FOA Southern California

Perspective

FOURTH QUARTER 2010

Unity | Profit | Communication

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

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**Deceased*

7-ELEVEN FOA
Southern California

"The Largest Association in the USA"

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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.

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[1] CCE Margin Minder 2
[2] Retail Execution Advisement - Nielsen Store Audit - US Conv. Re
[3] CCNA B-Cubed Trac

Perspective Magazine
7-Eleven Franchise Owners
Association of Southern California

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May 19
Board of Directors Meeting
La Canada Flintridge Country Club

June 23
Board of Directors Meeting
TBA

July 17 - 21
National Coalition Annual Convention and Trade Show
Paris Hotel. Las Vegas, Nevada

August 8
25th Annual Joe Saraceno Invitational
La Canada Flintridge Country Club

7-Eleven FOA Southern California

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7-ELEVEN FOA Southern California

"The Largest Association in the USA"

New Year, New Issues

Last year was a challenge for all of us, and this year has brought more issues. The area of concern for all franchisees has been accounting, audits, and facilities. When the December 2010 financial came out, franchisees discovered that they were charged thousands of dollars for maintenance, which actually belonged to SEI. I want to thank Carol Flier, our controller for making the necessary corrections. In one case a new store opened with no lights for the parking lot. SEI brought portable lights. Later the franchisee was charged $2,800 on the financial as rental charge for the lights. It has been several months and the amount has still not been credited in to the franchisees account.

Accounting errors in the thousands of dollars are found due to invoices not being processed. SER-VIS-ETC., which has many franchisees as their clients and check their financials on a monthly basis for errors by accounting and have them corrected, has documented that through March of this year it was able to recover money for their clients to the tune of $259,727.

In some cases accounting error causes large overages for a store at audit. It was due to several invoices that are not processed. In one case a store that had a $35,000 overage due to Anheuser-Busch invoices that had not been charged for over two months. My concern is that we are now spending more time looking at our Merchandise reports and sending CHD's, and wait, wait, and wait. I would rather wait on my customer.

The new audit company has been a nightmare. Right from the beginning we discovered that the auditors had no experience and stores started having large overages and shortages. I approached the previous company and asked if they would, for a fee, check the tapes during the time of the audit and make sure that it was done correctly and correct the mistakes before it was submitted to accounting. The cumulative accuracy for stores that were audited from 7/20/10 to 11/29/10 had errors of $276,664.00 and average of $2,538.00 per store and were corrected before transmission to the accounting. SEI has now started a new audit method, called Scan Audit. We are not provided with a print out sheet for every 3 ft. section. The reason given is that the auditors have put in our ISP the retail of every item and the auditors don't have to know the retail of the item. As long you know that there were 539 units in a particular 3 ft. section, and if that matches with your count, it will be correct. My concern is that if one put in a wrong retail for the item, or if it was a custom retail item, then what? At the present time Scan Audits are conducted in Business Transformation stores only.

Maintenance has been discussed at the local level with local management and at the higher level in Dallas. I have been assured our National Chairman, Bruce Maples, that SEI is working on it and it will be fixed.

As you all know, 7-Eleven is making many organizational changes that will affect the way we do business today. I have full confidence in our DVP, Ena Williams, that she will make sure that all the changes will be seamless.

Karam Dhaliwal
President
kmd1948@yahoo.com

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Sources: *IRI DATA, Custom Convenience, last 52 weeks ending March 20, 2011

"The Metamorphosis of Servant Leadership"

By Jack W. Rugen, UFOLI Board Member, Editor-Soundwave

When I first heard the term *servant leadership* from Joe DePinto's lips, I instantly equated it to mean, SEI management serving the franchisee community. It has since taken on new meaning: franchisees serving the customer and, more importantly, serving SEI's senior management.

The franchise relationship is often compared to a marriage or a partnership. This parallel exists because the franchisor and the franchisee, to a greater or lesser degree, depend upon each other for their well-being and the relationship is a continuing one.

For a marriage to be successful, the parties must furnish more than receive. In my marriage to my wife of almost 44 years, we have both learned that sometimes one party gives more than the other and other times, the other gives more. It is not always a 50-50 relationship. Sometimes it's 70-30 on my side, other times it might be 60-40 on her part, but it must ***always*** be fair and impartial. When a marriage becomes completely weighted on one side, there is a tendency for disputes to increase in frequency and intensity, the further one moves away from the "honeymoon period", and divorce is imminent. Like the perfect marriage, the perfect franchise relationship is an ideal to strive for, but with the knowledge that it realistically cannot be achieved without the assurance that something somewhere equidistant of the middle or halfway is desirable for both parties.

