March 18: Board of Directors Meeting
Embassy Suites Arcadia
April 29: Annual FOASC Trade Show
Pasadena Convention Center

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Advertiser Index

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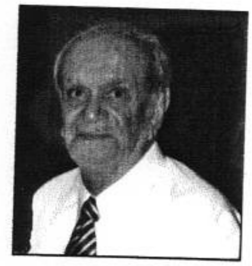
Perspective is the official magazine of the 7-Eleven Franchise Owners Association of Southern California

Let Frito-Lay help grow your profits!!

FOA Southern California

"The Largest Association in the USA"



Profitability and 15%

When SEI presented us with the 2004 contract, they took away 85% of our freedom. The bad news is that with the 2006 contract, they changed the gross profit split in a way that if you increased sales, you made less. Then they changed the credit card policy and we ended paying 50% of the credit card fees. Most people know how the new gas policy has affected the income for franchisees who have gas in their stores. I am thankful that SEI left our right to buy 15% from any vendor of our choice.

Talking to several franchisees, I found that almost 80% don't take advantage of this provision in our contract. Several franchisees all over the country are purchasing items from DSD vendors. If your retail purchases are $150,000 per month you can purchase over $22,000 worth of inventory at retail from any DSD vendor. You will get lower costs and save in labor. SEI's assertion is that if you are using a DSD vendor, you will be having "outs" and not the best sellers. Franchisees have told me that it is not the case. On the contrary. They have more "outs" from CDC and McLane. Recently when SEI introduced the 7-Select HABA, McLane was out of stock on items. Also, since the original items were DELETD by SEI, many stores were out of product for several weeks. One word of caution, however, make sure you get your report at the end of the month to see that you do not exceed the limit. If you exceed the limit three months in row, you will receive a BREACH.

I have been a franchisee for the last 35 years . I have gone through 8 Division Vice Presidents, triple the number of Markets Managers and countless Field Consultants. I seen many changes. Some of them good and some not so good. Today, it is different world at 7-Eleven than it was in 1974. We have the best information at our fingertips to control our inventory and sales. We have more control on what we sell and remove the slow sellers in order to improve our income. My wish is that SEI gives us the freedom to run our stores and not impose too many hurdles and requirements.

This has been a great year for our FOA. We had a great Trade Show with well over 70 booths and was well attended by Franchisees. Vendors are already looking forward to the next one on April 29, 2010. Local SEI management gave us full support, not only by attending in full force, but providing us with all the Hot food as well as vendor contacts. My personal thanks to Darren Rebelez for taking time out of his busy schedule and attend the show. The Golf tournament was also a big success with over 160 participants and we hope to do even better next year. Our association awarded over $16,000 in scholarships. Lastly, our Holiday Event/ Vendor Appreciation Day at Universal Studios Hollywood this year was overwhelmingly popular with nearly 500 attendees. Don't miss the pictures in this issue.

Finally, I would like to thank all of my Board of Directors for their great support and involvement. Thanks.

Here's wishing you a very Happy Holiday season and a very Happy and Prosperous New Year!!!

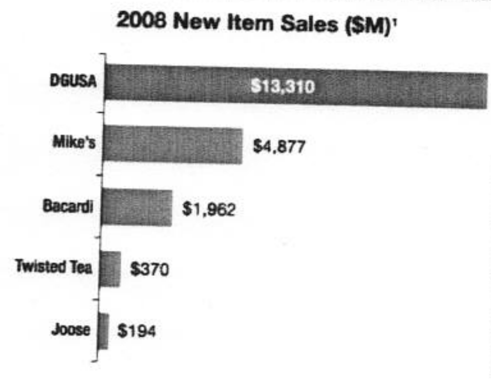
Karam Dhaliwal
President
(818) 625-4036

SMIRNOFF® XBT

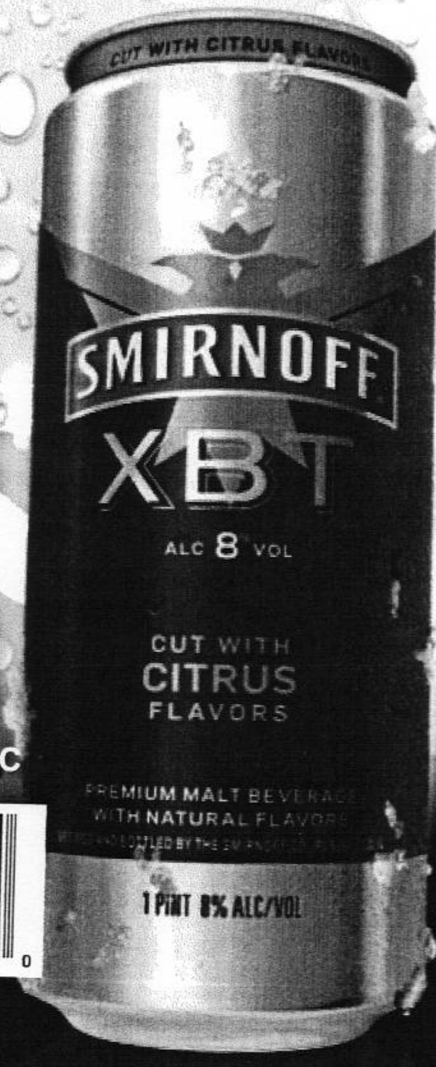
EXPERIENCE A BOLD CITRUS FLAVOR BALANCED WITH A CRISP REFRESHING TASTE

KEY BENEFITS

- SMIRNOFF XBT has already tested very positively among primary C-store shoppers, males 24–34.[3]
- DGUSA innovation is driving the growth of Progressive Adult Beverages (PABs), capturing 64% of PAB new-item sales dollars in 2008.[1]



Offering a new "grab & go" flavor experience for consumers, a new profit opportunity for you in the CAN



- 16 oz. Single Serve
- 16 oz. 4-Pack

Single Serve UPC

0 82000 74698 0

4-Pack UPC

0 82000 74700 0

Note: SMIRNOFF XBT should never be placed in the non-alcoholic energy drink section.

[3] Tampa and Baltimore focus groups, 2008

[1] IRI, F&D, 52 weeks ending 12/28/08; all PAB items introduced during 2008

[2] Nielsen, 52 weeks ending 12/20/08 and 52 weeks ending 12/20/08

1st QUARTER SALES PLAN HIGHLIGHTS

By Daniel Garcelon

Hello Southwest Division Franchisees!

My name is Daniel Garcelon and I am the Sales and Merchandising Director for the Southwest Division. Karam has graciously given me this space to update you on a few of the key 1st quarter 2010 merchandising elements for our division. We have been dealt a tough economic sales environment:

Consumer CSA - In the 1st quarter we will continue to be challenged with a bleak economic outlook:

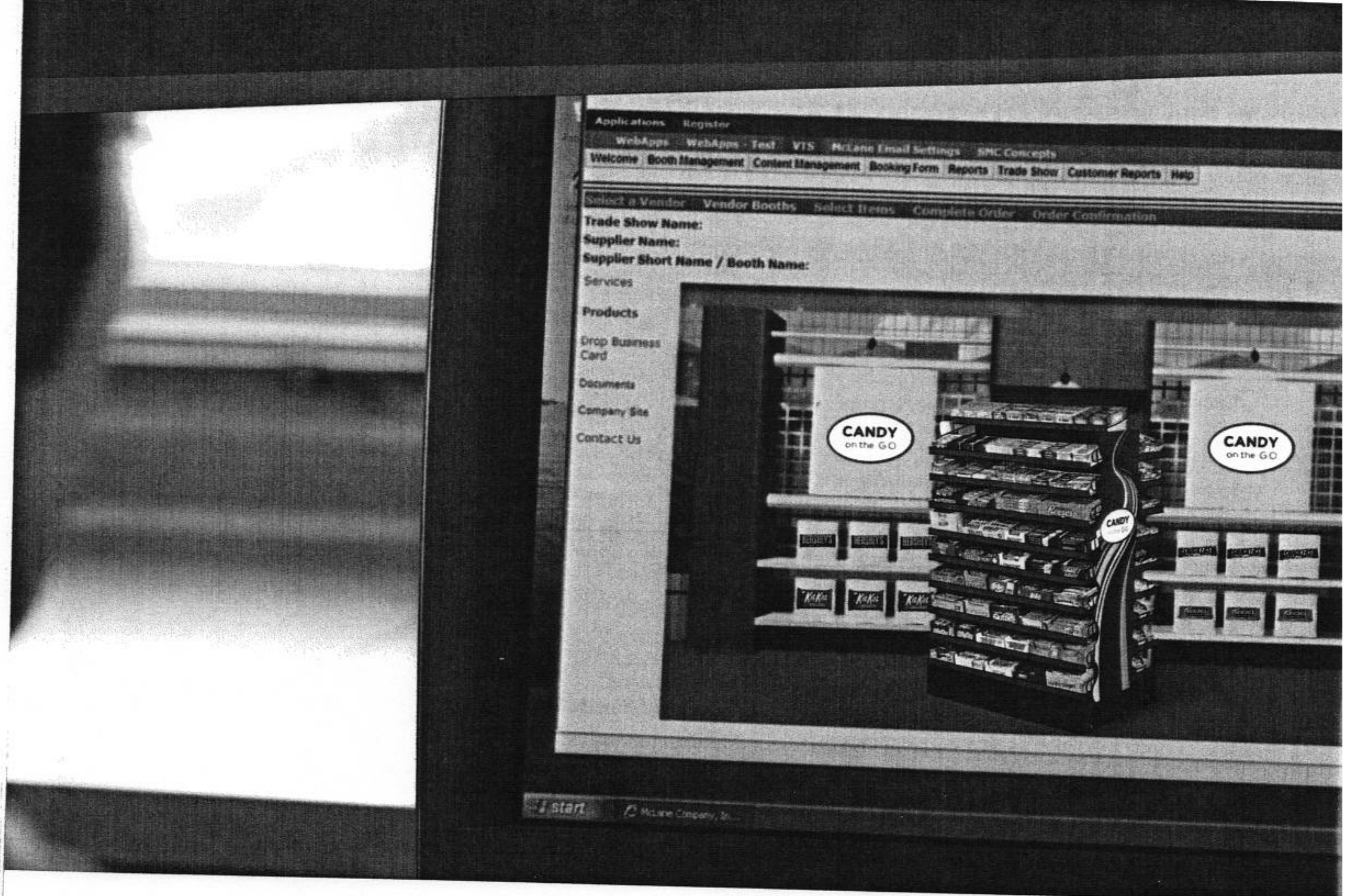
- Unemployment in California has recently hit a post-World War II high of 12.5% (San Bern./Riverside Counties 14.3%)
- 152,000 construction jobs lost (25% unemployment in this trade)
- Government payrolls have been cut by 5%, more layoffs are expected
- Economists predict that the unemployment rate in the state will continue to climb in early 2010.
- A State budget shortfall of $21 billion
- EBT (food stamp) usage has hit a record high (36 million Americans are on the program)

