

\$10,950,000,000



## 7-Eleven, Inc.

\$1,500,000,000	Floating Rate Senior Notes due 2022
\$1,250,000,000	0.625% Senior Notes due 2023
\$2,250,000,000	0.800% Senior Notes due 2024
\$1,250,000,000	0.950% Senior Notes due 2026
\$1,000,000,000	1.300% Senior Notes due 2028
\$1,700,000,000	1.800% Senior Notes due 2031
\$750,000,000	2.500% Senior Notes due 2041
\$1,250,000,000	2.800% Senior Notes due 2051

This is an offering by 7-Eleven, Inc. ("7-Eleven") of floating rate senior notes due 2022 (the "Floating Rate Notes"), 0.625% senior notes due 2023 (the "2023 Notes"), 0.800% senior notes due 2024 (the "2024 Notes"), 0.950% senior notes due 2026 (the "2026 Notes"), 1.300% senior notes due 2028 (the "2028 Notes"), 1.800% senior notes due 2031 (the "2031 Notes"), 2.500% senior notes due 2041 (the "2041 Notes"), and 2.800% senior notes due 2051 (the "2051 Notes") and, together with the Floating Rate Notes, the 2023 Notes, the 2024 Notes, the 2026 Notes, the 2028 Notes, the 2031 Notes and the 2041 Notes, the "notes"). We refer to the 2023 Notes, the 2024 Notes, the 2026 Notes, the 2028 Notes, the 2031 Notes, the 2041 Notes and the 2051 Notes as the "Fixed Rate Notes." The Floating Rate Notes will bear interest at a rate per annum equal to LIBOR (as defined herein) for the applicable interest period plus 0.450% (45 basis points). The 2023 Notes will bear interest at a rate per annum of 0.625%. The 2024 Notes will bear interest at a rate per annum of 0.800%. The 2026 Notes will bear interest at a rate per annum of 0.950%. The 2028 Notes will bear interest at a rate per annum of 1.300%. The 2031 Notes will bear interest at a rate per annum of 1.800%. The 2041 Notes will bear interest at a rate per annum of 2.500%. The 2051 Notes will bear interest at a rate per annum of 2.800%. Interest on the Fixed Rate Notes will be paid semi-annually in arrears on February 10 and August 10 of each year, beginning on August 10, 2021. Interest on the Floating Rate Notes will be paid quarterly on February 10, May 10, August 10 and November 10 of each year, beginning on May 10, 2021. The Floating Rate Notes will mature on August 10, 2022. The 2023 Notes will mature on February 10, 2023. The 2024 Notes will mature on February 10, 2024. The 2026 Notes will mature on February 10, 2026. The 2028 Notes will mature on February 10, 2028. The 2031 Notes will mature on February 10, 2031. The 2041 Notes will mature on February 10, 2041. The 2051 Notes will mature on February 10, 2051.

On August 2, 2020, we entered into a purchase and sale agreement (as amended, the "Purchase Agreement"), with Marathon Petroleum Corporation, a Delaware corporation ("MPC"), and certain of MPC's subsidiaries set forth therein (collectively, the "Sellers"). Upon the terms and subject to the conditions set forth in the Purchase Agreement, 7-Eleven will acquire the assets and liabilities constituting MPC's convenience store business, including the sale of transportation fuel and the operation of convenience stores (the "Speedway Business") from MPC (the "Acquisition"). The net proceeds from the offering of the notes, together with borrowings under the Delayed Draw Term Loan Facilities and the Equity Contribution (each as defined herein), will be used to finance the Acquisition and to pay fees and expenses incurred in connection with the Acquisition, the Delayed Draw Term Loan Facilities, the Revolving Credit Facility (as defined herein) and the other transactions contemplated in connection therewith. This offering is not contingent on the consummation of the Acquisition. See "Use of Proceeds."

If we do not complete the Acquisition on or before the Outside Date (as defined herein) (or such later date to which the Outside Date is extended pursuant to the terms of the Purchase Agreement or by agreement between 7-Eleven and MPC) (the "special redemption deadline"), or if, prior to the special redemption deadline, the Purchase Agreement is terminated, we must redeem all of the outstanding notes at a special redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest from, and including, the date of initial issuance (or the most recent interest payment date to which interest has been paid, whichever is later) to, but excluding, the special redemption date. We refer to such redemption as a "Special Redemption." There is no escrow account for or security interest in the proceeds of this offering for the benefit of holders of the notes. See "Description of Notes—Special Mandatory Redemption of the Notes."

We may redeem the notes, at any time in whole or from time to time in part, at the redemption prices described in this offering circular. If a change of control triggering event as described in this offering circular occurs with respect to the notes, unless we have defeased the notes as described in the indenture governing the notes or we have exercised our option to redeem the notes, we will be required to offer to repurchase the notes at a repurchase price equal to 101% of the principal amount of such notes, plus accrued and unpaid interest to, but excluding, the date of repurchase.

The notes will be unsecured, unsubordinated debt obligations of 7-Eleven and will rank equally in right of payment with all other unsecured and unsubordinated indebtedness of 7-Eleven from time to time outstanding. The notes will be structurally subordinated in right of payment to all existing and future indebtedness, liabilities and other obligations of 7-Eleven's subsidiaries. The notes will be effectively subordinated in right of payment to all future secured indebtedness of 7-Eleven to the extent of the value of the assets securing such indebtedness. The notes will not be listed on any securities exchange. We do not intend to file an exchange offer registration statement with respect to the notes.

**Neither Seven & i Holdings Co., Ltd., 7-Eleven's ultimate parent, nor any of 7-Eleven's operating subsidiaries has any implied or express obligations under the notes. Moreover, neither Seven & i Holdings Co., Ltd., nor any of 7-Eleven's operating subsidiaries, has guaranteed any obligation of 7-Eleven under the notes. Because the notes are not guaranteed by Seven & i Holdings Co., Ltd. or any of 7-Eleven's operating subsidiaries, you will be required to look only to 7-Eleven to satisfy obligations under the notes.**

**Investing in the notes involves risks. Please read the "Risk Factors" section beginning on page 41 of this offering circular.**

Offering Price per Floating Rate Note:	100.000%
Offering Price per 2023 Note:	99.917%
Offering Price per 2024 Note:	99.917%
Offering Price per 2026 Note:	99.762%
Offering Price per 2028 Note:	99.687%
Offering Price per 2031 Note:	99.945%
Offering Price per 2041 Note:	98.911%
Offering Price per 2051 Note:	99.617%

plus accrued interest, if any, from February 10, 2021

**Neither the Securities and Exchange Commission (the "SEC") nor any state or other securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense.**

We expect that delivery of the notes will be made to investors in book-entry form through the facilities of The Depository Trust Company for the account of its participants, including Clearstream Banking, S.A. and Euroclear Bank, S.A./N.V., on or about February 10, 2021.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes. The notes have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. 7-Eleven is offering the notes only to persons reasonably believed to be "qualified institutional buyers" as defined in and pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain information about eligible offerees and restrictions on transfers of the notes, see "Transfer Restrictions" and "Plan of Distribution." The notes will not be entitled to any registration rights, and 7-Eleven will not be required to complete a registered exchange offer or shelf registration or prospectus with respect to the notes.

Joint Book-Running Managers

**Credit Suisse**  
**BofA Securities**  
**Mizuho Securities**  
**Scotiabank**

**Citigroup**  
**MUFG**  
Co-Manager  
**US Bancorp**

**SMBC Nikko**  
**J.P. Morgan**  
**Nomura**  
**Wells Fargo Securities**

The date of this confidential offering circular is January 27, 2021

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### NOTICE TO INVESTORS

We and the initial purchasers have not authorized anyone to provide any information other than that contained or incorporated by reference in this document or to which we or the initial purchasers have referred you. We and the initial purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This document may only be used where it is legal to sell these securities. The information contained in or incorporated by reference into this offering circular may only be accurate as of the date of this offering circular.

The initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes which, if commenced, may be discontinued. Specifically, the initial purchasers may over-allot in connection with the offering described herein and may bid for and purchase notes in the open market. For a description of these activities, see “Plan of Distribution.”

This offering circular is highly confidential and has been prepared solely for use in connection with the offering of the notes. Its use for any other purpose is not authorized. This offering circular is personal to the offeree to whom it has been delivered by the initial purchasers and does not constitute an offer to any other person or to the public generally. Distribution of this offering circular to any person other than the offeree and any person retained to advise such offeree is unauthorized and any disclosure of the contents of this offering

circular without our prior written consent is prohibited. By accepting delivery of this offering circular, you agree to the foregoing and to make no photocopies of this offering circular or any documents referred to herein. If you do not purchase any notes or any of the offerings described herein are terminated for any reason, you must return this offering circular and all documents referred to herein to: Credit Suisse Securities (USA) LLC, Eleven Madison Avenue, New York, New York 10010-3629, Attention: High Yield Debt Capital Markets; or SMBC Nikko Securities America, Inc., 277 Park Avenue, New York, New York 10172, Attention: Debt Capital Markets.

Upon receiving this offering circular, you acknowledge that (1) you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein, (2) you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with any investigation of the accuracy of such information or your investment decision and (3) we have not authorized any person to deliver any information different from that contained in this offering circular. The offering is being made on the basis of this offering circular. Any decision to purchase the notes in the offering must be based on the information contained in this document. In making an investment decision, investors must rely on their own examination of us, as applicable, and the terms of the offerings, including the merits and risks involved.

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We reserve the right to withdraw the offering described herein at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to you less than the full amount of notes subscribed for by you.

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This offering circular does not constitute an offer to sell or a solicitation of an offer to buy the notes to any person in any jurisdiction where it is unlawful to make such offer or solicitation. You are not to construe the contents of this offering circular as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the notes. The Issuer is not, and the initial purchasers are not, making any representation to you regarding the legality of an investment in the notes by you under appropriate legal investment or similar laws.

**None of the notes have been registered with, recommended by or approved by the SEC or any other federal or state securities commission or regulatory authority, nor has the SEC or any state securities commission or regulatory authority passed upon the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense.**

This offering of notes is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements set forth in this offering circular under the caption "Transfer Restrictions." The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or an exemption from registration. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

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The distribution of this offering circular and the offers and the sales of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering circular or any of the notes comes must inform themselves about, and observe, any such restrictions. See "Plan of Distribution."

## AVAILABLE INFORMATION

Upon completion of the offering of the notes, we will not be subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”). Under the terms of the indenture that will govern the notes, we have agreed that for so long as any of the notes remain outstanding, we will furnish to the trustee and holders of the notes the information specified therein. However, the indenture will not require us to file any periodic reports under the Exchange Act or other information with the SEC. See “Description of Notes—Certain Covenants—Reports.”

In addition, we also have agreed to make available to any holder or beneficial owner of the notes or any prospective purchaser of the notes designated by a holder or beneficial owner of the notes, in connection with any sale of the notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

This offering circular contains summaries of certain agreements that we have entered into or will enter into in connection with the Transactions (as defined herein) such as the indenture, the Purchase Agreement, the Fuel Supply Agreement, the TSA, the August 2020 Term Loan Facility, the October 2020 Term Loan Facility and the Revolving Credit Facility (each as defined herein). The descriptions contained in this offering circular of these agreements do not purport to be complete and are subject to, and qualified in their entirety by reference to, the definitive agreements. Additionally, the representations, warranties and covenants made in these agreements were made solely for the purposes of such agreement and as of specific dates and were qualified and subject to important limitations agreed by the parties thereto in connection with negotiating the terms of such agreements. In particular, in your review of the representations and warranties contained in these agreements and described in this offering circular, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to such agreements may have the right not to consummate such transactions if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the agreements, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to this offering circular and in some cases may have been qualified by the matters contained in supplemental disclosure letters by the parties thereto. Copies of the definitive agreements will be made available without charge to you in response to a written or oral request to us. Any such request may be made to us at the following address and telephone number:

7-Eleven, Inc.  
3200 Hackberry Road  
Irving, Texas 75063  
Attn: General Counsel  
Email: legal@7-11.com  
Tel. 972-828-7011

## NO SEC REVIEW

The information included in this offering circular does not conform to information that would be required if this offering was made pursuant to a registration statement filed with the SEC. This offering circular, as well as any other documents in connection with this offering, will not be reviewed by the SEC. There are no registration rights associated with the notes, and we have no intention to offer notes in a transaction registered under the Securities Act in exchange for the notes or to file a registration statement with respect to the notes. The indenture governing the notes will not be qualified under the Trust Indenture Act of 1939, as amended (the “*TIA*”), or subject to the terms of, or incorporate any provision of, the TIA. We will provide the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act upon request.

## BASIS OF PRESENTATION

This offering circular includes historical financial statements and certain financial data of each of 7-Eleven and the Speedway Business. The historical financial data as of December 31, 2019 and 2018 and for each of the years in the three-year period ended December 31, 2019 has been derived from the audited financial statements and the notes thereto of each of 7-Eleven and the Speedway Business, as applicable, which have been included elsewhere in this offering circular. The unaudited historical financial data as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019 has been derived from the unaudited, interim financial statements and the notes thereto of each of 7-Eleven and the Speedway Business, as applicable, which also have been included elsewhere in this offering circular. The unaudited historical financial data for the twelve months ended September 30, 2020 for each of 7-Eleven and the Speedway Business has been derived by adding the financial data from each of the audited financial statements of each of 7-Eleven and the Speedway Business, as applicable, for the year ended December 31, 2019 to the financial data from the unaudited financial statements of each of 7-Eleven and the Speedway Business, as applicable, for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited financial statements of each of 7-Eleven and the Speedway Business, as applicable, for the nine months ended September 30, 2019. The unaudited financial statements of each of 7-Eleven and the Speedway Business have been prepared on the same basis as the audited financial statements of each of 7-Eleven and the Speedway Business, respectively, and, in the opinion of 7-Eleven's management and the Speedway Business's management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this data. 7-Eleven's and the Speedway Business's historical operating results are not necessarily indicative of the results that may be expected for any future period. Prior to the consummation of the Acquisition, the Speedway Business consists of assets and liabilities that constitute MPC's convenience store business, including the sale of transportation fuel and the operation of convenience stores. As a result, the historical combined financial statements of the Speedway Business do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as a separate, stand-alone company during the periods presented. Actual costs that may have been incurred if the Speedway Business had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure.

The unaudited pro forma condensed combined balance sheet data of the Company (as defined herein) has been prepared to give pro forma effect to the Transactions, in the manner described under "Unaudited Pro Forma Condensed Combined Financial Data," as if they had occurred on September 30, 2020. The unaudited pro forma condensed combined statement of earnings data of the Company has been prepared to give pro forma effect to the Transactions, in the manner described under "Unaudited Pro Forma Condensed Combined Financial Data," as if they had occurred on January 1, 2019. The unaudited pro forma condensed combined financial data has been derived from, and should be read in conjunction with, the historical audited annual and unaudited interim financial statements, including the notes thereto, of each of 7-Eleven and the Speedway Business, which have been included elsewhere in this offering circular. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable. Further, the pro forma adjustments are based upon items that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the unaudited pro forma condensed combined statement of earnings data, expected to have a continuing impact on the operating results of the combined company. The unaudited pro forma condensed combined financial data is illustrative and for informational purposes only and does not purport to represent what the combined results of operations or financial position actually would have been if the Transactions had occurred on the dates indicated, and such data does not purport to project the Company's results of operations for any period.

This offering circular also includes certain unaudited adjusted combined statements of earnings data of the Company for the twelve months ended September 30, 2020, which has been prepared by (i) combining (a) 7-Eleven's unaudited historical consolidated financial data for the twelve months ended September 30, 2020, derived by adding the financial data from the audited consolidated financial statements of 7-Eleven for the year

ended December 31, 2019 to the financial data from the unaudited consolidated financial statements of 7-Eleven for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited consolidated financial statements of 7-Eleven for the nine months ended September 30, 2019, and (b) the Speedway Business's unaudited historical combined financial data for the twelve months ended September 30, 2020, derived by adding the financial data from the audited combined financial statements of the Speedway Business for the year ended December 31, 2019 to the financial data from the unaudited combined financial statements of the Speedway Business for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited combined financial statements of the Speedway Business for the nine months ended September 30, 2019, and (ii) making certain adjustments in the manner described under "Summary—Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data" to give effect to the Transactions as if they had occurred on October 1, 2019. The unaudited adjusted combined statements of earnings data has not been prepared in compliance with Regulation S-X under the Securities Act. As a result, the adjusted combined statements of earnings data for the twelve months ended September 30, 2020 is not prepared on the same basis as, and therefore is not comparable to, the pro forma combined statement of earnings data for the year ended December 31, 2019 and the nine months ended September 30, 2020 included elsewhere in this offering circular. Generally accepted accounting principles in the United States ("**GAAP**") does not allow for combination of financial data as set forth herein, and such financial data does not reflect the adjustments that are reflected in the unaudited pro forma condensed combined financial data included herein. As a result, such combined financial data is subject to important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. However, we believe the combined results provide information that is useful in evaluating our financial performance. The unaudited adjusted combined statements of earnings data is presented for informational purposes only and is not indicative of the results of operations that would have actually occurred had the Transactions been completed as of any prior date, nor is it indicative of our future operating results.

SEJ, an indirect parent of 7-Eleven, independently operates 7-Eleven stores in Japan, and those stores are not reflected in the operating, financial and other information except when we expressly state otherwise.

### **USE OF NON-GAAP FINANCIAL INFORMATION**

In this offering circular, we have provided (i) Adjusted EBIT and Adjusted EBITDA for the Company (a) on a pro forma basis for the nine months ended September 30, 2020 and the year ended December 31, 2019 and (b) on an adjusted combined basis for the twelve months ended September 30, 2020, (ii) free cash flow for the Company on an adjusted combined basis as of and for the twelve months ended September 30, 2020, (iii) net debt (a) for 7-Eleven on a historical basis as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017 and (b) for the Company on a pro forma and an adjusted combined basis as of September 30, 2020 and (iv) EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA for each of 7-Eleven and Speedway on a historical basis for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017 (collectively, along with the unaudited adjusted combined statements of earnings data discussed above, the "**Non-GAAP Measures**"). We believe these Non-GAAP Measures provide investors in our notes with additional information to measure our performance and evaluate our ability to service our indebtedness. We believe that the presentation of Non-GAAP Measures is appropriate to provide additional information to investors about certain material non-cash items and about unusual items that we do not expect to continue at the same level in the future as well as other items. Further, we believe the Non-GAAP Measures provide a meaningful measure of operating profitability and liquidity because we use them for evaluating our business performance and liquidity and understanding certain significant items.

The Non-GAAP Measures are not presentations made in accordance with GAAP, and our use of these terms may vary from others in our industry. Additionally, the definition of certain of these Non-GAAP Measures may vary depending on whether such Non-GAAP Measures are presented on a pro forma basis, an adjusted combined basis or a historical basis. These Non-GAAP Measures should not be considered as alternatives to operating

income, cash flow from operations or any other performance or liquidity measures derived in accordance with GAAP as measures of operating performance or cash flows as measures of liquidity. Each of these Non-GAAP Measures has important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Some of these limitations are:

- such measures do not reflect our cash expenditures, or future requirements, for capital expenditures;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- such measures do not reflect the significant interest expense, or the cash requirements necessary to service interest payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, we rely primarily on our GAAP results and use these Non-GAAP Measures only supplementally. For more information on the use of Non-GAAP Measures, including definitions of these Non-GAAP Measures and a reconciliation of Non-GAAP Measures to the most comparable GAAP measure, see “Summary—Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data”, “Summary—Summary Historical Consolidated Financial Data of 7-Eleven” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven—Reconciliation of Non-GAAP Financial Measures.”

## **MARKET AND INDUSTRY DATA**

This offering circular includes industry data that we obtained from various third party sources, including the National Association of Convenience Stores (“NACS”), the United States (“U.S.”) Census Bureau, Convenience Store News Fuels 50 report, Energy Analysts International, Inc., periodic industry publications, and industry reports produced by consultants and trade associations. This offering circular also includes certain management estimates with respect to our market position and market share within the markets in which we compete, which have been based on information obtained from third party trade and business organizations and other contacts. The third party sources relied upon in the preparation of this offering circular generally include a statement that the information contained therein has been obtained from sources believed to be reliable, and we believe the management estimates included in this offering circular are accurate in all material respects as of the date of this offering circular. However, the industry and market data and management estimates included herein are subject to change and cannot always be verified with certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Neither we nor the initial purchasers have independently verified any of the data from third-party sources nor have we or the initial purchasers ascertained the underlying economic assumptions relied upon therein. As a result, you should be aware that industry, market and other similar data set forth herein, and estimates and beliefs based on such data, may not be reliable and are subject to change based on various factors, including those discussed under “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements.”

## TRADEMARKS

This offering circular contains references to trademarks and service marks of 7-Eleven and the Speedway Business. In the case of 7-Eleven, these trademarks and service marks include, among others, 7-Eleven®, Slurpee®, Big Gulp®, Big Bite®, 7Rewards®, 7-Select™ and 7NOW™ as well as many other trade names, marks, and slogans relating to other foods, beverages, and services. In the case of the Speedway Business, these include, among others, trademarks or trade names associated with the names Speedway®, Speedy Rewards®, Speedy Café®, Speedy Choice® and Speedway Express®. Solely for convenience, trademarks, service marks and trade names referred to in this offering circular may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering circular includes certain statements that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Any statement in this offering circular that is not a statement of historical fact may be deemed to be a forward-looking statement. We often use these types of statements when discussing our strategies, goals, targets, initiatives, plans, anticipation of revenues from designated markets, and statements regarding the development of our businesses, the markets for our services and products, our anticipated capital expenditures, operations, support systems, costs, planned store openings, and other statements contained in this offering circular regarding matters that are not historical facts. When used in this offering circular, the words “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” “forecast,” “may,” “will,” “should,” “outlook,” “predict,” “project,” “potential,” “continue,” or other similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. There can be no assurance that: (i) we have correctly measured or identified all of the factors affecting us or the extent of their likely impact; (ii) the publicly available information with respect to these factors on which our analysis is based is complete or accurate; (iii) our analysis is correct; or (iv) our strategy, which is based in part on our analysis, will be successful.

These forward-looking statements are based on our current plans and expectations and involve a number of risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results, events, performance or achievements to differ materially from the results, events, performance or achievements anticipated or implied by such forward-looking statements. Such factors include, among others, the following:

- the expected financial benefits from the Transactions may not be realized, including if we are unable to integrate the Speedway Business in an efficient and effective manner, or if we incur additional and unforeseen costs related to the integration of the businesses that are not currently anticipated;
- our operating results after the Acquisition may materially differ from the unaudited pro forma financial information and the unaudited adjusted combined financial information presented throughout this offering circular;
- the obligations and liabilities of the Speedway Business, some of which may be unanticipated or unknown, may be greater than anticipated;
- business uncertainties of the Company after the Acquisition;
- our inability to receive all third-party consents or regulatory approvals that arise in connection with the Acquisition or satisfy other conditions necessary to consummate the Acquisition;
- the negotiation of a consent order with the staff of the U.S. Federal Trade Commission (the “FTC”) that is approved by a majority of the FTC Commissioners in connection with the Divestitures (as defined herein);



- the potential impairment of our goodwill or our long-lived assets if our fair value declines or our estimated future cash flows decrease;
- the Company may be required to take write-downs or write-offs, restructuring and impairment or other charges subsequent to the Acquisition;
- any amendments to the Purchase Agreement may be adverse to holders of the notes;
- the incurrence of substantial indebtedness to finance the Acquisition;
- competitive pressures from other convenience stores, fuel retailers and a variety of other retailers;
- risks relating to the novel coronavirus (“*COVID-19*”) pandemic;
- future tobacco legislation, regulations, and national and local campaigns to discourage smoking in the U.S. and increased taxes on tobacco products;
- changes in economic conditions generally, consumer preferences and in the markets we serve;
- disruptions in our distribution network;
- our ability to access external financing necessary to fund our growth and meet competitive challenges;
- the expected phase out of LIBOR, which could impact the interest rates paid on our variable rate indebtedness and cause our interest expense to increase;
- our ability to increase or maintain profitability in our merchandise and fuel operations;
- our ability to maintain our merchandise gross profit margin levels or retail fuel gross profit margins;
- legal, technological, political and scientific developments pertaining to climate change and fuel efficiency, including improved fuel technology and the proliferation of alternative-fuel vehicles, which could decrease demand for, and increase the cost of, transportation fuel;
- the potential of higher vehicle efficiency standards for cars and light trucks to reduce demand for the transportation fuels we sell;
- our ability to develop and implement a successful digital strategy to compete in the new on-demand economy;
- unfavorable weather conditions;
- our ability to comply with federal, state, local, provincial and foreign laws and regulations including those related to environmental, health and safety matters and the sale of alcohol, cigarettes and other regulated products, and liabilities arising thereunder;
- a disruption in our transportation fuel supply or unexpected change in our transportation fuel supplier relationships;
- a disruption in the TSA or a change in our relationship with MPC;
- our inability to maintain existing stores in current locations or to identify, acquire, and integrate new stores as part of our growth strategy;
- our inability to attract, retain and grow an effective management team or changes in the cost, or availability of, a suitable workforce to manage and support our operating strategies;
- the occurrence of natural disasters and other business continuity hazards;
- our failure to maintain secure and reliable information systems to conduct our business;
- litigation and publicity concerning food quality, health, and other related issues;

- our failure to protect the integrity and security of customer, employee and franchisee information;
- volatility in the global prices of oil and petroleum products and general economic conditions as well as seasonal variations in transportation fuel and merchandise demand;
- historic or current operations of our business that could subject us to significant legal liability or restrict our ability to operate;
- our acquisition strategy, including integration risks relating to recent historical acquisitions and integration risks relating to future acquisitions that are in addition to those associated with the Acquisition;
- uninsured liabilities arising from operating hazards, cybersecurity breaches or other incidents involving our assets or operations;
- changes in credit card fees;
- compliance with tax laws;
- changes to wage regulations or the inability to meet staffing needs;
- our failure to comply with various applicable federal and state employment and labor laws and regulations;
- our inability to adequately obtain, maintain, protect and enforce our trademarks or other intellectual property rights;
- risks relating to our franchise business model;
- risks relating to our international area licensees;
- our inability to successfully manage our inventory balances;
- product liability, product recall or other product safety or labeling claims;
- other factors referenced under the caption “Risk Factors” in this offering circular; and
- other unforeseen matters.

The foregoing list of factors that could affect future performance and the accuracy of forward-looking statements are not exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty. The forward-looking statements included in this offering circular are based on, and include, our estimates as of the date hereof. We anticipate that subsequent events and market developments will cause our estimates to change. We do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

## SUMMARY

*The following summary highlights certain information contained elsewhere in this offering circular and is qualified in its entirety by the more detailed information and historical financial statements included elsewhere herein. Because this is a summary, it is not complete and may not contain all of the information that may be important to you in making a decision to invest in the notes. Before making an investment decision, you should carefully read the entire offering circular, including the information presented under “Risk Factors,” “Unaudited Pro Forma Condensed Combined Financial Data” and the historical financial statements and related notes included elsewhere in this offering circular.*

*Unless otherwise indicated or the context otherwise requires, references in this offering circular to the “Company,” the “combined business,” “we,” “our,” “us,” and other similar terms refer to 7-Eleven, Inc. and each of its consolidated subsidiaries after giving effect to the Acquisition (as described below). Unless otherwise indicated or the context otherwise requires, references in this offering circular to (i) the “Issuer” refers to 7-Eleven, Inc. and not to any of its subsidiaries, (ii) “7-Eleven” or “SEI” refer to 7-Eleven, Inc. and each of its consolidated subsidiaries before giving effect to the Acquisition and (iii) “Speedway” or the “Speedway Business” refer to the business and operations of the Speedway transportation fuels and convenience store businesses of Marathon Petroleum Corporation, a Delaware corporation (excluding MPC’s direct-dealer retail locations), primarily operated under the Speedway brand, that will be transferred to 7-Eleven in connection with the Acquisition. Unless otherwise indicated or the context otherwise requires, references to “pro forma” information gives pro forma effect to the Transactions described under “—the Transactions” in the manner described under “Unaudited Pro Forma Condensed Combined Financial Data,” as if they had occurred (i) on September 30, 2020 for purposes of the unaudited pro forma condensed combined balance sheet of the Company, and (ii) on January 1, 2019 for purposes of each of the unaudited pro forma condensed combined statement of earnings of the Company for the fiscal year ended December 31, 2019 and the nine months ended September 30, 2020. Unless otherwise indicated or the context otherwise requires, references to “unaudited adjusted combined” information reflects certain adjustments in the manner described under “Summary—Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data” to give effect to the Transactions as if they had occurred on October 1, 2019 for the purpose of the unaudited adjusted combined statements of earnings data of the Company for the twelve months ended September 30, 2020.*

### 7-Eleven

#### **Overview**

From 7-Eleven’s humble beginnings in 1927, selling milk and bread from an ice dock in Oak Cliff, Texas, 7-Eleven has grown into one of the most recognized and respected brands in the world. 7-Eleven is the largest international convenience store brand with approximately 71,700 locations across 17 countries as of September 30, 2020 (including approximately 21,000 stores that Seven-Eleven Japan Co., Ltd (“**SEJ**”) independently operated in Japan, which are not included in 7-Eleven’s results of operations for any periods presented). 7-Eleven is the largest convenience store operator in the U.S. with 9,259 franchisee-operated or company-operated locations as of September 30, 2020. 7-Eleven’s convenience stores are known for their proprietary offerings, including fresh foods, dispensed beverages and private brands, which represented over 24% of 7-Eleven’s U.S. same-store merchandise sales for the year ended December 31, 2019. For more information relating to U.S. same-store merchandise sales, see footnote 1 under “—Summary Historical Consolidated Financial Data of 7-Eleven.” 7-Eleven’s loyalty program, 7Rewards, has 39.5 million registered members, and 7-Eleven’s last mile delivery service, 7NOW, has a network of approximately 1,850 stores in North America as of September 30, 2020.

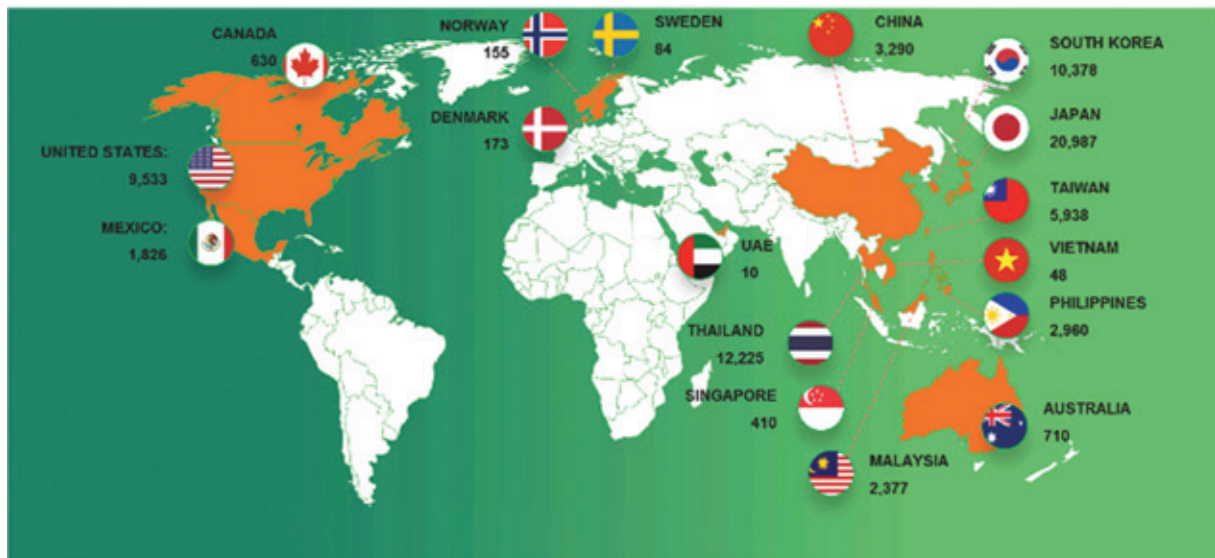
On August 2, 2020, 7-Eleven entered into the Purchase Agreement with MPC and certain of its subsidiaries to acquire the Speedway Business. For more information, see “—The Transactions—The Acquisition.”

7-Eleven operates as a wholly-owned, indirect subsidiary of Seven & i Holdings Co., Ltd., a company incorporated under the laws of Japan (“*Seven & i*”), which is a publicly-traded company on the Tokyo Stock Exchange, trading under the symbol “3382.T.” Neither Seven & i nor any of 7-Eleven’s operating subsidiaries has any implied or express obligations under the notes. Moreover, neither Seven & i nor any of 7-Eleven’s operating subsidiaries has guaranteed any obligation of 7-Eleven under the notes.

For the twelve months ended September 30, 2020, 7-Eleven’s net sales, net earnings and Adjusted EBITDA were \$18,759.9 million, \$745.5 million and \$1,796.2 million, respectively.