There are many sources of disputes in a franchise relationship. The most fertile breeding ground is concept deficiencies and inadequate communication and change, voluntary or involuntary and reaction to it. Our franchisor needs to acknowledge that they cannot do wrong to their franchisees without suffering the impact of *that* wrong, somewhere in the relationship. Nourishing these types of actions will build a scenario that will make corporate incapable of cultivating their revenues by keeping us, their franchisees, deprived of a decent living.

There is no other time that presents a greater chance for misunderstandings and disputes than when things change in a franchise system...especially when the changes favor the franchisor. For new franchisors, change in the concept or system come more frequently than in more mature systems, because the franchisor is constantly learning and trying to implement what they've learned. For all types of franchisors, changes in the marketplace these days are a constant.

Change is inevitable; change is good; change costs; change too slowly and you are left behind; change too often and you confuse your customer and franchisees. When you want to change your business you can change whenever or whatever you want. When you want to change how your franchisees operate THEIR business that is a horse of a different color!

In the past, our franchisor has fostered and embraced an open and trusting relationship with us and avoided highly destructive trench mentality and the equally negative "them and us" approach to franchisee relations. Today, that trench mentality and "them and us approach" has dominated the discussion, proliferated, multiplied and produced offspring to a host of unconstructive and harmful agreement add-ons and deletions. And, instead of keeping the system healthy and free of disputes they refuse to involve their franchisees, in the decisions that are made for the franchisees as a

SERVANT LEADERSHIP CONT'D ON PAGE 19


Our 2/$2 is a Win-Win!
Retailers Profit. Shoppers Save.
• Nestlé Waters Regional Spring Water Brands 2/$2 1-Liter promotion grew unit sales 80% vs. previous year.*
• Regional Spring Water Brands 1-Liter sales averaged 14.1 units, per store, per day when promoted 2/$2 last year.*
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Ice Mountain 1-Liter SLIN# 0242214
Ozarka 1-Liter SLIN# 0240175
Poland Spring 1-Liter Deposit SLIN# 0242153
Poland Spring 1-Liter Non-Deposit SLIN# 0242286
Zephyrhills 1-Liter SLIN# 0241489
*Source: 7-Exchange 2010, Nielsen Total U.S. C-Store 2010

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Accounting Mishaps and How to Correct Them

By Torence Evans Ake
Independent Business Consultant, LLC
(Reprinted from Chicago FOA Newsletter)

During the first decade of this century, SEI set the industry standard for producing and maintaining accurate book inventories for their stores, which operate by the Total Retail Accounting Method.

The open account system proved to be a powerful tool to grow our business. Franchisees really enjoyed the benefits of this tried and true system and seemed to like how thousands of delivery invoices were processed effortlessly – almost to the point where store owners could become complacent because they were assured that the "Work To" number for audit purposes was "accurate" anytime they needed to count their property.

The open account system also provided ease over paying bills "C.O.D" (Cash On Delivery.) SEI's in-house accounting center supported the growth of our individual stores by divesting franchisees of the drudgery associated with bill processing, and allowing them to focus on providing excellent customer service and making sales.

The Problems Begin

Many of us will recall 2010 as the year that SEI took an interest in another shop whose business sense was not as strong, and whose franchisees would have benefited had they made their leadership agree to join our "family." Had they done so, SEI's "BT" (Business Transformation) would have resulted in greater prosperity for themselves, both financially and in measured happiness.

About the same time (in May 2010), SEI permitted this courting to interfere with how our stores conduct business.

Customers who chose to shop us saw less product on the shelves, fewer bargain displays, and more empty space particularly on the walls and at the checkout. In many stores, the equipment for the Hot Foods Program (with its $28,000 expense) was in place, but product was not available. More often than not, customers walking into our stores had to rely on our busy sales associates to alert them to special sales because P.O.P. came down and no replacement posters were offered.

For our store owner's, life became more difficult. And, not just because our national economy was troubled. Our accounting center had been moved to the east coast, and in the last half of the year the ability to post an accurate book inventory was lost in many stores; particularly here in the anchoring portion of our country.