Although the 4th quarter was a tough sales period, we've experienced many sales successes on individual items and promotions; nearly all of these have revolved around VALUE. Also, remarkably you have managed to grow our fresh food sales for three straight months despite the ugly economic situation. This demonstrates our ability to grow sales if we have the right products, at the right price, in the right sales environment! Working together we can grow sales throughout the store using this same formula. The 1st quarter plan will focus on value, new products, bringing in younger customers and growing fresh foods.

Key 1st Quarter Sales Plan Elements (please see you FC for details)

- Roller Burritos (two SKUs):
  - Supported by "2 for" pricing
  - Roller Burritos sold exceptionally well in the test market.
  - This item has the potential to drive tremendous growth in the grill category!! Please work with your FC to develop an aggressive store plan.
- Super Bowl:
  - Save $3 on a DiGiorno, or fresh Hot Foods pizza with Budweiser 18 pack or larger
  - Build a large 30 pack beer display ($19.99) and also merchandise within the vault. Please ensure the price point is prominent enough to communicate the value. This package did very well during the holidays and should be a key driver for Super Bowl and March Madness.
  - "2 for" 7-Select take-home chip offering
- Coffee - Graphics Change for Coffee Cups:
  - Modern, unique, cool, eye-catching, fun, stylish, exciting and youthful graphics that tested well with consumers ages 18-24
  - Described by consumers as environmental, sustainable and fun, also tested as "non-alienating" to our current core coffee customers
- Coffee:
  - "Cups With A Cause" celebrity designed limited time offer coffee cups; donations will be made to celebrity cause of choice; contemporizes the brand and appeals to younger consumers
  - Certified Master Coffee Brewer Program for store teams
- Gamers Factory Launch (currently being tested in three markets in our division):
  - 100% guarantee program, solid margins with excellent incremental sales potential
  - Industry-wide 50% of impulse sales are from video games $20 or less. Display on 1st end cap (where available) along with Movies-U-Buy and Mall Jamz
- Other Values:
  - 7-Select packaged bakery "2 for"
  - Various vault "2 for" & "3 for" offers
  - $.99 cookies & brownies continue
  - $.99 coffee & fountain refills continue
  - $9.99 prepaid phone offering
- Hot Foods:
  - The current Hot Food stores in the Southwest division are seeing strong sales at a healthy margin. Additional stores in our division will receive the Hot Foods program in 2010.
  - New Hot Food items for Q1 2010: potato wedges, sausage rolls and pretzels
- Red Box:
  - In 2009, we installed over 200 Red Box kiosks in stores in the SW Division
  - Red Box drives many new customers to these stores each day. We expect more installations to tentatively launch late in the 1st quarter of 2010

In closing, we look forward to growing sales and gross profit for everyone in the New Year!



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For more information, contact Diane Watts, Vice President of Sales, at (909) 887-7500 or visit www.mclaneco.com/goto/vts

McLANE

Private Label

By Paul Lobana

Private label is not a new concept in large grocery chain stores. It gives the customer a value and retailer greater gross profit. Private Label concept is also carried in the convenient stores, but in very limited areas. SEI took this concept out of proportion and the stores are full of 7-Select merchandise. There are large number of 7-Select items are coming to the stores.

The unique concept about private label in 7-Eleven stores is that SEI wants to reduce the competition or even kill it completely. All 7-Select product shall have prime location with proper POP signage in the store. Signage also includes new item indicator towards private label. These are good sales method but all the branded items should get same treatment. The branded items are pushed on side and are getting proper attention.

Some times in order to make rooms for 7-Select products, some of branded items are either discontinued or non carried. These items can be made store item (SI) but why make difficult for the franchisee to carry and order these branded items. Our customers are used to branded items and they are having difficult time to try new products, as they are used to old branded items. Also it is getting very difficult to manage too many items.

Last summer Aquafina water was discontinued from 7-Eleven stores. More spaces were given to Classic selection water. Aquafina water drinkers were forced to shop from our competition. Why cry over spill milk, the damage is done but we are glad to see Aquafina back in our stores with better price. I am sure if the question was of better price from Pepsi, it could have been achieved with different methods without losing customers.

SEI wants to give Frito Lay and Hostess run for their money. We all know 7-Select take home chips are not selling in the stores and we as franchisees end up writing them off. Some of the customers are comparing nutrition facts of package 7-Select donuts with Hostess donuts. They found that 7-Select packaged donuts have more sugar and unhealthy.

Medications sold under the 7-Select label have perception issues. The customers including franchisee are under this impression that the 7-Select medications are generic brand. But we came to know that these are branded medication with 7-Select cover on it. The customers are very hesitant in trying generic look of branded medication. The perception of 7-Select brand in customer opinion is lower than other brands.

I really hope that SEI shall put more efforts in growing the business in this hard economy rather than promoting private label.

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This Exclusive 7-Eleven® Promotion will Move 'Em Fast!

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UIN 508028

Special K™ **Protein Meal Bar**
Strawberry
UPC Proof of Purchase

0 380110 9

UIN 457044

Special K™ **Protein Meal Bar**
Double Chocolate
UPC Proof of Purchase

0 380120 6

UIN 208983

Special K™ **Protein Meal Bar**
Chocolate Peanut Butter
UPC Proof of Purchase

0 380100 2

UIN 208959

Drive Your Sales With This Promotion!

7-Eleven Exclusive

January 2010

- **Buy 2 *Kellogg's® Special K™* Protein Meal Bars for $2.49 on PromoMaster**

*IRI C-Store 52 Weeks Ending October 4, 2009

Inventory Audit (1st Installment), by *Visai Thantranon.*

I still remember it as vividly as if it were only yesterday. It was Monday October 6th, 1980, before crack of dawn, on a typical cold and drizzling fall morning, in Bellevue, Washington, when I first start my career *journey* as a 7-Eleven auditor. A little over 29 years have passed, virtually nothing has changed to the Green, Orange, and Red 7-Eleven theme colors logo, but a lot has changed to the auditing policy, procedures, presentations, and, etc.

A physical audit (inventory audit) is a tool provided by 7-Eleven, Inc. to its franchisees and store operators as part of a world class convenience store operating system that enhances and ensures success, profitability, longevity, and growth. The main purpose of an audit is to determine whether a store is having any issues with inventory variations. Once this is determined by the audit results, proper corrective actions can be taken and thus prevent any additional issues or loss in the future. Without this critical tool, inventory variations can go unchecked, leading to potentially substantial financial damages.

For most stores, audits only occur 4 times a year - approximately every 90 days. Corporate-run stores, however, are audited once a month. About week or so, before the end of each 90-day audit interval cycle, franchisees will receive a phone call from me reminding them of upcoming audit dates/requirements. Alternatively, franchisees and store manages may also contact me to schedule their audit dates.

Suggested steps/actions for franchisees/store managers in preparation for an audit:

- RECONCILIATIONS: Reconcile your daily receiving logs, including any cash purchases submitted with cash reports, against your merchandise reports since the store was last audited.

  These reconciliations should, ideally, be done on a weekly basis, but if you don't have the time to do them yourself, I strongly suggest that you have it done by a service provider. Any discrepancies should be addressed with your assigned accounting CSR (Customer Service Representative) in 7-Eleven's accounting center in Las Vegas for retail merchandise or CRS in Dallas for Lottery tickets, preferably prior to the audit. Any undetected or unresolved discrepancies (unless recapped by accounting) will result in a distorted amount of audit variation. Additionally, if these discrepancies remain undetected, the audit variations, positive or negative, will stay ***permanent***, until properly corrected. Any future or additional physical audits will not change the result.