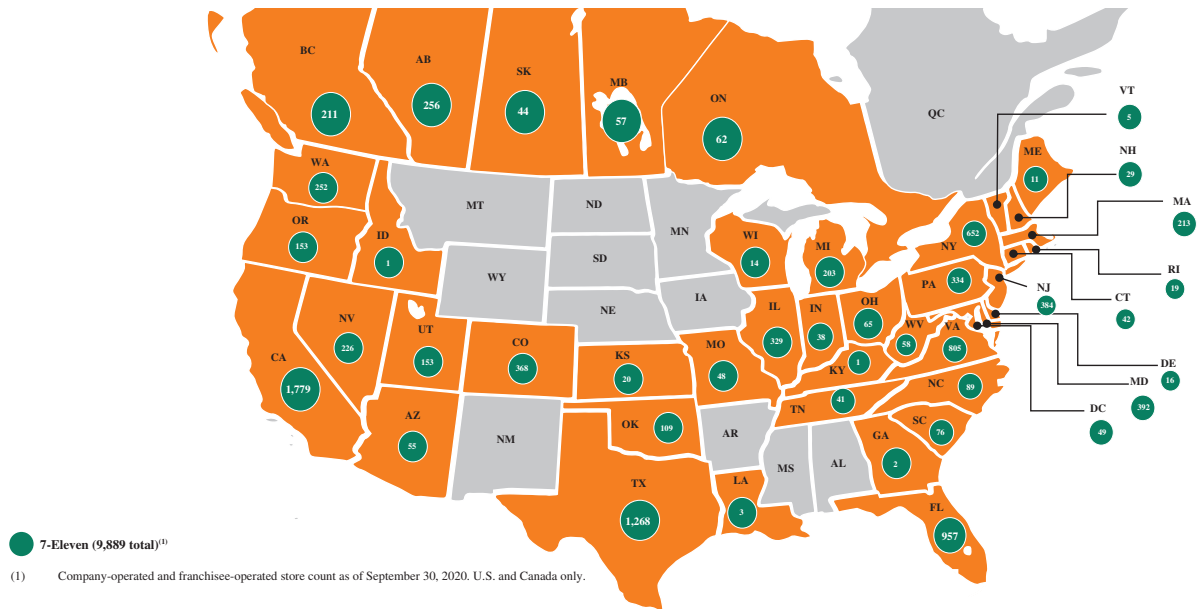
### *7-Eleven’s Stores*

7-Eleven is the largest convenience store brand in the world. As of September 30, 2020, there were approximately 71,700 locations operated under the 7-Eleven brand in 17 countries (including approximately 21,000 stores that SEJ independently operated in Japan, which are not included in 7-Eleven’s results of operations for any periods presented). As of September 30, 2020, 7-Eleven operated, franchised, or licensed approximately 50,750 stores worldwide.

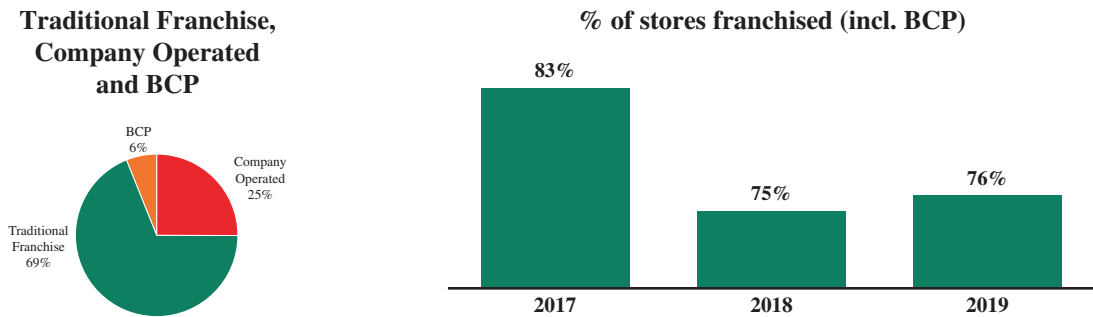


Nearly all of 7-Eleven’s stores in the U.S. and Canada provide 24-hour convenience, seven days a week. For the nine months ended September 30, 2020, 7-Eleven’s company-operated and franchisee-operated stores served an average of 7.4 million daily in-store customers. 7-Eleven’s stores generally range in size from 2,400 to 3,000 square feet and on average carry around 2,300 items. 7-Eleven’s company-operated and franchised locations are in strategically located markets in the U.S. and Canada.

Leading retail convenience store footprint in U.S. / Canada with 9,889 company-operated and franchised locations



As of September 30, 2020, 7-Eleven’s store base consisted of 2,476 company-operated stores, 7,413 franchisee-operated stores (which includes Business Conversion Program (“BCP”) stores) and 40,858 licensee-operated stores pursuant to domestic and international area licenses. The following charts provide (i) the distribution between company-operated and franchisee-operated stores (including BCP stores) as of September 30, 2020 and (ii) the percentage of company-operated and franchisee-operated stores (including BCP stores) that were franchised-operated as of December 31, 2017, 2018 and 2019:

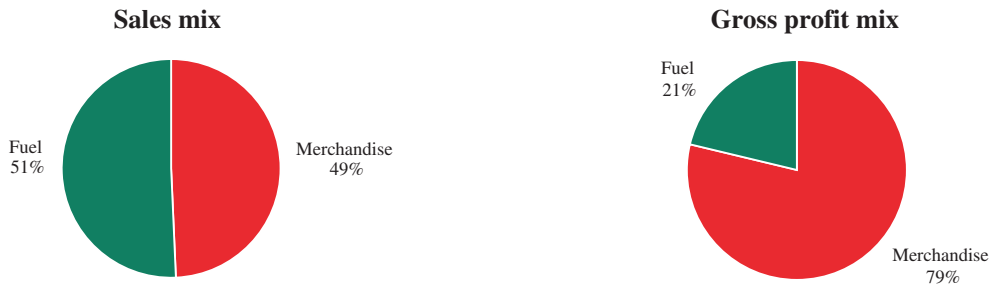


As of September 30, 2020 and December 31, 2019, 75% and 76% of 7-Eleven’s U.S. and Canadian stores were operated by franchisees, respectively. None of 7-Eleven’s Canadian stores were operated by franchisees as of those dates. 7-Eleven’s sales team seeks to identify talented franchise prospects from diverse backgrounds with the aptitude and entrepreneurial spirit necessary to be successful. 7-Eleven believes the franchising business models it employs help 7-Eleven attract quality franchisees who provide 7-Eleven’s customers with innovative and locally-relevant product selections, while also driving growth and profitability for 7-Eleven. 7-Eleven shares in both merchandise gross profit and certain store operating expenses rather than receiving a royalty on sales. In order to support 7-Eleven’s growth and access the wide array of site opportunities in the convenience store industry with substantially less capital investment, 7-Eleven also offers BCP franchise arrangements where the real estate is owned or leased by the franchisee rather than by 7-Eleven.

7-Eleven supports international and domestic area licensees that have been 7-Eleven’s long-term business partners. Area licenses generally grant our licensees the right to operate, and in some cases sublicense, 7-Eleven stores in a geographic region in exchange for an initial area license fee and monthly royalty fees. As of September 30, 2020, 7-Eleven’s international licensees operated stores in East and Southeast Asia, Latin America, Australia, Scandinavia, and the Middle East. With the exception of 7-Eleven’s area licensee in Mexico, which is a joint venture in which 7-Eleven owns a 49% equity interest, 7-Eleven’s agreements with these partners call for a royalty fee that is based on a percentage of sales. As part of 7-Eleven’s effort to grow the 7-Eleven brand internationally, SE China (as defined herein) recently signed regional franchise agreements with third parties to operate 7-Eleven stores in Hunan and Henan provinces. The first store in Hunan opened in May 2020, and the first Henan store opened in October 2020. In 2019, 7-Eleven also signed a master franchise agreement with a third party to operate 7-Eleven stores in India, marking 7-Eleven’s entry into the South Asia region. In addition, 7-Eleven recently entered into master franchise agreements that will facilitate the development and operation of stores in Cambodia and Laos. The first stores in India, Cambodia and Laos are expected to open in 2021 and 2022.

***7-Eleven’s Product and Service Offerings***

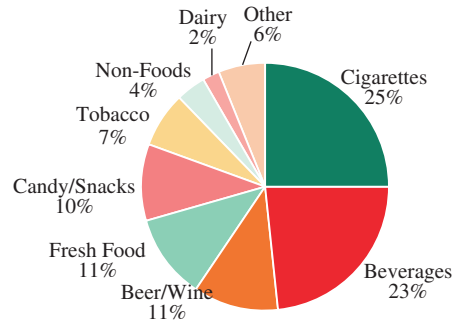
7-Eleven conducts its business through two lines of business, retail (merchandising and fuel) and wholesale (fuel). The retail line of business operates, franchises, and licenses convenience stores that sell fresh foods, snacks, beverages, merchandise, transportation fuel, and a variety of services, primarily under the 7-Eleven name. The wholesale line of business, which consists of 7-Eleven’s fuel supply and wholesale fuels businesses, purchases fuel from a number of refiners and suppliers and supplies it to 7-Eleven’s retail stores, to dealer sites and consignment sites under both short and long-term supply agreements, and to other third parties. The following chart provides (i) the percentage of fuel sales and merchandise sales of 7-Eleven stores (including franchisee-operated stores) and (ii) the percentage of fuel gross profit and merchandise gross profit of 7-Eleven stores (including franchisee-operated stores), each for the year ended December 31, 2019.



***Retail Merchandising Operations***

7-Eleven’s stores carry a broad array of products, which 7-Eleven’s merchandising team selects based on customer demand, sales potential, and profitability. At the same time, franchisees and store managers supplement this product assortment with items intended to appeal to local preferences.

### Merchandise mix

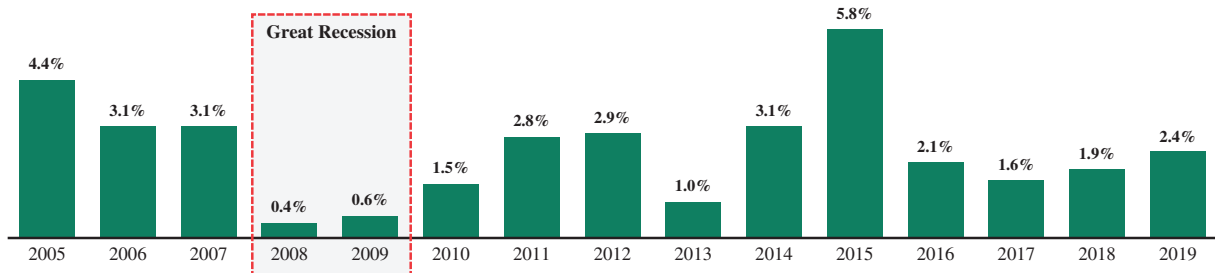


To differentiate its product assortment from its competitors, 7-Eleven has developed a variety of proprietary branded products sold exclusively in 7-Eleven stores, including iconic brands such as Slurpee semi-frozen carbonated beverages, Big Gulp fountain beverages, and Big Bite hot dogs. 7-Eleven also has differentiated its packaged foods and non-foods assortment through private brand products, the majority of which are sold under the 7-Select brand. Recently, 7-Eleven made additions to its chef-inspired, locally-made meals, such as sliders, tacos, tamales, and freshly made breakfast sandwiches, including pastries and cookies baked fresh in the store. These meals are a fast, high quality option for customers on the go.

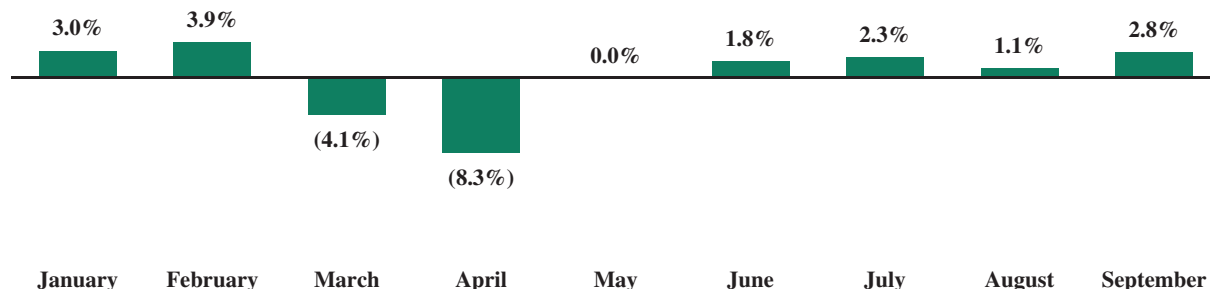
In addition to a variety of products, 7-Eleven’s stores offer several convenience-oriented services to its customers. 7-Eleven has one of the largest ATM networks among North American retailers, with more than 9,600 ATMs in the U.S. and Canada. 7-Eleven is working with a variety of other business partners to develop and expand new and innovative services in its stores. Recent examples include Amazon delivery lockers in select stores and partnering with PayNearMe to provide convenient online shopping and bill payment services to under-banked customers.

7-Eleven’s retail merchandising strategy has been successful in continuing to drive traffic and productivity in its store base, as demonstrated by positive U.S. same-store merchandise sales achieved in each of the past 15 years. 7-Eleven has achieved this positive growth despite macro-economic downturns including the Great Recession in 2008 and 2009 and during the COVID-19 pandemic, which 7-Eleven believes demonstrates a resilient track record. 7-Eleven experienced customer traffic declines in U.S. same-store merchandise sales in March and April 2020 due to the COVID-19 pandemic, but trends have improved steadily since April 2020.

### Same-Store Merchandise Sales



### 2020 Monthly Same-Store Merchandise Sales



#### *Retail and Wholesale Fuel Operations*

As of September 30, 2020 and December 31, 2019, 7-Eleven operated nearly 4,700 and 4,500, respectively, retail sites in the U.S. and Canada that sell transportation fuels. 7-Eleven manages and sets fuel prices through a centralized pricing process. 7-Eleven’s strategy is to optimize fuel gross profit through the proper balance of volume and gross margin per gallon at each site. As of September 30, 2020 and December 31, 2019, approximately 45% and 43%, respectively, of 7-Eleven’s retail fuel sites sold 7-Eleven branded fuel while the remaining sites sold major oil company branded fuels such as Sunoco, Exxon, Mobil, Valero, Conoco, and Esso, among others.

Both the long-standing transportation fuel operations and 7-Eleven’s fuel supply and wholesale operations are owned by 7-Eleven and its wholly-owned subsidiary, SEI Fuel Services, Inc. (“*SEI Fuels*”). Through 7-Eleven’s fuel supply operation, it purchases a significant portion of its fuel supply directly from major integrated oil companies and independent refining and marketing companies. These direct relationships allow 7-Eleven to bring value to the 7-Eleven system through a mix of large volume (“*bulk*”) and single truckload (“*rack*”) purchases across the enterprise depending on market conditions and opportunities, resulting in lower fuel procurement costs and higher fuel gross profit. The fuel supply operation also serves as a platform to supply both branded and unbranded fuel to independent non-7-Eleven convenience store operators (“*dealer sites*”) and to sell fuel on a consignment basis at sites operated by independent commission marketers (“*consignment sites*”) via 7-Eleven’s wholesale fuels business. As of September 30, 2020, this business served over 1,300 such sites with both branded and unbranded fuels. While these independent locations are not branded 7-Eleven, SEI Fuels is responsible for supplying these accounts.

#### *7-Eleven’s Competitive Strengths*

7-Eleven’s goal is to redefine convenience for the customer by bringing together the quality, value, and neighborhood experience of its brick and mortar stores with the speed and convenience of its digital and e-commerce platforms. To that end, 7-Eleven’s business is well-positioned to capitalize on three key priorities that continue to impact its customers: (i) customers are seeking health and safety; (ii) customers are looking for value; and (iii) customers continue to seek convenience. As 7-Eleven’s customers live in uncertain times in this new environment, they are buying more online, receiving products differently, eating and drinking differently, and demanding and discerning more than ever before. In the highly competitive convenience store industry, 7-Eleven believes that it gains a competitive advantage from, among other factors:

**1. 7-Eleven’s globally-recognized brand displayed at approximately 71,700 locations worldwide**

The name “7-Eleven” originated in 1946 when 7-Eleven’s stores were open from 7 a.m. until 11 p.m. Nearly all of 7-Eleven’s stores in the U.S. and Canada now provide 24-hour convenience, seven days a week. For the nine months ended September 30, 2020, 7-Eleven’s company-operated and franchisee-operated stores served an annual average of 7.4 million daily in-store customers. SEJ independently operated approximately 21,000 stores in Japan as of September 30, 2020. 7-Eleven stores operated by SEJ in Japan are not included in 7-Eleven’s results of operations for any periods presented.



**2. 7-Eleven's industry-leading merchandising, including localized assortment, proprietary fresh food and beverages, and high quality, great value private brand products**

To meet the one-stop shopping needs of 7-Eleven's on-the-go customers, 7-Eleven evaluates merchandising on a store-by-store basis to selectively expand the range of products it carries beyond traditional convenience store items. 7-Eleven's merchandising strategy also includes local and regional products in its stores to maximize the relevance of each store's selection to its neighborhood and customers. 7-Eleven believes its merchandising is differentiated through:

- *7-Eleven's proprietary fresh food and beverages:* 7-Eleven's proprietary branded products sold exclusively in 7-Eleven stores include iconic brands such as Slurpee semi-frozen carbonated beverages, Big Gulp fountain beverages, and Big Bite hot dogs. In addition, as the demands of today's on-the-go consumer continue to expand and increase, 7-Eleven has begun investing in new food and beverage in-store equipment to meet those needs. Expanded beverage offerings (such as bean-to-cup coffee, specialty hot and cold beverages, and innovative fresh on-demand assortments) are being implemented at the same time that bake-in-store pastry and breakfast programs, self-serve roller grills and grab-and-go hot food cases are being introduced to modernize and elevate the fresh food experience. 7-Eleven has launched these offerings in approximately 1,800 stores to date, with plans for the majority of the remainder of its stores in 2021. 7-Eleven's chef-inspired, locally-made meals, such as sliders, tacos, tamales, and freshly made breakfast sandwiches as well as pastries and cookies baked in store provide a fast, high quality option for customers on the go.
- *7-Eleven's private label product offerings:* 7-Eleven also has differentiated its packaged foods and non-foods assortment through the ongoing development of private brand products, the majority of which are sold under the 7-Select brand. Through 7-Select, 7-Eleven offers its customers unique items that meet or exceed the quality of nationally-branded products, usually at a lower price point while achieving higher profit margins for its stores. The extensive lineup of 7-Select products includes approximately 1,800 items in total and ranges across almost all store categories including potato chips, candy, soft drinks, health and beauty aids, paper products, energy drinks, and isotonic. 7-Eleven continues to innovate and introduce new, high demand private brand items, including Quake Performance Energy Drinks and Replenish Isotonics, both of which had very successful launches.

**3. 7-Eleven's digital capabilities, including 7Rewards, 7NOW Delivery, and Mobile Checkout.** In this era of ever-increasing digital disruption in the retail industry, 7-Eleven has transformed into a digitally enabled organization. Prominent examples of this include the 7Rewards customer loyalty program, which has 39.5 million registered customers and the 7NOW delivery app, which has a network of approximately 1,850 stores in North America as of September 30, 2020.

The 7Rewards customer loyalty program enables 7-Eleven to engage with its customers through customized offers and encourages repeat visits. The 7Rewards loyalty program allows customers to earn points that can be redeemed for cash discounts or free items. The app is designed to capture data that can be used to personalize the experience for 7-Eleven's customers and keep them coming back to its stores. Through the 7Rewards app, customers can also complete contactless transactions with the Mobile Checkout option in certain areas where 7-Eleven operates. Customers can use Mobile Checkout to scan and pay for their items via their smartphone, thus eliminating the need to wait in checkout lines and creating a truly frictionless experience.

Additionally, 7-Eleven continues to enhance the 7NOW delivery app and expand the delivery driver network. 7NOW provides the ability to place orders on demand for delivery to almost any location, allowing 7-Eleven to meet customers where they are and compete in the growing delivery marketplace,

accelerated by the COVID-19 pandemic. 7-Eleven has also launched new digital initiatives such as Fuel Loyalty, Digital Wallet, and others to continuously improve the convenience of its offerings.

**4. *7-Eleven's system of daily distribution of fresh foods and other time-sensitive items to its stores allows 7-Eleven to offer the freshest available products and to remain in stock on top-selling items.***

The vast majority of 7-Eleven stores receive fresh bakery items every day. 7-Eleven's food offering expands into better-for-you foods including entrée sized salads, fresh deli sandwiches, and fruit and vegetable sides. Currently, 7-Eleven uses a system of 29 combined distribution centers in the U.S. and Canada to service approximately 8,500 of its stores. Combined distribution centers typically serve stores within a 120 minute drive and ship approximately 100,000 units to 7-Eleven's stores daily. The centers receive deliveries of products such as milk, bread, produce, fresh and packaged bakery products, fresh sandwiches, and other perishables from a variety of suppliers.

7-Eleven has principally contracted with third parties who own and operate 16 bakeries and 15 commissaries on its behalf to provide daily deliveries of fresh foods such as sandwiches, salads, and baked goods to approximately 7,800 7-Eleven stores in the U.S. and Canada.

**5. *7-Eleven's technology-enabled practice of using data to optimize the product assortment within each store.*** 7-Eleven's Retail Information System ("**RIS**") is a proprietary system that provides most franchisees, store managers, and 7-Eleven's management team a complete turn-key store solution that differentiates itself by providing access to item-by-item sales information captured by a point-of-sale scanning system at the register. As a part of the system, stores can be linked to vendors, 7-Eleven's primary third-party distributors, and 7-Eleven's combined distribution centers for ordering and item-level information sharing. Effective use of the system is the foundation of the 7-Eleven business model, allowing franchisees and store managers the ability to manage both their products and time more effectively.

**6. *The scale of 7-Eleven's operations, which permits 7-Eleven to operate more efficiently and to leverage its purchasing power with its suppliers.*** For the nine months ended September 30, 2020, 7-Eleven's company-operated and franchised store base served an average of 7.4 million daily in-store customers. In addition to volume to support 7-Eleven's company-operated store base, all but a very small percentage of 7-Eleven franchisees purchase at least 85% of their total merchandise and cigarette volume from recommended vendors, which leverages 7-Eleven's scale and additional purchasing power to reduce costs to its stores.

### ***7-Eleven's Strategy***

As part of 7-Eleven's effort to continuously improve the customer experience and drive favorable results for the 7-Eleven brand, 7-Eleven continues to focus on its six point plan to improve its long-term operating performance.

**1. *Deliver a Consistent Customer Experience.*** At the core of 7-Eleven's business is the ability to consistently provide customers with friendly and fast service in a clean and safe environment, while ensuring that the products they need are in-stock. 7-Eleven has implemented a program that 7-Eleven refers to as Brand Excellence. Through this program, 7-Eleven periodically evaluates its stores and operators on multiple dimensions including customer service, cleanliness, in-stock rates, and safety. As a testament to the underlying principles of the program, results to date have shown that the stores achieving the highest tier of performance under Brand Excellence have also experienced much stronger financial performance than stores in the lower tiers. 7-Eleven believes this provides a strong incentive to its store operators to improve their Brand Excellence rating into that highest tier and to maintain that performance once achieved. 7-Eleven also continuously seeks opportunities to simplify store operations and empower store associates to focus their time and energy on better serving customers. These efforts include rolling out tools to assist in the inventory ordering process, and upgrading shelving and storage equipment to reduce restocking time. 7-Eleven is also elevating its convenience

by offering product delivery to customers via the 7NOW and other third party delivery apps in 1,300 cities, reaching 60 million households. 7-Eleven also uses robust data analytics to capture fuel margins all while contemporizing the customer experience at the pump and driving trips.

2. ***Modernize Food and Beverage Experience.*** It is 7-Eleven’s goal to make each 7-Eleven store a food and beverage destination for its customers. In order to support this effort, 7-Eleven continuously looks to offer its customers new and high-quality fresh and hot food and beverage options. As noted above, 7-Eleven has begun installing new coffee equipment in its stores allowing its customers to brew fresh bean-to-cup coffee on demand, as well as specialty coffees, such as lattes, espressos, cappuccinos, iced coffee, cold brew, and nitro cold brew. This new coffee equipment will be accompanied by self-serve roller grills, grab-and-go hot food cases, and baked-in-store cookies and pastries, to fully capitalize on the opportunity to provide new coffee customers with attractive food options to add to their basket.

Recently, 7-Eleven made recent additions to its chef-inspired, locally-made meals, such as sliders, tacos, tamales, and freshly made breakfast sandwiches, including pastries and cookies baked fresh in the store. These meals are a fast, high quality option for customers on the go. 7-Eleven continues to work with its pizza supplier to improve the quality, adding more cheese and a more flavorful sauce. 7-Eleven has also started to test handmade pizzas in several stores in the Dallas/Fort Worth area. 7-Eleven’s stores receive fresh bakery and commissary-made items every day, with its food offering expanding into better-for-you options, such as entrée sized salads, fresh deli sandwiches, and fruit and vegetable sides. 7-Eleven knows that customers want more fresh options, and it is also providing that through its expansion of restaurant concepts including Laredo Taco and Roost.

3. ***Optimize the Product Offering.*** In recent years, 7-Eleven has made significant efforts to improve the assortment of products in its stores. To meet the one-stop shopping needs of its on-the-go customers, 7-Eleven has worked on a store-by-store basis to selectively expand the range of products it carries beyond traditional convenience store items. 7-Eleven is also focused on introducing local and regional products in its stores to maximize the relevance of each store’s selection to its neighborhood and customers. To differentiate its product assortment from its competitors, 7-Eleven has developed a variety of proprietary branded products sold exclusively in 7-Eleven stores. Long-standing brands such as Slurpee semi-frozen carbonated beverages, Big Gulp fountain beverages, and Big Bite hot dogs are already well-identified with 7-Eleven stores. To build on this, 7-Eleven continues to innovate and introduce new, high demand private brand items, including Quake Performance Energy Drinks and Replenish Isotonics, both of which had very successful launches in 2019. 7-Eleven also has differentiated its packaged foods and non-foods assortment through the ongoing development of private brand products, the majority of which are sold under the 7-Select brand. Through 7-Select, 7-Eleven offers its customers unique items that 7-Eleven believes meet or exceed the quality of nationally-branded products, usually at a lower price point while achieving higher profit margins for 7-Eleven’s stores. The extensive assortment of 7-Select products includes approximately 2,000 items in total and ranges across almost all store categories, including, but not limited to, potato chips, candy, soft drinks, health and beauty aids, paper products, energy drinks, and isotonics. To ensure each store can provide a highly relevant product offering to their neighborhoods, 7-Eleven is also creating a better way to get merchandise to the stores. In order to ensure its stores are well-stocked at any time, 7-Eleven is building a more flexible supply chain that supports higher delivery frequencies and improved inventory planning through self-distribution. By establishing such a supply chain, 7-Eleven will offer a better customer experience at a lower cost.

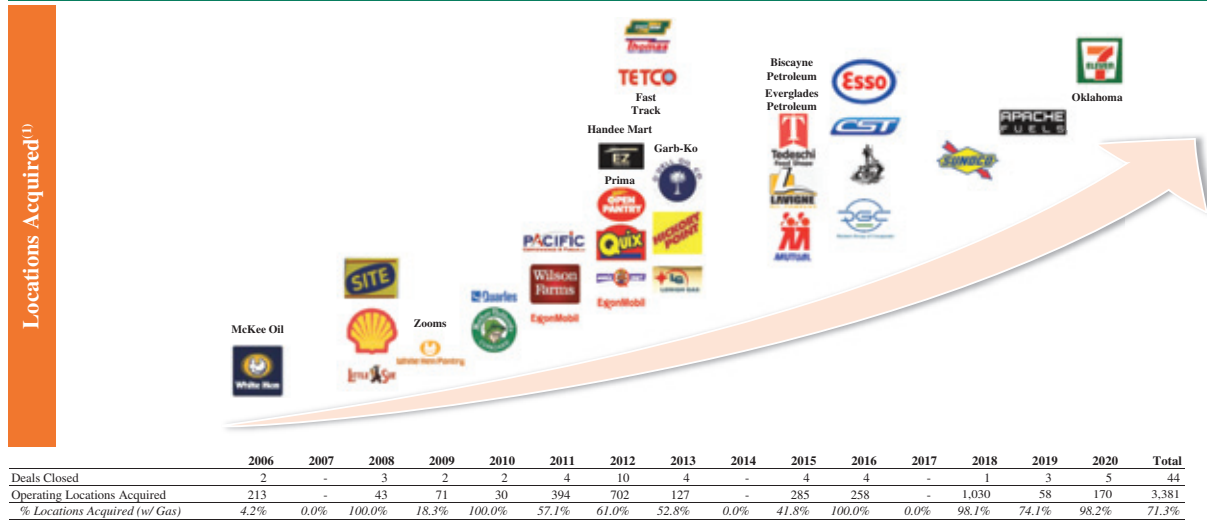
4. ***Digitally Transform Convenience.*** 7-Eleven continues to improve customer convenience by introducing innovative merchandising programs and building digital capabilities, which redefines convenience and brings the “store” closer to the customer. 7-Eleven believes its market concentration, 24/7 operations, and daily distribution, when combined with digital capabilities, provide customers with the freedom to buy what they want, when and where they want it, with the ability to pay how they

want. 7-Eleven's goal is to redefine convenience for the customer by bringing together the health and safety, quality, value, and neighborhood experience of 7-Eleven's brick-and-mortar stores with the speed and convenience of its digital and e-commerce platforms. As part of this effort, 7-Eleven has expanded the 7Rewards loyalty program. In 2019, 7-Eleven finished the year with 27 million total members, up from 18 million in 2018, with 8.5 million active users, up from 4.3 million the previous year. Now, customers can earn rewards as well as use contactless, secure payments at the pump through Fuel Loyalty. This new feature is expected to drive trips to the pump and traffic inside the store. The addition of 7-Eleven Wallet adds the perfect complement to 7Rewards as well, by allowing customers to load cash onto the 7Rewards app. 7-Eleven Wallet offers a new level of convenience to cash customers that will keep them coming back. Through 7-Eleven's 7Rewards app, customers can also scan and pay using the Mobile Checkout feature, which is currently offered within select markets. Furthermore, 7-Eleven's customer facing Pin Pads accept Google and Apple Pay. 7-Eleven also has strategic partnerships that make the lives of its customers easier by offering services, including bill payments, package pickup options, and other innovative offerings. 7-Eleven believes these partnerships not only please customers, but also drive traffic to its stores. To continuously improve 7-Eleven store capabilities, 7-Eleven aims to innovate technology solutions that will streamline workflows and enable data-driven efficiencies. 7-Eleven also intends to employ data for predictive customer-centric insights that can be monetized through vendor partnerships. Going forward, these innovations will maintain the momentum 7-Eleven has built in transforming convenience.

5. **Modernize the Store Base.** As 7-Eleven continuously transforms convenience by offering what customers want, when and where they want it, 7-Eleven is also transforming its store environment. By accelerating innovation within the store, 7-Eleven believes it can achieve stronger sales growth and a better customer experience. As of November 2020, 7-Eleven has five Lab Stores from which 7-Eleven is taking the successes and lessons to develop 7-Eleven 2.0 stores. These next generation stores are intended to be value-engineered and standardized for faster development at a scalable cost. They will offer a modern aesthetic with the aim of attracting new customers and exciting existing customers. In stores where 7-Eleven emphasizes its new food and beverage platforms, 7-Eleven achieves significantly higher sales. As part of its focus on being a food and beverage destination, 7-Eleven is designing a new store layout that will put its food and beverage experience front and center. Existing stores will be refreshed with the modern aesthetic and platforms that customers are seeking. The modernization of 7-Eleven's store base will complement all of its strategic initiatives.
6. **Grow the Store Base.** As the world's largest convenience retailer, 7-Eleven is able to offer customers elevated levels of convenience by being located nearby. After making improvements to store quality and processes, 7-Eleven is refocusing on growth through organic new stores and acquisitions. 7-Eleven's organic growth efforts are focused on new store openings and its BCP arrangements, whereby established convenience retail sites can convert to 7-Eleven stores to access 7-Eleven's strategic model and resources. Consistent with its strategy of market concentration, 7-Eleven's development efforts are primarily focused on its existing markets to take advantage of population density and store traffic, and to better leverage its business system in those markets. Typically, new stores are concentrated around combined distribution centers, commissaries, and bakeries that allow 7-Eleven to operate more efficiently. 7-Eleven evaluates sites for new stores by focusing on population density, demographics, traffic volume, visibility, ease of access, and economic activity in the area. 7-Eleven's strategy for acquisitions is to selectively acquire convenience stores within and contiguous to its existing market areas. In evaluating potential acquisition candidates, 7-Eleven considers several factors, including strategic fit, desirability of location, price, and its ability to improve the productivity and profitability of a location through the implementation of its business strategy. From 2006 to 2020, 7-Eleven has closed 44 deals, acquiring 3,381 stores, of which 71.3% were locations that sold gas. For example, in January 2018, 7-Eleven completed the acquisition of 1,030 stores from Sunoco LP, a publicly-traded Delaware master limited partnership ("**Sunoco**"). During 2019, 7-Eleven continued the

process of converting Sunoco stores to the 7-Eleven brand and executed its plan to integrate back office support, as well as store support center personnel.