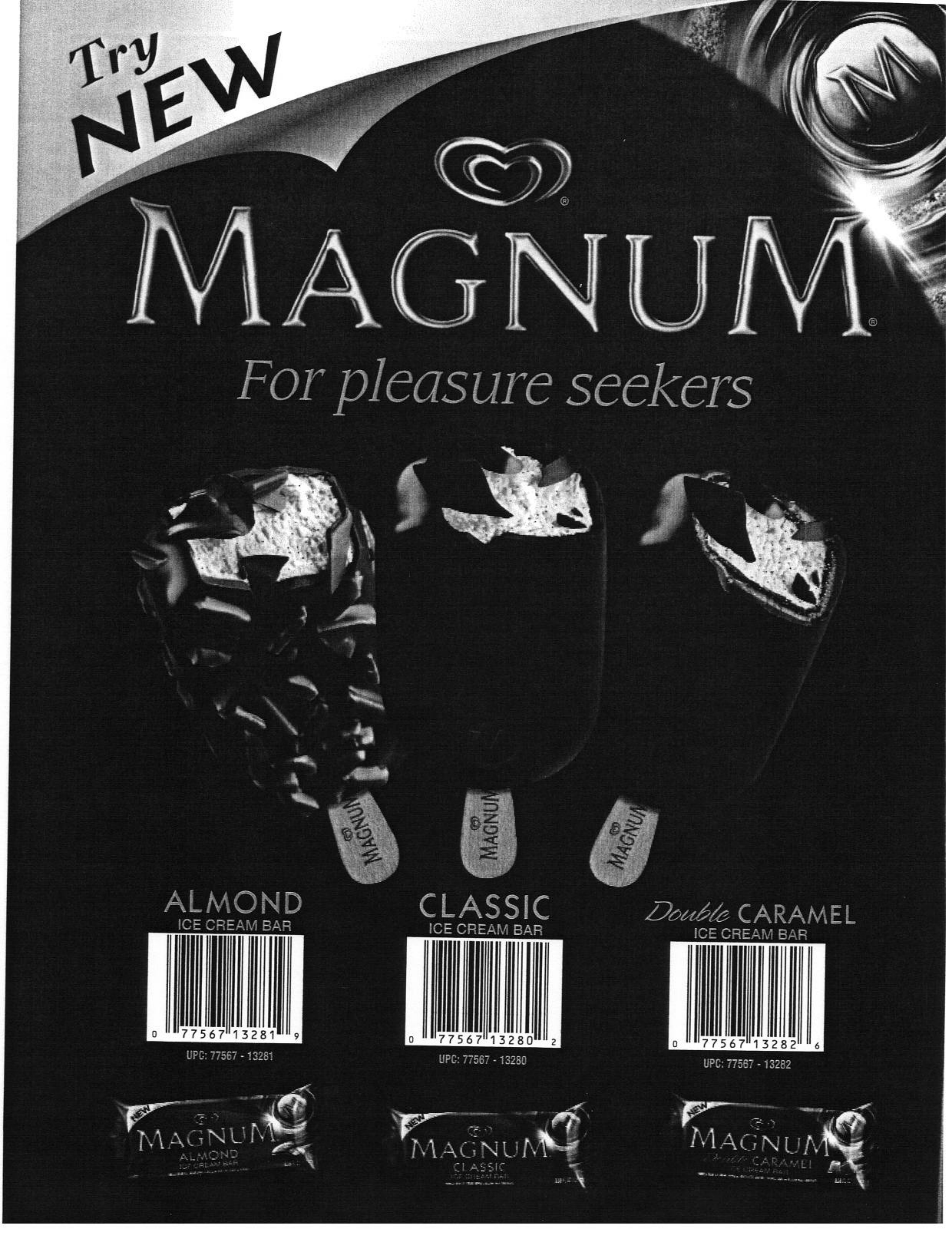
Indulging in some outrageous tinkering with our book inventories and lending untested service providers a free hand to access our open accounts was equal to e-blasting our personal debit card numbers and PINs to strangers! These actions by SEI simply made preventable loss happen.

A Case Study – Cigarettes

A perfect example took place last May when Chicago and Indiana markets sought to offer our customers a greater value when buying 2, 3 or 5 five packs of cigarettes. A great idea for stores whose margin could afford the deal!