- ORGANIZATION: One of the keys to an accurate audit is organization. It doesn't really matter how much merchandise your store has on an audit day as long as the merchandise in your stockrooms and walk-in coolers is organized. Stay on top of your vendors - make sure that they put away their deliveries in an orderly manner. Stay on top of your employees who are in charge of stocking the cooler – make sure that they

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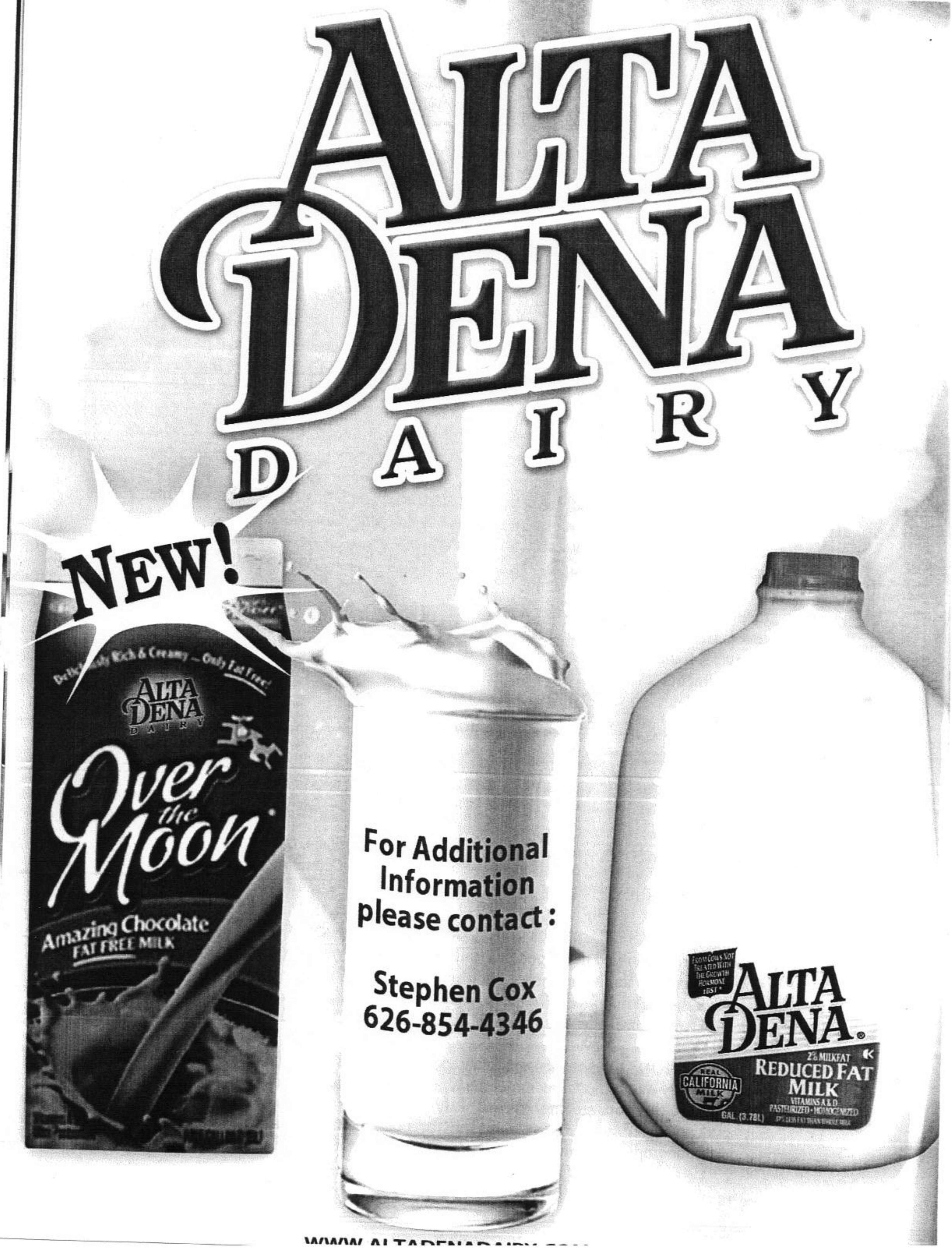
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Continued from page 13

don't ***mix*** different types of products, or product sizes on storage shelves. Same products and product sizes should be line-up/staged-up in an organized manner. If storage space in your cooler is at a premium, ***use dollies***. Organization will not only enhance the accuracy of your audit, but will also enable your vendors and store staffs to place more accurate orders. In addition, products with a shelf life will be better rotated and thus reduce write-offs. Fresher products and fewer out-of-stock items translate into greater customer satisfaction. Bottom line, ***everyone*** benefits from an organized store!

INFORMATION ON VENDORS EXPECTED: Know which vendors are expected on the audit day and inform the auditor accordingly.
The auditor will prioritize the areas to be counted accordingly to avoid any potential **B.I.** (**B**efore **I**nventory) and **A.I.** (**A**fter **I**nventory) mix up.
All invoices must be made available to the auditor for stamping (A.I. or B.I.). Keep in mind also that any misidentified invoices or misplaced invoices will have a direct effect on the audit.

AUDIT ACCOUNTABILITY: One of the most important and critical features of our auditing services is that each and every section counted in a store is instantly 100% verifiable. For inventory purposes, the physical layout of a store is divided, as consistently as possible, into well defined sections such as, Aisle 100 Front, Aisle 200 Left End cap, Ice Cream Novelty Case, Magazine Rack, etc. The total retail value for every section counted is supported by an audit tape which should be available for verification immediately after the section is counted. Audit tape is a hard copy of ***exactly*** how the section is counted. Any errors, or lack thereof, can be pinpointed and precisely corrected. Once logged, auditors leave these audit tapes at their respective sections unless otherwise directed by the store operator. At the conclusion of the audit, the auditor and franchisee/store manager perform a walk through. With printed report (floor map) in hand, the franchisee/store manager should go through the entire store with the auditor, who will be picking up the audit tapes and calling out the total amount counted to confirm that it is the same as reported on the floor map. This process gives the auditor and the store operator an additional opportunity to briefly review each section/area counted for any overlooked merchandise and for the store operator to point out any out-of place merchandise or storage - another step everyone should take to enhance the accuracy of the audit.

There are many more tips to prepare for and enhance the accuracy of audits and I am looking forward to sharing them with you all in my next installment.

Warmest Regards and HAPPY HOLIDAYS!
Visai Thantranon
President,
L.A. Inventory Service Corp.
Telephone # (800) 781-0711
November 26th, 2009

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Your Human Resources Partner

by Thi Ha

California Employers- Insight:

Companies both large and small are finding themselves in legal battles against employees for not complying with overtime laws. A New Jersey federal court jury unanimously awarded $2.5 million to Staples, Inc. employees in a class-action lawsuit for failing to comply with the laws that require the correct classification of employees (e.g. exempt or non-exempt) and paying for overtime wages. In addition, Valero Energy Corp. is currently involved in a class-action lawsuit that seeks $100 million in damages for employees working in convenience stores across the United States. The suit, brought on by three current employees, alleges that Valero required employees to work overtime hours "off the clock" without compensation. As an employer, it is important that all wage and hour laws are adhered to, including payment of overtime and the pay-out of bonuses.

Understanding Overtime Hours:

California requires that all hours worked in excess of eight (8) regular hours in one workday or forty (40) regular hours in one workweek will be treated as overtime. Non-exempt hourly employees are compensated as follows for working overtime:

- Time and a half the regular rate of pay for hours worked beyond eight (8) in a workday;
- Double the regular rate of pay for hours worked beyond twelve (12) in a workday;
- Time and a half the regular rate of pay for the first eight (8) hours worked on the seventh consecutive workday in a workweek;
- Double the regular rate of pay for hours worked beyond eight (8) on the seventh consecutive day worked in a workweek;
- Time and a half the regular rate of pay for hours worked beyond 40 in a workweek.

There is no "pyramiding," which means you will not be paid overtime twice for the same hours of work.

Bonuses:

Employers usually pay two types of bonuses: non-discretionary and discretionary. Discretionary bonuses are usually paid as a gift for past services and are not measurable by an employee's work performance, and/or hours worked. An example of a discretionary bonus is a holiday bonus or special occasion bonus. Non-discretionary bonuses are bonuses that are intended to increase an employee's performance and efforts. For example, bonuses paid on work performance efficiency and quality, attendance, years of service, and bonuses promised to employees at time of hire are considered non-discretionary.

When paying out non-discretionary bonuses, you must also pay the overtime "premium" on the bonus. According to the Department of Labor, since the bonus was earned during the regular hours as well as the overtime hours, the overtime "premium" on the bonus is paid on half-time or full-time (for double time hours) on the regular bonus rate (*from DLSE Manual*). Unfortunately, you cannot just pay an employee a $100 bonus, if they worked any overtime in the pay period for which the bonus was earned. You must reference the bonus on their pay stubs and note the workweek(s) that the bonus was earned.

Example On How to Calculate Overtime Premium When a Bonus is Paid:

Regular hourly rate of pay..$10.00
Overtime rate of pay..$15.00
Total hours worked in workweek = 50
Total regular hours worked= 40 (8 hours x 5 days)
Total overtime hours at time and one-half = 10 (2 hours x 5 days)
Bonus..$100.00
Regular bonus rate:

$100.00 (bonus) ÷ 50 (total hours worked) =
$2 .00 ÷ 2 (for half of the regular rate) =
$1.00 x 10 (Overtime Hours) = $ 10.00

Total earnings due for the workweek:
Regular hours: 40 hours @ $10.00 ....$400.00
Overtime: 10 hours @ $15.00 ....$150.00
Bonus $100.00
Overtime on bonus..**$ 10.00**
Total $660.00

Remember, wage and hour laws vary by state, it is important that you understand that as an employer you are mandated by law to pay your employees for all hours worked. If you have any questions regarding wage and hours laws, please contact Thi Ha, CPEhr HR Account Manager, at 310-270-9811.