Since 2006, 7-Eleven has acquired 3,381 stores



(1) Includes all channels of trade that include real estate.

7-Eleven has a history of successfully de-leveraging following significant acquisitions. For example, following the acquisition of 1,030 stores from Sunoco in January 2018, 7-Eleven completed \$0.9 billion in sale leaseback transactions and reduced its net debt to EBITDA leverage ratio by almost 60% as of the close of the acquisition in January 2018 to 1.8x as of December 31, 2018.

7-Eleven is also committed to growing the brand worldwide and supporting its existing international licensees. 7-Eleven continuously works with its licensees to share best practices and provide extensive knowledge in convenience retailing to help grow their businesses. 7-Eleven also looks for opportunities to enter new markets. In just the past five years, 7-Eleven’s licensees have opened the first 7-Eleven stores in the United Arab Emirates (“UAE”) and Vietnam, while also entering seven new provinces in China (Zhejiang, Jiangsu, Hubei, Shaanxi, Fujian, Hunan and Henan). 7-Eleven has also signed agreements with licensees in India, Cambodia, and Laos to operate stores in the coming years.

### Speedway Business

Speedway sells transportation fuel, food and merchandise at convenience stores that it owns and operates primarily under the Speedway brand. Speedway is the second-largest company owned and operated convenience store chain in the U.S. It operates in the highly attractive retail convenience industry. Over 90% of Americans live within a 10-minute drive from a convenience store and the industry serves approximately 165 million customers each day.

As of September 30, 2020, the Speedway network of stores was comprised of approximately 3,850 company-owned convenience stores in the U.S. across 36 states, approximately 89% of which operate under the Speedway brand, and consisted of the following:

- 3,509 convenience stores that are operated by Speedway, of which 2,671 are owned and 838 are leased. Speedway retains the gross margins on transportation fuel sales, convenience merchandise sales and services at the stores. Speedway refers to these stores as Company Owned-Company Operated (“COCO”) stores; and
- 345 convenience stores that are operated by a third-party operator, of which 112 are owned and 233 are leased. At each of these stores, Speedway retains title to the transportation fuel inventory and sells it

directly to customers; therefore, Speedway manages transportation fuel pricing and retains the gross margin on transportation fuel sales. Speedway provides a commission to operate the store and the operator retains the gross margin on non-fuel sales, including convenience merchandise sales and services. Speedway refers to these as Multi-Site Operator (“MSO”) stores.

At approximately 250 of its COCO locations, Speedway provides separate diesel fueling lanes, making it the fourth largest truck fueling network in the U.S. as of September 30, 2020. Speedway refers to these locations as commercial fueling locations (“CFL”).

The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, “stay-at-home” orders, supply chain logistical changes and closure of non-essential businesses. Such measures have negatively impacted fuel demand and overall convenience store traffic and merchandise sales. The current impacts of the COVID-19 pandemic are reflected in the business performance numbers included for 2020. Many uncertainties remain around the duration and potential worsening of the pandemic, as well as the timing and rollout of COVID-19 vaccines and the long-term effects of the pandemic on economic activity and mobility.

Speedway averaged over 4 million transactions (defined as either an inside convenience store or fuel purchase) per day in 2019. In 2019, it sold approximately 7.7 billion gallons of transportation fuel and generated total sales of approximately \$26.5 billion, including merchandise sales of approximately \$6.3 billion. In the same period, Speedway generated net income of approximately \$659 million and EBITDA of approximately \$1.4 billion. During the nine months ended September 30, 2020, Speedway averaged over 3.7 million transactions per day, sold approximately 4.4 billion gallons of fuel and generated total sales of approximately \$14.6 billion, including merchandise sales of approximately \$4.8 billion resulting in net income of approximately \$750.1 million and EBITDA of approximately \$1.4 billion.

Speedway believes its success derives in part from the value of the Speedway brand. Speedway makes it a priority to consistently provide quality transportation fuel, a wide product selection at competitive pricing and exceptional customer service. Through decades of experience and development, Speedway has established a scalable operating model that is focused on delivering operational excellence across its platform and a consistent customer experience at its stores.

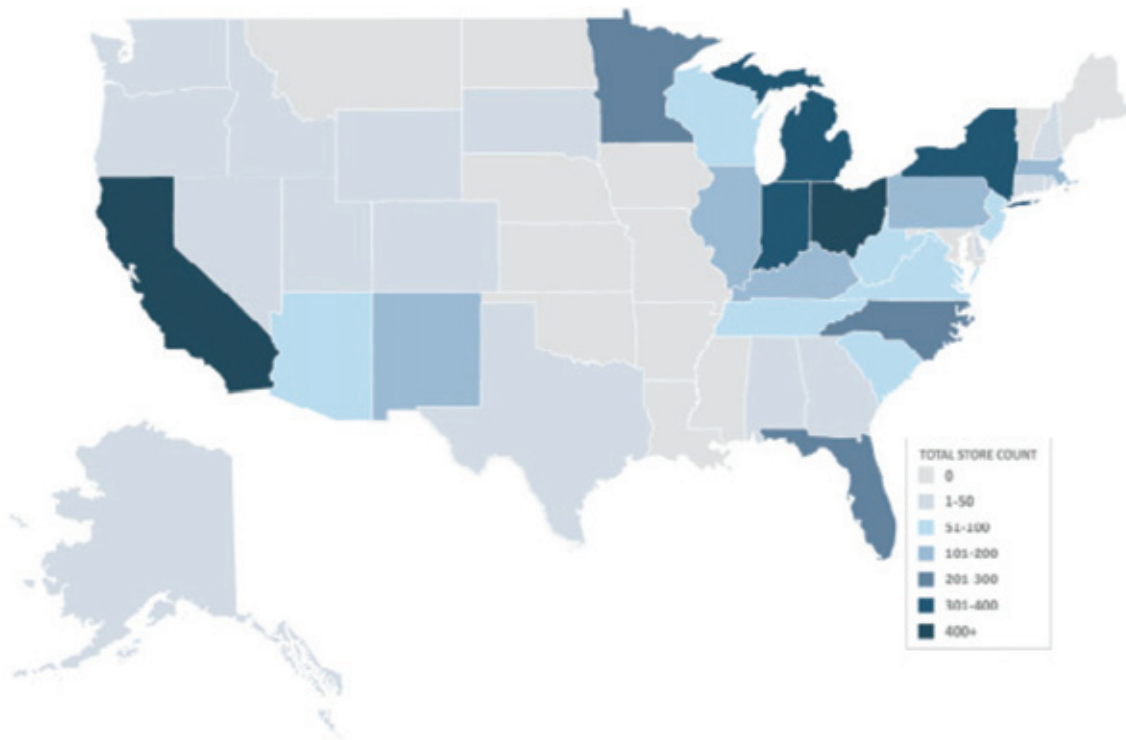
Speedway’s Speedy Rewards loyalty program has been highly successful since its inception in 2004, with a consistently growing customer base. During the nine months ended September 30, 2020, active Speedy Rewards members, which Speedway defines as members who have completed more than one transaction in the preceding 30 days, averaged approximately 5.5 million. The Speedy Rewards program, with the ability to earn and redeem loyalty points, provides a consistent platform with strong brand value that Speedway believes, helps drive sales.

Approximately 39,000 employees proudly represent the Speedway brand. Their experience, hard work and dedication is an important component of Speedway’s operational excellence. The commitment of Speedway’s employees to providing exceptional customer service, and Speedway’s commitment to its employees, are key elements of Speedway’s success. In the communities where Speedway operates, its employees are part of the lives of the millions of customers it serves daily, many who consider the location itself as a neighborhood convenience store.

### ***Geographically Diverse Network of Retail Locations***

Most of Speedway’s stores are in metropolitan areas or in proximity to major highways, making its stores easily accessible and convenient to consumers’ homes, places of work and daily commutes. Speedway’s

diversified geographic reach spans across 36 states, allowing it to manage regional fluctuations in fuel margins and regionalized merchandise along with other regional macroeconomic conditions, including variations in economic growth and employment.



### ***Growth through Acquisitions***

Speedway originated in the 1960s when Marathon Oil Corporation (“**MOC**”) began acquiring gas stations and convenience store companies. Beginning in 1986, Speedway began converting these stores from this collection of acquisitions to the Speedway brand. Over the following years, several additional acquisitions significantly increased Speedway’s footprint, including the acquisitions of SuperAmerica, Total (a regional convenience store operator in Michigan), Gas America, Gas City, Hess’s retail network, Express Mart and NOCO Incorporated (“**NOCO**”), and MPC’s acquisition of Andeavor. The acquisition of Hess’s retail network in 2014, the largest acquisition to date, expanded Speedway’s presence to the Northeast, Mid-Atlantic and Southeast markets. The acquisition of Andeavor’s retail network in 2018 extended Speedway’s presence coast-to-coast by adding a significant retail presence in the Southwest region and in California. Since 2011, Speedway’s store count has nearly tripled, increasing from 1,371 stores to 3,854 as of September 30, 2020.

Since 2014, Speedway has completed four significant acquisitions adding approximately 2,450 stores and rapidly integrating these locations into the Speedway platform. Of these acquired stores, approximately 86% have been converted to the Speedway brand and operating model as of September 30, 2020. As of September 30, 2020, Speedway has converted over 750 of the stores acquired in the October 2018 Andeavor transaction. In 2019 alone, Speedway converted 569 stores (primarily those acquired in the Andeavor transaction) to the Speedway brand. In 2020, Speedway continued integrating acquired stores, but at a slower pace due to impacts of the COVID-19 pandemic. Results from the converted Andeavor stores have yielded average same-store merchandise sales growth of approximately 6.4% year-over-year comparing fourth quarter 2019 to fourth quarter 2018.

## ***Operations***

Of Speedway's 3,854 locations, over 90% are COCO locations. The COCO format provides Speedway with full control over the entire operations of a location and customer experience, including product offering and quality, customer service, pricing, marketing and expense management. Speedway maintains a small percentage of MSO stores, all of which were part of recent acquisitions, where a third party operates the convenience store and Speedway manages the fuel sales.

Speedway owns the property at approximately 70% of its locations. Speedway believes that owning the real estate provides significant operational flexibility and value. Speedway's profitable and diverse store portfolio has an average store size of approximately 2,600 square feet, which enables it to offer a compelling selection of in-store merchandise, foodservice and other services to its customers. In addition, Speedway can nimbly adjust the footprint and store layout as customer preferences change and new initiatives are introduced at individual stores. Speedway's new-to-industry ("*NTI*") locations average approximately 4,600 square feet, which typically provide customers with an expanded selection of higher-margin offerings, including prepared food, in a modern and attractive format.

As of September 30, 2020, approximately 89% of Speedway's total store count operated under the Speedway brand, including the Speedway Express format that is used exclusively at MSO stores. Speedway believes there are significant benefits to operating under the Speedway name.

The Speedway operations model is defined by what Speedway calls "Speedway Mentality"—an understanding that each member of the team is either directly taking care of customers or taking care of someone who does. This enables the operations team to focus on customers, with the assistance of 15 dedicated internal support organizations.

Speedway believes that operational excellence is achieved by driving employee accountability against Speedway's five key priorities: (i) People Development; (ii) Speedy Rewards loyalty program; (iii) Food Development and Execution; (iv) Supply Chain Efficiencies; and (v) overall demonstration of Speedway Mentality. Each of Speedway's general managers is evaluated quarterly on these priorities and approximately 91% attained the highest possible rating in the third quarter of 2020. Speedway's focus on accountability makes its operating model very scalable and Speedway believes it helps drive successful integration of acquisitions while achieving or exceeding expected synergies.

Speedway believes that its efficient operating model, significant scale and control over its store network allows it to execute a standardized operating model across a broad platform. This differentiated model includes integrated information technology systems and a highly efficient in-store labor model. Speedway believes that its internally developed labor model that allocates labor to COCO stores on a weekly basis is a key component of operational success, by helping to improve efficiency and optimize expense management. Speedway's fully integrated back-office and point-of-sale platform are streamlined to provide timely access to data, reduce operating expenses and enable centralized management of its operation across the national platform

Speedway has approximately 39,000 employees, with over 36,000 of those employees working in its stores. Although Speedway experiences employee turnover characteristic of retail operations, its employee training approach focuses on providing a consistently exceptional customer experience. Store associates are incentivized in part by several important operating metrics, including customer service scores and site profitability.

## ***Joint Venture and Other Arrangements***

Speedway owns a 29% interest in PFJ Southeast LLC ("*PFJ Southeast*"), which is a joint venture between Speedway and Pilot Travel Centers LLC ("*PTC*"), with 124 travel center locations, as of September 30, 2020, primarily in the Southeast U.S. On a historical basis, Speedway's equity method investment income from PFJ



Southeast was \$70.0 million for the nine months ended September 30, 2020, \$94.3 million for the twelve months ended September 30, 2020 and \$82.3 million for the year ended December 31, 2019. Pursuant to the limited liability company agreement of PFJ Southeast (the “*JV Agreement*”), in connection with the announcement of the Acquisition, PTC has the right to repurchase Speedway’s interest in PFJ Southeast (the “*Repurchase Right*”). On October 30, 2020, PTC provided MPC notice of PTC’s intent to exercise the Repurchase Right. For more information, see “—Recent Developments—Repurchase of PFJ Southeast Interest by PTC.” Speedway also sells fuel-hauling services to PFJ Southeast. For the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017, on a historical basis, Speedway’s related party revenue for fuel-hauling services sold to PFJ Southeast was \$7 million, \$7 million, \$9 million, \$8 million and \$8 million, respectively.

Separately, Speedway and PTC entered into a branding agreement (the “*Diesel Branding Agreement*”) effective October 1, 2019 pursuant to which PTC supplies, prices and sells diesel fuel at certain Speedway and PTC locations with both companies sharing in the diesel fuel margins. As of September 30, 2020, the Diesel Branding Agreement included approximately 351 total Speedway and PTC fueling locations across 15 states, including approximately 200 Speedway CFLs. For the nine months ended September 30, 2020 and the year ended December 31, 2019, on a historical basis, Speedway’s Diesel Branding Agreement revenue was \$110 million and \$28 million, respectively.

As of September 30, 2020, there were 74 franchise stores that are independently owned and operated under the Speedway brand. Speedway provides support and services to these franchisees, which sell gasoline, diesel and convenience items. Speedway collects royalties and fees for the use of its proprietary marks and support services provided at these locations. Speedway does not generally include these locations in its store counts, or merchandise sales figures.

### ***Products and Services***

Speedway’s COCO stores carry a broad selection of products, including beverages, snacks, prepared and pre-packaged foods, health and beauty products, tobacco products and general convenience items. Many of these products are offered under Speedway’s proprietary brand Speedy Choice. Speedway offers multiple foodservice concepts, including Speedy Café, Food Destination and Made-to-Cook programs. This variety of programs allows Speedway to tailor its food offerings to the size, traffic and footprint of the store. Speedway’s foodservice programs have experienced significant growth in recent years, though Speedway has recently faced new challenges relating to COVID-19 impacts. Speedway utilizes its operating model and significant experience to roll out new product offerings system wide. At select locations, Speedway also offers services such as lottery, money orders, car washes, air/water/vacuum services and ATM access. Speedway averaged nearly 3.7 million transactions per day during the nine months ended September 30, 2020. In 2019, Speedway’s non-fuel sales were \$6.3 billion, or approximately \$150,000 on a per-store per-month basis (excluding MSO stores), which, according to public filings, was the second highest among publicly traded convenience store operators listed in the U.S. and Canada for such period.

Speedway’s large scale enables it to leverage partnerships with vendors to provide quality merchandise at competitive prices and what Speedway believes to be best-in-class speed to market. Speedway consistently delivers for its vendor partners promotional programs with simultaneous launches across its COCO network, making Speedway an attractive marketing partner. Speedway has deep and long-lasting relationships with its wholesaler suppliers and aims to hold them to strict operational metrics, which allows it to benchmark performance and, Speedway believes, results in superior performance, efficiency and merchandise quality.

The Speedy Rewards loyalty program has been highly successful since its inception in 2004, with a consistently growing customer base. The Speedy Rewards program, with the ability to earn and redeem loyalty points, provides a consistent platform with strong brand value.

Speedway sells gasoline and diesel transportation fuel at nearly all of its locations. In 2019, Speedway sold approximately 7.7 billion gallons of transportation fuel. During the nine months ended September 30, 2020, Speedway sold approximately 4.4 billion gallons of transportation fuel. In addition, according to the 2020 Convenience Store News Fuels 50 report, which was produced in partnership with Oil Price Information Service, Speedway had the highest national market share of transportation fuel sales in 2019 among the 50 fuel brands referenced.

Speedway's fuel supply relationship with MPC provides it with access to a stable and predictable supply of high-quality transportation fuel with market-based pricing. After the closing of the Acquisition, Speedway expects approximately 95% of Speedway's fuel demand to be supplied pursuant to a Fuel Supply Agreement to be entered into between SEI Fuels and Marathon Petroleum Company LP, a Delaware limited liability company and an affiliate of MPC ("**Marathon LP**"). For more information, see "The Transactions—Fuel Supply Agreements." The close alignment of Speedway's store network with MPC's infrastructure provides natural fuel supply chain efficiency. In addition, the Fuel Supply Agreement contemplates other fuel supply arrangements between the parties for incremental volumes (based on available supply agreements and terms), and the potential for geographic expansion outside of MPC's traditional supply network.

### Acquisition Rationale



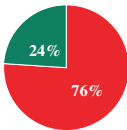
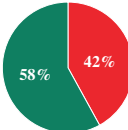
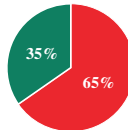
We believe that the combination of 7-Eleven and the Speedway Business is a transformative opportunity to create a leading North American convenience store operator with approximately 14,000 locations expected by consummation of the Acquisition. We believe 7-Eleven and Speedway are highly complementary businesses with 7-Eleven as a leader in merchandising and proprietary fresh food and beverage offerings, and Speedway as a leader in fuel offerings, and that this combination offers significant synergy-creating opportunities. Our strategic rationale include the following:

- **Complementary store base.** Speedway stores are located in highly strategic locations in the Midwest, East Coast, West Coast, Northeast and Southeast regions. Our combined store base would create a leading North American convenience store leader with approximately 14,000 locations a with presence in 47 of the 50 most populated metro areas in the U.S. The following map illustrates the complementary store locations.



- **High quality real estate and facilities.** Speedway locations are strategically located near major highways or urban areas in the U.S. and over 70% of Speedway locations are owned real estate. Additionally, nearly all Speedway locations offer fuel.

- **Unique strategic opportunity.** As the third largest U.S. convenience store operator, Speedway is one of few remaining assets of scale in the North American convenience store landscape that can have a transformational impact on 7-Eleven’s financial and operational profile. The following chart contains the breakdown of total merchandise sales (including 7-Eleven franchisee-operated stores), fuel sales, gross profit mix, EBIT and Adjusted EBITDA for the twelve months ended September 30, 2020 (i) on a historical basis for each of 7-Eleven and the Speedway Business and (ii) on an adjusted combined basis for the Company. For a reconciliation of EBIT and Adjusted EBITDA to net earnings, see “—Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data.”

Twelve Months Ended September 30, 2020	7-Eleven	Speedway	Adjusted Combined (unaudited)	% Increase Relative to 7-Eleven Standalone	
Merch Sales (Company-Operated Stores)	\$4.2B	\$6.3B	\$10.6B	+149%	
Merch Sales (Franchisee-Operated Stores)	\$14.0B		\$14.0B		
System Merch. Sales <sup>(1)</sup>	\$18.3B		\$6.3B 	\$24.6B	+35%
Fuel Volume (gal)	6.2B	6.3B	12.5B	+102%	
Adjusted EBIT <sup>(2)</sup>	\$1.1B	\$1.3B	\$2.3B <sup>(3)</sup>	+115%	
Adjusted EBITDA <sup>(2)</sup>	\$1.8B	\$1.8B	\$3.3B <sup>(3)</sup>	+85%	
Gross Profit Mix					

- (1) Includes Merchandise Sales for both company-operated and 7-Eleven franchised stores.
  - (2) Adjusted EBIT and Adjusted EBITDA are non-GAAP measures. Adjusted EBIT and Adjusted EBITDA for the Adjusted Combined (unaudited) column includes the impact of the Divestitures. See “—Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data” for a reconciliation to the most comparable GAAP measure.
  - (3) Includes combined adjustments.
- **Complementary store offerings.** We believe Speedway’s fuel brand strength will complement 7-Eleven’s strong convenience store brand.

- **Significant potential synergy opportunity.** We believe the combination has the potential to yield significant synergy opportunities including the potential synergy opportunities in implementing 7-Eleven’s focused merchandising strategy in Speedway stores illustrated in the following chart:

7-Eleven	Speedway	Combining best of both companies
<p><b>Core competencies</b></p> <ul style="list-style-type: none"> <li>✓ Iconic C-store brand</li> <li>✓ \$1B annual private brand business</li> <li>✓ Strong fresh food and proprietary beverage programs</li> <li>✓ Significant digital / delivery capabilities</li> </ul> <p><b>Opportunities to develop via the Acquisition</b></p> <ul style="list-style-type: none"> <li>▪ Relatively less well-developed fuel brand / focus</li> </ul>	<p><b>Core competencies</b></p> <ul style="list-style-type: none"> <li>✓ High quality, scarce real estate</li> <li>✓ Large locations with good facilities</li> <li>✓ Significant fuel volumes and associated customer counts</li> <li>✓ Strong fuel loyalty</li> </ul> <p><b>Opportunities to develop via the Acquisition</b></p> <ul style="list-style-type: none"> <li>▪ Less differentiated in-store offering focused primarily on cigarettes, beer, snacks, single-service beverages, fill-in grocery</li> <li>▪ Limited proprietary food / beverage, private brands, and digital capabilities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Opportunity to grow sales and improve Merchandise gross profit margin               <ul style="list-style-type: none"> <li>▪ Mix shift that grows private brands, fresh food and proprietary beverage, and enhanced vault assortment</li> <li>▪ Purchasing and COGS improvement</li> <li>▪ Loyalty through 7Rewards</li> <li>▪ Delivery platform expansion</li> </ul> </li> <li>✓ Access to new markets yields potential growth opportunities</li> <li>✓ Combined company has potential to achieve operating cost synergies</li> <li>✓ Fuel supply and transport efficiency opportunities</li> </ul>

- **Targeting de-leveraging from synergies, free cash flow and earnings growth, and selective real estate monetizations, including through sale leaseback transactions.** We aim to maintain investment grade ratings following the Acquisition. We believe the combination has the potential to yield synergies, meaningful free cash flow and earnings growth as well as opportunities to monetize a portion of the combined real estate portfolio, including through sale leaseback transactions, in order to facilitate de-leveraging.

### Industry Overview

The U.S. convenience store industry is large, fragmented and in the midst of consolidation. The industry is also growing, as consumers increasingly demand convenience in both retail locations and offerings. In some cases, convenience stores have supplanted traditional neighborhood grocery stores, providing an alternative for consumers purchasing a variety of grocery and prepared food items. Convenience stores have also expanded their presence in suburbs and in areas where it is challenging for supermarkets or niche retailers to operate profitably.

As of December 31, 2019, there were approximately 153,000 convenience stores in the U.S. Convenience stores serve approximately half of the American population daily with annual sales of approximately \$250 billion in merchandise and approximately \$360 billion in transportation fuel. Approximately 80% of convenience stores in the U.S. sell transportation fuel, which is an important driver of customer traffic.

Large convenience store chains in the U.S. with over 500 stores owned or operated only 19.5% of the country’s approximately 153,000 convenience stores as of December 31, 2019. Of the convenience stores in the U.S., 62% were operated by single-store proprietors as of December 31, 2019. We believe that the high level of industry fragmentation presents opportunities for consolidation as larger chains benefit from significant scale advantages.

Over the last decade, total industry inside sales (defined as non-fuel sales) have grown by nearly 38% with an average annual growth rate of 3%. Foodservice and beverage sales have been the most significant drivers of the increase. In addition, merchandise sales accounted for 23.4% of total sales in 2019 and remained the largest contributor of gross profit dollars at 37.2%.

We believe that the industry will continue to grow, within the non-fuel segment, driven primarily by sales of merchandise and prepared food. Industry fuel volumes have declined and while fuel margins tend to be volatile in the short term, fuel margins in 2019 set a new record high of 24.8 cents per gallon and fuel gross profits increased 4.9% to approximately \$43,000 per store, per month in 2019.

The convenience store industry also faces challenges, including gradual declines in gasoline demand, increased competition from quick-serve restaurants (“*QSRs*”), dollar stores, and drug stores, pressure on consumer discretionary spending, increased taxes and regulation on cigarettes, e-cigarettes and tobacco products, increased minimum wages, uncertainty regarding the U.S. trade negotiations with China and the impact of the COVID-19 pandemic.

## **Recent Developments**

### ***COVID-19 Pandemic Impact***

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, which has since spread throughout the U.S. As a result, 7-Eleven’s stores have been impacted by a reduction in traffic, changing customer behaviors, reduced store hours and temporary closures, although substantially all impacted stores have re-opened and a significant majority of stores have returned to normal operating hours as of December 31, 2020. Though 7-Eleven experienced customer traffic declines in 2020 during the months of March and April, trends have improved steadily since April. Additionally, average basket dollar value increased during the nine months ended September 30, 2020 relative to the prior year period, which partially offset the impact to sales from the decline in customer traffic, and fuel margins were favorable during the nine months ended September 30, 2020 relative to the prior year period, which offset the decline in gallons sold. Customers have also switched to buying more take-home food and non-food items and fewer fresh food and proprietary beverage items. Many of 7-Eleven’s foreign licensees have experienced similar impacts, which has affected 7-Eleven’s royalties from licensed stores.

7-Eleven’s top priorities have been the health and safety of its franchisees, employees, and customers as well as franchisee and corporate financial viability, the stability of its supply chain, and strength of its brand. 7-Eleven has also taken steps to support franchisees and the communities it serves in this time of great uncertainty.

For its franchisees, 7-Eleven has provided support in the form of credits, deferred charges, accelerated savings, waived fees, the provision of store sanitation supplies, and the creation of the Franchisee Financial Support Center to guide them through their financial uncertainties. 7-Eleven has also instituted certain retention programs, guaranteed bonus programs, and temporary wage increases for its company-operated store employees. For its customers, 7-Eleven has adapted to provide a safer shopping experience. 7-Eleven’s initiatives enforce social distancing practices and encourage contactless shopping through 7NOW delivery, which it has expanded by adding Grubhub alongside existing partnerships with Postmates and Doordash, and Mobile Checkout. 7-Eleven is continuously exploring ways to improve its operations and provide the safest experience possible. 7-Eleven continues to ensure that its brand remains a leader in the communities it serves, offering the products customers need.

7-Eleven and Speedway have incurred \$124 million and \$44 million, respectively, in incremental expenses related to the COVID-19 pandemic during the nine months ended September 30, 2020, and there is great uncertainty around the duration of the disruption. Therefore, while 7-Eleven and Speedway both expect the pandemic to negatively impact their respective business, results of operations, financial position, and cash flows from operations, the related future financial impact cannot be reasonably estimated at this time.

### ***October 2020 Term Loan Facility***

In October 2020, 7-Eleven entered into the October 2020 Term Loan Facility (as defined herein) with Sumitomo Mitsui Banking Corporation, as administrative agent, and lenders party thereto, with commitments in an aggregate principal amount up to \$1.0 billion, which may be borrowed at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent. The October 2020 Term Loan Facility is described more fully under “Description of Other Indebtedness—Delayed Draw Term Loan Facilities.”

### ***Interest Rate Swaps***

In November 2020, 7-Eleven entered into forward-starting interest rate swaps with several counterparties, associated with future interest payments over periods ranging from seven to 30 years. The transactions involve \$2.3 billion in notional amounts, entered into as a partial cash flow hedge of the notes offering contemplated hereby. The swap transactions are expected to mitigate risk of an increase in interest rates occurring prior to this offering.

### ***Anticipated Divestitures***

In connection with seeking approval of the Acquisition under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “*HSR Act*”), 7-Eleven intends to divest approximately 290 to 320 stores in the U.S. in locations where both 7-Eleven and Speedway have existing stores in close proximity to each other (the “*Divestitures*”). 7-Eleven expects that the Divestitures would occur following the consummation of the Acquisition. 7-Eleven estimates that the stores to be sold in the Divestitures would have represented, on an adjusted combined basis, approximately \$90 million to \$100 million in net earnings, approximately \$120 million to \$135 million of EBIT and approximately \$150 million to \$165 million of EBITDA for the twelve months ended September 30, 2020 and approximately 2.5% to 2.8% of total assets as of September 30, 2020. As of the date of this offering circular, there are no definitive sale agreements relating to the Divestitures, and the identity and number of stores to be divested as well as the number of stores that are company-operated or franchisee-operated has not been finalized. Additionally, although 7-Eleven believes it has had constructive discussions with the staff of the FTC relating to the scope of the Divestitures, no consent order has yet been reached and a majority of the FTC Commissioners must ultimately approve any agreement that is reached with the staff of the FTC. As a result, there can be no assurance as to the number, location or operating model of the stores 7-Eleven will be required to divest or as to the terms of such Divestitures, and the estimates with respect to the Divestitures set forth above are indicative only. The actual impact of the Divestitures on the Company may differ from the estimates above, and any such differences could be material. As a result, except as otherwise indicated, the unaudited pro forma condensed combined financial data, the unaudited adjusted combined statements of earnings data and other operating and financial data presented in this offering circular does not give effect to any estimated adjustments relating to the Divestitures. See “Risk Factors—Risks Related to the Transactions—7-Eleven’s inability to successfully negotiate a consent order with the staff of the FTC that is approved by a majority of the FTC Commissioners may delay the consummation of the Acquisition or reduce the benefits realized by 7-Eleven following the Acquisition.”

### ***Repurchase of PFJ Southeast Interest by PTC***

Speedway currently owns a 29% interest in PFJ Southeast, which is a joint venture between Speedway and PTC. As of September 30, 2020, PFJ Southeast operated 124 travel center locations, primarily in the Southeast U.S. Pursuant to the JV Agreement, in connection with the announcement of the Acquisition, PTC has the right to repurchase Speedway’s interest in PFJ Southeast for the Repurchase Price. On a historical basis, Speedway’s equity method investment income from PFJ Southeast was \$70.0 million for the nine months ended September 30, 2020, \$94.3 million for the twelve months ended September 30, 2020 and \$82.3 million for the year ended December 31, 2019.

On October 30, 2020, PTC provided MPC notice of PTC's intent to exercise the Repurchase Right. As of the date of this offering circular, there is no definitive repurchase agreement, and the timing of the closing of the repurchase transaction (the "**PFJ Repurchase**") and the amount of the Repurchase Price have not been finalized. 7-Eleven and MPC entered into an agreement pursuant to which they agreed that 7-Eleven would receive 90% of the Repurchase Price (as defined below) and MPC would receive 10% of the Repurchase Price (the "**Repurchase Price Allocation**"), regardless of when the closing of the PFJ Repurchase actually occurs. The parties also agreed that the repurchase price is estimated at approximately \$808 million and would not be less than \$700 million (the "**Repurchase Price**"). The parties expect the consummation of the PFJ Repurchase will occur after the consummation of the Acquisition.

As a result of PTC exercising the Repurchase Right, the equity method investment income relating to PFJ Southeast is not included in the unaudited pro forma condensed combined financial information for the nine months ended September 30, 2020 and for the year ended December 31, 2019 or the unaudited adjusted combined financial data for the twelve months ended September 30, 2020. In addition, the unaudited pro forma condensed combined balance sheet as of September 30, 2020 gives effect to the PFJ Repurchase and the Repurchase Price Allocation, based on the minimum Repurchase Price of \$700 million.

### **The Transactions**

Throughout this offering circular, we refer to the transactions described below as the "**Transactions.**"

#### ***The Acquisition***

On August 2, 2020, 7-Eleven entered into the Purchase Agreement with the Sellers. Upon the terms and subject to the conditions set forth in the Purchase Agreement, 7-Eleven will consummate the Acquisition for a purchase price of \$21 billion, subject to certain adjustments based on the levels of cash, debt and working capital at closing and for certain potential tax benefits (the "**Acquisition Consideration**"). MPC will retain its direct dealer business. In connection with the Acquisition, 7-Eleven and MPC, or their affiliates, will enter into certain ancillary agreements, including a long-term fuel supply agreement for an amount of fuel associated with the Speedway Business that will be determined by 7-Eleven and MPC, or their affiliates, and set forth in the Fuel Supply Agreement and the TSA.