However, the well intentioned market mangers and field consultants who were executing this promotion were not told how the discounts would work with our sales recording systems.

Accounting Mishaps Cont'd on Page 23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CLASSIC
NEW
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Double CARAMEL

NEW LAW:

SERIOUS VIOLATIONS TO IMPACT CALIFORNIA EMPLOYERS

The most important piece of occupational safety and health legislation in the past decade - AB 2774- and one of the most important since Cal/OSHA came into existence, <u>is now law.</u> Now, when the Division of Occupational
Safety and Health (DOSH) comes into the workplace to investigate a possible serious violation, (no injury necessary) it has a clear series of steps to establish a serious violation. If those steps are properly followed, major fines - like $25,000 imposed on employers, are far more than likely to stick - and to stick without reduction.

The new law defines **"serious physical harm"** as an injury or illness, specific or cumulative, occurring in the place of employment or in connection with any employment, which is the consequence of a condition, practice, means, method, operation or process that meets the following:

1) **Requires inpatient hospitalization for a period in excess of 24 hours for other than medical observation.**
2) **Causes an employee to suffer the loss of any member of the body.**
3) **Causes an employee to suffer any serious degree of permanent disfigurement.**
4) **Could reasonably lead to impairment of a part of the body by substantially reducing its efficiency on or off the job for more than 24 hours.**
5) **It goes on to specify that a single condition practice, means, method, operation or process can be properly classified as resulting in "serious physical harm."**

Starting now, if an employer has an injury in its workplace or even allegations of serious hazard, both DOSH and the Appeals Board have clearer rules to make their case. Those rules are designed to make it easier to establish that a violation was serious in the appeals process. And those rules also provide for defenses to those violations - a proper - **Injury & Illness Prevention Plan (IIPP).** 7-Eleven stores are provided an IIPP by the corporation; if you are unsure if it meets current standards, Cal/OSHA Consultation can help you. It cost nothing.

But there is something in the new law for employers. An employer will have the opportunity to avoid the hated black mark on its safety record, providing it can show it did all it could to prevent serious hazards. The law gives the employers the opportunity to talk with DOSH, to contest a serious citation, providing the proper processes are followed. ***<u>YOU SHOULD BE ALARMED IF YOU ONLY HAVE A PAPER SAFETY PROGRAM THAT DOESN'T HAVE ANY TEETH – in other words, make sure your employees have been trained on safety guidelines.</u>***

The core principle of the new law is that a hazard posing a risk of serious physical harm that is unacceptable by modern standards should be treated as a serious violation and penalized accordingly. Under previous rules, the division had the extremely difficult burden of showing that the hazard was 51% likely to cause a serious injury or death. This has now been eliminated.

(New Law Cont'd on Page 25)

Southern California

"The Largest Association in the USA"

TRADE SHOW CANDIDS

7-Eleven FOA Southern California
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TRADE SHOW CANDIDS

Rich Clove.
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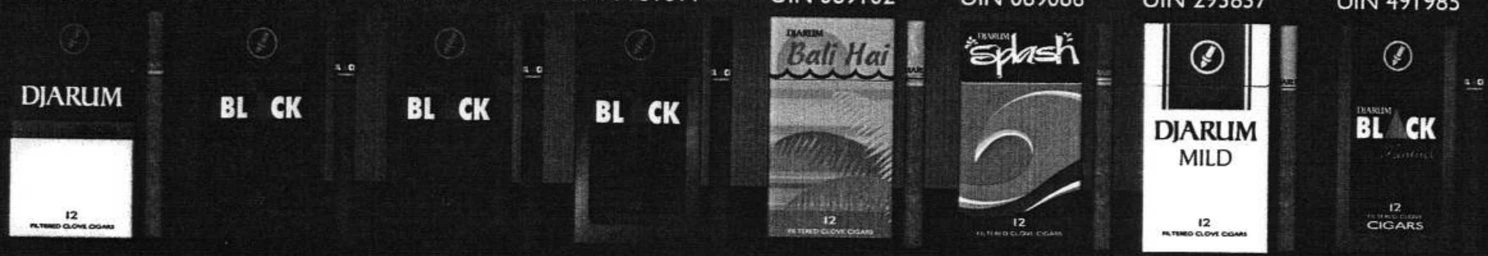

The distinctive taste and aroma of clove has an adult appeal all its own. There are now 8 Djarum cigar styles for smokers to choose from, each one different from the others.* An occasional clove moment for over a million adult clove cigar smokers adds up to a lot of sales.