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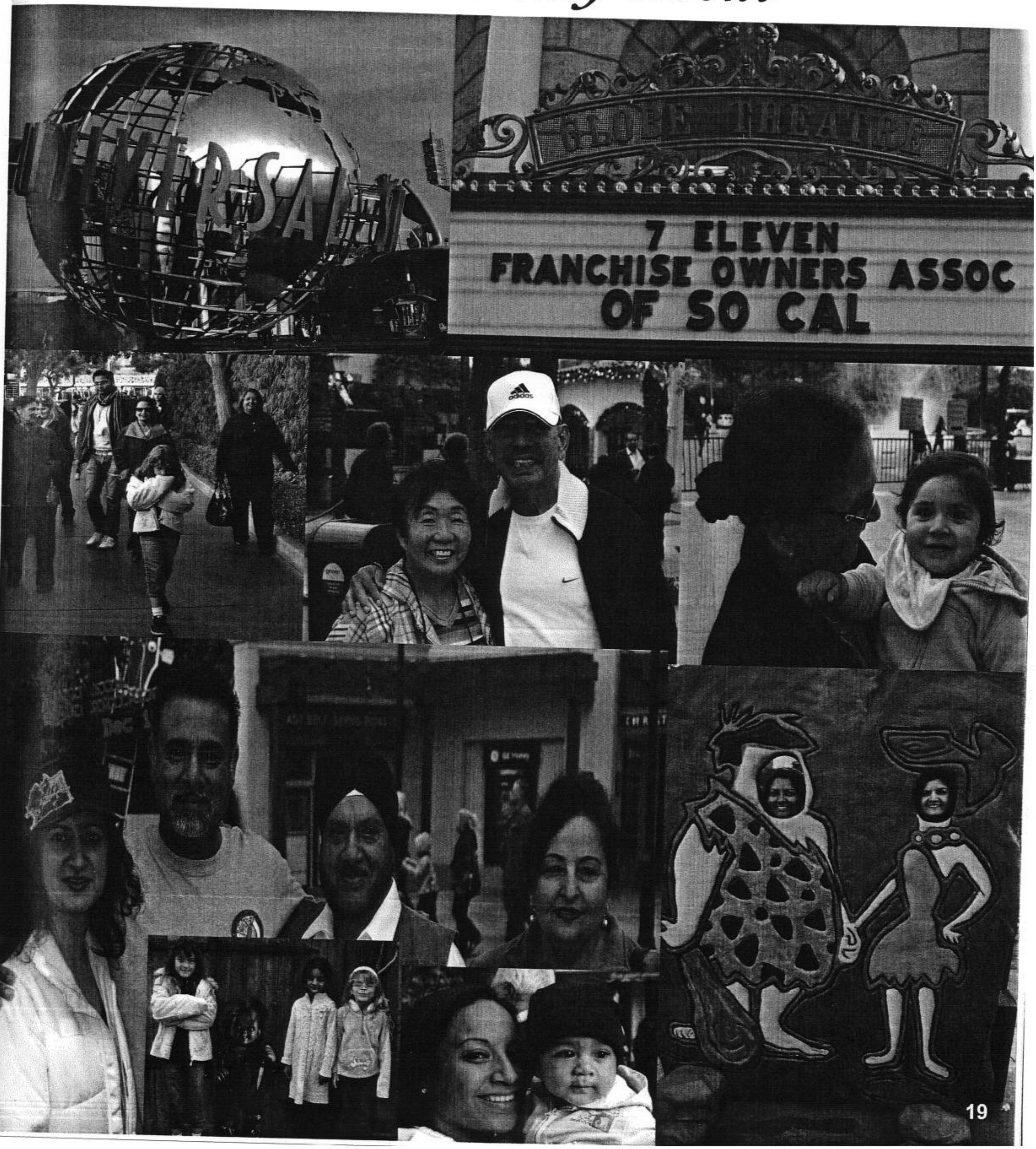
2009 Holiday Event

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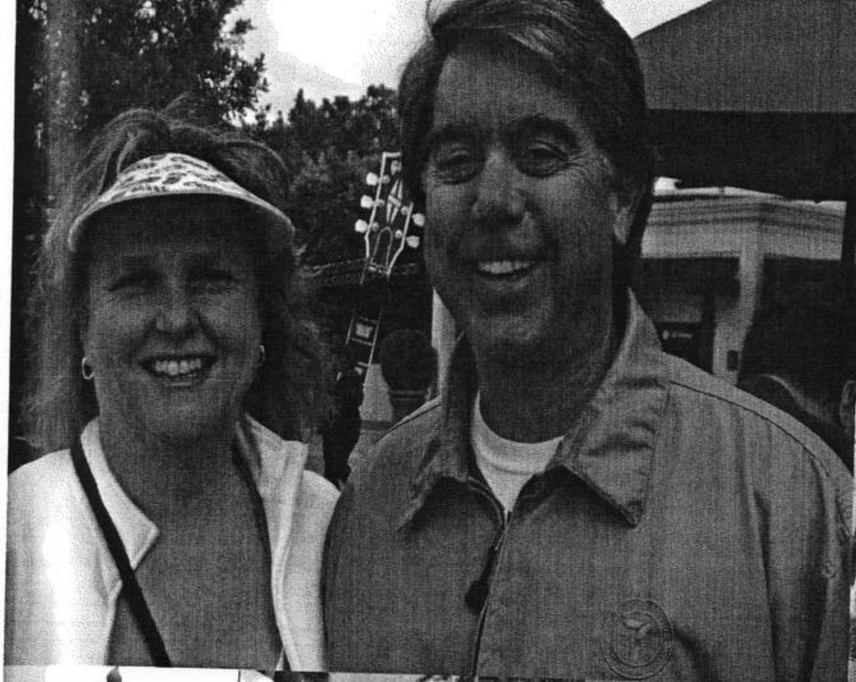
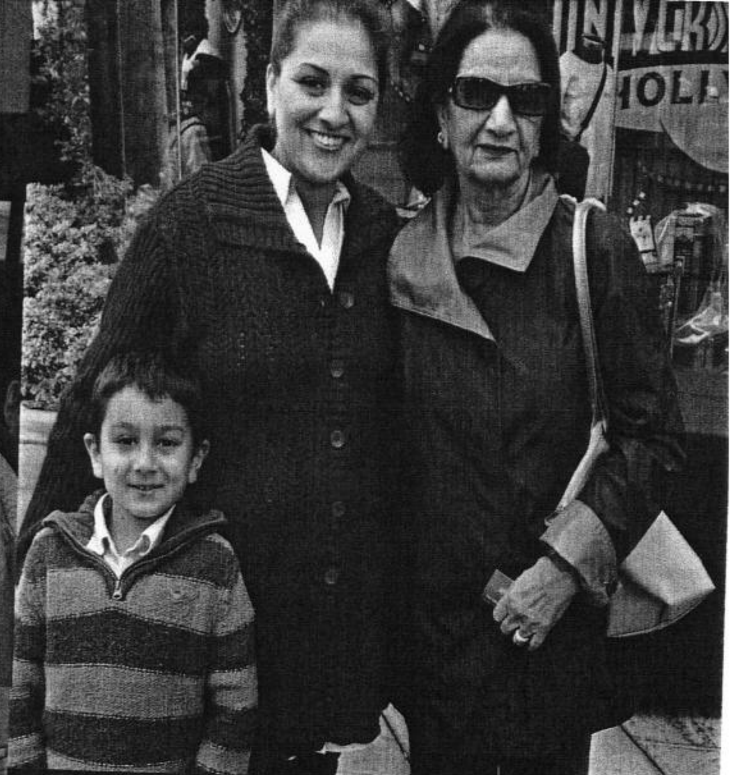