Concurrently with the execution of the Purchase Agreement, 7-Eleven's parent, Seven & i, delivered a guarantee in favor of MPC and the Sellers pursuant to which Seven & i is guaranteeing the payment of the initial purchase price by 7-Eleven under the Purchase Agreement.

The consummation of the Acquisition is subject to customary closing conditions, including the expiration or early termination of the waiting period under the HSR Act, the absence of any injunction or law preventing or prohibiting the closing, the delivery of certain closing deliverables, the accuracy of the other party's representations and warranties contained in the Purchase Agreement (subject, with specified exceptions, to materiality) and the other party's performance of its covenants and agreements in the Purchase Agreement in all material respects. Each party is required under the Purchase Agreement to use reasonable best efforts to take actions necessary to obtain all regulatory approvals as promptly as practicable and prior to the Outside Date (as defined below), including agreeing to divestitures and operational restrictions, subject to a divestiture cap of assets that generated \$400 million in aggregate store-level EBITDA for the twelve months ended December 31, 2019.

The Purchase Agreement contains customary representations, warranties and covenants of each of MPC and Sellers, on the one hand, and 7-Eleven, on the other hand, including covenants by MPC and Sellers relating to the operation of the Speedway Business prior to the closing and to implement certain internal restructuring steps prior to the closing. The representations and warranties of MPC and Sellers will generally survive the closing

until the second anniversary of the closing date, subject to certain limited exceptions. Each of MPC and Sellers, on one hand, and 7-Eleven, on the other hand, has agreed to indemnify the other for certain losses arising out of breaches of covenants and for certain losses arising out of retained liabilities or assumed liabilities, respectively, and the operation of the Speedway Business following the consummation of the Acquisition, as applicable, subject to certain limitations.

The Purchase Agreement contains certain termination rights for the Sellers and 7-Eleven, including the right to terminate the Purchase Agreement if the Acquisition is not consummated by May 2, 2021, subject to two extensions of three months (but no more than six months in total), exercisable by either party, if the required antitrust approvals described above have not yet been obtained (such date, as so extended, the “*Outside Date*”).

In connection with the Acquisition and at the consummation of the Acquisition, SEI Fuels and Marathon LP will enter into a long-term fuel supply agreement (the “*Fuel Supply Agreement*”), pursuant to which Marathon LP will provide an amount of fuel to the Speedway Business that will be determined by SEI Fuels and Marathon LP and set forth in the Fuel Supply Agreement. The Fuel Supply Agreement will have an initial term of 15 years, subject to a single renewal term of three additional years, unless either party notifies the other of its non-renewal intent.

In addition to the Fuel Supply Agreement, 7-Eleven or one or more of its affiliates and MPC expect to enter into one or more agreements related to incremental opportunities to supply fuel volume to 7-Eleven and its other retail fuel store locations.

For more information on the Acquisition, see “The Transactions.”

### ***The Equity Contribution***

In connection with the Acquisition, Seven & i is expected to contribute indirectly \$8.0 billion in cash to 7-Eleven to be used to pay a portion of the Acquisition Consideration (the “*Equity Contribution*”) in exchange for 40,000 shares of common stock of SAM (as defined herein). Following the Equity Contribution, Seven & i will have a 25% direct ownership in SAM (as defined herein).

### ***The Financing Transactions***

In connection with the Acquisition, (i) 7-Eleven has entered into the August 2020 Term Loan Facility, a three-year senior unsecured delayed draw term loan credit facility in an aggregate principal amount of up to \$1.25 billion, the entire amount of which may be drawn at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent, as described more fully under “Description of Other Indebtedness—Delayed Draw Term Loan Facilities,” (ii) 7-Eleven has entered into the October 2020 Term Loan Facility, a two-year senior unsecured delayed draw term loan credit facility in an aggregate principal amount of up to \$1.0 billion, the entire amount of which may be drawn at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent, as described more fully under “Description of Other Indebtedness—Delayed Draw Term Loan Facilities,” (iii) 7-Eleven has entered into the Revolving Credit Facility, an amended and restated three-year senior unsecured revolving credit facility in an aggregate principal amount of up to \$500.0 million, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent, as described more fully under “Description of Other Indebtedness—Revolving Credit Facility,” and (iv) 7-Eleven intends to issue the notes offered hereby in an aggregate principal amount of \$10.95 billion. For more information relating to the notes, see “Description of Notes.” For more information relating to the August 2020 Term Loan Facility, October 2020 Term Loan Facility and the Revolving Credit Facility, see “Description of Other Indebtedness.”

7-Eleven intends to use the net proceeds from the borrowings under the Delayed Draw Term Loan Facilities (as defined herein), the net proceeds from this offering and the proceeds from the Equity Contribution (i) to



finance the Acquisition and (ii) to pay fees and expenses incurred in connection with the Acquisition, the Delayed Draw Term Loan Facilities, the Revolving Credit Facility, this offering of the notes, and the other transactions contemplated in connection therewith, as set forth under “Use of Proceeds.”

***PTC’s Repurchase of Speedway’s Interest in PFJ Southeast***

On October 30, 2020, PTC provided MPC notice of PTC’s intent to exercise the Repurchase Right under the JV Agreement governing PFJ Southeast, pursuant to which PTC will repurchase Speedway’s interest in PFJ Southeast for the Repurchase Price. See “—Recent Developments—Repurchase of PFJ Southeast Interest by PTC.”

**Sources and Uses of Funds**

The following table sets forth the estimated sources and uses of funds in connection with the Transactions, as if they occurred on September 30, 2020. The actual sources and uses of funds may vary from the estimated sources and uses of funds in the table and accompanying footnotes set forth below. The estimated sources and uses of funds presented below should be read in conjunction with “Use of Proceeds,” “Capitalization,” “The Transactions” and “Unaudited Pro Forma Condensed Combined Financial Data” included elsewhere in this offering circular.

<u>Sources of Funds</u>	<u>Uses of Funds</u>	
	(dollars in millions)	
New senior unsecured notes . . . . .	\$10,950	Acquisition Consideration <sup>(2)</sup> . . . . . \$21,000
Delayed Draw Term Loan Facilities <sup>(1)</sup> . . . . .	2,250	Estimated fees and expenses <sup>(3)</sup> . . . . . 200
Equity Contribution. . . . .	<u>8,000</u>	Total uses of funds . . . . . <u>\$21,200</u>
Total sources of funds. . . . .	<u>\$21,200</u>	

- (1) The Delayed Draw Term Loan Facilities provide an aggregate commitment in a principal amount up to \$2,250 million, which may be borrowed at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent, including the funding of the Equity Contribution, more specifically described herein. See “Description of Other Indebtedness—Delayed Draw Term Loan Facilities.”
- (2) Represents the estimated aggregate Acquisition Consideration payable to MPC on the closing date of the Acquisition, assuming no price adjustments pursuant to the Purchase Agreement, including as a result of the PFJ Repurchase. See Note 4 to the unaudited pro forma condensed combined financial information included elsewhere in this offering circular for an illustration of how certain adjustments pursuant to the Purchase Agreement could impact the Acquisition Consideration.
- (3) Represents the estimated fees and expenses associated with the Transactions, including financing fees, advisory fees and other transaction costs and professional fees.

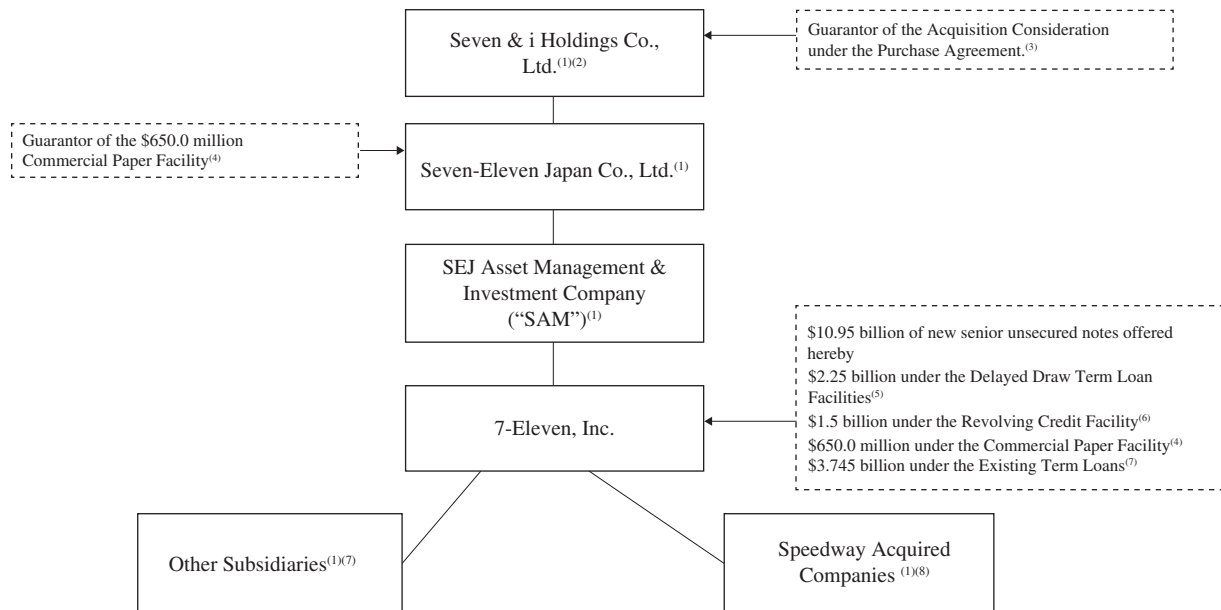
**Corporation Information**

7-Eleven’s principal executive offices are located at 3200 Hackberry Road, Irving, Texas 75063. 7-Eleven’s telephone number is 972-828-7011. 7-Eleven was incorporated in Texas in 1961 as the successor to an ice business organized in 1927. On April 30, 1999, 7-Eleven changed its name from The Southland Corporation to 7-Eleven, Inc. 7-Eleven’s internet address is www.7-eleven.com. The information contained on 7-Eleven’s website is not part of, and is not incorporated by reference into, this offering circular.

The corporate headquarters for the Speedway Business are located at 500 Speedway Drive, Enon, Ohio 45323. The telephone number for the Speedway Business is 937-863-3000, and the internet address for the Speedway Business is www.speedway.com. The information contained on the website for the Speedway Business is not part of, and is not incorporated by reference into, this offering circular. Prior to the consummation of the Acquisition, the Speedway Business constitutes MPC’s Speedway transportation fuels and convenience store businesses primarily operated under the Speedway brand (excluding MPC’s direct-dealer retail locations).

### Corporate Structure

The diagram below sets forth a simplified version of our organizational structure and the principal indebtedness of the Company as of September 30, 2020, on a pro forma basis after giving effect to the Transactions. This chart is provided for illustrative purposes only and does not represent all legal entities affiliated with, or all debt or capital lease obligations of, the Company or any debt or capital lease obligation of its parent entities listed below except with respect to certain guarantees as shown below. For a summary of the principal indebtedness of the Company referenced in this diagram, see “Description of Other Indebtedness” and “Description of Notes.”



- (1) None of Seven & i, SEJ, SAM or any of the Company’s subsidiaries, including the Speedway Acquired Companies (as defined below), will guarantee the notes offered hereby or otherwise have any obligations under the notes, the Revolving Credit Facility or the Delayed Draw Term Loan Facilities.
- (2) In connection with the Acquisition, Seven & i is expected to contribute indirectly \$8.0 billion in cash to 7-Eleven in exchange for, 40,000 shares of common stock of SAM. Following the Equity Contribution, Seven & i will have a 25% direct ownership in SAM. See “The Transactions—The Equity Contribution”
- (3) For a discussion of the guarantee issued by Seven & i relating to the Acquisition Consideration, see “The Transactions—The Acquisition.”
- (4) The \$650.0 million Commercial Paper Facility (as defined herein) is guaranteed by SEJ pursuant to an indemnity and reimbursement agreement. Under such indemnity and reimbursement agreement, 7-Eleven pays SEJ a guarantee fee of 0.125% per year (accruing on a daily basis) on the Commercial Paper Facility’s

average outstanding balance. Additionally, 7-Eleven is required to reimburse any payments under the guarantee. See “Description of Other Indebtedness—Commercial Paper Facility” for further details.

- (5) The Delayed Draw Term Loan Facilities consist of (i) the August 2020 Term Loan Facility, which is a three-year senior unsecured delayed draw term loan credit facility in an aggregate principal amount of up to \$1.25 billion and (ii) the October 2020 Term Loan Facility, which is a two-year senior unsecured delayed draw term loan credit facility in an aggregate principal amount of up to \$1.0 billion. The entire amount of the Delayed Draw Term Loan Facilities may be drawn at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent, as described more fully under “Description of Other Indebtedness—Delayed Draw Term Loan Facilities.
- (6) Prior to the consummation of the Acquisition, the Revolving Credit Facility has commitments in an aggregate principal amount up to \$500.0 million, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent, as more fully described under “Description of Other Indebtedness—Revolving Credit Facility.”
- (7) As of September 30, 2020, 7-Eleven had an aggregate principal amount of \$3.745 billion of term loan obligations, of which \$2.725 billion of the obligations were with third-party lenders and \$1.02 billion of the obligations were with SAM (the “*Existing Term Loans*”). 7-Eleven guarantees an aggregate principal amount of \$450 million of Existing Term Loans incurred by 7-Eleven International Investments LP, an indirect wholly-owned subsidiary of 7-Eleven, as borrower. See “Description of Other Indebtedness—Existing Term Loans.”
- (8) Pursuant to the Purchase Agreement, 7-Eleven will acquire all of the outstanding equity in the subsidiaries of MPC and Sellers related to the Speedway Business (such entities, collectively, the “*Speedway Acquired Companies*”). For a discussion of the Acquisition, see “The Transactions—The Acquisition.” As of September 30, 2020, on a pro forma basis after giving effect to the Transactions, the Speedway Acquired Companies would not have had any net debt outstanding (excluding \$104 million of capital leases).

## The Offering

*The following summary contains certain information about the notes and is not intended to be complete. It does not contain all of the information that may be important to you. You should read the full text and more specific details contained elsewhere in this offering circular. For a more detailed description of the notes, see the discussion under the caption "Description of Notes" in this offering circular.*

<b>Issuer</b> .....	7-Eleven, Inc.
<b>Notes Offered</b> .....	\$1,500,000,000 aggregate principal amount of floating rate senior notes due 2022, \$1,250,000,000 aggregate principal amount of 0.625% senior notes due 2023, \$2,250,000,000 aggregate principal amount of 0.800% senior notes due 2024, \$1,250,000,000 aggregate principal amount of 0.950% senior notes due 2026, \$1,000,000,000 aggregate principal amount of 1.300% senior notes due 2028, \$1,700,000,000 aggregate principal amount of 1.800% senior notes due 2031, \$750,000,000 aggregate principal amount of 2.500% senior notes due 2041 and \$1,250,000,000 aggregate principal amount of 2.800% senior notes due 2051.
<b>Maturity Date</b> .....	The Floating Rate Notes will mature on August 10, 2022. The 2023 Notes will mature on February 10, 2023. The 2024 Notes will mature on February 10, 2024. The 2026 Notes will mature on February 10, 2026. The 2028 Notes will mature on February 10, 2028. The 2031 Notes will mature on February 10, 2031. The 2041 Notes will mature on February 10, 2041. The 2051 Notes will mature on February 10, 2051.
<b>Interest Rate</b> .....	The Floating Rate Notes will bear interest from February 10, 2021 at a rate equal to LIBOR, plus 0.450%, payable quarterly in arrears. The 2023 Notes will bear interest from February 10, 2021 at the rate of 0.625% per year, payable semi-annually in arrears. The 2024 Notes will bear interest from February 10, 2021 at the rate of 0.800% per year, payable semi-annually in arrears. The 2026 Notes will bear interest from February 10, 2021 at the rate of 0.950% per year, payable semi-annually in arrears. The 2028 Notes will bear interest from February 10, 2021 at the rate of 1.300% per year, payable semi-annually in arrears. The 2031 Notes will bear interest from February 10, 2021 at the rate of 1.800% per year, payable semi-annually in arrears. The 2041 Notes will bear interest from February 10, 2021 at the rate of 2.500% per year, payable semi-annually in arrears. The 2051 Notes will bear interest from February 10, 2021 at the rate of 2.800% per year, payable semi-annually in arrears.
<b>Interest Payment Dates</b> .....	Interest on the Fixed Rate Notes will be payable on February 10 and August 10 of each year, beginning on August 10, 2021. Interest on the Floating Rate Notes will be payable on February 10, May 10, August 10 and November 10 of each year, beginning on May 10, 2021.

**Special Mandatory Redemption** . . . . . If we do not complete the Acquisition on or before the special redemption deadline, or, if the Purchase Agreement is terminated prior to such date, then we must redeem all of the outstanding notes at a special redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest from, and including, the date of initial issuance (or the most recent interest payment date to which interest has been paid, whichever is later) to, but excluding, the special redemption date. See “Description of Notes—Special Mandatory Redemption of the Notes.”

**Optional Redemption** . . . . . Prior to August 10, 2021, we may not redeem the Floating Rate Notes. At any time on or after August 10, 2021, we may redeem the Floating Rate Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Floating Rate Notes being redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

We may redeem in whole or in part the 2023 Notes, 2024 Notes, 2026 Notes, 2028 Notes, 2031 Notes, 2041 Notes and 2051 Notes at any time prior to February 10, 2022 (in the case of the 2023 Notes) (the “**2023 Par Call Date**”), February 10, 2022 (in the case of the 2024 Notes) (the “**2024 Par Call Date**”), January 10, 2026 (in the case of the 2026 Notes) (the “**2026 Par Call Date**”), December 10, 2027 (in the case of the 2028 Notes) (the “**2028 Par Call Date**”), November 10, 2030 (in the case of the 2031 Notes) (the “**2031 Par Call Date**”), August 10, 2040 (in the case of the 2041 Notes) (the “**2041 Par Call Date**”) and August 10, 2050 (in the case of the 2051 Notes) (the “**2051 Par Call Date**”) (each of the 2023 Par Call Date, the 2024 Par Call Date, the 2026 Par Call Date, the 2028 Par Call Date, the 2031 Par Call Date, the 2041 Par Call Date and the 2051 Par Call Date, a “**Par Call Date**”), at a redemption price equal to the greater of:

- 100% of the principal amount of the notes to be redeemed on the redemption date; or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been due if the notes matured on the applicable Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to their present value as of such redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Adjusted Treasury Rate (as defined in “Description of Notes—Optional Redemption—Definitions Related to Optional Redemption of the Notes”) plus 10 basis points (in the case of the 2023 Notes), plus 10 basis points (in the case of the 2024 Notes), plus 10 basis points (in the case of the 2026 Notes), plus 10 basis points (in the case of the 2028 Notes), plus 12.5 basis points (in the case of the 2031 Notes), plus 15 basis points (in the case of the 2041 Notes), and plus 20 basis points (in the case of the 2051 Notes);

plus, in each case, accrued and unpaid interest on the notes to be redeemed to, but excluding, the redemption date.

In addition, at any time on or after the applicable Par Call Date, we may redeem from time to time some or all of the notes of the applicable series at our option, at a redemption price equal to 100% of the principal amount of the notes of such series being redeemed, plus accrued and unpaid interest on the notes of such series being redeemed to, but excluding, the redemption date.

**Repurchase at the Option of Holders  
Upon a Change of Control  
Triggering Event . . . . .**

If we experience a Change of Control Triggering Event (as defined in “Description of Notes—Change of Control Triggering Event”) with respect to a series of notes, unless we have defeased the notes of such series as described in the indenture governing the notes or exercised our right to redeem the notes of such series, each holder of the notes of such series will have the right to require us to repurchase all or a portion of such holder’s notes at a repurchase price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest, if any, on the amount repurchased to, but excluding, the date of repurchase.

**Ranking . . . . .**

The notes will be unsecured and unsubordinated debt obligations of 7-Eleven and will rank equally in right of payment with all other unsecured and unsubordinated debt of 7-Eleven from time to time outstanding. The notes will be structurally subordinated in right of payment to all existing and future indebtedness, liabilities and other obligations of 7-Eleven’s subsidiaries. The notes will be effectively subordinated in right of payment to all future secured indebtedness of 7-Eleven to the extent of the value of the assets securing such indebtedness. The notes will not be guaranteed by Seven & i nor any of 7-Eleven’s operating subsidiaries, including the Speedway Acquired Companies, and neither Seven & i nor any of 7-Eleven’s operating subsidiaries will have any obligations under the notes.

As of September 30, 2020, on a historical basis, the aggregate amount of debt of 7-Eleven’s subsidiaries was approximately \$450.5 million (including \$0.5 million of capital lease obligations). 7-Eleven had no outstanding secured indebtedness as of September 30, 2020 (excluding \$100.0 million of capital lease obligations).

As of September 30, 2020, on a pro forma basis after giving effect to the Transactions, the aggregate amount of debt of 7-Eleven’s subsidiaries would have been approximately \$554.9 million (including \$104.9 million of capital lease obligations). On a pro forma basis after giving effect to the Transactions, 7-Eleven would have had no outstanding secured indebtedness as of September 30, 2020 (excluding \$204.4 million of capital leases).

**Certain Covenants** ..... The notes will be issued under an indenture that will contain covenants with respect to, among other things, the incurrence of debt secured by liens and any merger, consolidation or sale of all or substantially all of our assets.

Each of these covenants, however, is subject to significant qualifications and exceptions. See “Description of Notes—Certain Covenants” in this offering circular.

**Further Issuances** ..... The indenture that will govern the notes will not limit the amount of notes that we may issue. We may from time to time, without giving notice to or seeking the consent of the holders of a series of the notes, issue securities having the same ranking and the same interest rate, maturity and other terms as such series of the notes other than issue date, issue price and the payment of interest accruing prior to the issue date of the additional securities, provided that if such additional securities are not fungible with the then-outstanding notes of such series for U.S. federal income tax purposes, the additional securities shall have a separate CUSIP number.

**Use of Proceeds** ..... We intend to use the net proceeds from the sale of the notes in this offering, together with borrowings under the Delayed Draw Term Loan Facilities and the Equity Contribution, to finance the Acquisition and to pay fees and expenses incurred in connection with the Acquisition, the Delayed Draw Term Loan Facilities, the Revolving Credit Facility and the other transactions contemplated in connection therewith.

If we do not complete the Acquisition on or before the special redemption deadline, or, if the Purchase Agreement is terminated prior to such date, then we must redeem the notes pursuant to the Special Redemption provisions described above. See “Use of Proceeds.”

**Transfer Restrictions** ..... The notes have not been registered under the Securities Act. The notes may only be offered and sold in transactions that are exempt from the registration requirements of the Securities Act and the securities laws of any other applicable jurisdiction. The notes are initially being offered to investors in reliance upon Rule 144A and Regulation S under the Securities Act. See “Transfer Restrictions.”

**No Registration Rights** ..... We do not intend to file a registration statement for the resale of any of the notes. As a result, you may resell your notes only pursuant to an exemption from the registration requirements of the Securities Act and other applicable state and foreign securities laws. See “Transfer Restrictions.”

**Absence of a Public Market for the Notes** ..... Each series of notes is a new security and there is currently no existing market for any of the notes. The notes will not be listed on any securities exchange. The initial purchasers have advised us that

they intend to make a market in each series of notes, but they are not obligated to do and may discontinue market-making at any time without notice.

- Denomination and Form** . . . . . We will issue the notes in the form of one or more fully registered global notes registered in the name of a nominee of The Depository Trust Company (“*DTC*”). Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, S.A. and Euroclear Bank, S.A./N.V., as operator of the Euroclear System, will hold interests on behalf of their participants through their respective U.S. depositories, which in turn will hold such interests in accounts as participants of DTC. Except in the limited circumstances described in this offering circular, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the indenture. The notes will be issued only in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.
- Risk Factors** . . . . . Investing in the notes involves substantial risks. You should carefully consider the risk factors set forth under the caption “Risk Factors” and the other information in this offering circular prior to making an investment decision.
- Trustee, Paying Agent, Registrar** . . . . . The Bank of New York Mellon Trust Company, N.A.
- Governing Law**. . . . . The indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.



## **SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA AND UNAUDITED ADJUSTED COMBINED FINANCIAL DATA**

Set forth below is the summary unaudited pro forma condensed combined financial data of the Company for the nine months ended September 30, 2020 and the year ended December 31, 2019. The following summary unaudited pro forma condensed combined balance sheet data of the Company has been prepared to give pro forma effect to the Transactions, in the manner described under “Unaudited Pro Forma Condensed Combined Financial Data,” as if they had occurred on September 30, 2020. The following summary unaudited pro forma condensed combined statement of earnings data of the Company has been prepared to give pro forma effect to the Transactions, in the manner described under “Unaudited Pro Forma Condensed Combined Financial Data,” as if they had occurred on January 1, 2019. The summary unaudited pro forma condensed combined financial data has been derived from, and should be read in conjunction with, the historical audited annual and unaudited interim financial statements, including the notes thereto, of each of 7-Eleven and the Speedway Business, which have been included elsewhere in this offering circular.

The summary unaudited pro forma condensed combined financial data reflects adjustments to the historical financial information to give effect to matters that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the unaudited pro forma condensed combined statements of earnings, expected to have a continuing impact on the operating results of the combined company. Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the summary unaudited pro forma condensed combined financial data has been prepared based on preliminary estimates, the final amounts recorded may differ materially from the information presented. Additionally, the summary unaudited pro forma condensed combined financial data does not give effect to the Divestitures or any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Transactions. The summary unaudited pro forma condensed combined financial data is illustrative and for informational purposes only and does not purport to represent what the combined results of operations or financial position actually would have been if the Transactions had occurred on the dates indicated, and such data does not purport to project the Company’s results of operations for any period.

The Acquisition is being accounted for using the acquisition method of accounting applying the accounting guidance in Accounting Standards Codification (“ASC”) 805, Business Combinations (“ASC 805”), with 7-Eleven being treated as the accounting acquirer and the Speedway Business being treated as the accounting acquiree. 7-Eleven has performed a preliminary valuation analysis of the fair value of the Speedway Business’s assets to be acquired and liabilities to be assumed and has made certain adjustments to the historical book values of the assets and liabilities of the Speedway Business to reflect preliminary estimates of the fair values. The excess of the purchase price over the adjusted historical net assets of the Speedway Business is recorded as goodwill. Accordingly, the pro forma condensed combined financial statements included herein and pro forma adjustments are preliminary and have been made solely for the purpose of providing the pro forma condensed combined financial statements for inclusion in this offering circular. Amounts used in the pro forma condensed combined financial statements will differ from actual amounts once the Company has determined the final allocation of the purchase price and has completed the valuation analysis necessary to finalize the required purchase price allocation. Differences between these preliminary estimates and the final acquisition accounting may have a material impact on the pro forma condensed combined financial statements and the Company’s future results of operations and financial position.

Also set forth below are the certain unaudited adjusted combined statements of earnings data of the Company for the twelve months ended September 30, 2020. The unaudited adjusted combined statements of earnings data has been prepared by (i) combining (a) 7-Eleven’s unaudited historical consolidated financial data for the twelve months ended September 30, 2020, derived by adding the financial data from the audited consolidated financial statements of 7-Eleven for the year ended December 31, 2019 to the financial data from

the unaudited consolidated financial statements of 7-Eleven for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited consolidated financial statements of 7-Eleven for the nine months ended September 30, 2019, and (b) the Speedway Business's unaudited historical combined financial data for the twelve months ended September 30, 2020, derived by adding the financial data from the audited combined financial statements of the Speedway Business for the year ended December 31, 2019 to the financial data from the unaudited combined financial statements of the Speedway Business for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited combined financial statements of the Speedway Business for the nine months ended September 30, 2019, and (ii) making certain adjustments in the manner described below to give effect to the Transactions as if they had occurred on October 1, 2019. The unaudited adjusted combined statements of earnings data has not been prepared in compliance with Regulation S-X under the Securities Act. GAAP does not allow for combination of financial data as set forth herein; however, we believe the adjusted combined results provide information that is useful in evaluating our financial performance or liquidity. Management has made significant estimates and assumptions in its determination of the adjustments in the unaudited adjusted combined statements of earnings data described below to give effect to the Transactions as if they had occurred on October 1, 2019. As the summary unaudited adjusted combined statements of earnings data has been prepared based on preliminary estimates, the final amounts recorded may differ materially from the information presented. Additionally, the unaudited adjusted combined statements of earnings data does not give effect to any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Transactions. The unaudited adjusted combined statements of earnings data is presented for informational purposes only and is not indicative of the results of operations that would have actually occurred had the Transactions been completed as of any prior date, nor is it indicative of our future operating results. The unaudited adjusted combined statements of earnings data have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. See "Basis of Presentation" and "Use of Non-GAAP Financial Information."

The information is only a summary and should be read in conjunction with the “The Transactions,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Speedway Business,” “Unaudited Pro Forma Condensed Combined Financial Data,” and all of the historical financial statements and the notes thereto included elsewhere in this offering circular.

	Pro Forma <sup>(1)</sup>		Adjusted Combined <sup>(2)</sup>
	Nine Months Ended September 30, 2020	Year Ended December 31, 2019	Twelve Months Ended September 30, 2020
	(unaudited)	(unaudited)	(unaudited)
<b>(dollars in millions)</b>			
<b>Statement of Earnings Data</b>			
Revenue:			
Merchandise sales.....	\$ 8,041.1	\$10,419.7	10,587.5
Fuel sales .....	19,905.3	38,542.0	29,187.1
Net sales.....	27,946.4	48,961.7	39,774.6
Franchise and licensing revenues.....	1,919.1	2,659.9	2,566.1
Other income .....	167.7	96.4	213.2
Total revenue .....	30,033.2	51,718.0	42,553.9
Earnings before income tax.....	1,617.4	1,771.5	2,097.9
Income tax expense .....	382.5	431.4	495.7
Net earnings .....	\$ 1,234.9	\$ 1,340.1	\$ 1,602.2
<b>Balance Sheet Data (at end of period)</b>			
Cash and cash equivalents.....	\$ 1,351.8		\$ 1,351.8
Total assets.....	\$37,531.6		\$37,531.6
Total debt .....	\$17,124.4		\$17,124.4
<b>Other Operating and Financial Data</b>			
Adjusted EBIT <sup>(3)</sup> .....	\$ 1,852.1	\$ 2,082.3	\$ 2,284.5
Adjusted EBITDA <sup>(3)</sup> .....	\$ 2,618.2	\$ 3,055.6	\$ 3,320.0
Net cash provided by operating activities.....			\$ 3,041.7
Free cash flow <sup>(4)</sup> .....			\$ 551.6
Net debt <sup>(5)</sup> .....	\$15,772.6		\$15,772.6
<b>Pro Forma Credit Statistics</b>			
Total debt/Adjusted EBITDA <sup>(3)</sup> .....			5.2x
Net debt <sup>(5)</sup> /Adjusted EBITDA <sup>(3)</sup> .....			4.8x

- (1) Pro forma amounts give effect to the Transactions in the manner described under “Unaudited Pro Forma Condensed Combined Financial Data” presented elsewhere herein.
- (2) The table below and accompanying footnotes describe the adjustments and underlying assumptions used to prepare the unaudited adjusted combined statements of earnings data of the Company for the twelve months ended September 30, 2020. As noted above, the unaudited adjusted combined statements of earnings data has not been prepared in compliance with Regulation S-X under the Securities Act and GAAP does not allow for combination of financial data as set forth below. As a result, the adjusted combined statements of earnings data for the twelve months ended September 30, 2020 is not prepared on the same basis as, and therefore is not comparable to, the pro forma combined statement of earnings data for the nine months ended September 31, 2020 and year ended December 31, 2019. See note (1) above. Furthermore, this information does not purport to represent what the combined results of operations or financial position

actually would have been if the Transactions had occurred on October 1, 2019, and such data does not purport to project the Company's results of operations for any period. See "Basis of Presentation" and "Use of Non-GAAP Financial Information." The unaudited historical financial data for the twelve months ended September 30, 2020 for each of 7-Eleven and the Speedway Business has been derived by adding the financial data from the audited financial statements of each of 7-Eleven and the Speedway Business, as applicable, for the year ended December 31, 2019 to the financial data from the unaudited financial statements of each of 7-Eleven and the Speedway Business, as applicable, for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited financial statements of each of 7-Eleven and the Speedway Business, as applicable, for the nine months ended September 30, 2019. The unaudited adjusted combined financial position is the same as the financial position presented in the pro forma balance sheet as of September 30, 2020 included elsewhere in this offering circular. See "Basis of Presentation."