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KRETEK INTERNATIONAL, INC.

*Djarum clove cigars meet the cigar content, weight, and wrapper standards of the U. S. Tobacco Tax and Trade Bureau.

SERVANT LEADERSHIP CONT'D FROM PAGE 9

whole. They could include us in areas such as new products and services, changes to administrative systems and, perhaps most importantly, advertising and promotion. Certainly, we will be less likely to have a problem with matters in which we have some input and the process of consultation will be another vehicle for eliciting useful feedback.

During this downturn in the economy, our franchisor may not be able to do a great deal to solve the economic ills of its franchisees, but we will, and should nonetheless, hold our franchisor responsible for the economic problems they perpetrate upon us. While misunderstandings will abound, there is no excuse for the selfish, gluttonous and ego-centric one-sidednéss of this relationship. To counteract this, our franchisor should offer increased assistance and advice and exhibit even greater than normal support and empathy for its franchisees and their problems.

Franchisees, want to realize a speedy return on their investment. But, first and foremost, according to a Campbell Communications Inc./Franchise Times survey, they want to make a lot of money. In that survey, the franchise agreement and the importance of making a comfortable living scored number 4; advertising fees scored 5th and national/regional and local ad budgets scored last. But, beware prospective 7-Eleven franchisees: when SEI mentions "advertising fees"...they're not submitting to media and/or print advertising… they're referring to point of purchase materials which are partially or entirely funded by the vendor community. Visit www.cyberfoa.com produced by John Irvine for a comprehensive look at where our advertising fees are going.

This is a particularly appropriate time to be examining this subject, given the fact that we are now just emerging from one of the most difficult recessions, one I like to call, *The Great Recession*, any of us has ever experienced. Such economic difficulties have first of all provided an unusually high volume of disputes between this franchisor and its franchisees. Back when the economy was roaring, it was easier to be weak in these matters and still survive. Profitability has a way of dampening franchisee discontent and business was so good it was easy to employ economic solutions.

But, when a franchisor deliberately reduces its franchisees' income, *that* in itself, can become a recipe for an otherwise successful business concept to disintegrate into a fire storm of extreme detestation and hatred.

In the June/July issue of Franchise Times, the author of an article titled "Food for Thought...What franchisees really want - besides making lot of money" began by stating that if franchisors want to attract new franchisees to their system, they may want to treat current franchisees, well." Did you hear that SEI? Unfortunately, SEI's not listening!

Knowing exactly what they were getting into was a popular refrain from surveyed franchisees. Their advice was to spend time with franchise owners to find out what it is like to operate in the system, day in and day out. One participant summed it up by saying, "the single most important factor is satisfaction by current franchisees."

According to a 2010 Canadian Franchise Association survey, the number of franchise disputes goes down dramatically, when the franchisees are making money! Serious problems and conflicts arise when the changes are for the advantage of the franchisor, not in reaction to some marketplace issue.

SERVANT LEADERSHIP CONT'D ON PAGE 21

While some changes produce such benefits for franchisors by increasing profits for franchisees as well, other changes increase profits at the expense of franchisees.

There are some similarities between the military strategies of *divide and conquer* and the corporate rule we are experiencing today as franchisees within a military business concept...the Japanese model. Basically, *divide and conquer* is a combination of political, military and economic strategies that aim to gain and maintain power by breaking up larger concentrations of power into chunks that individually have less power than the one implementing the strategy; essentially breaking those into smaller, more manageable powers or pieces in order to rule, securely, depriving alliances of one's enemies. It also includes methods with which to control the funds and resources of the small conquered parties. For example: a powerful leader may encourage a less powerful leader to make unwise financial decisions in order to drain the resources of the smaller. This is the case more often than not regarding "encroachment", which I see as an invasion on an existing goodwill sales territory. But, it is important to note that this form of the *divide and conquer* strategy is only effective if the smaller power allows itself to be influenced by the larger power, as in the case of the fairly-recent National Coalition leadership and the deletion of the PLC and the introduction of the new SEI leadership council...chosen by corporate...working for the one... as opposed to elected by the membership...working for the many.