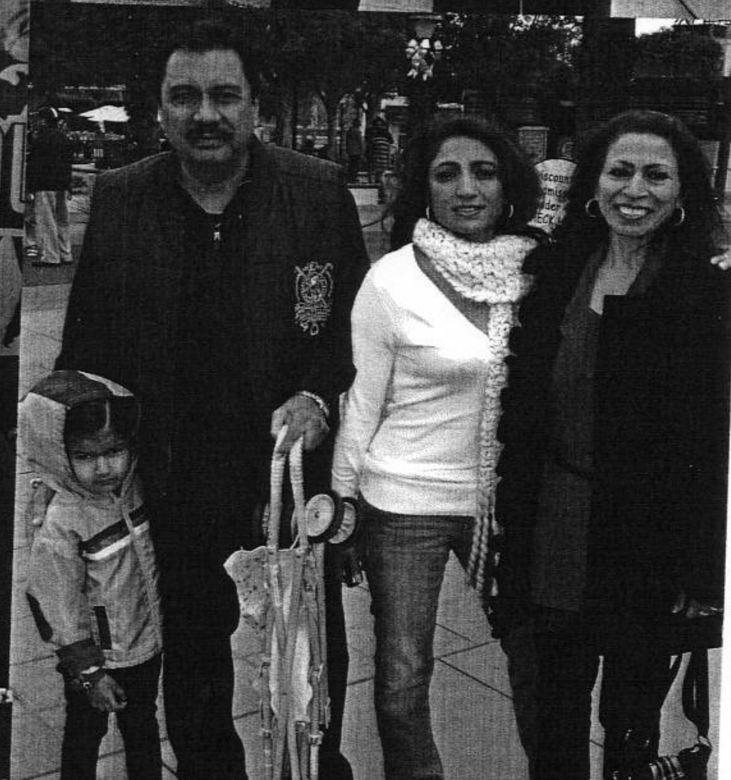
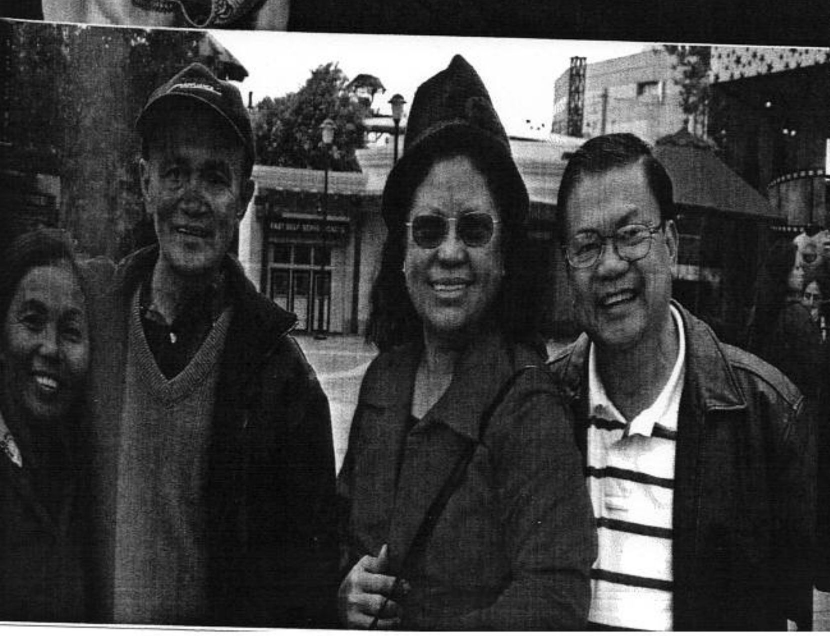
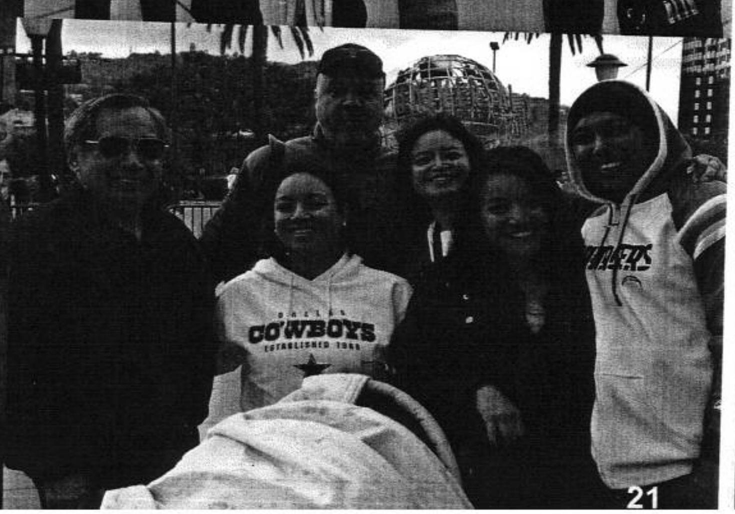
COWBOYS

Accounting Notes from Ser-Vis-Etc. LLC's Newsletter

Understanding

As a trainer, we lived by the following: I hear, I forget; I see, I remember; I do, I understand. For over thirty years, this has served me well when I train others and when I learn new things. Maybe my ideas are old fashion but I am not out of touch. I do not feel that I can help a client without a clear understanding of all that they are up against. Today I wonder if the outsiders that 7-Eleven Inc. is hiring to manage the company from market managers on up have the understanding that they need to make so many of their changes work.

A client recently brought this point home when she described her night-guy. She said that he has worked for us for ten years. I cannot remember him calling in sick. He does everything that I ask him to do. He cleans the store without complaining. My customers love the guy. He does not steal or eat his way through the night. If I train him to use the MOT to order, he may get it right the second night but by the third night, he will not be able to do the order correctly.

I have described the perfect night-guy. A long-term employee, who does not miss work, gets the work done, does not steal and gives great customer service. Every Franchisee reading this would be happy to hire this guy. However, does the new 7-Eleven Inc. management have the experience to understand that if this guy had all those great qualities and the ability to accurately operate all of the complex systems that 7-Eleven is developing, he probably would not stay 10 months let alone 10 years.
I hope that Franchisees remember the average length in the system of the FOA leadership far exceeds the tenure of top management. Just as management teams before found that they could not get the job done without the support of the Franchisees, this management team will find that they need the support of Franchisees to improve the system.

The Devil is in the detail

A definition for this saying is "small things in plans and schemes that are often overlooked can cause serious problems later on." This saying may have been written by Franchisee thinking about RIS, CDC, BT and all the other 7-Eleven idioms. The intention is great, they look good on paper but your $9/hour graveyard clerk has trouble with the details and you have to pay the price.

Write-off Problems

In recent months, we have found shrinkage increasing in stores that have Hot Foods. In one case, $9900 of $14000 in shrinkage over 6 months was in Grill and Hot Foods. Another case was $2900 of $5700 shrinkage in 2 months was in Hot Foods. The culprit was handheld write-offs. To meet the demands of writing off product every two hours, these stores increased the number of people doing write-offs. The problem was that clerk A would stop to take care of a customer and not get back to save the entries. Clerk B would pick up the unit, sign in and the first set of entries would be lost. This is a little detail in the high offices of the support center that has a very real price in the real world of a store.

A second problem with Hot Food write-offs is the many ways that management wants you to take them. Reality is that you have shrinkage if you do not record a price reduction. All recorded price reductions reduce your gross profit the same way in the end. Your net income is going to be the same if retail is reduced on the Daily Markdown Report, a Retail Inventory Report or the handheld unit. The problem is when you do not record a price reduction. Good procedure is to record every write-off when it happens. Several stores found shrinkage because they were listing "samples" so that the FC could write them off on a RIA at the end of the month. If you do this, remember that you need to process all these lists the day before your audit.

HIDDEN COST OF CDC

With all the talk about Managed Distribution, I believe that Franchisees should take a hard look at the real cost of the CDC. You should go back to the promises that were made and compare where you are now. The CDC was going to cut distribution costs by consolidating deliveries. You would have fresher and cheaper product. Milk was the pinnacle of the promise. Then reality took over. It turned out that 7-Eleven's dairies did not produce everything every day so that many products had the same code as before.

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A review of Inventory Management reports for two stores in San Diego County revealed the facts. They are both high volume stores. Their August sales were within $50 of each other and both use Heartland for their dairy. One store uses the CDC, ordering five times most weeks and writes off problems. The other store has a full service driver who writes the order, delivers the product, puts the product away and takes care of spoils, etc. These stores average $650 per week in dairy sales. If the CDC store spends 60 minutes per week taking care of ordering, putting up and writing off dairy, it will cost about $10.50 ($9 hour clerk + taxes and insurance). The CDC store needs to have 2% higher gross profit just to break even with no write offs. The problem is that the CDC store's GP for the 8 weeks ending 8/30 was 30.4% GP or 5.3% lower than the 35.7% GP the full service store showed.

7-Eleven Inc. has a history of "distribution centers" coming and going. After the SDC of the 80's, the plan was to use outside vendors and negotiate costs down. McLane became the answer. Now the CDC is the answer and soon consolidated delivery will be the answer. A promise is only as good as it is honored. Franchisees are here to stay but the people making the promises come and go. Basic economics state that lowest costs are the result of eliminating the middle man, not adding two, as is the case with soft drinks.

MORE HIDDEN COSTS

The 7-Eleven system of allowances, bill backs, rebates and off invoice credits has been a source of confusion as long as I have been in the system. If you believe "the truth will set you free" than this system is a pit of quick sand that will hold you down. The problem for Franchisees is the amount of money each store receives has become significant and you are not in a position to make informed decisions.

Took the September numbers for two stores, higher volume store in LA and a moderate volume store in Orange County. The higher volume store purchased cost of $95,700 with retail of $161,400. The other store purchased cost of $84,600 with retail of $133,400. The total allowances, bill backs and other credits that the stores received at month end were just over $3000 in both stores. Both stores increased the gross profit by 2% from the adjustments processed. Over $1500 for each Franchisee for the one month. Annually this is most of your child's college tuition or other major expense.