	Twelve Months Ended September 30, 2020			
	7-Eleven Historical	Speedway Business Historical	Combined Adjustments	Adjusted Combined
	(unaudited) (dollars in millions)			
<b>Statement of Earnings Data</b>				
Revenue:				
Merchandise sales.....	\$ 4,248.0	\$ 6,339.5	—	\$10,587.5
Fuel sales .....	14,511.9	14,675.2	—	29,187.1
Net sales .....	18,759.9	21,014.7	—	39,774.6
Franchise and licensing revenues .....	2,566.1	—	—	2,566.1
Other income .....	30.9	276.6	(94.3) (a)	213.2
Total revenue .....	21,356.9	21,291.3	(94.3)	42,553.9
Costs and expenses:				
Total cost of goods sold.....	15,555.9	16,866.2	42.8 (b)	32,464.9
Operating, selling, general and administrative expenses.....	4,750.8	3,125.5	(121.1) (c) (32.1) (d)	7,723.1
Interest expense, net.....	104.3	101.2	205.1 (e) (93.9) (f) (2.6) (g)	314.1
Other income, net .....	—	46.1	—	46.1
Total costs and expenses .....	20,411.0	20,046.8	(1.8)	40,456.0
Earnings before income tax .....	945.9	1,244.5	(92.5)	2,097.9
Income tax expense .....	200.4	318.4	(23.1) (h)	495.7
Net earnings .....	<u>\$ 745.5</u>	<u>\$ 926.1</u>	<u>\$ (69.4)</u>	<u>\$ 1,602.2</u>

(a) Reflects the removal of the equity method investment income related to Speedway's 29% equity interest in PFJ Southeast as a result of PTC exercising its Repurchase Right with respect to Speedway's interest in PFJ Southeast.

(b) Reflects the adjustment to align cost of sales for differences in inventory cost methods. Speedway utilizes the last-in-first-out ("**LIFO**") inventory method for merchandise and fuel inventory, while 7-Eleven utilizes the retail method, or first-in-first-out ("**FIFO**"), for merchandise inventory and the lower of cost or net realizable value method, where cost is determined by the weighted-average cost, for fuel inventory.

- (c) Reflects a decrease of \$121.1 million relating to depreciation and amortization expense recorded as a result of property, plant, and equipment and intangible assets acquired in the business combination. The operating, selling, general and administrative expenses in the Speedway Business historical column reflects the reclassification of Speedway's depreciation and amortization expense of \$440.6 million from a separate line-item to align with the historical reporting and presentation of 7-Eleven.
- (d) Reflects elimination of transaction related costs incurred and recorded by 7-Eleven and the Speedway Business during the twelve months ended September 30, 2020 as these costs are not expected to have a recurring impact on the statement of earnings.
- (e) Reflects the additional interest expense recorded as a result of the debt financing in connection with the Transactions. See Note 4 to the unaudited pro forma condensed combined financial information included elsewhere in this offering circular for additional details regarding the assumptions related to the interest expense recorded.
- (f) Reflects the elimination of related party interest expense as the historical intercompany balances between the Speedway Business and MPC will be settled prior to the Acquisition.
- (g) Reflects the elimination of the amortization of debt issuance costs recorded during the twelve months ended September 30, 2020 related to the Bridge Facility (as defined herein), which will be terminated on the date the notes are issued.
- (h) Reflects adjustments to income tax expense as a result of the tax impact on the combined adjustments at the estimated statutory tax rate of 25.0%.

- (3) “EBIT” is defined as net earnings before income tax and interest expense, net of interest income. “EBITDA” is defined as EBIT adjusted to exclude depreciation and amortization expense. “Adjusted EBIT” is defined as EBIT adjusted to include certain impacts of the Divestitures, as described below. “Adjusted EBITDA” is defined as EBITDA adjusted to include certain impacts of the Divestitures, as described below. None of EBIT, EBITDA, Adjusted EBIT or Adjusted EBITDA is a recognized term under GAAP and none of these Non-GAAP Measures purport to be an alternative to net earnings as a measure of operating performance. Management believes that these Non-GAAP Measures are helpful in evaluating our operating performance. In addition, we believe that the inclusion of these Non-GAAP Measures are appropriate to provide additional information to investors about the impact of certain noncash items, unusual items that we do not expect to continue at the same level in the future and other items. Management compensates for the limitations of using Non-GAAP Measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, our presentation of these Non-GAAP Measures may not be comparable to similarly titled measures of other companies.

	Historical			Historical			Pro Forma <sup>(a)</sup>		Adjusted Combined <sup>(b)</sup>
	7-Eleven			Speedway Business			Company		
	Nine Months Ended September 30, 2020	Year Ended December 31, 2019	Twelve Months Ended September 30, 2020	Nine Months Ended September 30, 2020	Year Ended December 31, 2019	Twelve Months Ended September 30, 2020	Nine Months Ended September 30, 2020	Year Ended December 31, 2019	Twelve Months Ended September 30, 2020
	(unaudited) (dollars in millions)								
Net earnings . . . . .	\$ 540.0	\$ 727.5	\$ 745.5	\$ 750.1	\$ 658.8	\$ 926.1	\$1,234.9	\$1,340.1	\$1,602.2
Interest expense, net . . . . .	80.5	99.1	104.3	74.4	117.8	101.2	234.7	310.8	314.1
Income tax expense . . . . .	141.8	225.5	200.4	259.1	221.3	318.4	382.5	431.4	495.7
<b>EBIT . . . . .</b>	<b>\$ 762.3</b>	<b>\$1,052.1</b>	<b>\$1,050.2</b>	<b>\$1,083.6</b>	<b>\$ 997.9</b>	<b>\$1,345.7</b>	<b>\$1,852.1</b>	<b>\$2,082.3</b>	<b>\$2,412.0</b>
Depreciation and amortization . . . . .	564.9	703.5	746.0	312.1	413.5	440.6	766.1	973.3	1,065.5
<b>EBITDA . . . . .</b>	<b>\$1,327.2</b>	<b>\$1,755.6</b>	<b>\$1,796.2</b>	<b>\$1,395.7</b>	<b>\$1,411.4</b>	<b>\$1,786.3</b>	<b>\$2,618.2</b>	<b>\$3,055.6</b>	<b>\$3,477.5</b>
Impact of the Divestitures <sup>(c)</sup> . . . . .	—	—	—	—	—	—	—	—	(157.5)
<b>Adjusted EBITDA . . . . .</b>	<b>\$1,327.2</b>	<b>\$1,755.6</b>	<b>\$1,796.2</b>	<b>\$1,395.7</b>	<b>\$1,411.4</b>	<b>\$1,786.3</b>	<b>\$2,618.2</b>	<b>\$3,055.6</b>	<b>\$3,320.0</b>
<b>EBIT . . . . .</b>	<b>\$ 762.3</b>	<b>\$1,052.1</b>	<b>\$1,050.2</b>	<b>\$1,083.6</b>	<b>\$ 997.9</b>	<b>\$1,345.7</b>	<b>\$1,852.1</b>	<b>\$2,082.3</b>	<b>\$2,412.0</b>
Impact of the Divestitures <sup>(d)</sup> . . . . .	—	—	—	—	—	—	—	—	(127.5)
<b>Adjusted EBIT . . . . .</b>	<b>\$ 762.3</b>	<b>\$1,052.1</b>	<b>\$1,050.2</b>	<b>\$1,083.6</b>	<b>\$ 997.9</b>	<b>\$1,345.7</b>	<b>\$1,852.1</b>	<b>\$2,082.3</b>	<b>\$2,284.5</b>

- (a) Pro forma amounts give effect to the Transactions in the manner described under “Unaudited Pro Forma Condensed Combined Financial Data” presented elsewhere herein.
- (b) Combined amounts give effect to the Transactions in the manner described under footnote 2 above.
- (c) \$157.5 million reflects the midpoint between the range of \$150 million to \$165 million of EBITDA for the twelve months ended September 30, 2020, on a combined adjusted basis, that 7-Eleven estimates the stores to be sold in the Divestitures would have represented, based on approximately \$90 million to \$100 million of net earnings, approximately \$31 million to \$32 million of income tax expense and approximately \$30 million to \$31 million of depreciation for the stores during such period. See “—Recent Developments—Anticipated Divestitures” for additional details regarding the assumptions related to the impact of the Divestitures. There can be no assurance as to the number of stores we will be required to divest or their locations, or as to the terms of such divestitures. As a result, the estimates with respect to the Divestitures are indicative only. The actual impact of the Divestitures on the Company may differ from these estimates, and any such differences could be material. The impact of the Divestitures is not included in the unaudited pro forma condensed combined statement of earnings data.
- (d) \$127.5 million reflects the midpoint between the range of \$120 million to \$135 million of EBIT for the twelve months ended September 30, 2020, on a combined adjusted basis, that 7-Eleven estimates the stores to be sold in the Divestitures would have represented, based on approximately \$90 million to \$100 million of net earnings and approximately \$31 million to \$32 million of income tax expense for the stores during such period. See “—Recent Developments—Anticipated Divestitures” for additional details regarding the assumptions related to the impact of the Divestitures. There can be no assurance as to the number of stores we will be required to divest or their locations, or as to the terms of such divestitures. As a result, the estimates with respect to the Divestitures are indicative only. The actual impact of the Divestitures on the Company may differ from these estimates, and any such differences could be material. The impact of the Divestitures is not included in the unaudited pro forma condensed combined statement of earnings data.

- (4) “Free cash flow,” a measure used by management to evaluate liquidity is defined as cash flows from operations less payments for purchases of property and equipment and acquisitions, including net working capital adjustments. Free Cash Flow is not a recognized term under GAAP and does not purport to be an

alternative to cash flows from operating activities as a measure of liquidity. Management believes that Free Cash Flow is helpful to evaluate our ability to service debt and fund acquisitions and strategic investments. Management compensates for the limitations of using Non-GAAP Measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, our presentation of Free Cash Flow may not be comparable to similarly titled measures of other companies.

	Twelve Months Ended September 30, 2020		
	7-Eleven Historical	Speedway Business Historical	Adjusted Combined
<b>Net cash provided by operating activities</b> .....	<b>\$ 1,595.7</b>	<b>\$1,446.0</b>	<b>\$ 3,041.7</b>
Payments for purchases of property and equipment .....	(1,279.3)	(484.0)	(1,763.3)
Acquisitions of business, net of working capital .....	(573.9)	—	(573.9)
Net working capital acquired from acquisitions .....	4.6	—	4.6
Impact of the Divestitures <sup>(a)</sup> .....	—	—	(157.5)
<b>Free cash flow</b> .....	<b>\$ (252.9)</b>	<b>\$ 962.0</b>	<b>\$ 551.6</b>

(a) \$157.5 million reflects the midpoint between the range of \$150.0 million to \$165.0 million of EBITDA for the twelve months ended September 30, 2020, on a combined adjusted basis, that 7-Eleven estimates the stores to be sold in the Divestitures would have represented. See “—Recent Developments—Anticipated Divestitures” for additional details regarding the assumptions related to the impact of the Divestitures. The impact of the Divestitures is not included in the unaudited pro forma condensed combined statement of earnings data.

(5) “Net debt,” a Non-GAAP Measure, for purposes of the above pro forma credit statistic is defined as total debt less cash and cash equivalents as set forth on the pro forma condensed combined balance sheet as of September 30, 2020. Net debt does not reflect the anticipated proceeds from the Divestitures. Combined net debt is calculated on same basis as pro forma net debt.

	As of September 30, 2020
	Pro Forma
<b>Total debt</b> .....	\$17,124.4
Cash and cash equivalents .....	(1,351.8)
<b>Net debt</b> .....	<b>\$15,772.6</b>

## SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF 7-ELEVEN

Set forth below is the summary historical financial data of 7-Eleven for the periods and as of the dates indicated. The summary historical consolidated financial data as of and for each of the three years ended December 31, 2019 has been derived from the audited consolidated financial statements and the notes thereto of 7-Eleven, which have been included elsewhere in this offering circular. The summary unaudited historical consolidated financial data as of and for the nine months ended September 30, 2020 and 2019 has been derived from the unaudited interim consolidated financial statements and the notes thereto of 7-Eleven, which also have been included elsewhere in this offering circular. The summary unaudited historical consolidated financial data for the twelve months ended September 30, 2020 has been derived by adding the financial data from the audited consolidated financial statements of 7-Eleven for the year ended December 31, 2019 to the financial data from the unaudited consolidated financial statements of 7-Eleven for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited consolidated financial statements of 7-Eleven for the nine months ended September 30, 2019. The unaudited consolidated financial statements of 7-Eleven have been prepared on the same basis as the audited financial statements of 7-Eleven and, in the opinion of 7-Eleven's management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this data. 7-Eleven's historical operating results are not necessarily indicative of the results that may be expected for any future period.

This information is only a summary and should be read in conjunction with "Selected Historical Consolidated Financial Data of 7-Eleven," "Management's Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven," and 7-Eleven's audited annual and unaudited interim consolidated financial statements, and the notes related thereto, included elsewhere in this offering circular.

(Dollars and retail fuel gallons in millions)	Nine Months Ended September 30,		Twelve Months Ended September 30,		Year Ended December 31,	
	2020	2019	2020	2019	2018	2017
<b>Statement of Earnings Data</b>						
Revenue:						
Merchandise sales .....	\$ 3,257.1	\$ 3,145.4	\$ 4,248.0	\$ 4,136.2	\$ 4,124.4	\$ 2,606.5
Fuel sales .....	10,053.3	13,843.1	14,511.9	18,301.8	18,810.4	12,598.2
Net sales .....	13,310.4	16,988.5	18,759.9	22,438.0	22,934.8	15,204.7
Franchise and licensing revenues .....	1,919.1	2,012.9	2,566.1	2,659.9	2,580.1	2,433.7
Other income .....	21.8	25.9	30.9	35.0	26.9	30.2
Total revenue .....	15,251.3	19,027.3	21,356.9	25,132.9	25,541.7	17,668.6
Earnings before income tax .....	681.8	688.9	945.9	953.0	858.9	748.5
Income tax expense .....	141.8	166.9	200.4	225.5	189.4	92.7
Net earnings .....	\$ 540.0	\$ 522.0	\$ 745.5	\$ 727.5	\$ 669.4	\$ 655.8
<b>Balance Sheet Data (at end of period)</b>						
Cash and cash equivalents .....	\$ 560.1	\$ 781.6	\$ 560.1	\$ 405.7	\$ 584.4	\$ 580.2
Total assets .....	\$15,455.0	\$14,662.7	\$15,455.0	\$14,502.2	\$13,937.1	\$10,818.9
Total debt .....	\$ 3,901.0	\$ 3,539.8	\$ 3,901.0	\$ 3,184.6	\$ 3,504.2	\$ 1,631.1
Total shareholder's equity .....	\$ 7,469.2	\$ 7,105.3	\$ 7,469.2	\$ 7,323.1	\$ 6,947.6	\$ 6,350.6
<b>Statement of Cash Flows Data</b>						
Cash provided by operating activities .....	\$ 1,266.0	\$ 1,066.6	\$ 1,595.7	\$ 1,396.3	\$ 1,448.1	\$ 1,001.3
Cash used in by investing activities .....	\$(1,357.5)	\$ (878.8)	\$(1,771.9)	\$(1,293.2)	\$(3,223.0)	\$ (785.9)
Cash provided by (used in) financing activities .....	\$ 246.9	\$ 7.6	\$ (42.3)	\$ (281.6)	\$ 1,841.9	\$ (130.2)
<b>Other Operating and Financial Data</b>						
U.S. same-store merchandise sales growth <sup>(1)</sup> .....	0.7%	2.9%		2.4%	1.9%	1.6%
Merchandise gross profit margin <sup>(2)</sup> .....	34.2%	35.0%	34.1%	34.8%	34.2%	34.3%
Retail fuel gross profit margin (¢/gallon) <sup>(3)</sup> .....	35.6¢	23.3¢	33.1¢	24.1¢	22.8¢	23.0¢
Retail fuel gallons .....	3,814.7	4,522.8	5,270.4	5,978.5	5,950.7	4,236.7
Net debt <sup>(4)</sup> .....	\$ 3,340.9	\$ 2,758.2	\$ 3,340.9	\$ 2,778.9	\$ 2,919.8	\$ 1,050.9
Company-operated stores (at end of period) <sup>(5)</sup> .....	2,476	2,358	2,476	2,303	2,360	1,508
Franchisee-operated stores (at end of period) <sup>(6)</sup> .....	7,413	7,273	7,413	7,379	7,213	7,162
Total Company-operated and Franchisee-operated stores (at end of period) .....	9,889	9,631	9,889	9,682	9,573	8,670



- (1) U.S. same-store merchandise sales growth is a metric that reflects the change in merchandise sales for comparable company and franchisee-operated stores in the U.S. 7-Eleven considers this widely used industry metric as an indicator for many internal and external factors including effectiveness of tactical plans, impact of investment and merchandising efforts, as well as local and national economic and customer trends. While franchisee-operated store merchandise sales and cost of goods sold are not reported in our consolidated statements of earnings, 7-Eleven monitors the change in its U.S. same-store merchandise sales including franchisee-operated stores in the U.S. By monitoring the change in U.S. same-store merchandise sales, 7-Eleven develops and implements strategies for all stores in the U.S. and evaluates company and franchisee-operated stores on the same basis in regards to sales and gross profits. For the purpose of calculating U.S. same-store merchandise sales growth, both company and franchisee-operated stores with merchandise sales during all days of both periods being compared are included in the calculation. A new store, relocated store, or rebuilt store is not included in 7-Eleven's U.S. same-store merchandise sales calculation until it has operated long enough to have merchandise sales during all of the days in both periods being compared. U.S. same-store merchandise sales growth as defined by 7-Eleven may not be comparable to similarly titled measures reported by other companies.
- (2) Merchandise gross profit margin includes franchisee-operated stores on a fully-consolidated basis.
- (3) Retail fuel gross profit margin, which is presented on a cents per gallon basis, does not include any of the related costs or fees attributable to the sale of fuel through credit or debit cards or other payment networks.
- (4) Net debt, a Non-GAAP Measure, is defined as total debt less cash and cash equivalents as set forth on the consolidated balance sheets for the applicable periods.

	As of September 30,		As of December 31,		
	2020	2019	2019	2018	2017
<b>Total debt</b> .....	\$3,901.0	\$3,539.8	\$3,184.6	\$3,504.2	\$1,631.1
Cash and cash equivalents .....	(560.1)	(781.6)	(405.7)	(584.4)	(580.2)
<b>Net debt</b> .....	<b>\$3,340.9</b>	<b>\$2,758.2</b>	<b>\$2,778.9</b>	<b>\$2,919.8</b>	<b>\$1,050.9</b>

- (5) Consists of U.S. company-operated stores and Canada company-operated stores.
- (6) Consists of traditional franchisee-operated stores and BCP-operated stores, all of which are in the U.S. Excludes licensee-operated stores.

## SUMMARY HISTORICAL COMBINED FINANCIAL DATA OF THE SPEEDWAY BUSINESS

Set forth below is the summary historical financial data of the Speedway Business for the periods and as of the dates indicated. The summary historical combined financial data as of and for each of the three years ended December 31, 2019 has been derived from the audited combined financial statements and the notes thereto of the Speedway Business, which have been included elsewhere in this offering circular. The summary unaudited historical combined financial data as of and for the nine months ended September 30, 2020 and 2019 has been derived from the unaudited interim combined financial statements and the notes thereto of the Speedway Business, which also have been included elsewhere in this offering circular. The summary unaudited historical combined financial data for the twelve months ended September 30, 2020 has been derived by adding the financial data from the audited combined financial statements of the Speedway Business for the year ended December 31, 2019 to the financial data from the unaudited combined financial statements of the Speedway Business for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited combined financial statements of the Speedway Business for the nine months ended September 30, 2019. The unaudited combined financial statements of the Speedway Business have been prepared on the same basis as the audited financial statements of the Speedway Business and, in the opinion of management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this data. The historical combined financial statements may not be indicative of the future performance of the Speedway Business and do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as a separate, stand-alone company during the periods presented. Actual costs that may have been incurred if the Speedway Business had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure.

This information is only a summary and should be read in conjunction with “Selected Historical Combined Financial Data of the Speedway Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Speedway Business,” and the audited and unaudited financial statements of the Speedway Business, and the notes related thereto, included elsewhere in this offering circular.

	Nine Months Ended September 30,		Twelve Months Ended September 30,	Year Ended December 31,		
	2020	2019	2020	2019	2018	2017
<b>(Dollars in millions)</b>						
<b>Results of Operations Data</b>						
Sales and other operating income <sup>(1)</sup> . . . . .	\$14,852	\$20,228	\$21,291	\$26,667	\$22,020	\$19,105
Income from operations . . . . .	\$ 1,069	\$ 730	\$ 1,299	\$ 960	\$ 747	\$ 667
Net earnings . . . . .	\$ 750	\$ 483	\$ 926	\$ 659	\$ 483	\$ 537
<b>Balance Sheet Data (at end of period)</b>						
Total assets . . . . .	\$11,034		\$11,034	\$11,203	\$10,524	\$ 5,563
Total notes payable—related party . . . . .	\$ 739		\$ 739	\$ 1,750	\$ 1,750	\$ 2,138
Total finance lease obligations . . . . .	\$ 111		\$ 111	\$ 105	\$ 95	\$ —
<b>Statement of Cash Flows Data</b>						
Cash provided by operating activities . . . . .	\$ 1,110	\$ 838	\$ 1,446	\$ 1,174	\$ 944	\$ 712
Cash used in investing activities . . . . .	\$ (282)	\$ (351)	\$ (395)	\$ (464)	\$ (357)	\$ (357)
Cash used in financing activities . . . . .	\$ (882)	\$ (531)	\$ (1,138)	\$ (787)	\$ (511)	\$ (320)

(1) Sales and other operating income presented herein include the impact of equity method investment and diesel branding agreement income. Refer to Note 6 and Note 8 to the audited financial statements of the Speedway Business included in this offering circular.

## RISK FACTORS

*You should carefully consider the risk factors set forth below, as well as the other information contained in this offering circular, before purchasing any notes. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In addition, the risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or those that we currently view to be immaterial could also materially and adversely affect our business, financial condition or results of operations. In any such case, you may lose all or a part of your investment in the notes.*

### Risks Related to the Transactions

#### **We may be unable to achieve some or all of the benefits that we expect to achieve from the Transactions.**

We expect that the Acquisition will result in various benefits including, among other things, potential synergies, a complementary store base and store offerings, and strategic opportunities. Achieving these anticipated benefits is subject to uncertainties, including whether we integrate in an efficient and effective manner, and general competitive factors in the marketplace, and we may not be able to achieve projected synergies or other benefits in connection with the Transactions. Acquisitions inherently involve risks, including those associated with assimilating and integrating different business operations, corporate cultures, personnel, infrastructure and technologies or products and increasing the scope, geographic diversity and complexity of our operations. Integrating the Speedway Business will be a complex, time-consuming and expensive process. There may be additional and unforeseen costs or liabilities that are not currently anticipated. We may experience additional and unforeseen difficulties, expenses or liabilities that are not currently anticipated, including:

- disruption to our ongoing business and diversion of management's attention from ongoing business concerns;
- managing a larger combined business;
- finalizing the integration of Speedway's past acquisitions to the extent not yet completed;
- assumption of unknown risks and liabilities;
- retention of key partners and suppliers of Speedway, including, without limitation, fuel supply arrangements with MPC;
- attracting new business and operational relationships;
- retaining and integrating key employees, maintaining employee morale and hiring additional management and other critical personnel; and
- unforeseen expenses or delays.

After the Acquisition, we may seek to combine certain operations, functions, systems and processes, which we may be unsuccessful or delayed in implementation. Non-recurring charges directly attributable to the Acquisition are expected to include significant estimated transaction costs. In addition, while we have assumed that a certain level of expense would be incurred in connection with the Acquisition, transaction costs, acquisition-related costs, costs for synergies and integration costs may be more than anticipated. In addition, there are many factors beyond our control and the control of Speedway that could affect the total amount or the timing of these expenses. Although we expect that the elimination of duplicative costs and realization of other efficiencies related to the integration of the businesses will offset incremental costs over time, any net benefit may not be achieved in the near term or at all.

The failure to effectively address any of these risks, or any other risks related to the integration of the Speedway Business, may adversely affect our business or financial results.

**The historical and unaudited pro forma financial information and the unaudited adjusted combined financial information reflecting the Acquisition included in this offering circular may not be representative of our actual results as a combined company, and accordingly, you have limited financial information on which to evaluate the combined company and your investment decision.**

7-Eleven and the Speedway Business have no prior history as a combined company and our operations have not previously been managed on a combined basis. As a result, the unaudited pro forma financial information of the Company, which was prepared in accordance with Article 11 of Regulation S-X, the unaudited adjusted combined financial information of the Company, which was not prepared in accordance with Article 11 of Regulation S-X, and historical financial statements of 7-Eleven and the Speedway Business are presented for informational purposes only and are not necessarily indicative of the financial position or results of operations that would have actually occurred had the proposed Acquisition been completed at or as of the dates indicated, nor is it indicative of the future operating results or financial position of the combined company.

The unaudited pro forma condensed combined statement of earnings of the Company and unaudited adjusted combined financial information of the Company does not reflect future nonrecurring charges resulting from the Acquisition or future events that may occur, including restructuring activities or other costs related to the integration of 7-Eleven and the Speedway Business, and does not consider potential impacts of current market conditions on revenues, expense efficiencies or asset dispositions. Each of the unaudited pro forma financial information of the Company and the unaudited adjusted combined financial information of the Company presented in this offering circular is based in part on certain assumptions regarding the Acquisition that we believe are reasonable under the circumstances. However, our assumptions and estimates are preliminary and may not prove to be accurate over time. Moreover, because the unaudited adjusted combined financial information of the Company is not prepared in accordance with Article 11 of Regulation S-X, it is not comparable to the unaudited pro forma financial information presented in this offering circular. Further, the historical combined financial statements of the Speedway Business may not be indicative of the future performance of the Speedway Business and do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as a separate, stand-alone company during the periods presented. Actual costs that may have been incurred if the Speedway Business had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. As a result, investors should not place any undue reliance on the unaudited pro forma financial information of the Company or the unaudited adjusted combined financial information of the Company, and our actual results following the completion of the Acquisition may differ from those that are anticipated.

**The obligations and liabilities of the Speedway Business, some of which may be unanticipated or unknown, may be greater than we have anticipated which may diminish the anticipated value of the combined company.**

The obligations and liabilities of the Speedway Business, some of which may not have been disclosed to us or may not be reflected or reserved for in the historical financial statements of the Speedway Business, may be greater than we have anticipated. The obligations and liabilities of Speedway Business could have a material adverse effect on the business of the combined company or the anticipated value of the combined business, financial condition or results of operations. We have only limited indemnification under the Purchase Agreement with respect to obligations or liabilities of the Speedway Business, whether known or unknown.

**The combined company will be subject to business uncertainties as a result of the Acquisition.**

Uncertainty about the effect of the Acquisition on partners, suppliers and employees may have an adverse effect on the combined company after completion of the Acquisition. These uncertainties may impair our ability to attract, retain and motivate key personnel, and could cause partners, suppliers and employees that deal with us to seek to change existing business relationships with us. If key employees depart or current partners or suppliers

terminate or modify their business relationships with us because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with us, the business of the combined company could be harmed.

**The Acquisition is subject to a number of customary conditions that if not satisfied or waived could delay or prevent the consummation of the Acquisition.**

The completion of the Acquisition is subject to a number of customary conditions, including, among others, all waiting periods applicable to the Acquisition under the HSR Act shall have expired or been terminated and the absence of a material adverse effect with respect to the Speedway Business. These conditions make the timing of the completion of the Acquisition uncertain. Also, either we or MPC may terminate the Purchase Agreement if we do not complete the Acquisition on or before the special redemption deadline (which will correspond to the Outside Date under the Purchase Agreement, as it may be extended pursuant to the terms of the Purchase Agreement or by agreement between 7-Eleven and MPC), except that this right to terminate the Purchase Agreement will not be available to a party if that party failed to fulfill its obligations under the Purchase Agreement and that failure was the cause of, or resulted in, the failure of the Acquisition to be completed on or before the Outside Date.

If the Acquisition is not completed in the timeframe that we currently expect, or at all, we may be adversely affected by a number of risks, including the following:

- we will be required to pay our costs relating to the Acquisition, such as legal, accounting and financial advisory fees, whether or not the Transaction is completed;
- the time and attention committed by our management to matters relating to the Acquisition could otherwise have been devoted to pursuing other opportunities; and
- if we do not complete the Acquisition on or before the special redemption deadline, or the Purchase Agreement is terminated on or at any time prior to the Outside Date, we must redeem all of the notes then outstanding at a special redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest from and including the date of initial issuance (or the most recent interest payment date to which interest has been paid, whichever is later) to, but excluding, the special redemption date. See “Risk Factors—Risks Related to the Notes—Upon the occurrence of a Special Redemption, we must redeem all of the outstanding aggregate principal amount of the notes. If we are required to redeem such notes at such time, you may not obtain your expected return on the notes.”

**7-Eleven’s inability to successfully negotiate a consent order with the staff of the FTC that is approved by a majority of the FTC Commissioners may delay the consummation of the Acquisition or reduce the benefits realized by 7-Eleven following the Acquisition.**

Under the Purchase Agreement, 7-Eleven must take certain divestiture actions to avoid or eliminate impediments to closing the Acquisition. Accordingly, 7-Eleven intends to complete the Divestitures, pursuant to which it will divest approximately 290 to 320 stores in the U.S. in locations where both 7-Eleven and Speedway have existing stores in close proximity to each other. While 7-Eleven believes it has had constructive discussions with the staff of the FTC relating to the scope of the Divestitures, no consent order has yet been reached and a majority of the FTC Commissioners must ultimately approve any agreement that is reached with the staff of the FTC.

As part of the approval process, the staff of the FTC must approve the stores to be divested and review and approve the proposed purchasers. It is possible that the FTC staff could require 7-Eleven to divest additional or different stores than those currently anticipated. It is also possible that, after its review, the FTC staff may not approve the proposed purchasers of the stores in the Divestiture package. Any prolonged negotiations with the FTC staff relating to the scope of the Divestitures package or the proposed purchasers could delay the anticipated

timeline of the Acquisition. Such a delay or change in stores or purchasers could also cause 7-Eleven not to realize the expected benefits associated with the Acquisition.

Additionally, if a delay relating to the Divestitures prevents 7-Eleven from consummating the Acquisition on or before the special redemption deadline, 7-Eleven will be required to redeem all of the outstanding notes at a special redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest from, and including, the date of initial issuance (or the most recent interest payment date to which interest has been paid, whichever is later) to, but excluding, the special redemption date. See “—Risks Related to the Notes—Upon the occurrence of a Special Redemption, we must redeem all of the outstanding aggregate principal amount of the notes. If we are required to redeem such notes at such time, you may not obtain your expected return on the notes.”

**If our fair value declines or if our estimated future cash flows decrease, a material non-cash charge to earnings from impairment of our goodwill or our long-lived assets could result.**

As of September 30, 2020, on a pro forma basis after giving effect to the Transactions, we would have had approximately \$18.6 billion of goodwill and other intangible assets and approximately \$15.1 billion of long-lived assets, net of accumulated depreciation. We expect to recover the carrying values of both our goodwill as well as our long-lived assets through our future cash flows. We evaluate the carrying value of our goodwill at least annually, based on our fair value, to determine whether it is impaired. We evaluate our long-lived assets for possible impairment whenever circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future cash flows. If the carrying value of our goodwill or our long-lived assets is impaired, we may incur a material non-cash charge to earnings.

**Subsequent to the consummation of the Acquisition, the combined company may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on its financial condition, results of operations and stock price, which could materially and adversely affect our business.**

Although 7-Eleven has conducted due diligence on the Speedway Business, 7-Eleven cannot assure you that this diligence revealed all material issues that may be present in the Speedway Business, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of the control of 7-Eleven and the Speedway Business will not later arise. As a result, the combined company may be forced to later write down or write off assets, restructure its operations, or incur impairment or other charges that could result in losses. Even if 7-Eleven’s due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with its preliminary risk analysis. Even though these charges may be non-cash items and may not have an immediate impact on the combined company’s liquidity, the fact that the combined company reports charges of this nature could contribute to negative market perceptions about the combined company or its securities. In addition, charges of this nature may cause the combined company to be unable to obtain future financing on favorable terms or at all.

**We may amend the Purchase Agreement in a manner that may be adverse to holders of the notes.**

The senior indenture governing the notes does not restrict MPC and us from amending the Purchase Agreement, including extending the Outside Date beyond the current maximum six-month extension, and any such amendment could be materially adverse to the interests of holders of the notes. In particular, MPC and 7-Eleven could agree to extend the Outside Date beyond the current maximum six month extension provided for in the Purchase Agreement, in which case we would not be required to redeem the notes pursuant to the special mandatory redemption provisions until such later date. Amendments will not be subject to approval of the holders of the notes and will not require us to redeem your notes.