Corporate is banking on growing franchise fee revenues by escalating the level of stress on franchisees in an effort to force them to sell. And, if the franchisee doesn't get out because of the stress, the addition of a 20 percent franchise fee at the end of the 2010 agreement 10-year term and the addition of new expenses in the form of credit card fee sharing, lower gas commissions and raising standards and rules to grow that revenue stream, will.

Joe DePinto is a graduate of West Point. Darren Rebelez is a military man. And, with the hiring of another West Point graduate, Jesus Delgado-Jenkins as senior vice president of merchandising and logistics, I believe the military strategizing will intensify, *divide and conquer* will become the staple of the new business concept and this franchise system will be broken. In the meantime, the seven tenets of Servant Leadership, will clearly be one-sided, especially "Teamwork" and corporate's directive of "being part of a larger team with a common purpose and supporting franchisees and helping them to succeed"... will just be a metaphor.

In closing, I believe Mr. DePinto sees us as his adversary, and as one franchisee put it so aptly: his *servant leadership* paradigm has certainly morphed into *servant dictatorship*. It is time for franchisees to protect this franchise system by protesting against this antagonistic business relationship in whatever manner they or their leaders see fit!

About the author: A franchisee for over 20 years and a UFOLI board member for 17 of those, holding various positions, Jack was a Customer Service Manager, Copywriter and Assistant Editor which makes him extremely qualified to be a 7-Eleven franchise owner and a writer/editor for his FOA newsletter, Soundwave.

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health for your
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Accounting Mishaps Cont'd from Page 13

Custom pricing the promo SLINs above SRP without adjusting the 4x Base Keys accordingly caused inventory shrink. Aside from the direct financial loss affecting a franchisee's net worth, many individual store owners stressed out and ended up looking at their staff and customers as potential thieves! Stores experiences shrink to the tune of anywhere from $5,000 and $8,000 due to false reporting mark downs on the MU and MD form. It was almost as if the plan was to increase assets on paper to better affect the purchase of our competitor, rather than a simple neglect of education and proper accounting oversight on the part of the field consultant.

Other retailers accounting by the Total Retail Method include a line on their P&Ls (our 48a) segregating out discounts from the margin line. This feature shows clearly to their store operators the affect of discount programs, and also effectively measures the profitability of company and regionally initiated promotions.

Contacting Vendors for Unpaid Invoices
Last month, we pointed out to FOAC members the usefulness of contacting vendors for unpaid 2010 invoices, particularly in stores where SEI took out an audit overage without documentary support. If your store experienced the opposite condition (shrink) and also "Customed-Up" a greater discount on 2, 3 or 5-pack cigarette purchases, then you too may have some recovery money that is due.

Getting Started
To verify the promo and base key set-up, sign on to your ISP. Go to Product Assortment, Custom Retail Pricing, and type "PREM" in the description box. You will see the cigarette discount and an accompanying 4x Base Key. If your field consultant "Customed-Up" the promo key without taking the same action for the 4x SLIN, then the higher discount shorted your inventory. The same steps can be taken to verify other potential trouble. Instead of "PREM," type "Promo" in the description box to find and verify promo and base set-up on other discount programs or print your custom retail price report to find other instances.

In many cases, this difficulty was already identified around December 1, 2010 and by the 9th, the direction was given to the same field consultants who caused the problem in the first place in order to correct the condition. An RIA should have been written to reset the book inventory. However, double trouble ensued when the follow-up work was left incomplete, and stores were permitted to post their fourth quarter inventory audit results without accounting for the outstanding corrections.

Errors Can Be Corrected
Our collective minds are boggled by the series of blunders found in this case. The errors would be comedic if so much financial ruin and hardship was not the result. SEI has in its pocket a 90-day verification limit policy to research and make right such errors. Should you find unadjusted custom Base SLINs in your store, be sure to submit your CHD case to customer service before the clock runs out. Keep in mind, however, that under the 90 day rule, 2010 is not yet over. Now is your best chance to review 2010, find over billings, and make your cases.

Of course, as always, I am available to assist with this or any other forensic accounting need. Simply call me and set-up your appointment; and, I will be eager to assist you in improving your store.

Torence Evans Ake can be reached via email at TorenceAke@aol.com or at 219-427-2037.

