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Group of 9 franchisees hits Southland with \$1 billion suit

CHICAGO — A group of nine current and former franchisees of the Dallas-based Southland Corp., which operates 6,100-unit 7-Eleven convenience stores in the United States, have filed a class-action suit in U.S. District Court here, seeking \$1 billion in joint settlement for the company's 3,000 franchise operators.

The suit alleges that Southland cut back on advertising, substantially reduced capital expenditures and diverted royalty payments in violation of its agreements with franchisees in order to satisfy debt obliga-

tions stemming from its 1987 leveraged buyout.

Southland has denied the allegations and labeled the filing "preposterous and unfounded." The company said it has supported franchisees above and beyond contractual obligations since the 1987 LBO.

Meanwhile, the suit further alleges that Southland's subsequent closing of 1,400 of the more than 7,500 units that were operating before the LBO brought additional economic hardship on 7-Eleven franchisees, who now number approximately 3,000.

Southland countered that the unit closings occurred in areas where 7-Eleven's market strength and growth potential were weakest. The company added that 1,500 stores were updated through December 1993, with 1,000 more scheduled for 1994.

The suit names Southland Corp., two Japanese firms, Ito-Yokado, Ltd. and Seven-Eleven Japan Co., Ltd. which jointly own controlling interest in the group and seven current and former officers of the company.

The 7-Eleven franchisees are represented by Miami-based Zarco & Associates.