## **We will incur substantial indebtedness to finance the acquisition of the Speedway Business.**

In connection with the consummation of the Acquisition, we expect to incur approximately \$13.2 billion of indebtedness through this offering and the Delayed Draw Term Loan Facilities. As of September 30, 2020, on a pro forma basis, we would have had approximately \$500.0 million of undrawn borrowing capacity under the Revolving Credit Facility, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent, and approximately \$650.0 million of borrowing capacity under the Commercial Paper Facility. This substantial level of indebtedness may have important consequences to our business, including, but not limited to:

- increasing our debt service obligations, making it more difficult for us to satisfy our obligations;
- increasing our exposure to fluctuations in interest rates;
- subjecting us to financial and other covenants, the non-compliance with which could result in an event of default;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, including undertaking significant capital projects;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- restricting us from pursuing certain business opportunities, including other acquisitions.

Despite our current debt levels and the indebtedness we expect to incur in connection with the Transactions, we may incur substantially more debt in the future, including secured indebtedness, and the incurrence of such additional debt may have important consequences for you as a holder of the notes, including making it more difficult for us to satisfy our obligations with respect to the notes, a loss in the trading value of your notes, if any, and a risk that the credit rating of the notes is lowered or withdrawn. In addition, the indenture governing the notes will allow us to issue additional notes under certain circumstances. Although the indenture places some limitations on our ability to create liens securing indebtedness, there are significant exceptions to these limitations that will allow us to secure significant amounts of indebtedness without equally and ratably securing the notes. These factors could exacerbate further the risks associated with our leverage.

In addition, our credit ratings may be downgraded following the Acquisition. A downgrade in our credit ratings may increase our borrowing costs and adversely affect our ability to access capital. If our credit ratings are further downgraded or put on watch for a potential downgrade beyond what we expect in connection with the acquisition, we may not be able to sell additional debt securities or borrow money in the amounts and on the terms that might be available if our credit ratings were maintained. A downgrade in SEJ's credit ratings, disruptions in the commercial paper market or other effects of volatile economic conditions on the credit markets may also reduce the amount of commercial paper that we can issue and raise our borrowing costs for both short- and long-term debt offerings. There can be no assurance that we will have access to the capital markets on terms we find acceptable. Limitations on our ability to access the capital markets, a reduction in our liquidity or an increase in our borrowing costs may adversely affect our business or financial results.

## **Risks Related to Our Business**

**The convenience store and retail fuel industries are highly competitive. Changes in traffic patterns and increased competition could have a material adverse effect on our business, financial condition, results of operations and cash flows.**

The convenience store and retail fuel industries in the geographic areas we operate are highly competitive. We compete with numerous other convenience stores, gas stations, drug stores, dollar stores, grocery stores,

QSRs, discount clubs, and a variety of other retailers. Additionally, transportation fuel prices are clearly posted at each location and in some cases online and can be easily compared with competitors. As technology has improved, competition has evolved rapidly. Retailers are transforming with new and innovative technology to redefine convenience based on customers' ever-changing needs and expectations. Customers are seeking convenience and digitally enabled, making them more demanding and discerning than ever. In some of the markets where we operate, our competitors have greater customer loyalty. Additionally, several non-traditional transportation fuel retailers such as supermarkets, club stores and mass merchants have obtained a significant share of the transportation fuels market and their market share may continue to grow. These retailers may use promotional pricing or discounts, both at the pump and in the store, to encourage in-store merchandise sales. These activities by our competitors could pressure us to offer similar discounts, adversely affecting profit margins.

Our stores compete in large part based on their ability to offer convenience to our customers. As a result, changes in traffic patterns and the type, number, and location of competing stores could result in the loss of customers and a corresponding decrease in revenues for affected stores. Similarly, as frictionless payments and delivery options grow, the definition of convenience has changed for our customers.

Our competitors may be able to respond better to changes in the economy and new opportunities within the industry. Principal competitive factors include, among others, location, ease of access, product and service selections, customer service, store appearance, cleanliness, pricing, safety, fuel brand, loyalty programs, frictionless payments, and delivery capabilities.

Competitive pressures could materially impact our merchandise and fuel gross profit, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**The COVID-19 pandemic has had, and may continue to have, material adverse consequences for general economic, financial and business conditions, and could materially and adversely affect our business, financial condition, results of operations and cash flows and those of our customers, suppliers and other counterparties.**

The COVID-19 pandemic and the responses of governmental authorities and companies, and the self-imposed restrictions by many individuals to stem the spread of the virus, have significantly reduced global economic activity, as there has been a dramatic decrease in the number of businesses open for operation and substantially fewer people have been traveling to work or leaving their home to purchase goods and services. This has also reduced the number of cars on the road. As a result, there has been a decline in the demand for the transportation fuels we sell. In addition, as fewer customers are stopping at convenience stores, there have been limitations on the offerings of certain high-margin products and services, like made-to-order and other convenience foods, resulting in volatility of our customer counts, merchandise mix and merchandise sales. Five 7-Eleven convenience stores were temporarily closed and approximately 400 stores were operating with reduced hours as of September 30, 2020 due to the COVID-19 pandemic, and one Speedway store was temporarily closed as of September 30, 2020 due to the COVID-19 pandemic. There can be no assurance that there will not be additional store closures in the future in connection with the COVID-19 pandemic or similar civil unrest, which could have a material impact on our business, financial condition and results of operations. Further, 7-Eleven and Speedway have both incurred additional costs totaling approximately \$124 million and \$44 million, respectively, during the nine months ended September 30, 2020 in connection with the COVID-19 pandemic (including for items such as direct franchisee financial support, personal protective equipment, temporary wage increases and guaranteed bonuses), and may continue to incur additional costs while the pandemic continues, which could have a material impact on our business, financial condition and results of operations. In addition, many of our foreign licensees have experienced similar impacts, which has affected our royalties from licensed stores.

Concerns over the negative effects of the ongoing COVID-19 pandemic on economic and business prospects have contributed to increased market and oil price volatility and have diminished expectations for the



global economy. These factors, coupled with the emergence of decreasing business and consumer confidence and increased unemployment resulting from the ongoing COVID-19 pandemic may precipitate a prolonged economic slowdown and recession, and may be exacerbated if the pandemic continues to worsen. Any such prolonged period of economic slowdown or recession, or a protracted period of reduced demand for transportation fuels, or any need to support our franchisees financially, could have significant adverse consequences for our business, financial condition, results of operations and cash flows and those of our customers, suppliers and other counterparties.

The ultimate extent of the impact of the COVID-19 pandemic on our business, financial condition, results of operations and cash flows will depend largely on future developments, including the duration and spread of the outbreak, particularly within the geographic areas where we operate, the related impact on overall economic activity, and the timing of the availability of a vaccine, lifting of restrictions and return of consumer confidence in returning to ordinary activities, all of which are uncertain and cannot be predicted with certainty at this time.

**Future tobacco legislation, campaigns to discourage smoking, increased taxes on tobacco products, restrictions on the sale of e-cigarettes, local product restrictions, changes in state minimum age requirements for tobacco purchases, and increases in wholesale prices of tobacco products may have a material adverse effect on our revenues and gross profit.**

During the nine months ended September 30, 2020 and the year ended December 31, 2019, sales of tobacco products on a pro forma basis would have represented the largest product category in our total merchandise sales. Significant increases in wholesale cigarette costs and tax increases on tobacco products, as well as future legislation, regulations, and national and local campaigns to discourage smoking in the U.S., may have an adverse effect on the demand for tobacco products, and thereby reduce our revenues and profits. We have been negatively impacted by federal and state cigarette excise tax increases instituted in recent years and expect this trend to continue. Effective February 6, 2020, the U.S. Food and Drug Administration (the “*FDA*”) banned all flavored e-cigarettes, except for menthol and tobacco flavors. In addition, the federal government recently changed the minimum age to purchase tobacco in all states to 21. Several cities and states have implemented or are looking at further regulations, including the ban of menthol tobacco and cigarettes. Further tobacco legislation, national, state and local campaigns to discourage smoking and tax increases on cigarettes and other tobacco products could have a material adverse effect on our tobacco sales and gross profit.

Major cigarette manufacturers may continue to increase the wholesale prices of their products. Tobacco is a highly competitive category and, as a result, we may be unable to pass future price increases on to our customers, which would negatively impact gross profit margins on our tobacco products.

**Any failure to anticipate and respond to changes in economic conditions, consumer preferences, or to introduce and promote innovative technology for customer interaction, could have a material adverse effect on our business, financial condition, results of operations and cash flows.**

In the convenience store industry, customer traffic is generally driven by a number of factors, including overall economic conditions, manufacturing, construction trends, consumer preferences, spending trends, employment conditions, income levels, growth rates for automobile and commercial truck traffic, and trends in travel, tourism and weather. Changes in economic conditions could adversely impact consumer spending patterns in our markets. Weakening economic conditions may result in decreases in miles driven and lower discretionary consumer spending, which impacts spending on fuel and convenience items. If economic conditions deteriorate it could have a material adverse effect on our business, financial condition, and results of operations.

We must continually work to develop, produce and market new products, maintain and enhance the recognition of our brands, offer a favorable mix of products, and refine our approach as to how and where we market and sell our products. This risk is compounded by the increasing use of social and digital media by consumers and the speed by which information and opinions are shared. If we are unable to anticipate and

respond to challenges that we may face in the marketplace, trends in the market for our products, evolving consumer payment methods and changing consumer demands and sentiment, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Recessionary economic conditions, higher interest rates, higher transportation fuel and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, increased competition, higher tax rates and other changes in tax laws or other economic factors may affect consumer spending or buying habits and could adversely affect the demand for products that we sell. In the convenience store industry, customer traffic is generally driven by consumer preferences and spending trends, growth rates for commercial truck traffic and trends in travel. Changes in economic conditions generally, or in the regions in which we operate, could adversely affect consumer spending patterns and travel in our markets. In particular, weakening economic conditions may result in decreases in miles driven and discretionary consumer spending and travel, which affect spending on transportation fuel and convenience items.

**A significant disruption to our distribution network or suppliers, the capacity of our distribution centers or suppliers or the timely receipt of inventory could adversely affect sales or increase our transportation costs, which would decrease our profitability.**

We rely on our distribution and transportation network to provide goods to our stores timely and cost-effectively. Using various transportation modes, including ocean, rail, and truck, we and our vendors move goods from vendor locations to our distribution centers and our stores. Any disruption, unanticipated or unusual expense or operational failure related to this process (for example, delivery delays, including as a result of pandemic outbreaks, or increases in transportation costs, including increased fuel costs, import freight costs, carrier or driver wages as a result of driver shortages; a decrease in transportation capacity for overseas shipments; labor shortages; or work stoppages for slowdowns) could negatively impact sales and profits. Labor shortages or work stoppages in the transportation industry or disruptions to the national and international transportation infrastructure that lead to delivery delays or that necessitate our securing alternative labor or shipping suppliers could also increase our costs or otherwise negatively affect our business.

We have historically depended on a limited number of suppliers for a majority of our merchandise in the U.S. and Canada. While we have added diversification to our wholesale supply, we continue to rely on a relatively limited number of suppliers for significant amounts of our merchandise in the U.S. and Canada. A disruption in supply or a change in our relationships with key suppliers could have a material adverse effect on our business. Additionally, our agreements with Core-Mark and McLane Company, Inc., our primary third-party distributors of grocery products, will expire during the third and fourth quarter of 2021, respectively. During the first quarter of 2021, we intend to request proposals from third-party distributors to either renew or replace these agreements for wholesale distribution services and believe we will be successful in procuring supply agreements appropriate for our business. However, there can be no assurance that the costs of the services to be provided and other terms under any new distribution agreements will be as favorable as the costs and terms of our existing arrangements.

The recent outbreak of the strain of COVID-19 has led various governments to take precautionary measures to limit the spread of the virus, including port closures and other restrictions, which could disrupt the global transportation and distribution of goods resulting in product delivery delays or higher delivery prices. The extent to which the COVID-19 outbreak, and any worsening of the pandemic, may adversely impact our suppliers, distribution network, results of operations (including sales) or business in the future is uncertain as the situation continues to evolve, and such adverse impact could be material.

We maintain a network of distribution facilities and are moving forward with plans to build or lease new facilities to support our growth objectives and strategic initiatives. Delays in opening such facilities could adversely affect our financial performance by slowing store growth or the rollout of certain strategic initiatives, which may in turn reduce revenue growth, or by increasing transportation and product costs. In addition,

distribution-related construction or expansion projects entail risks that could cause delays and cost overruns, such as: shortages of materials or skilled labor; work stoppages; unforeseen construction, scheduling, engineering, environmental or geological problems; weather interference; fires or other casualty losses; and unanticipated cost increases. For these reasons, the completion date and ultimate cost of these projects could differ significantly from initial expectations, and we cannot guarantee that any project will be completed on time or within established budgets.

**We may be unable to access external financing necessary to fund our growth and meet competitive challenges.**

We may need new or additional financing in the future to conduct our operations, fund our growth, or meet competitive challenges, which would be dependent upon, among other factors, our financial performance and prevailing global credit market conditions. Many of these factors are beyond our control. Any downgrade in our credit ratings could impact the amount of debt we could issue and increase our borrowing costs. The liquidity of the overall capital markets and the state of the economy may make credit and capital markets more difficult for us to access, even though we have an established the Revolving Credit Facility. From time to time, we have relied, and also may rely in the future, on access to financial markets as a source of liquidity for working capital requirements, acquisitions, and general corporate purposes. In particular, our access to funds under the Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to that facility to meet their funding commitments. The obligations of the financial institutions under the Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others. In addition, long-term volatility and disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives, or the failure of significant financial institutions could adversely affect our access to the liquidity needed for our businesses in the longer term. Such disruptions could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Disruptions in the capital and credit markets could also result in higher interest rates on debt securities and increased costs under credit facilities. Continuation of these disruptions could increase our interest expense and capital costs and could adversely affect our results of operations and financial position. Furthermore, as a result of the COVID-19 pandemic, we may experience an increase in the cost of, or the difficulty to, obtain debt or equity financing, or to refinance our debt in the future, which could also affect our financial condition or our ability to fund operations or future investment opportunities. Failure to obtain suitable financing could, among other things, result in the inability to adequately invest in our business and meet competitive challenges. If we incur significant additional indebtedness, significant changes in our ownership structure, or SEJ ceases to guarantee our commercial paper program, our credit ratings could be adversely affected. In that event, our future borrowing costs would likely increase and our access to capital could be adversely affected.

**The expected phase out of LIBOR could impact the interest rates paid on our variable rate indebtedness and cause our interest expense to increase.**

Our variable-rate debt uses the London Interbank Offered Rate (“*LIBOR*”) as a benchmark for establishing interest rates, and we enter into interest rate swaps from time to time that contain a variable element based on LIBOR. On July 27, 2017, the Chief Executive of the UK Financial Conduct Authority (the “*FCA*”), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. On November 30, 2020, ICE Benchmark Administration, the administrator of LIBOR, with the support of the United States Federal Reserve and the FCA, announced plans to consult on ceasing publication of USD LIBOR on December 31, 2021 for only the one week and two month USD LIBOR tenors, and on June 30, 2023 for all other USD LIBOR tenors. While this announcement extends the transition period to June 2023, the United States Federal Reserve concurrently issued a statement advising banks to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, and it is impossible to predict whether and to what extent banks will continue to provide LIBOR

submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted, but such announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Once LIBOR ceases to be available, we may need to amend affected agreements, and we cannot predict what alternative index will be negotiated with our counterparties. Although we do not anticipate a significant impact to our financial position as a result of this transition given our current mix of fixed- and variable-rate debt, our interest expense could increase, and our available cash flow for general corporate requirements may be adversely affected.

**An inability to increase or maintain profitability in our merchandise and fuel operations could adversely affect our results.**

Our ability to increase profitable sales in our stores may be affected by, among other things:

- our success in attracting customers into our stores;
- our ability to choose the right product assortment at our stores;
- our ability to keep stores stocked with merchandise customers want to purchase;
- our ability to recruit and retain qualified franchisees and employees; and
- our ability to consistently present a clean, friendly, and well-organized store environment to our customers.

If we are unable to increase or maintain profitability, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may not be able to maintain our merchandise gross profit margin levels or retail fuel gross profit margins in the fuel business.**

We may not be able to maintain our merchandise gross profit margin levels in the future due to various factors, including increased sales of lower margin products, declines in sales of higher margin product, or higher costs of goods. In addition, we may not be able to maintain our retail fuel gross profit margin levels in the future due to various factors, including market conditions, product costs, and competitor pricing strategies.

**Legal, technological, political and scientific developments pertaining to climate change and fuel efficiency, including improved fuel technology and the proliferation of alternative-fuel vehicles, may decrease demand for, and increase the cost of, transportation fuel.**

Developments aimed at reducing the contribution of greenhouse gas emissions (“GHG”) to climate change may decrease the demand, or increase the cost of, transportation fuel. Attitudes toward this product and its relationship to the environment may significantly affect our effectiveness in marketing our product and sales. Government efforts to steer the public toward non-petroleum-based fuel dependent modes of transportation may foster a negative perception toward transportation fuel or increase costs for transportation fuel, thus affecting the public’s attitude toward our product. New technologies that increase fuel efficiency or offer alternative vehicle power sources or regulations to increase fuel efficiency, reduce consumption, or incentivize alternative vehicle power sources may result in decreased demand for petroleum-based transportation fuel. Our success depends on our ability to anticipate and respond in a timely manner to evolving consumer demands and preferences while continuing to sell products and services that remain relevant to consumers. Consequently, consumer attitudes toward GHG emissions and the availability of alternative technologies may significantly affect our sales and ability to market our products and services. These factors can lead to declines in demand for transportation fuel, and sales declines of general merchandise and related services. We may also incur increased costs for our product, which we may not be able to pass along to our customers. In addition, investors or lenders may elect in the future to shift some of their investment or funding towards non-petroleum-based fuel-related companies. These developments could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**Higher vehicle efficiency standards for cars and light trucks and the increased use of hybrid and electric cars or cars using alternative fuel have the potential to reduce long-term demand for the transportation fuels that we currently sell.**

Higher vehicle efficiency standards and GHG vehicle emission reduction measures for cars and light trucks and the increased use of hybrid and electric cars or cars using alternative fuel have the potential to reduce long-term demand for the transportation fuels that we currently sell. In 2010, the Environmental Protection Agency (“EPA”) and the U.S. Department of Transportation’s National Highway Traffic Safety Administration (“NHTSA”) finalized standards raising the required Corporate Average Fuel Economy of the nation’s passenger fleet to approximately 34 miles per gallon by the 2016 model year and imposing the first-ever federal GHG emissions standards on cars and light trucks. Further regulations required increases in fuel economy beginning with the 2017 through 2021 model year vehicles. The EPA and NHTSA also regulate GHG and fuel efficiency standards for medium and heavy-duty vehicles and in August 2016, jointly finalized “Phase 2” vehicle and engine performance standards covering model years 2021 through 2027, which apply to semi-trucks, large pick-up trucks and vans, and all types and sizes of buses and work trucks. While the EPA and NHTSA amended the fuel economy and GHG emissions standards for passenger cars and light trucks in April 2020, adopting less stringent standards, future laws and regulations, including those proposed under the Biden administration, may require heightened fuel efficiency and GHG standards. These and any future increases in fuel economy standards or GHG emission reduction requirements could decrease long-term demand for the transportation fuels we currently sell. Similarly, advanced technology and increased use of hybrid and electric cars or cars using alternative fuel could reduce long-term demand for the transportation fuels we currently sell.

**If we do not develop and implement a successful digital strategy to compete in the new on-demand economy, our business and results of operations could be adversely impacted.**

Convenience has been redefined in many areas of retail using smartphones and other mobile devices. The use of these devices has changed how retailers communicate with their customers, altered consumer shopping patterns and expectations, and changed the way orders are placed and fulfilled. As part of our digital strategy, we are making technology investments in our applications for mobile phones and other electronic devices. We are evaluating and, in some cases, testing additional digitally enabled products and services to meet the needs of our customers including products and services that enable frictionless payments. In addition, we are partnering with, and in some cases investing in, companies that have developed products and services that we believe may be attractive to our customers. These investments in our digital strategy are considered significant and if they prove to be unsuccessful, will likely have a material adverse impact to our financial statements. If we are unable to make, improve, or develop relevant customer-facing technology in a timely manner, our business and results of operations could be adversely affected. If we are unable to develop the right partnerships that will allow us to leverage our stores and logistics infrastructure to compete in the on-demand economy, our business and results of operations could be adversely impacted.

**Unfavorable weather conditions could adversely affect our business.**

Weather conditions can have a significant effect on our sales, as buying patterns have shown that our customers increase their transactions and purchase higher profit margin products when weather conditions are favorable. Consequently, our results are seasonal and we typically earn more during the warmer second and third quarters. Unusual inclement weather conditions during those quarters could adversely affect our sales and profits.

**We are subject to various environmental, health and safety laws, regulations and permit requirements, which could expose us to substantial expenditures, liabilities or obligations.**

We are subject to numerous federal, state, local, provincial and foreign environmental, health and safety laws and regulations governing, among other things, petroleum storage, the content of fuel products, handling, transportation, disposal and releases of, and exposure to, hazardous and toxic substances, and remediation of

contaminated sites. Under these laws and regulations, we are required to obtain and maintain certain licenses and permits for our operations. Environmental, health and safety laws and regulations are becoming increasingly more stringent, including those relating to climate change, and compliance with, and enforcement by the EPA and their state and foreign counterparts of, these existing and future laws and regulations will continue to affect our operations by imposing increased operating and maintenance costs and costs relating to remedial actions, as well as capital expenditures required for compliance. In addition, certain review and approval procedures required by these laws and regulations can result in increased lead times and costs for new facilities. Failure to comply with such laws and regulations or licenses and permits could result in fines and penalties, the imposition of remedial requirements, civil or criminal enforcement actions or curtailment or cessation of our operations, among other measures.

We are also subject to extensive environmental laws and regulations governing our underground storage tanks (“*USTs*”). Pursuant to the Resource Conservation and Recovery Act of 1976 (“*RCRA*”), the EPA established a comprehensive program for the detection, prevention, investigation and cleanup of leaking *USTs*. In addition, the EPA, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“*CERCLA*”), requires certain leak detection and leak prevention systems. State or local agencies are often delegated the responsibility for implementing the federal program or developing and implementing equivalent state or local regulations.

Under provisions of both the *RCRA* and *CERCLA*, any contamination, leaks from storage tanks or other releases of regulated materials could result in claims against us by governmental authorities and other third parties for fines or penalties, natural resource damages, personal injury and property damage. We could be subject to joint and several as well as strict liability for such contamination. Some of our current, former, licensed and franchised properties have been operated by third parties whose handling and management of hazardous materials were not under our control, and substantially all of them have or previously had transportation fuel or petroleum product storage tanks. Pursuant to certain environmental laws and regulations, we could be responsible for remediating contamination relating to such sites, including impacts attributable to prior site occupants or other third parties, at third party sites to which we send wastes, and in connection with any releases related to our vehicle fleets and transportation of fuel, and for implementing remedial measures to mitigate the risk of future contamination. In addition, we may be subject to claims by adjacent landowners or other third parties for personal injury or property damage allegedly caused by releases of hazardous substances, including petroleum and hydrocarbon products, at, from or in connection with our current, former, licensed or franchised properties or operations.

We are also required to comply with financial assurance requirements and pay fees to state “leaking *UST*” funds in states where they exist. These funds are expected to pay or reimburse us for certain cleanup expenses related to contamination associated with *USTs* subject to their jurisdiction. Such payments are subject to a deductible paid by us, specified per incident caps and specified maximum annual payouts, which vary among the funds. Additionally, such funds may have eligibility requirements that not all of our sites will meet. There is no assurance that a state fund will have the funds to pay all cleanup claims. To the extent we face administrative proceedings governing the remediation of contamination or spills from current and past operations or state funds or other responsible parties do not pay or delay payments for cleanups, we will be obligated to make these payments without reimbursement, which could have a material adverse effect on our business, financial condition and results of operations. We are currently involved in, and may in the future, continue to be involved in, investigation and remediation activities at a significant number of our properties although we are entitled to receive reimbursements from certain state reimbursement programs for a portion of the costs of conducting such activities.

We record accruals on our financial statements to cover the reasonably estimable remediation cost at our sites. At September 30, 2020, on a pro forma basis, we had accrued \$74.0 million for undiscounted environmental liabilities. Our accruals for environmental liabilities are recorded by calculating our best estimate of probable and reasonably estimable future costs using current information that is available at the time of the

accrual. Based upon currently known facts and circumstances, the amount of future remediation costs that will be incurred to address known contamination is not expected to have a material adverse effect on our future net income, cash flows or liquidity. However, there is the possibility that additional environmental expenditures could be required to address contamination, including as a result of discovering additional contamination, including at Speedway properties, or the imposition of new or revised remediation requirements applicable to known contamination.

Air emissions from our facilities are also subject to regulation. For example, certain of our stores that sell transportation fuel may be required to install and maintain vapor recovery systems to control emissions of volatile organic compounds to the air during the vehicle fueling process. Any failure to maintain these systems, or comply with system testing and reporting requirements, could subject us to penalties or other sanctions which could have a material adverse effect on our business, financial condition and results of operations.

Our expenditures, liabilities and obligations relating to environmental matters could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Our business is subject to numerous other regulations that may affect our results of operations. Failure to comply with these laws and regulations may result in penalties or costs that could have a material adverse effect on our business.**

In certain areas where our stores are located, our business and properties are subject to extensive local, state and federal governmental laws and regulations relating to, among other things, hours of operation and the sale of alcoholic beverages, tobacco products, inhalants, hemp-derived cannabidiol (“*CBD*”) products, lottery tickets, money orders, sanitation, food safety, public accessibility requirements and the approval of new store locations. See the sections entitled “Business of 7-Eleven—Regulatory Matters” and “Business of Speedway—Regulatory Matters.” Select cities and counties have passed a “sugary drink tax” effectively raising the price of sugary drinks by as much as two cents per ounce. Taxable drinks include soda and other carbonated beverages, sports drinks, and fountain drinks. Further, some of the financial services that we offer over-the-counter, such as money orders, are also subject to federal, state, and local laws. The cost of compliance with these laws and regulations could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, the failure to comply with these laws could adversely affect our business, financial condition, results of operations and cash flows because these state and local regulatory agencies have the power to revoke, suspend, or deny applications for, and renewals of, permits and licenses relating to the sale of these products or may seek other remedies.

All these laws and regulations are subject to legislative and administrative change from time to time. Any changes in the laws or regulations described above that are adverse to us and our properties could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, new regulations are proposed from time to time that, if adopted, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**A disruption in our fuel supply or unexpected change in our fuel supplier relationships could have an adverse effect on our business, financial condition, results of operations and cash flows.**

Fuel sales comprise a substantial portion of our total sales. We depend on regular deliveries of products that meet our specifications to and from our facilities and stores. We purchase a majority of our fuel from a group of suppliers pursuant to various product purchase and supply agreements, including the Fuel Supply Agreement. We may not be able to obtain alternative sources of fuel quickly, or on the same terms and conditions, if our supplies from one or more of these suppliers were suddenly disrupted. Any disruption in the supply of fuel from these suppliers, including MPC, may hinder our ability to meet the demand of our customers, which would adversely affect our sales and profitability. While we believe there are adequate reserve quantities and we believe we would be able to purchase fuel from other suppliers if our supply was disrupted, we may be required to pay a higher

price and shortages or interruptions in the receipt or supply of products caused by unanticipated demand, problems in production or distribution, financial or other difficulties of suppliers, inclement weather or other conditions could have a material adverse effect on the availability, quality and cost of products, and our business, financial condition, results of operations and cash flows. In addition, a significant international conflict could disrupt or reduce our available supply of fuel, at least in the short term, and could otherwise adversely affect our fuel sales and profits.

**A disruption in the Transition Services Agreement or Fuel Supply Agreement or a change in our relationship with MPC could have a material adverse effect on our business.**

At the closing of the Acquisition, we will enter into a transition services agreement (the “TSA”) with MPC and certain of their respective related parties (including the Speedway Acquired Companies), pursuant to which MPC and/or certain of its retained subsidiaries will provide certain transitional services to the Speedway Business. The services to be provided under the TSA will include, among other things, services in connection with fleet operations, supply chain process systems and controls, utility contract management, accounting, tax, information technology support, administrative support and property management. Each transitional service will be provided to the Speedway Business on the terms and conditions to be set forth in the TSA, for the periods of time to be agreed upon among the parties thereto. Prior to the closing of the Acquisition, the services to be provided under the TSA have been provided directly to the Speedway Business by MPC and its affiliates at no or low cost to the Speedway Business. The terms of the TSA have not been finalized. As a result, there can be no assurance that the costs of the services to be provided under the TSA will be consistent with the costs for such services currently reflected in the historical financial statements of the Speedway Business. Any increase in the costs of such services under the TSA may negatively affect our business.

In addition, at the closing of the Acquisition, we will enter into the Fuel Supply Agreement with Marathon LP, an affiliate of MPC, for an initial term of 15 years, subject to a single renewal term of three additional years, unless either party notifies the other of its non-renewal intent. Pursuant to the Fuel Supply Agreement, Marathon LP will provide an amount of fuel to the Speedway Business that will be determined by SEI Fuels and Marathon LP and set forth in the Fuel Supply Agreement. The Speedway Business has historically enjoyed a mutually-beneficial fuel supply relationship with MPC, and the Fuel Supply Agreement will aim to prolong such relationship following the closing of the Acquisition. While we anticipate obtaining pricing terms generally consistent with the terms previously entered into with the Speedway Business, there can be no assurance that the costs of fuel supply to the Speedway Business following the closing of the Acquisition will be consistent with those costs reflected in the historical financial statements of the Speedway Business. Any increase in the costs of fuel supply to the Speedway Business under the Fuel Supply Agreement or otherwise may negatively affect our business.

Any disruption in the services provided pursuant to the TSA or the Fuel Supply Agreement or a change in our relationship with MPC could have a material adverse effect on our business. In addition, we may not be able to obtain alternative sources for the transitional services on a timely basis or on the same terms and conditions once the provision of such services under the TSA expires or is otherwise terminated. In the absence of the Fuel Supply Agreement, or upon the termination thereof, we may not be able to obtain alternative sources of fuel supply on comparably favorable terms with other providers.

**The terms of the Fuel Supply Agreement, TSA and other agreements with MPC have not been finalized.**

The Fuel Supply Agreement, TSA and other agreements with MPC have not been finalized as of the date hereof. Our ability to successfully enter into the Fuel Supply Agreement, TSA and other agreements with MPC is subject to market conditions, and we cannot assure you that these agreements will be successfully executed on the terms described herein or otherwise. Future changes in market conditions may result in changes to the terms and prices of the services provided under the Fuel Supply Agreement, TSA and other agreements with MPC that are less favorable to us and may increase our costs and adversely affect our business.



**We may be unable to keep existing stores in current locations or be unable to identify, acquire, and integrate new stores as part of our growth strategy, which could adversely affect our sales and profitability.**

We may be unable to keep existing stores in current locations or open new stores in desirable locations in the future. We compete with other retailers and businesses for high-quality store locations. Local land use, zoning issues, environmental regulations, and other regulations may affect our ability to find suitable locations and influence the cost of leasing, building, or acquiring our stores. We also may have difficulty negotiating real estate leases and purchase agreements on acceptable terms. Construction, environmental, zoning, and real estate delays may negatively impact store openings and increase costs and capital expenditures.

We cannot be certain that new or relocated stores will produce the anticipated sales or return on investment or that our stores will not be adversely affected by new or expanded competition in their market areas. An important part of our growth strategy is to expand our store base through acquisitions. Acquisitions, by their very nature, have uncertain timing and involve risks that could cause our actual growth or operating results to differ significantly from our expectations.

**An inability to attract, retain, and grow an effective management team or changes in the cost, or availability of, a suitable workforce to manage and support our operating strategies could cause our operating results to suffer.**

Our success depends in large part upon our ability to attract, motivate, and retain a qualified management team and employee base. We may not be able to attract and retain additional qualified senior personnel as needed in the future. We also rely on our ability to recruit qualified support and field staff. If we fail to attract these individuals at reasonable compensation levels, our operating results may be adversely affected. In addition, mandated changes in the federal minimum wage may adversely affect our compensation expense at company-operated stores, which could adversely affect our results of operations and cash flows.

**Natural disasters and other business continuity hazards could adversely affect our business.**

We are subject to business continuity hazards and other risks, including natural disasters involving hurricanes, earthquakes, fires, and other perils, utility and other mechanical failures, acts of war or terrorism, widespread health emergencies, such as the coronavirus or other pandemics or epidemics, disruption of communications, and disruption of supply or distribution. The occurrence of any of these or other events might disrupt or shut down operations or otherwise adversely impact our operations. We may also be subject to certain liability claims in the event of an injury, loss of life, or damage to property, resulting from such events. Although we maintain insurance policies that we believe are customary and adequate for our size and industry, our insurance policies include limits and, as such, our coverage may be insufficient to protect against all potential hazards and risks incident to our business. Should any such hazards or risks occur or should our insurance coverage be inadequate or unavailable, our financial condition and results of operations could be adversely affected.