New Law Cont'd From Page 15

AB 2774 also addresses the concept that employers are not omnipotent or omniscient, and incidents sometimes occur that aren't an employer's fault. It establishes factors Cal/OSHA inspectors must consider before issuing a serious violation. Inspectors must consider the employer's training and safety communication programs, procedures for discovering and dealing with hazards, how it supervises exposed employees, the circumstances surrounding the incident and why the employer does not believe a serious violation exists.

Under California law, an employer may be issued a citation by DOSH for an alleged violation of the law which affects the safety or health of employees. Citations may be issued for the following reasons:

1. **"Regulatory violation"** cited when an employer fails to comply with record keeping, posting or permit requirements. They are looking for log 300 to be posted where employees can see it. The employer can be fined $7,000 for each violation up to a maximum of $70,000.

2.**"General violation"-** cited when an accident or occupational illness resulting from violation of a standard would probably not cause death or serious physical harm, but would have a direct or immediate relationship to the safety or health of employees. The employer can be fined $5,000 for each citation.

3.**"Serious violation"-** cited where there is substantial probability that death or "serious physical harm" could result from a condition which exists-or from practices, operations or processes at the workplace. The employer can be fined up to $25,000.

4. **"Willful violation"**-where evidence shows that the employer committed an intentional and knowing violation-as distinguished from inadvertent or accidental or ordinarily negligent- and the employer is conscious of the fact that what they are doing constitutes a violation, or is aware that a hazardous condition exists and no reasonable effort was made to eliminate the hazard. The employer can be fined up to $25,000 and in addition criminal penalties can be imposed.

5.**"Repeat violation"-** when a recurrence of the previously cited standard, regulation, order or condition is found within three years of the previous violation.

If DOSH decides to issue the serious citation, the employer can rebut the allegation by demonstrating that they took all of the steps a "reasonable and responsible" employer in similar circumstances would be expected to take. This dialogue between the inspector and employer is the most important part of the new process. Employers need to pay to review DOSH "work product". If an employer thinks a conclusion is incorrect, they need to challenge it immediately. Once a serious violation is issued, it is a permanent black mark on an employer's safety record. It's in the federal Integrated Management Information Service forever; it can't be removed.

Cal/OSHA will be inspecting more locations. Be prepared for the inspection. They will be looking to see how you encourage safety in the workplace. They will ask to see your OSHA log 300, your IIPP, evidence of safety education (monthly safety series), your loss prevention pamphlet, employment manual or some other store policy informing the employee of the consequences if unsafe acts are committed.

Again, OSHA is SERIOUS; you need to be SERIOUS.

AB 2774

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7-ELEVEN FOASC MEMBERSHIP BENEFITS

National Coalition: Free Membership

Activities:

- Quarterly Members Stated Meetings
- Monthly Board of Directors Meetings *(e-mail the office at foasc711@yahoo.com or Mr. Dhaliwal at kmd1948@yahoo.com if you would like to participate as an observer).*
- Trade Show
- Annual Golf Tournament *(Supports our Scholarship program)*
- Holiday Party

Scholarship Program: Open to Franchisees dependent children and grandchildren. One $8000.00 four year scholarship per year, Multiple $2000.00 Grants, and Multiple $500 Awards. Contact Scholarship Chairperson, Barry Gauthier at 714-637-0307 or call or e-mail the office.

Workers Compensation: The most competitive group rates in the state through John Barbot Services. Call 1-888-505-7110.

Accounting: Free Consulting Services by Ser.Vis.Etc. Contact Norm Winslow at 559-251-0717 or Richard Schwarz at 562-438-6832.

Credit Union: Free Membership to South Western Credit Union. Membership can save you thousands of dollars in auto financing fees as well as offering many additional benefits. Call 562-694-8296 and mention that you are a member of 7-Eleven Franchise Owners Association of Southern California.

Wage Hour Consultant: Human Resources program specializing in wage/ hour and labor issues through C.P.E. HR Corp. Call 800-850-7133 and ask for Thi Ha or Michael Holmes.

Communications: We will continue to be involved at all levels of communications with 7-Eleven Inc. We will continue to analyze and monitor programs, policies and important developments within our franchise system.

7-Eleven Ombuds Program: A confidential, neutral, informal resource established to help the franchisees and SEI raise and resolve issues without fear of retaliation and with the confidence that the issue will remain "off the record". Call 1-866-711-2221 from 8 a.m.- 6 p.m. Central Standard Time.