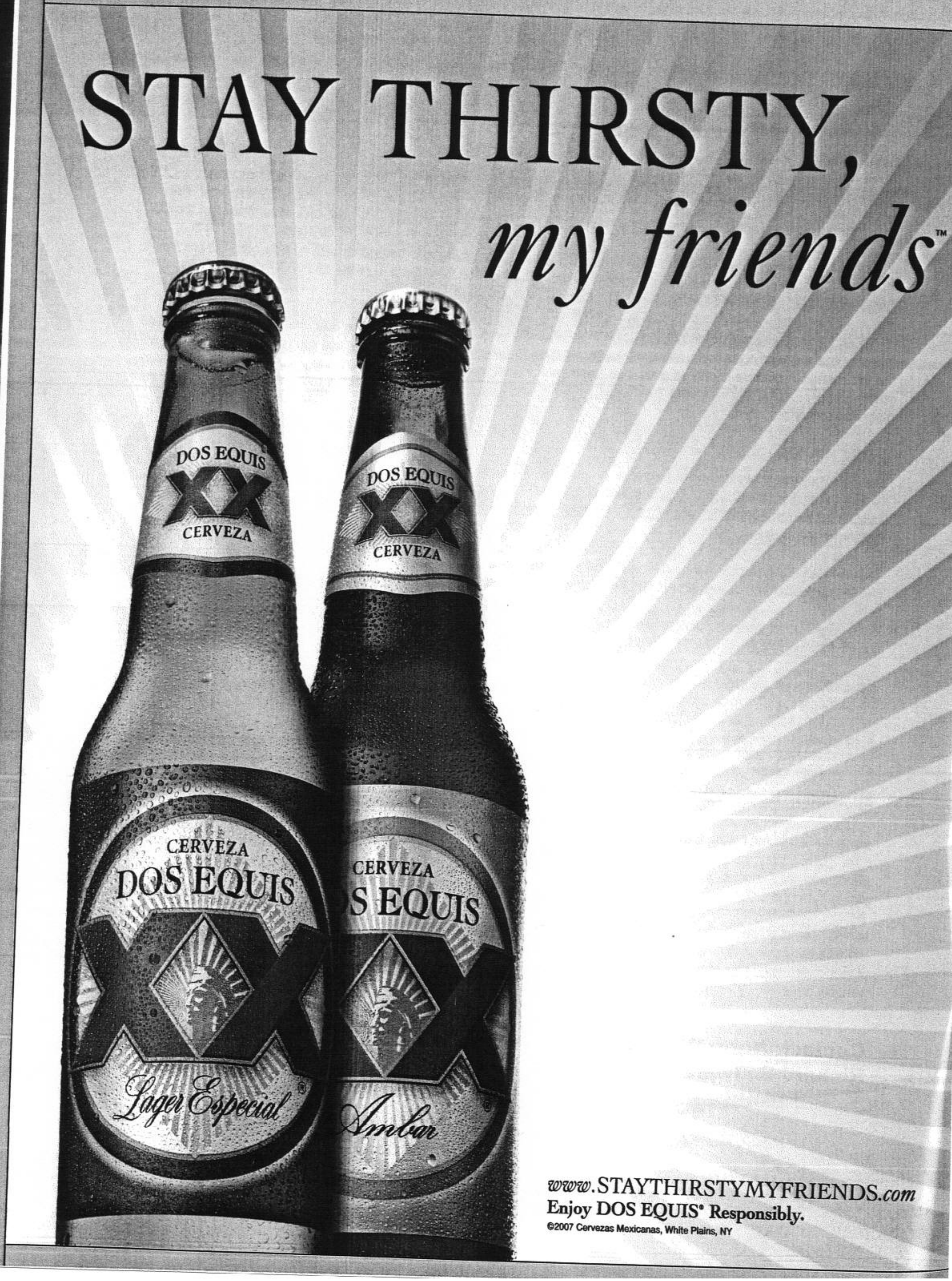
These allowances are great, so why worry? A recent letter form a Frito Sr. Acct. Manager to an FOA had this line, "franchisees will be losing the off-invoice allowances for Q1, if they continue to push forward on Select and delist Frito-Lay SKUs". Do you know what this will mean to your store? I do not know how you can get the real costs of many products. Some sizes of Select chips are selling while others come in with very short codes due to sitting unneeded in McLane warehouses.

BUSINESS TRANSFORMATION

Continues to be the hot topic and have a prediction. The test will be a huge success because many owners will be hesitant to be critical for fear of not getting another store or offending their Market Manager. In addition, the company will be extra sensitive to make quick adjustments to satisfy any objections. Then after the system is in place in all stores, and you have no other alternatives, they will start to make adjustments more to their desires, just like as to what has happened with CDC. Check with owners in Northern California as to how they like the "Flat Fees" they are now paying.

Another aspect relates to "Retailer Initiative". You know, having what your customers want when they want it. A new definition might be having what the Company wants you to have, period. Corp Store operations have never been able to match the sales of Franchise areas. One of the reasons is that Franchisees have been able to quickly react to requests by customers and new products presented by vendors. That will no longer be the case.

Contact: Norm Winslow (559) 251-0717 or
Richard Schwarz (562) 438-6832, richard@servisetc.com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Jeffery Teng

Education Assistance Award Recipients
Antar Chadha
Anum Panhwar
Jessica Teng
Kushal Bhatia
Marvi Panhwar
Ramin Foroughi
Robin Hipolito

Franchisee Employees Education Assistance Award Recipients
Manu Awal
Jhoenalyn Mendoza

Congratulations!!!

IN MEMORY OF

Aida Hipolito

Aida Cruz Hipolito was born on July 28, 1936 in the Philippines. After high school, she completed her studies for midwifery and nursing degrees and was a full pledged nurse working at St. Anne's Hospital in Del Pan Rizal.

Aida and Ruben were pen pals for eight years before they finally met. Seeing Ruben Hipolito's name in the pen pal column of the Philippine Free Press Newspaper on a fateful day in 1954, she wrote to him and they corresponded at least once a week. Ruben then joined the US Navy and after two months of being there, received a "Dear John" letter. She did not write afterwards, in spite of Ruben writing three times a month for year, even sending certified mail for three years. The reason for the "Dear John letter was that Aida believed that all sailors have a girl in every port and she just wasn't "any girl".

Always up to a challenge, Ruben enlisted the help of his sister who was studying at the same university as Aida. They soon became friends and Aida finally responded to Ruben's letters, corresponding with each other until they finally met in 1961. Ruben kept going to the Philippines every chance he had and they married in 1962.

Ruben's orders transferred him to New York and Rhida was born. As Ruben moved from one military installation to another, Aida and the children joined him. While Ruben worked at the Navy yards, Aida found employment in hospitals. Their first stop after New York was Beeville, Texas, where their son, Eddie was born. From there, they moved to Long Beach, CA where they lived in Naval Housing Units until Ruben was assigned to Japan. While Ruben was in Japan, Aida decided to buy a house to surprise him when he came back. All her salary went to the credit union and she and the children lived on Ruben's income. To augment the family income, she worked two jobs.

In 1966, Aida began working at Harbor-UCLA Medical Center in Pediatrics and received her endearing nickname of "Hippy". In spite of working full time and raising her children, she also became a Nurse Practitioner in OB GYN and volunteered at South Bay Public Health. Upon receiving her MICN (Mobile Intensive Care Nurse) certification, she rode with paramedics and responded to emergency calls, providing the necessary emergency care while patients were en route to the hospital. Aida became the Emergency Department Charge Nurse and retired in 2002. She dedicated 36 years of service to Harbor-UCLA Medical Center and has helped save countless lives and developed many cherished friendships.

Just shy of her retirement, Aida was diagnosed with breast cancer in 2002. She endured chemotherapy, a mastectomy and found a new fashion trend with wigs. Aida's strong convictions in her faith, fighting spirit, love of family and life helped her beat the cancer and in 2004, she officially became a breast cancer survivor.

Aida was also part of the Filipino community of her parish, Saint Margaret Mary Catholic Church. She was an active member of the Filipino Church Choir and served as Eucharistic Minister for many Masses. One year after being free from cancer, Aida served as president of the Saint Margaret Mary Filipino Community and continued to do so for three consecutive terms from 2005-2008 in which this group had thrived through numerous events for fundraising, praise, and religious celebrations.

After Ruben retired from the Navy in 1983, he and Aida become 7-11 franchisees and a whole new world opened up to them by way of their store on Del Amo Boulevard in Lakewood. They developed many lasting friendships with franchisees, vendors, employees, as well as their customers. The 7-11 culture was a welcome reprieve from the hospital for Aida, and she looked forward to the conventions, shows, etc. Aida enjoyed going to the store whenever she could, especially when she felt she had "hot" numbers for Lotto.

As a Navy wife, Aida was part of the Navy Wife Auxiliary Branch in Carson.

In spite of being so active, Aida was able to find the time to relax and she loved being happy. She loved to sing and dance and didn't need much coaxing to do both. Her love of music was instilled in her children and they all play musical instruments.

Aida also loved flowers, specially roses and orchids. She became an orchid enthusiast, and anyone visiting Ruben and Aida were always in awe of her orchid garden, numbering to almost 100 if not more. Aida was always willing to share her experience and knowledge of orchids and you could always find her at an orchid show, whether at the library or fairgrounds or nurseries.

Aida also had a passion for traveling and she after her children became adults, she traveled all over the world when she could. Her passion took her through Alaska, Hawaii, Mexico, Canada, Italy, France, Germany, Switzerland, Greece, Turkey, Morocco, Hong Kong, Singapore, and probably more countries that her family cannot recall.

Aida's life touched so many others and her family takes comfort in knowing that her legacy lives on in memories of so many friends, family and acquaintances. She will be greatly missed by Ruben, her husband of 47 years; children, Rhida Hipolito, Eddie Hipolito, Liza Roque, Lori Hipolito, Erika Hipolito; grandchildren Ruben Hipolito, Robin Hipolito, Roxanne Hipolito, Rocco Hipolito, Roman Hipolito, Rolan Hipolito, Ricco Hipolito, Riley Roque, Rowan Roque, Evan Hipolito.