**We extensively rely on information systems to conduct our business. The hardware and software associated with these systems is largely maintained by third parties. Failure to maintain secure and reliable systems could have a material adverse effect on our business or financial results.**

We and our franchisees and licensees depend on a variety of information systems (and those of our third-party business partners, whether cloud-based or hosted on proprietary servers), including those used for our point-of-sale, web and mobile platforms, online and mobile payment systems and rewards programs, and administrative functions, for the safe and effective operation of our business. We rely on such systems to process and transmit electronic information entrusted to us by our customers and employees and to manage or support a variety of business processes, including credit card payments and authorizations. Our information technology

systems are subject to damage or interruption from a number of potential sources including natural disasters, malware, power failures, human error or negligence, various forms of cyberattacks, computer or telecommunications failures, viruses, corruption and other events. We also face various other cybersecurity threats from criminal hackers and employee or contractor malfeasance, including threats to gain unauthorized access to sensitive information or to render data or systems unusable. We may not have adequate redundancy in all instances to protect against outages, breaches or other disruptions. In the event of damage or interruption to one or more of these systems, we may face a significant disruption in store operations or in our ability to effectively manage the business. Restoring or replacing systems may require significant time and investment. We may inconvenience customers and damage our brand because of a significant failure or breach. Any cybersecurity incident involving our information technology systems or those of our third-party business partners could result in theft, destruction, loss, misappropriation or release of confidential financial and other data, intellectual property, sensitive personal information, customer awards or loyalty points; give rise to remediation or other expenses; expose us to liability under federal, state and international laws; reduce our customers' and suppliers' willingness to do business with us; disrupt the services we provide to customers; and subject us to litigation and legal liability under federal, state and international laws, and any applicable insurance policies may not sufficiently cover any such harms. Any of such results could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows. We rely heavily on outsourced providers of hosting arrangements and software development services. The inability of these providers to continue to maintain and upgrade our information systems and software could disrupt or reduce the efficiency of our operations.

**Litigation and publicity concerning food quality, health, and other related issues could result in significant liabilities or litigation costs and cause consumers to avoid our convenience stores.**

Convenience store businesses and other food-service operators can be adversely affected by litigation and complaints from customers or government agencies resulting from inferior food quality, illness, other health or environmental concerns, or operating issues stemming from one or more locations. As we grow our fresh food and private brand sales, our exposure to risks pertaining to food-borne illnesses or food safety issues could increase. Any instances of, or reports linking us to, food-borne illnesses or food tampering, contamination, mislabeling or other food safety issues could damage the value of our brand and severely hurt sales of our prepared food products and possibly lead to product liability and personal injury claims, litigation (including class actions), government agency investigations and damages. Adverse publicity may negatively affect us, regardless of whether the allegations are true, by discouraging customers from purchasing merchandise or food at one or more of our convenience stores. We could also incur significant liabilities if a lawsuit or claim results in a decision against us.

**Failure to protect the integrity and security of customer, employee, and franchisee information could expose us to litigation, fines and other liabilities and expenses and adversely impact our reputation and business.**

As retailers, we and our franchisees and licensees collect, process, store, transmit and otherwise use confidential customer information, including personally identifiable information and sensitive financial information such as credit and debit card information. We also receive and maintain employee, franchisee, and other confidential data, either directly or through third parties. Increasing costs associated with information security, including increased investments in technology, compliance with increasingly complex and restrictive data privacy and consumer protection laws (including the European Union's General Data Protection Regulation and the California Consumer Privacy Act), and costs resulting from consumer fraud could cause our business and results of operations to suffer materially. Additionally, if a significant compromise in the security of our customer or employee information, including payment card or personal identification data, were to occur, it could have a material adverse effect on our reputation, business, operating results, and financial condition, and could increase the costs we incur to protect against such security breaches. Any applicable insurance policies may not sufficiently cover any such harms. We have made significant investments to continuously improve our data security safeguards. However, there can be no assurance as to the success of these preventative measures given the increasing frequency and sophistication of cyberattacks.

By accepting debit and credit cards for payment, we are subject to various industry data protection standards and protocols, such as payment network security operating guidelines and the Payment Card Industry Data Security Standard. We cannot be certain that the security measures we maintain to protect all of our information technology systems are able to prevent, contain, or detect any cyberattacks, cyber terrorism, or security breaches from known cyberattacks or malware that may be developed in the future. To the extent that any cyberattack or incursion in our or one of our third-party service provider's information systems results in the loss, damage, or misappropriation of information, we may be materially adversely affected by claims or other actions from customers, financial institutions, regulatory authorities (including possible fines and injunctions), payment card networks, and others, as well as suffering reputational harm. In certain circumstances, payment card association rules and obligations to which we are subject under our contracts with payment card processors make us liable to payment card issuers if information in connection with payment cards and payment card transactions that we hold is compromised, which liabilities could be substantial. In addition, the costs associated with increasingly stricter and more complex data privacy, data collection, and information security laws and standards could be significant to us.

**Volatility in the global prices of oil and petroleum products and general economic conditions that are largely out of our control, as well as seasonal variations in fuel and merchandise demand, can have a material adverse effect on our business, financial condition, results of operations and cash flows.**

Our net earnings are significantly affected by changes in retail gross profit margins on the transportation fuel that we sell. Crude oil and wholesale gasoline and diesel markets are volatile. General political conditions, acts of war or terrorism, instability in oil producing regions, particularly in the Middle East and South America, and the value of the U.S. dollar relative to other foreign currencies, particularly those of oil producing nations, could significantly affect oil supplies and wholesale gasoline and diesel costs. In addition, the supply of gasoline and diesel and our wholesale purchase costs could be adversely affected in the event of a shortage, which could result from, among other things, adverse weather conditions, refinery shutdowns or other supply disruptions. Our wholesale purchase costs could also be adversely affected by increasingly stringent regulations regarding the content and characteristics of fuel products. Wholesale gasoline and diesel costs are volatile, and significant increases in these costs could result in lower fuel gross margins per gallon. This volatility makes it extremely difficult to predict the effect that future wholesale cost fluctuations will have on our operating results and financial condition in future periods.

Dramatic increases in crude oil prices and wholesale costs typically reduce retail fuel gross margins because wholesale gasoline and diesel costs typically increase faster than retailers are able to pass them along to customers. We purchase the refined products, particularly gasoline, needed to supply our retail stores. Therefore, our most significant costs are subject to volatility of prices for these commodities. Our ability to successfully manage operating costs is important because we have little to no influence on our wholesale fuel costs or consumer demand. Furthermore, oil prices, wholesale transportation fuel costs, transportation fuel sales volumes, transportation fuel gross margins and merchandise sales can be subject to seasonal fluctuations. Demand for gasoline and diesel fuel is generally higher during the spring and summer months than during the winter months in most of our markets, primarily due to seasonal increases in highway traffic. As a result, the operating results for us for the first and fourth quarters may be lower than for those in the second and third quarters of each calendar year. A significant change in any of these factors could materially affect our transportation fuel and merchandise volumes, transportation fuel gross profit and overall customer traffic, which in turn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Historic or current operations of our business could subject us to significant legal liability or restrict our ability to operate.**

We are currently defending litigation and anticipate we will be required to defend new litigation in the future. Our operations could expose us to litigation and civil claims by private plaintiffs for alleged damages related to contamination of the environment, personal injuries, product liability, privacy laws or cybersecurity

breaches, product pricing or antitrust laws or any other laws or regulations, such as the Americans with Disabilities Act or employment laws, that apply to our operations. Additionally, our retail operations are characterized by a high volume of customer traffic and by transactions involving a wide array of product selections, including prepared food. While an adverse outcome in most litigation matters would not be expected to be material to us, in class-action litigation, large classes of plaintiffs may allege damages relating to extended periods of time or other alleged facts and circumstances that could increase the amount of potential damages. Attorneys general and other government officials may pursue litigation in which they seek to recover civil damages from companies on behalf of a state or its citizens for a variety of claims, including violation of consumer protection and product pricing laws or natural resources damages and, in some states, some statutes allow private plaintiffs to seek to recover civil damages from companies on behalf of the attorneys general. If we are not able to successfully defend such litigation, it may result in liability to us that could materially and adversely affect our business, financial condition, results of operations and cash flows. In addition to substantial liability, plaintiffs in litigation may also seek injunctive relief, which, if imposed, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Significant acquisitions in the future, if any, will involve the integration of new assets or businesses and present substantial risks that could have a material adverse effect on our business, financial condition, results of operations and cash flows.**

Any significant future transactions involving the addition of new assets or businesses will present potential risks, which may include, among others:

- inaccurate assumptions about future synergies, revenues, capital expenditures and operating costs;
- an inability to successfully integrate assets or businesses we acquire;
- a decrease in our liquidity resulting from using a portion of our available cash or borrowing capacity under our revolving credit agreement to finance transactions;
- a significant increase in our interest expense or financial leverage if we incur additional debt to finance transactions;
- the assumption of unknown environmental and other liabilities, losses or costs for which we are not indemnified or for which our indemnity is inadequate;
- the diversion of management's attention from other business concerns; and
- the incurrence of significant write-offs or impairments, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

**We do not insure against all potential losses, and, therefore, our business, financial condition, results of operations and cash flows could be materially adversely affected by unexpected liabilities and increased costs.**

We expect to maintain insurance coverage in amounts we believe to be prudent against many, but not all, potential liabilities arising from operating hazards. Uninsured liabilities arising from operating hazards, cybersecurity breaches or other incidents involving our assets or operations, could reduce the funds available to us for capital and investment spending and could have a material adverse effect on our business, financial condition, results of operations and cash flows. In the future, we may not be able to maintain insurance of the types and amounts we desire at reasonable rates.

**Changes in credit card fees could reduce our gross margin, especially on transportation fuel, and could have a material adverse effect on our business, financial condition, results of operations and cash flows.**

As is common in the convenience store industry, a significant portion of our sales involve payment using credit cards. Higher transportation fuel prices result in higher credit card fees, and an increase in credit card use

or an increase in credit card fees would have a similar effect. Credit card fees charged on transportation fuel purchases that are more expensive as a result of higher transportation fuel prices are not necessarily accompanied by higher gross margins, particularly if we cannot adjust our transportation fuel prices accordingly. In fact, such fees may increase operating expenses. Higher operating expenses on transportation fuel sales caused by higher credit card fees may decrease our overall gross margin and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Compliance with and changes in tax laws could have a material adverse effect on our business, financial condition, results of operations and cash flows.**

We are subject to extensive tax liabilities, including federal and state income taxes and transactional taxes such as excise, transportation fuel, sales and use, payroll, franchise, withholding and property taxes. New tax laws and regulations and changes in existing tax laws and regulations could result in increased tax costs for us in the future and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Additionally, many tax liabilities are subject to periodic audits by taxing authorities, and such audits could subject us to interest and penalties.

**The minimum wage continues to increase and is subject to factors outside of our control. Changes to wage regulations or the inability to meet staffing needs could have a material adverse effect on our business, financial condition, results of operations and cash flows.**

A considerable number of our employees are paid at rates related to the federal minimum wage. Additionally, many of our stores are located in states, where the minimum wage is greater than the federal minimum wage and where a considerable number of employees receive compensation at least equal to the state's minimum wage. Any further increases in the federal minimum wage or the enactment of additional state or local minimum wage increases could increase our labor costs. If we are unable to recover these increased costs through increased prices, our business, financial condition, results of operations and cash flows could be materially adversely affected.

The transportation fuel and convenience store industry is labor intensive. Our ability to meet labor needs, while managing wage and labor-related costs, is subject to numerous external factors, including the availability of qualified persons in the workforce in the local markets in which our stores are located, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and changes in employment and labor laws. Such laws related to employee hours, wages, job classification, benefits, working conditions and employee relations could significantly increase operating costs. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our customer service to suffer, while increasing wages for our employees could cause our profit margins to decrease. If we are unable to hire and retain employees capable of meeting our business needs and expectations, our business and brand image may be impaired. Any failure to meet our staffing needs or any material increase in turnover rates of our employees may have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Our failure to comply with various applicable federal and state employment and labor laws and regulations could have a material adverse effect on our business, financial condition, results of operations and cash flows.**

Various federal, state, as well as county and city employment and labor laws and regulations govern our relationship with our employees. These laws and regulations relate to matters such as employment discrimination, wage and hour laws, exempt and non-exempt employment status, requirements to provide meal and rest periods or other benefits, family leave mandates, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, expense reimbursement, insurance and workers' compensation rules, healthcare laws, scheduling notification

requirements, anti-discrimination and anti-harassment laws and sick pay/vacation pay. Complying with these laws and regulations subjects us to substantial expense and non-compliance could expose us to significant liabilities. For example, lawsuits have been filed against us alleging violations of federal and state laws regarding employee wages and payment of overtime, meal and rest breaks, employee classification and related practices with respect to our employees. We incur legal costs to defend, and we could suffer losses from, these and similar cases, and the amount of such losses or costs could be significant. In addition, several states and localities in which we operate and the federal government have from time to time enacted minimum wage increases, changes to eligibility for overtime pay, paid sick leave and mandatory vacation accruals and similar requirements, and other jurisdictions are considering enacting similar, but usually unique, requirements. These changes have increased our labor costs and may have a further negative impact on our labor costs in the future.

In August 2015, the National Labor Relations Board adopted a new and broader standard for determining when two or more otherwise unrelated employers may be found to be a joint employer of the same employees under the National Labor Relations Act. While the National Labor Relations Board has formally proposed a rule that would reinstate the standard that was in place before August 2015 and invited public comment, a final rule has not yet been issued. In December 2019, the National Labor Relations Board directed an administrative law judge to approve settlement agreements (rather than rejecting the settlement and allowing the claims asserting that the franchisor should be the joint employer of its franchisees' employees to proceed) in a decision related to another franchise system; however, this decision is subject to appeal. If the August 2015 standard remains in place or is adopted by other government agencies and/or applied generally to franchise relationships, it could cause us to be liable or held responsible for unfair labor practices and other violations of our franchisees and subject us to other liabilities, and require us to conduct collective bargaining negotiations regarding employees of totally separate, independent employers, most notably our franchisees. In such event, our operating expenses may increase as a result of required modifications to our business practices, increased litigation, governmental investigations or proceedings, administrative enforcement actions, fines and civil liability.

Additionally, California adopted Assembly Bill 5 (“**AB-5**”) which took effect on January 1, 2020. This legislation determines whether workers should be classified as employees or independent contractors. Depending on the outcome of certain legal proceedings currently pending in California, including a lawsuit involving our franchise system, or that could be filed in the future, it is possible that AB-5 could be applied to convert franchisees into employees rather than independent contractors. If that occurs, we could be deemed the employer of all or some portion of our franchisees (and their employees) in California. In that event, we could be liable for any violations of California’s wage and hour laws, including with respect to rights or claims arising under the California Labor Code, wage orders of the California Industrial Welfare Commission, or the California Unemployment Insurance Code, and could be required to treat our franchisees and their employees as our employees under such laws. Such a finding could adversely affect our business and business model and could significantly impact the financial viability of all or some franchised locations in California. It is unclear what effect such a determination would have on existing franchise agreements. Claims that our franchisees have been misclassified as independent contractors have also been filed in Massachusetts and Illinois. For more information relating to AB-5, see “Business of 7-Eleven—Regulatory Matters—Employment and Labor Laws.” Our failure to comply with any of these laws and regulations could lead to negative publicity, and subject us to penalties and other legal liabilities, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may be unable to adequately obtain, maintain, protect and enforce our trademarks or other intellectual property rights we use in our business.**

Trademarks and other intellectual property and proprietary rights are important to our competitive position and we benefit from a well-recognized brand. Our trademarks may be challenged, infringed, circumvented, diluted, declared generic, lapsed or determined to be infringing on or dilutive of other marks. We frequently file actions in the U.S. and other jurisdictions in order to protect our trademarks, but there can be no assurances that such actions will be successful. If we are unsuccessful in protecting our intellectual property rights or obtaining

adequate intellectual property protection for our business, or if another party prevails in litigation claiming or opposing any rights thereto, we could lose the right to use applicable trademarks in certain jurisdictions and the value of our brand could be diminished, causing customer confusion and materially adversely impacting our business and financial results. Failure by us or our franchisees or licensees to maintain product safety and quality or otherwise protect our brand could materially adversely affect our brand image and reputation and lead to reduced demand for our products, potential product liability claims (including class-action), government agency investigations and damages. Any of our intellectual property rights could be challenged, invalidated, circumvented, infringed or, misappropriated or otherwise violated, our trade secrets and other confidential information could be disclosed in an unauthorized manner to third parties, or our intellectual property rights may not be sufficient to permit us to take advantage of current market trends or otherwise to provide us with competitive advantages. We could also be subject to claims by others that we are infringing, misappropriating or otherwise violating their intellectual property rights which, even if without merit or resolved in our favor, could result in significant harms and liabilities. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### **Our franchise business model presents a number of risks.**

Our success as a heavily franchised and licensed business relies to a large degree on the financial success and cooperation of our franchisees and our area licensees and affiliates. As of September 30, 2020, on a pro forma basis after giving effect to the Transactions, approximately 88% of our operating businesses were franchised or licensed businesses. Our franchisees and area licensees manage their businesses independently, and therefore are responsible for the day-to-day operation of their stores. The revenues we realize from franchised and licensed stores are largely dependent on the ability of our franchisees and area licensees to grow their sales. Business risks affecting our operations also affect our franchisees and area licensees. If our franchisees and area licensees do not experience sales growth, our revenues and margins could be negatively affected as a result. Also, if sales trends worsen for franchisees and area licensees, their financial results may deteriorate, which could result in, among other things, store closures, or delayed or reduced payments to us.

Our success also relies on the willingness and ability of our independent franchisees, area licensees and affiliates to implement major initiatives, which may include financial investment, and to remain aligned with us on operating, value/promotional updated franchise agreements and capital-intensive reinvestment plans. The ability of franchisees and area licensees to contribute to the achievement of our plans is dependent in large part on the availability to them of funding at reasonable interest rates and may be negatively impacted by the financial markets in general, by the creditworthiness of our franchisees or banks' lending practices. If our franchisees and area licensees are unwilling or unable to invest in major initiatives or are unable to obtain financing at commercially reasonable rates, or at all, our future growth and results of operations could be adversely affected. In addition, franchisees' and area licensees' business obligations may not be limited to the operation of our operating businesses, making them subject to business and financial risks unrelated to the operation of our operating businesses. These unrelated risks could adversely affect a franchisee's and area licensees' ability to make payments to us or to make payments on a timely basis. We cannot assure you that our franchisees or area licensees will successfully participate in our strategic or marketing initiatives or operate their restaurants in a manner consistent with our requirements, standards, and expectations.

Our brand and operating performance could also be negatively affected if our franchisees and area licensees experience food safety, cybersecurity or other operational problems or project an image inconsistent with our brand and values, particularly if our contractual and other rights and remedies are limited, costly to exercise or subjected to litigation and potential delays. If franchisees and area licensees do not successfully operate stores in a manner consistent with our required standards, our brand's image and reputation could be harmed, which in turn could lead to reduced demand for our products and hurt our business and operating results. There is also a risk that our franchisees and area licensees will fail to adequately protect our trademarks or other intellectual property, including by disclosing or insufficiently protecting our confidential or proprietary information, or

infringe, misappropriate or otherwise violate third-party intellectual or proprietary property, which could damage our brand or otherwise harm our business.

Our ownership mix also affects our results and financial condition. The decision to own stores or to operate under franchise or license agreements is driven by many factors whose interrelationship is complex. The benefits of our more heavily franchised and licensed structure depend on various factors including whether we have effectively selected franchisees, licensees and/or affiliates that meet our rigorous standards, whether we are able to successfully integrate them into our structure and whether their performance and the resulting ownership mix supports our brand and financial objectives.

**Inherent risks of our international area licensees could materially and adversely affect our business, financial condition and results of operations.**

We have significant international area licenses in multiple jurisdictions throughout the world. As of September 30, 2020, our international licensees operated stores in East and Southeast Asia, Latin America, Australia, Scandinavia and the Middle East. Some of the risks inherent in our international area licensees include: the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems, foreign currency exchange rate fluctuations, the potential for changes in local economic conditions, reduced protection for—and greater difficulty enforcing—intellectual property rights, political instability, regulatory restrictions, foreign exchange controls and restrictive governmental actions, such as restrictions on transfer of funds and trade protection matters, including prohibitions or restrictions on acquisitions or joint ventures, local product safety and environmental, health and safety laws, tax regulations, local labor laws, anti-money laundering laws and regulations, trade policies, currency regulations, laws and regulations regarding consumer and data protection, and other matters in any of the countries or regions in which we operate, now or in the future. Any of these factors could materially and adversely affect our business, financial condition and results of operations.

Other factors which may impact our licensees under our area licenses and master franchise agreements include foreign trade, monetary and fiscal policies of the U.S. and of other countries, laws, regulations and other activities of foreign governments, agencies and similar organizations, and risks associated with having numerous facilities located in countries that have historically been less stable than the U.S. Additional risks inherent in our international area licenses generally include, among others, the costs and difficulties of managing international area licenses and adverse tax consequences. The various risks inherent in doing business in the U.S. generally also exist when doing business outside of the U.S., and may be exaggerated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations.

In foreign countries in which we have area licenses, a risk exists that our licensees under our area licenses and master franchise agreements could, in contravention of our policies, engage in business practices prohibited by U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act, or the laws and regulations of other countries, such as the UK Bribery Act. We maintain a global policy prohibiting such business practices and have in place a global anti-corruption compliance program designed to ensure compliance with these laws and regulations. Nevertheless, we remain subject to the risk that one or more of our licensees under our area licenses and master franchise agreements, including those based in or from countries where practices that violate such U.S. laws and regulations or the laws and regulations of other countries may be customary, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could adversely affect our business or financial performance and our reputation.

**Our cash flows from operations, profitability and financial condition may be negatively affected if we are not successful in managing our inventory balances.**

On a pro forma basis, our inventory balance would have represented approximately 4.7% of our total assets exclusive of goodwill and other intangible assets as of September 30, 2020 on a pro forma basis after giving



effect to the Transactions. Efficient inventory management is a key component of our business success and profitability. We must maintain sufficient inventory levels and an appropriate product mix to meet our customers' demands without allowing those levels to increase such that the costs to store and hold the goods unduly impacts our financial results or increases the risk of inventory shrinkage. If we do not accurately predict customer trends, spending levels, or price sensitivity, we may have to take unanticipated markdowns to dispose of the excess inventory, which also can adversely affect our financial results. We continue to focus on ways to reduce these risks, but we cannot make assurances that we will be successful in our inventory management. If we are not successful in managing our inventory balances, our cash flows from operations and financial condition may be negatively affected.

**Product liability, product recall or other product safety or labeling claims could adversely affect our business, reputation and financial performance.**

We are dependent on our vendors to ensure that the products we buy from them comply with applicable product safety and labeling laws and regulations and to inform us of all applicable restrictions on the sale of such products. Nonetheless, product liability, personal injury or other claims may be asserted against us relating to product contamination, tampering, expiration, mislabeling, recall and other safety or labeling issues, including those relating to products that we may self-distribute.

We seek but may not be successful in obtaining contractual indemnification and insurance coverage from our vendors. If we do not have adequate contractual indemnification or insurance available, such claims could materially adversely affect our business, financial condition and results of operations. Our ability to obtain indemnification from foreign vendors may be hindered by our ability to obtain jurisdiction over them to enforce contractual obligations. Even with adequate insurance and indemnification, such claims could significantly harm our reputation and consumer confidence in our products and we could incur significant litigation expenses, which also could materially affect our results of operations even if a product liability claim is unsuccessful or not fully pursued.

**We are an indirect wholly-owned subsidiary of Seven & i, and its interests as equity holder may conflict with your interests as a holder of the notes.**

We are an indirect wholly-owned subsidiary of our parent company, Seven & i, which has the ability to control our policy and operations. The interests of Seven & i, as our parent company, may not in all cases be aligned with your interests as a holder of the notes. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of Seven & i might conflict with your interests as a holder of the notes. In addition, Seven & i may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance their equity investment in 7-Eleven, even though such a transaction might involve risks to you as a holder of the notes. So long as Seven & i continues to beneficially own a significant amount of our equity, it will continue to be able to strongly influence or effectively control our decisions. Because our equity securities are not registered under the securities laws of the U.S. or in any other jurisdiction and are not listed on any U.S. securities exchange, we are not subject to any of the corporate governance requirements of U.S. securities authorities or U.S. securities exchanges. For information concerning our arrangements with Seven & i, see "Certain Relationships and Related Party Transactions."

### **Risks Related to the Notes**

**We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.**

Following this offering we will have a significant amount of debt and other obligations. As of September 30, 2020, on a pro forma basis after giving effect to the Transactions, we would have had \$17.1 billion of

indebtedness outstanding (including \$1.02 billion of intercompany debt and \$204.4 million of capital lease obligations), and we would have had approximately \$500.0 million of undrawn borrowing capacity under the Revolving Credit Facility, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent, and approximately \$650.0 million of borrowing capacity under the Commercial Paper Facility. This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the notes;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Our ability to make scheduled payments on or to refinance our debt obligations, including the notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash requirements, we could be forced to reduce or delay investments and capital expenditures, sell assets or operations, seek additional capital, or restructure or refinance our indebtedness, including the notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the notes. If we cannot make scheduled payments on our debt, we will be in default and, as a result, holders of notes could declare all outstanding principal and interest to be due and payable, the lenders under the Delayed Draw Term Loan Facilities or Revolving Credit Facility could terminate their commitments to loan money and accelerate the maturity of borrowings thereunder on account of cross-default and cross-acceleration provisions, the lenders under our other debt obligations could accelerate the maturity of borrowings thereunder on account of cross-default and cross-acceleration provisions, and we could be forced into bankruptcy or liquidation, which, in each case, could result in loss of your investment in the notes.

**The limited covenants in the indenture that will govern the notes will not provide protection against many types of important corporate events and may not protect your investment.**

The indenture that will govern the notes will not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, will not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;

- restrict our subsidiaries' ability to issue securities or otherwise incur indebtedness (other than certain secured indebtedness) that would be senior in right of payment to our equity interests in our subsidiaries and therefore would be structurally senior to the notes;
- entirely limit our ability to incur secured indebtedness that would effectively rank senior to the notes to the extent of the value of the assets securing the indebtedness;
- limit our ability to incur indebtedness that is equal or subordinate in right of payment to the notes (other than certain secured indebtedness);
- restrict our ability to enter into sale leaseback transactions;
- restrict our ability to repurchase our equity securities or prepay our other indebtedness;
- restrict our ability to make investments or pay dividends or make other payments in respect of our equity securities or our other indebtedness; or
- restrict our ability to enter into highly leveraged transactions.

In particular, we expect to explore real estate monetization transactions, including through sale leaseback transactions, following the Acquisition. The indenture that will govern the notes will not restrict any such transaction, and such transactions could be material individually or in the aggregate. Any such transactions will be subject to market and other conditions and we can provide no assurance as to the timing, size or relevant property that may be the subject of any such transaction, or whether we will engage in any such transaction at all.

7-Eleven has entered into the Delayed Draw Term Loan Facilities and the Revolving Credit Facility. For more information relating to the Delayed Draw Term Loan Facilities and the Revolving Credit Facility, see "Description of Other Indebtedness." Despite our current debt levels and the indebtedness we expect to incur in connection with the Transactions, we may incur substantially more debt in the future, including secured indebtedness, and the incurrence of such additional debt may have important consequences for you as a holder of the notes, including making it more difficult for us to satisfy our obligations with respect to the notes, a loss in the trading value of your notes, if any, and a risk that the credit rating of the notes is lowered or withdrawn. In addition, the indenture governing the notes will allow us to issue additional notes under certain circumstances. Although the indenture places some limitations on our ability to create liens securing indebtedness, there are significant exceptions to these limitations that will allow us to secure significant amounts of indebtedness without equally and ratably securing the notes. These factors could exacerbate further the risks associated with our leverage.

As a result of the foregoing, when evaluating the terms of the notes, you should be aware that the terms of the indenture and the notes will not restrict our ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events, such as certain acquisitions, refinancings or recapitalizations, that could substantially and adversely affect our capital structure and the value of the notes.

**We conduct a substantial amount of our operations through our subsidiaries, and the notes will be structurally subordinated to any debt, liabilities and other obligations of our current and future subsidiaries.**

The notes will be unsecured and unsubordinated debt obligations of 7-Eleven, and we conduct a substantial amount of our business through our subsidiaries. Our subsidiaries are separate legal entities that are not guarantors of the notes and have no obligation to pay any amounts due under the notes or to make any funds available therefor, whether by dividend, loan or other payment. In addition, any payment of dividends, loans or other payments by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings, contractual obligations and business considerations. As a consequence, our debt, including the notes offered hereby, will be structurally subordinated to existing and future debt, liabilities and other obligations of our existing and future subsidiaries with respect to

the assets of such subsidiaries, including \$450,000,000 principal amount of indebtedness of 7-Eleven International Investments LP. As of September 30, 2020, on a pro forma basis after giving effect to the Transactions, the aggregate amount of debt of 7-Eleven's consolidated subsidiaries, including \$104.9 million of capital leases obligations, would have been approximately \$554.9 million.

In addition, our right to participate in any distribution of assets of any subsidiary upon its liquidation or reorganization or otherwise, and the ability of holders of the notes to benefit indirectly from that kind of distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent, if any, we are recognized as a creditor of that subsidiary. All obligations of our subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise.

**The notes will be effectively subordinated to any secured debt we may incur, which may limit your recovery.**

The notes are not secured by any of our assets, and will not be secured by the assets of the Speedway Business. Any future claims of secured lenders with respect to assets securing their loans will be prior to any claim of the holders of the notes with respect to those assets. As of September 30, 2020, on a pro forma basis after giving effect to the Transactions, we would not have had any secured debt outstanding (excluding \$204.4 million of capital leases obligations).

**The agreements governing the Delayed Draw Term Loan Facilities and the Revolving Credit Facility and other agreements governing existing indebtedness contain various covenants that limit the discretion of our management in operating our business and could prevent us from engaging in some beneficial activities and adversely affect the holders of the notes. The notes offered hereby will not have the benefit of all of these covenants.**

The agreements governing the Delayed Draw Term Loan Facilities and the Revolving Credit Facility and other agreements governing existing indebtedness limit the ability of 7-Eleven and its subsidiaries to, among other things, incur additional indebtedness, dispose of assets, merge or engage in other fundamental business transactions and create or permit to exist liens and certain lease obligations. A failure to comply with the covenants contained in the agreements governing 7-Eleven's existing indebtedness could result in an event of default, if not cured or waived, and could have a material adverse effect on our business, financial condition and results of operations. In the event of any event of default under the agreements governing 7-Eleven's existing indebtedness, the lenders thereunder would not be required to lend any additional amounts to us and could elect to declare all borrowings outstanding, together with accrued and unpaid interest, to be due and payable.

The Revolving Credit Facility contains certain customary financial and operating covenants including, among other things, a financial covenant that requires 7-Eleven to maintain a consolidated net leverage ratio of (i) 3.50 to 1.00 prior to the Commitment Increase Date (as defined herein), (ii) 6.00 to 1.00 on or during the period after the Commitment Increase Date until the first anniversary of the Commitment Increase Date, (iii) 5.25 to 1.00 on or during the period after the first anniversary of the Commitment Increase Date until the second anniversary of the Commitment Increase Date, and (iv) 4.50 to 1.00 during the period on or after the second anniversary of the Commitment Increase Date. Similarly, the August 2020 Term Loan Facility contains certain customary financial and operating covenants including, among other things, a financial covenant that requires 7-Eleven to maintain a consolidated net leverage ratio of (i) 6.00 to 1.00 prior to the first anniversary of the August 2020 Term Loan Facility Closing Date (as defined herein), (ii) 5.25 to 1.00 during the period on or after the first anniversary of the August 2020 Term Loan Facility Closing Date until the second anniversary of the August 2020 Term Loan Facility Closing Date, and (iii) 4.50 to 1.00 during the period on or after the second anniversary of the August 2020 Term Loan Facility Closing Date. The October 2020 Term Loan Facility contains certain customary financial and operating covenants including, among other things, a financial covenant that requires 7-Eleven to maintain a consolidated net leverage ratio of (i) 6.00 to 1.00 prior to the first anniversary of the October 2020 Term Loan Facility Closing Date (as defined herein) and (ii) 5.25 to 1.00 during the period on or after the first anniversary of the October 2020 Term Loan Facility Closing Date.