The Greatest Benefit: In the final analysis, the only justification for creating an association is to be of service to our members, consequently the greatest benefit may very well be to 'be there, when you need us'. Feel free to contact the association at foasc711@yahoo.com anytime, or contact any Director listed in *Perspective*.

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

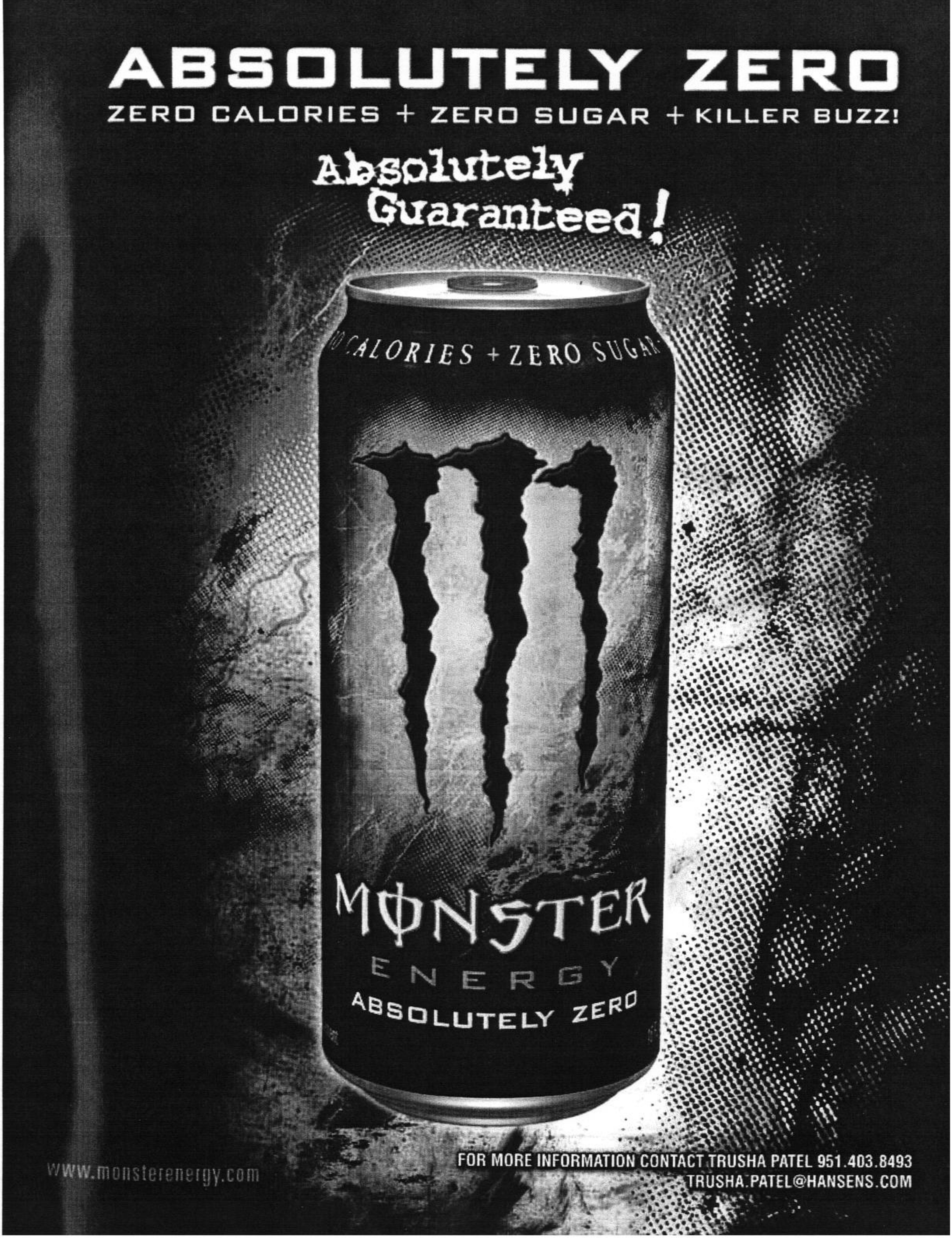
at________________________________

have joined the 7-Eleven Franchise Owners Association of Southern California and do hereby authorize 7-Eleven, Inc., DBA 7-Eleven Stores, to charge $15.00 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:________________________________

Store Stamp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