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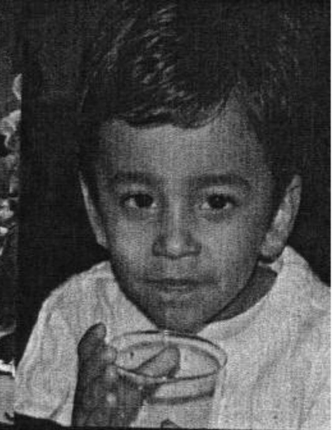
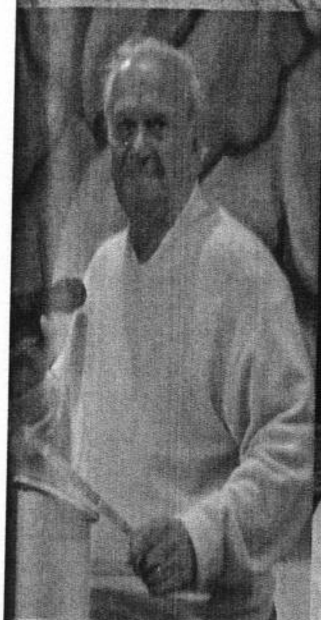
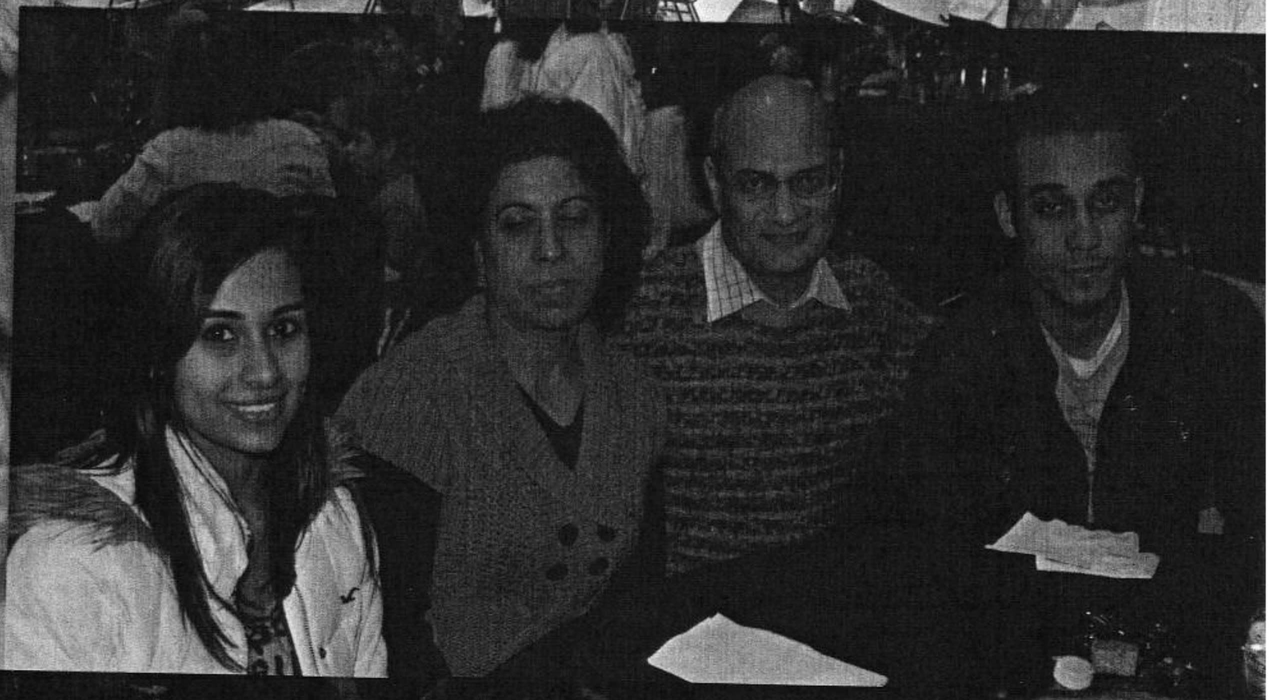

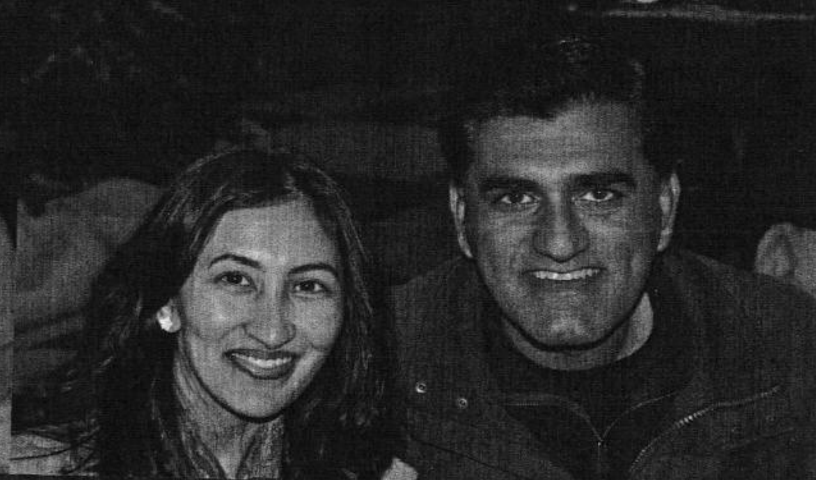

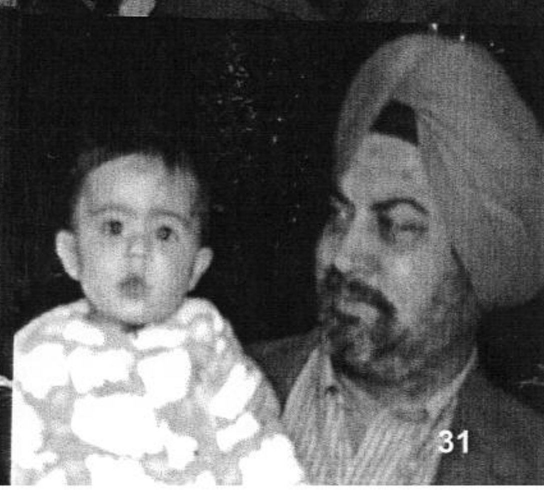

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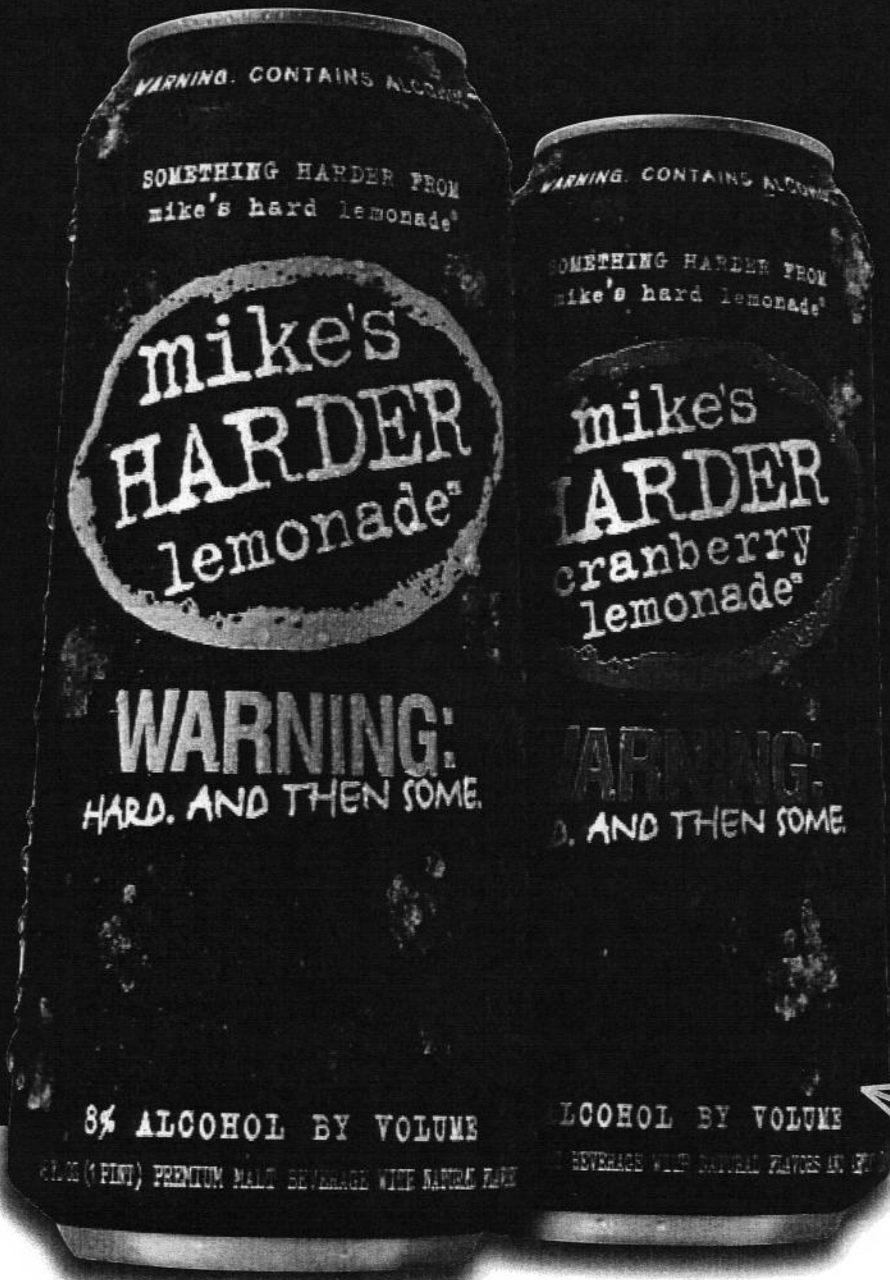

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mike's HARDER lemonade 16oz. Can

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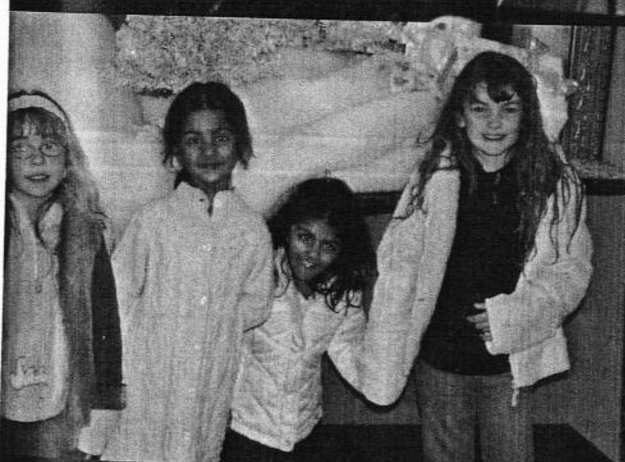


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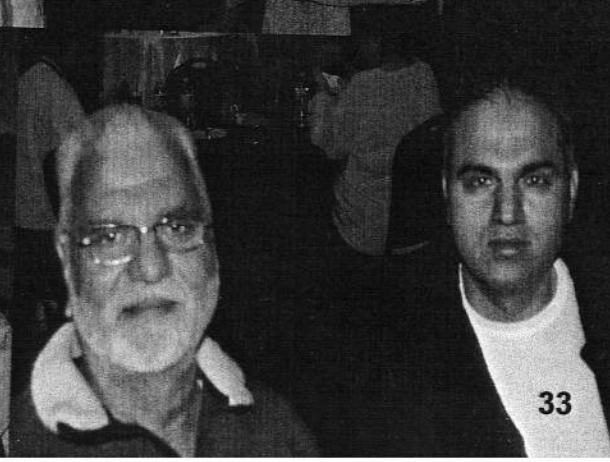


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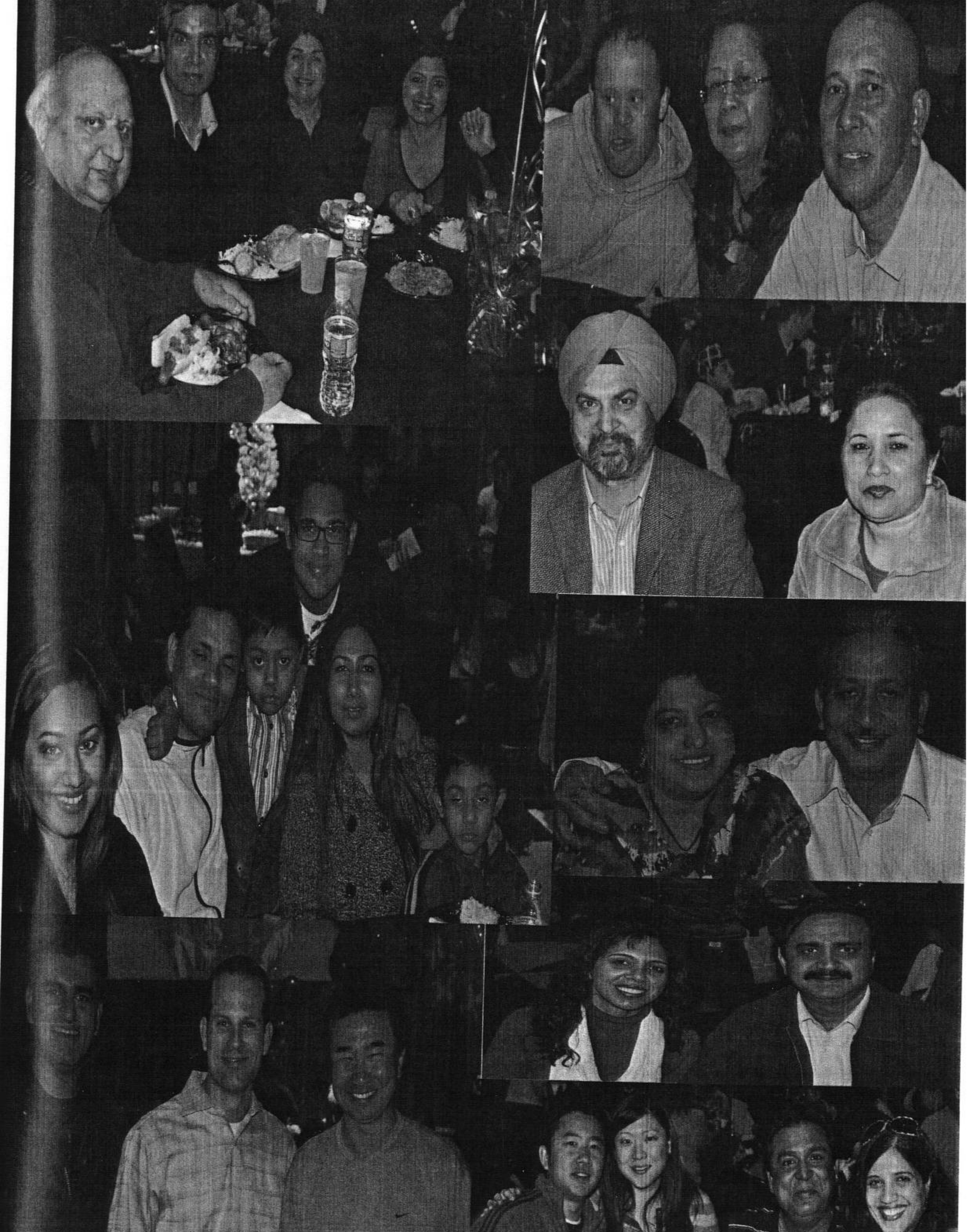

7-Eleven F.O.A.S.C.- MEMBERSHIP APPLICATION

The undersigned hereby applies for membership in the 7-Eleven Franchise Owners Association of Southern California, with the understanding that I/we am entitled to receive a copy of the By-laws upon receipt of the initiation fee, and upon acceptance into the Association as a full member. I/we further understand that I/we have a seventy-two (72) hour recession period (from the date below) in which to change my mind about joining this Association and will receive my initiation fee in full, if I/we exercise this right. The initiation fee to join the association is $100.00, with $15.00 monthly dues.

My check/money order for $100 payable to the Association as an initiation fee accompanies this application.

HOME INFORMATION

Name:______________________________

Spouse's Name:______________________________

Home Address:______________________________

City:______________________________ State:__________ Zip:__________

Home Phone #: (____)____________________ Cell Phone #: (____)____________________

E-mail Address:______________________________

STORE INFORMATION

Market Area:____________________ Store Number:____________________

Store Address:______________________________

City:______________________________ State:__________ Zip:__________

Store Phone #: (____)____________________ Fax #: (____)____________________

Date franchisee acquired store:______________________________

Date:________/__________/__________.

Franchisee(s) signature(s):______________________________

First Store - Accounting Authorization

Date:________/__________/__________.

Market Area:______________________________

Store Number:______________________________

I/We______________________________franchisee(s) of the 7-Eleven Store located

at______________________________

have joined the 7-Eleven Franchise Owners Association of Southern California and do hereby authorize 7-Eleven, Inc., DBA 7-Eleven Stores, to charge $100.00 initiation fee and $15.00 monthly dues to my open account #97. This authorization is to be effective until written notification by me/us to terminate this deduction. The check is to be made payable to:

7-Eleven Franchise Owners Association of Southern California
11145 Tampa Avenue, Suite 12B
Northridge, CA 91326

Franchisee(s) signature:______________________________

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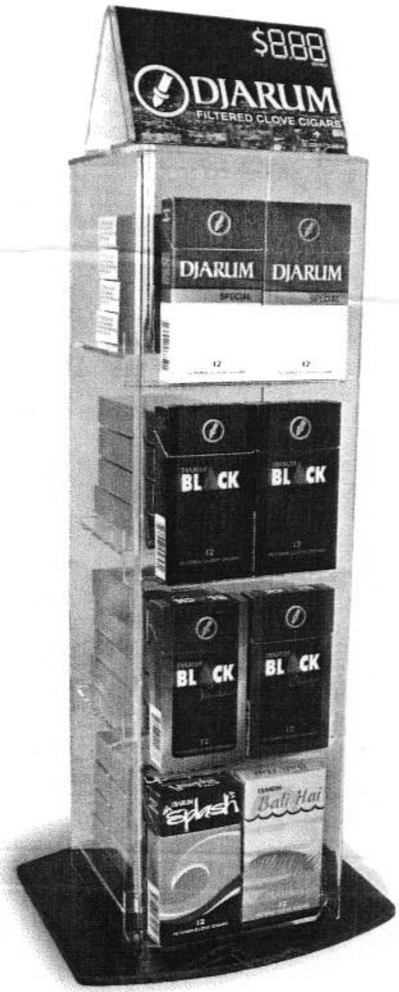

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