An event of default under one of our financing arrangements may also constitute a cross-default under one or more of our other financing arrangements, resulting in a default or event of default with respect to additional financing arrangements. If the indebtedness under the Delayed Draw Term Loan Facilities, the Revolving Credit Facility or other existing indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full, and we could be rendered unable to pay principal, premium, if any, and interest on the notes.

The restrictions under the agreements governing the Delayed Draw Term Loan Facilities, the Revolving Credit Facility and other agreements governing existing indebtedness may prevent us from taking actions that we believe would be in the best interest of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility.

**Our credit ratings may not reflect all risks of your investment in the notes.**

Our debt securities are subject to periodic review by one or more independent credit rating agencies and may be subject to rating and periodic review by additional independent credit rating agencies in the future. Holders of notes will have no recourse against us or any other parties in the event of a change in or suspension or withdrawal of any such rating. The credit ratings assigned to the notes are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that a rating will not be lowered, placed on negative outlook, suspended or withdrawn entirely by the applicable rating agencies, if, in such rating agency's judgment, circumstances so warrant.

Agency credit ratings are not a recommendation to buy, sell or hold any security. Each agency's rating should be evaluated independently of any other agency's rating. Actual or anticipated downgrades, negative outlooks, suspensions or withdrawals in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could adversely affect the market value of the notes and increase our corporate borrowing costs.

**There is currently no trading market for the notes and an active trading market for the notes may not develop, in which case you may not be able to resell the notes.**

There is no existing trading market for the notes of each series and we do not intend to list them on any securities exchange or automated quotation system. As a result, an active or liquid trading market for the notes of each series may not develop, or if one does develop, it may not be sustained. Future liquidity will depend, among other things, on the number of holders of the notes of the applicable series, our financial condition, performance and prospects, our credit ratings, the market for similar securities and the interest of securities dealers in making a market in the notes of the applicable series. In addition, changes in the overall market for investment grade securities and changes in the markets where we operate may adversely affect the liquidity of the trading market in the notes of each series and the market price quoted for these notes. The conditions of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. The market, if any, for the notes of each series may be subject to disruptions that may cause substantial volatility in their prices. Any disruptions may have an adverse effect on the holders of the notes.

**The notes are subject to significant restrictions on transfer.**

We are selling the notes under exemptions from registration requirements under the Securities Act or applicable state and foreign securities laws. None of the notes have been registered under the Securities Act or any state or foreign securities laws, and we do not intend to file a registration statement for the resale of any of

the notes after the offering. Accordingly, the notes may be offered or sold only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state and foreign securities laws. The restrictions on transfer applicable to the notes may affect your ability to resell the notes or may reduce the price you receive in doing so. In addition, the indenture that will govern the notes will not be qualified under the TIA and will not be subject to the terms thereof. By purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements relating to these transfer restrictions, as set forth in “Transfer Restrictions.”

**We have up to 120 days after the end of a fiscal year or fiscal quarter to provide annual or quarterly reports and we are not required to provide current reports on Form 8-K, and as a result, information available with respect to the Company and an investment in the notes may be less current than if we were required to comply with SEC deadlines for providing annual, quarterly or current reports.**

We are not required to provide annual or quarterly reports with respect to any fiscal year or fiscal quarter until 120 days after the end of the applicable fiscal year or fiscal quarter, respectively. See “Description of Notes—Certain Covenants—Reports.” Additionally, we are not required to provide current reports on Form 8-K. As a result, the information available with respect to the Company and your investment in the notes may be less current than if the offering was made pursuant to a registration statement filed with the SEC or we were otherwise required to comply with the SEC’s deadlines for providing annual, quarterly or current reports.

**We will not be subject to the Sarbanes-Oxley Act of 2002.**

Because we will not register the notes under the Securities Act after the offering, we will not be subject to the Sarbanes-Oxley Act of 2002, which requires public companies to have and maintain effective disclosure controls and procedures to ensure timely disclosure of material information, and have management review the effectiveness of those controls on a quarterly basis. The Sarbanes-Oxley Act of 2002 also requires public companies to have and maintain effective internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements, and have management review the effectiveness of those controls on an annual basis (and have the independent auditor attest to the effectiveness of such internal controls). We will not be required to comply with these requirements and therefore we will not have comparable procedures in place as compared to public companies.

**We may choose to redeem the notes prior to maturity.**

We may redeem some or all of the notes at any time. See “Description of Notes—Optional Redemption.” Although the notes contain provisions designed to compensate you for the lost value of your notes if we redeem some or all of the notes at certain dates prior to maturity, the redemption prices we will pay will be only an approximation of this lost value and may not adequately compensate you. Furthermore, depending on prevailing interest rates at the time of any such redemption, you may not be able to reinvest the redemption proceeds in a comparable security at an interest rate as high as the interest rate of the notes being redeemed or at an interest rate that would otherwise compensate you for any lost value as a result of any redemption of such notes.

**We could enter into significant transactions that would not constitute a change of control requiring us to repurchase the notes, but that could adversely affect our risk profile.**

We could, in the future, enter into certain transactions, including certain recapitalizations, that would not result in a change of control, but would increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. While the indenture that will govern the notes will limit our ability to incur additional secured indebtedness, such limitations are subject to a number of significant exceptions. See “Description of Notes—Certain Covenants—Limitation on liens.” As a result, even if a change of control is not triggered under the indenture or under other agreements governing our indebtedness, we may be able to incur significant additional indebtedness (including a significant amount of secured indebtedness), and we

may be able to enter into highly leveraged transactions, including acquisition transactions, that may materially change the character of our capital structure and business operations, while still complying with the covenants in the indenture governing the notes and the other agreements governing our indebtedness.

**We may not be able to repurchase the notes upon a change of control triggering event.**

Unless we have defeased the notes as described in the indenture or we have exercised our option to redeem the notes, upon a change of control triggering event, we will be required to make an offer to each holder of the notes to repurchase all or any part of such holder's notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase. If we experience a change of control triggering event, there can be no assurance that we would have sufficient financial resources available at such time to satisfy its obligations to repurchase the notes. Our failure to repurchase the notes as required under the indenture governing the notes would result in a default under the indenture, which could have material adverse consequences for us and the holders of the notes. See "Description of Notes—Change of Control Triggering Event."

**Upon the occurrence of a Special Redemption, we must redeem all of the outstanding aggregate principal amount of the notes. If we are required to redeem such notes at such time, you may not obtain your expected return on the notes.**

Upon the occurrence of a Special Redemption, we must redeem all of the outstanding notes in cash at a special redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest from and including the date of initial issuance (or the most recent interest payment date to which interest has been paid, whichever is later) to, but excluding, the special redemption date. The Purchase Agreement contains customary conditions for closing, many of which are beyond our control, and we may not be able to complete the Acquisition prior to the special redemption deadline. If your notes are redeemed, you may not obtain your expected return on the notes and may not be able to reinvest the proceeds from a Special Redemption in an investment that results in a comparable return.

In addition, as a result of the Special Redemption provisions of the notes, the trading prices of the notes may not reflect the financial results of our business or macroeconomic factors. As holders of the notes, you will have no rights under the Special Redemption provisions unless a Special Redemption occurs, nor will you have any rights to require us to repurchase your notes if, between the closing of this offering and the consummation of the Acquisition, we experience any changes (including any material changes) in our business or financial condition, or if the terms of the Purchase Agreement change, including in material respects.

**We are not obligated to place the proceeds from the sale of the notes in escrow prior to the consummation of the Acquisition.**

In the event that the Acquisition has not closed on or prior to the special redemption deadline (which will correspond to the Outside Date under the Purchase Agreement, as it may be extended pursuant to the terms of the Purchase Agreement or by agreement between 7-Eleven and MPC), or if, prior to the special redemption deadline, the Purchase Agreement is terminated, we must redeem all of the outstanding notes at a special redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest from, and including, the date of initial issuance (or the most recent interest payment date to which interest has been paid, whichever is later) to, but excluding, the special redemption date. See "Description of Notes—Special Mandatory Redemption of the Notes." We are not obligated to place the proceeds from the sale of the notes in escrow prior to the consummation of the Acquisition or to provide a security interest in those proceeds, and there are no restrictions on our use of those proceeds during such time. Accordingly, we will need to fund any Special Redemption using cash on hand, proceeds of this offering that we have voluntarily retained, or from other sources of liquidity. We cannot assure you that we will have sufficient funds available when needed to make any required redemption of the notes offered hereby. Any failure to redeem any of these notes would constitute a default under the indenture governing the notes offered hereby.

**The indenture that will govern the notes will not be qualified under the Trust Indenture Act, and we will not be required to comply with the provisions of the Trust Indenture Act.**

The indenture that will govern the notes will not be qualified under the Trust Indenture Act, and we will not be required to comply with the provisions of the Trust Indenture Act. Therefore, holders of the notes will not be entitled to the benefit of the provisions and protection of the Trust Indenture Act, except to the extent there are similar provisions in the indenture that will govern the notes.

**Uncertainty relating to the calculation of LIBOR and other reference rates and their potential discontinuance may materially adversely affect the value of the Floating Rate Notes.**

National and international regulators and law enforcement agencies have conducted investigations into a number of rates or indices which are deemed to be “reference rates.” Actions by such regulators and law enforcement agencies may result in changes to the manner in which certain reference rates are determined, their discontinuance, or the establishment of alternative reference rates. In particular, on July 27, 2017, the Chief Executive of the FCA, which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. Such announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Notwithstanding the foregoing, it appears highly likely that LIBOR will be discontinued or modified by 2021, which is prior to the maturity date of the Floating Rate Notes.

At this time, it is not possible to predict the effect that these developments, any discontinuance, modification or other reforms to LIBOR or any other reference rate, or the establishment of alternative reference rates may have on LIBOR, other benchmarks or floating rate debt securities, including the Floating Rate Notes. The market price of our Floating Rate Notes, in particular, will be influenced by the three-month LIBOR rate, volatility in such rate and events that affect LIBOR rates generally. Uncertainty as to the nature of such potential discontinuance, modification, alternative reference rates or other reforms may materially adversely affect the trading market for securities linked to such benchmarks, including the Floating Rate Notes. Furthermore, the use of alternative reference rates or other reforms could cause the interest rate calculated for the Floating Rate Notes to be materially different than expected.

If it is determined that LIBOR has been discontinued and an alternative reference rate for three-month LIBOR is used as described in “Description of Notes—Interest on the Notes—Floating Rate Notes”, we or our designee (a “*Designee*”) may make certain adjustments to such rate, including applying a spread thereon or with respect to the business day convention, interest determination dates and related provisions and definitions, to make such alternative reference rate comparable to three-month LIBOR, in a manner that is consistent with industry-accepted practices or applicable regulatory or legislative actions or guidance for such alternative reference rate. See “Description of Notes—Interest on the Notes—Floating Rate Notes.” Any of the specified methods of determining floating rate alternative reference rates or the permitted adjustments to such rates may result in interest payments on your Floating Rate Notes that are lower than or that do not otherwise correlate over time with the payments that would have been made on the Floating Rate Notes if published LIBOR continued to be available. Other floating rate debt securities issued by other issuers, by comparison, may be subject in similar circumstances to different procedures for the establishment of alternative reference rates. Any of the foregoing may have a material adverse effect on the amount of interest payable on your Floating Rate Notes, or the market liquidity and market value of your Floating Rate Notes.

**Interest on the Floating Rate Notes will be calculated using a Benchmark Replacement selected by us or our Designee if a Benchmark Transition Event occurs.**

As described in detail in the section “Description of Notes—Interest on the Notes—Floating Rate Notes—Effect of Benchmark Transition Event” (the “*benchmark transition provisions*”), if during the term of the Floating Rate Notes, we (or our Designee) determine that a Benchmark Transition Event (as defined herein) and



its related Benchmark Replacement Date (as defined herein) have occurred with respect to LIBOR, we (or our Designee) in our sole discretion will select a Benchmark Replacement as the base rate in accordance with the benchmark transition provisions. The Benchmark Replacement will include a spread adjustment, and technical, administrative or operational changes described in the benchmark transition provisions may be made to the interest rate determination if we (or our Designee) determine in our sole discretion they are required.

Our interests (or the interests of our Designee) in making the determinations described above may be adverse to your interests as a holder of the Floating Rate Notes. The selection of a Benchmark Replacement, and any decisions made by us (or our Designee) in connection with implementing a Benchmark Replacement with respect to the Floating Rate Notes, could result in adverse consequences to the applicable interest rate on the Floating Rate Notes, which could adversely affect the return on, value of and market for such securities. Further, there is no assurance that the characteristics of any Benchmark Replacement will be similar to LIBOR or that any Benchmark Replacement will produce the economic equivalent of LIBOR.

It is intended that the replacement of the benchmark will not result in an “exchange” of the Floating Rate Notes for U.S. federal income tax purposes. However, we cannot provide any assurances that the IRS (as defined herein) will not take a contrary view. If the IRS treats the Benchmark Replacement as causing an “exchange” for U.S. federal income tax purposes, holders of the Floating Rate Notes may be required to recognize taxable gain or loss at the time of the Benchmark Replacement.

**The Secured Overnight Financing Rate (“SOFR”) is a relatively new market index and as the related market continues to develop, there may be an adverse effect on the return on or value of the Floating Rate Notes.**

If a Benchmark Transition Event and its related Benchmark Replacement Date occur, then the rate of interest on the Floating Rate Notes will be determined using SOFR (unless a Benchmark Transition Event and its related Benchmark Replacement Date also occur with respect to the Benchmark Replacements that are linked to SOFR, in which case the rate of interest will be based on the next-available Benchmark Replacement). In the following discussion of SOFR, when we refer to SOFR-linked notes or debt securities, we mean the Floating Rate Notes at any time when the rate of interest on those notes or debt securities is or will be determined based on SOFR.

The Benchmark Replacements specified in the benchmark transition provisions include Term SOFR, a forward-looking term rate which will be based on SOFR. Term SOFR is currently being developed under the sponsorship of the Federal Reserve Bank of New York (the “*NY Federal Reserve*”), and there is no assurance that the development of Term SOFR will be completed. If a Benchmark Transition Event and its related Benchmark Replacement Date occur with respect to LIBOR and, at that time, a form of Term SOFR has not been selected or recommended by the Federal Reserve Board, the NY Federal Reserve, a committee thereof or successor thereto, then the next-available Benchmark Replacement under the benchmark transition provisions will be used to determine the amount of interest payable on the Floating Rate Notes for the next applicable interest period and all subsequent interest periods (unless a Benchmark Transition Event and its related Benchmark Replacement Date occur with respect to that next-available Benchmark Replacement).

These replacement rates and adjustments may be selected or formulated by (i) the Relevant Governmental Body (as defined in the benchmark transition provisions) (such as the Alternative Reference Rates Committee of the NY Federal Reserve), (ii) the International Swaps and Derivatives Association, Inc., or (iii) in certain circumstances, us (or our Designee). In addition, the benchmark transition provisions expressly authorize us (or our Designee) to make Benchmark Replacement Conforming Changes with respect to, among other things, the determination of interest periods and the timing and frequency of determining rates and making payments of interest. The application of a Benchmark Replacement and Benchmark Replacement Adjustment, and any implementation of Benchmark Replacement Conforming Changes, could result in adverse consequences to the amount of interest payable on the Floating Rate Notes, which could adversely affect the return on, value of and

market for the Floating Rate Notes. Further, there is no assurance that the characteristics of any Benchmark Replacement will be similar to the then-current Benchmark that it is replacing, or that any Benchmark Replacement will produce the economic equivalent of the then-current Benchmark that it is replacing.

The NY Federal Reserve began to publish SOFR in April 2018. Although the NY Federal Reserve has also begun publishing historical indicative SOFR going back to 2014, such prepublication historical data inherently involves assumptions, estimates and approximations. You should not rely on any historical changes or trends in SOFR as an indicator of the future performance of SOFR. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates. As a result, the return on and value of SOFR-linked debt securities may fluctuate more than floating rate debt securities that are linked to less volatile rates.

Also, since SOFR is a relatively new market index, SOFR-linked debt securities likely will have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the Floating Rate Notes may be lower than those of later-issued SOFR-linked debt securities as a result. Similarly, if SOFR does not prove to be widely used in securities like the Floating Rate Notes, the trading price of those securities may be lower than those of debt securities linked to rates that are more widely used. Debt securities indexed to SOFR may not be able to be sold or may not be able to be sold at prices that will provide a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The NY Federal Reserve notes on its publication page for SOFR that use of SOFR is subject to important limitations, indemnification obligations and disclaimers, including that the NY Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to you as a holder of the Floating Rate Notes. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Floating Rate Notes and a reduction in their trading prices.

**The interests of holders of the Floating Rate Notes and the interests of holders of the Fixed Rate Notes may be inconsistent and the interests of holders of additional notes under the Indenture may be inconsistent with the holders of the notes offered hereby.**

The Floating Rate Notes and the Fixed Rate Notes will be issued pursuant to a single indenture and will vote as a single class with respect to amendments, waivers or other modifications of the indenture that will govern the notes other than with respect to amendments, waivers or other modifications that will only affect the applicable series of the Fixed Rate Notes or the Floating Rate Notes. The Floating Rate Notes and each series of the Fixed Rate Notes will bear interest at different rates, will have different call schedules and call protection and will have other features that will differ. As a result of these differences, the interests of holders of the Floating Rate Notes and the interests of holders of each series of the Fixed Rate Notes could conflict. In addition, the holders of one series of notes may be in a position to agree to certain terms in a consent solicitation that would be beneficial to such series of notes but adverse to the economic interest of the other series of notes issued under the indenture that will govern the notes; however, to the extent the relevant modification, amendment or waiver is approved by the holders of a majority in aggregate principal amount of the outstanding notes under the indenture that will govern the notes (subject to the limited exceptions), all holders of the notes under the indenture that will govern the notes will be bound by such amendment, modification or waiver. Subject to certain restrictions, further series of additional notes may be issued under the indenture that will govern the notes that have different terms in respect of currency, interest rate and certain other matters. Such additional notes will also generally vote as a single class with other series of notes issued under the indenture that will govern the notes but may have interests that differ from the holders of other series of notes issued under the indenture that will govern the notes, including the notes.

## USE OF PROCEEDS

We expect the proceeds from the offering to be approximately \$10,950.0 million, before deducting the initial purchasers' discounts and estimated offering fees and expenses payable by us. We intend to use the net proceeds from the sale of the notes in this offering, together with borrowings under the Delayed Draw Term Loan Facilities and the Equity Contribution, to finance the Acquisition and to pay fees and expenses incurred in connection with the Acquisition, the Delayed Draw Term Loan Facilities, the Revolving Credit Facility and the other transactions contemplated in connection therewith.

If we do not complete the Acquisition on or before the special redemption deadline, or, if the Purchase Agreement is terminated prior to such date, then we must redeem the notes pursuant to the Special Redemption provisions described herein. See "Description of Notes—Special Mandatory Redemption of the Notes."

The following table sets forth the estimated sources and uses of funds in connection with the funding of the Transactions, as if they occurred on September 30, 2020. The actual sources and uses of funds may vary from the estimated sources and uses of funds in the table and accompanying footnotes set forth below. The estimated sources and uses of funds presented below should be read in conjunction with "Use of Proceeds," "Capitalization," "The Transactions" and "Unaudited Pro Forma Condensed Combined Financial Data" included elsewhere in this offering circular.

<u>Sources of Funds</u>	<u>Uses of Funds</u>	
	(dollars in millions)	
New senior unsecured notes . . . . .	\$10,950	Acquisition Consideration <sup>(2)</sup> . . . . . \$21,000
Delayed Draw Term Loan Facilities <sup>(1)</sup> . . . . .	2,250	Estimated fees and expenses <sup>(3)</sup> . . . . . <u>200</u>
Equity Contribution . . . . .	<u>8,000</u>	Total uses of funds . . . . . <u>\$21,200</u>
Total sources of funds . . . . .	<u>\$21,200</u>	

- (1) The Delayed Draw Term Loan Facilities provide an aggregate commitment in a principal amount up to \$2,250 million, which may be borrowed at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent, including the funding of the Equity Contribution, more specifically described herein. See "Description of Other Indebtedness—Delayed Draw Term Loan Facilities."
- (2) Represents the estimated aggregate Acquisition Consideration payable to MPC on the closing date of the Acquisition, assuming no price adjustments pursuant to the Purchase Agreement, including as a result of the PFJ Repurchase. See Note 4 to the unaudited pro forma condensed combined financial information included elsewhere in this offering circular for an illustration of how certain adjustments pursuant to the Purchase Agreement could impact the Acquisition Consideration.
- (3) Represents the estimated fees and expenses associated with the Transactions, including financing fees, advisory fees and other transaction costs and professional fees.

## CAPITALIZATION

The following table sets forth the Company’s cash and cash equivalents and capitalization as of September 30, 2020, on an actual basis and on an as adjusted basis after giving pro forma effect to the Transactions. The information in this table should be read in conjunction with “Unaudited Pro Forma Condensed Combined Financial Data,” “Selected Historical Consolidated Financial Data of 7-Eleven,” “Selected Historical Combined Financial Data of the Speedway Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Speedway Business” as well as the historical consolidated financial statements of 7-Eleven included elsewhere in this offering circular. 7-Eleven’s historical capitalization and the adjustments necessary to arrive at the pro forma amounts below can be found under “Unaudited Pro Forma Condensed Combined Financial Data” in our unaudited pro forma condensed combined balance sheet as of September 30, 2020.

	As of September 30, 2020	
	7-Eleven Actual	As Adjusted for the Transactions
	(in millions)	
<b>Cash and cash equivalents<sup>(1)</sup></b> .....	\$ 560.1	\$ 1,351.8
<b>Debt:</b>		
Revolving Credit Facility <sup>(2)</sup> .....	\$ —	\$ —
Existing Term Loans <sup>(3)</sup> .....	2,725.0	2,725.0
Intercompany Loans <sup>(4)</sup> .....	1,020.0	1,020.0
Notes offered hereby .....	—	10,950.0
Delayed Draw Term Loan Facilities <sup>(5)</sup> .....	—	2,250.0
Commercial Paper Facility <sup>(6)</sup> .....	—	—
Capital Leases and Other <sup>(7)</sup> .....	156.0	179.4
<b>Total debt</b> .....	<u>\$ 3,901.0</u>	<u>\$17,124.4</u>
<b>Total stockholders’ equity<sup>(8)</sup></b> .....	\$ 7,469.1	\$15,377.7
<b>Total capitalization</b> .....	<u>\$11,370.1</u>	<u>\$32,502.1</u>

- (1) As adjusted for the Transactions, cash and cash equivalents assumes the minimum Repurchase Price of \$700 million in connection with the PFJ Repurchase, of which 7-Eleven would receive \$630 million based upon its Repurchase Price Allocation, but does not reflect the anticipated proceeds from the Divestitures.
- (2) Prior to the consummation of the Acquisition, the Revolving Credit Facility has commitments in an aggregate principal amount up to \$500.0 million, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent, as more fully described under “Description of Other Indebtedness—Revolving Credit Facility.” As of September 30, 2020, as adjusted for the Transactions, we would have had \$500.0 million of available borrowing capacity under the Revolving Credit Facility, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent.
- (3) As of September 30, 2020, 7-Eleven had an aggregate principal amount of \$3.745 billion of term loan obligations, of which \$2.725 billion of the obligations were with third-party lenders and \$1.02 billion of the obligations were with SAM. 7-Eleven guarantees an aggregate principal amount of \$450 million of Existing Term Loans incurred by 7-Eleven International Investments LP, an indirectly wholly-owned subsidiary of 7-Eleven, as borrower. See “Description of Other Indebtedness—Existing Term Loans.”
- (4) Consists of (i) a \$900.0 million intercompany loan with SAM (the “*January 2018 Intercompany Loan*”), which bears a fixed interest rate of 2.7% per annum and matures in January 2028, (ii) a \$70.0 million intercompany loan with SAM (the “*July 2018 Intercompany Loan*”), which bears a fixed interest rate of 2.7% per annum and matures in January 2028, and (iii) a \$50.0 million intercompany loan with SAM (the “*September 2019 Intercompany Loan*” and, together with the January 2018 Intercompany Loan and the July 2018 Intercompany Loan, the “*Intercompany Loans*”), which bears a fixed interest rate of 1.92% per

annum and matures in January 2028. For more information about the Intercompany Loans, see “Description of Other Indebtedness—Intercompany Loans.”

- (5) The Delayed Draw Term Loan Facilities consist of (i) the August 2020 Term Loan Facility, which is a three-year senior unsecured delayed draw term loan credit facility in an aggregate principal amount of up to \$1.25 billion and (ii) the October 2020 Term Loan Facility, which is a two-year senior unsecured delayed draw term loan credit facility in an aggregate principal amount of up to \$1.0 billion. The entire amount of the Delayed Draw Term Loan Facilities may be drawn at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent, as described more fully under “Description of Other Indebtedness—Delayed Draw Term Loan Facilities.”
- (6) Consists of \$650.0 million of undrawn borrowing capacity under the Commercial Paper Facility.
- (7) As adjusted for the transaction, consists of \$204.4 million capital lease obligations and \$56.6 million acquisition financing obligations, partially offset by \$81.6 million unamortized deferred financing loan costs. The acquisition financing obligations are related to acquisitions in 2012, whereby the Company entered into new lease agreements to lease the real estate for certain store locations from the seller. The portion of lease payments in excess of market rent were considered to be purchase price installment payments and treated as a financing obligation. See Note 12 of the audited financial statements of 7-Eleven included elsewhere in this offering circular for additional details regarding the acquisition financing obligations.
- (8) On an as adjusted basis, total stockholders’ equity reflects the Equity Contribution, as described under “The Transactions—The Equity Contribution.”

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The following unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2020 and the unaudited pro forma condensed combined statements of earnings of the Company for the year ended December 31, 2019 and the nine months ended September 30, 2020 are based on the historical financial statements of 7-Eleven and the Speedway Business for the year ended December 31, 2019 and for the nine months ended September 30, 2020, each included elsewhere in this offering circular. The unaudited pro forma condensed combined financial data gives effect to the Transactions as if they had occurred (i) on September 30, 2020 for purposes of the unaudited pro forma condensed combined balance sheet, and (ii) on January 1, 2019 for purposes of the unaudited pro forma condensed combined statement of earnings for the year ended December 31, 2019 and the nine months ended September 30, 2020.

### The Transactions

On August 2, 2020, 7-Eleven entered into the Purchase Agreement with the Sellers. Upon the terms and subject to the conditions set forth in the Purchase Agreement, 7-Eleven will acquire from MPC the Speedway Business, which are the assets and liabilities constituting MPC's convenience store business, including the sale of transportation fuel and the operation of convenience stores. Subject to the terms and conditions of the Purchase Agreement, 7-Eleven is obligated to pay MPC aggregate purchase consideration of \$21.0 billion, subject to certain adjustments, as consideration for the Acquisition.

To fund the Acquisition, 7-Eleven intends to issue \$10.95 billion aggregate principal amount of notes offered hereby under an indenture. The terms of the notes include those expressly set forth in the indenture and those made part of the indenture. The completion of this offering is not contingent upon the consummation of the Acquisition. However, if 7-Eleven does not complete the Acquisition on or before the special redemption deadline, or, if the Purchase Agreement is terminated prior to such date, then 7-Eleven must redeem all of the outstanding notes at a special redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest from, and including, the date of initial issuance (or the most recent interest payment date to which interest has been paid, whichever is later) to, but excluding, the special redemption date. See "Description of Notes—Special Mandatory Redemption of the Notes." The unaudited pro forma condensed combined financial information has been prepared pursuant to Article 11 of Regulation S-X, and using the acquisition method of accounting applying the accounting guidance in ASC 805 with 7-Eleven being treated as the accounting acquirer. The unaudited pro forma condensed combined financial information presents the pro forma effects of the Transactions to reflect:

- issuance of the notes offered hereby in an aggregate principal amount of \$10.95 billion;
- settlement of intercompany account balances between Speedway and MPC;
- the exercise of the Repurchase Right by PTC with respect to Speedway's interest in PFJ Southeast and the Repurchase Price Allocation, based on the minimum Repurchase Price of \$700 million, but not any changes to the commercial relationships between Speedway and PFJ Southeast or PTC, including pursuant to the Diesel Branding Agreement or fuel-hauling service arrangements;
- the Equity Contribution;
- incurrence of additional indebtedness under the Delayed Draw Term Loan Facilities to finance a portion of the purchase consideration; and
- the completion of the Acquisition and recognition of the fair value of the assets acquired and liabilities assumed of the Speedway Business.

The unaudited pro forma condensed combined financial information reflects adjustments to the historical financial information to give effect to matters that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the unaudited pro forma condensed combined statements of earnings,

expected to have a continuing impact on the operating results of the combined company. Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the unaudited pro forma condensed combined financial information has been prepared based on preliminary estimates, the final amounts recorded may differ materially from the information presented. Additionally, the unaudited pro forma condensed combined financial information does not give effect to the Divestitures or any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Transactions.

The unaudited pro forma condensed combined financial data is presented for informational purposes only and does not purport to represent what the actual combined statements of earnings or combined balance sheets would have been had the Transactions actually occurred on the dates indicated, nor are they necessarily indicative of future combined results of operations or combined financial condition. The unaudited pro forma condensed combined financial data should be read in conjunction with the information contained in “Summary—Recent Developments—Repurchase of PFJ Southeast Interest by PTC,” “Summary—The Transactions,” “Selected Historical Consolidated Financial Data of 7-Eleven,” “Selected Historical Combined Financial Data of the Speedway Business,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Speedway Business,” as well as the audited annual and unaudited interim financial statements and the related notes thereto of each of 7-Eleven and the Speedway Business appearing elsewhere in this offering circular. All pro forma adjustments and their underlying assumptions are described more fully in the notes to the unaudited pro forma combined financial data.

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2020**  
(in millions)

	As of September 30, 2020				As of September 30, 2020
	7-Eleven (Historical)	(Note 2) Speedway As Adjusted (Historical)	(Note 3) 7-Eleven Notes Offering	Pro Forma Adjustments	Pro Forma Combined
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents .....	\$ 560.1	\$ 111.0	\$10,950.0	\$ 8,000.0 (A)	\$ 1,351.8
			(75.1)	2,250.0 (A)	
				(21,006.6) (C)	
				630.0 (C)	
				(67.6) (F)	
Accounts receivable, net .....	724.9	238.3	—	—	963.2
Inventories .....	471.6	413.8	—	—	885.4
Other current assets .....	254.8	34.7	—	(23.8) (G)	265.7
Total current assets .....	2,011.4	797.8	10,874.9	(10,218.0)	3,466.1
Non-current assets:					
Property & equipment, net .....	7,211.8	4,620.1	—	3,250.4 (D)	15,082.3
Goodwill .....	5,267.5	4,447.7	—	7,948.3 (C)	17,663.5
Other intangible assets, net .....	558.5	128.0	—	207.0 (D)	893.5
Other assets, net .....	405.8	341.3	—	(5.9) (A)	426.2
				(315.0) (E)	
Total non-current assets .....	13,443.6	9,537.1	—	11,084.8	34,065.5
<b>TOTAL ASSETS .....</b>	<b>\$15,455.0</b>	<b>\$10,334.9</b>	<b>\$10,874.9</b>	<b>\$ 866.8</b>	<b>\$37,531.6</b>
<b>LIABILITIES AND EQUITY</b>					
Current liabilities:					
Trade accounts payable .....	\$ 598.0	\$ 313.8	\$ —	\$ —	\$ 911.8
Accounts payable—related parties .....	—	1.7	—	(1.7) (B)	—
Accrued interest—related parties .....	—	2.2	—	(2.2) (B)	—
Accrued expenses and other current liabilities .....	1,297.8	478.1	—	—	1,775.9
Debt due within one year .....	318.4	—	—	—	318.4
Total current liabilities .....	2,214.2	795.8	—	(3.9)	3,006.1
Non-current liabilities:					
Notes payable-related party .....	—	739.4	—	(739.4) (B)	—
Long-term debt .....	3,582.6	104.4	10,874.9	2,244.1 (A)	16,806.0
Deferred credits and other liabilities .....	2,189.1	723.1	—	(570.4) (C)	2,341.8
Total non-current liabilities .....	5,771.7	1,566.9	10,874.9	934.3	19,147.8
Total liabilities .....	7,985.9	2,362.7	10,874.9	930.4	22,153.9
Stockholders' equity (deficit)					
Common stock .....	—	—	—	—	—
Paid-in capital .....	3,055.6	—	—	8,000.0 (A)	11,055.6
Retained earnings .....	4,526.8	—	—	(67.6) (F)	4,435.4
				(23.8) (G)	
MPC company investment .....	—	7,973.4	—	743.3 (B)	—
				(8,716.7) (C,D)	
Accumulated other comprehensive income (loss) .....	(113.3)	(1.2)	—	1.2 (C,D)	(113.3)
Total stockholders' equity .....	7,469.1	7,972.2	—	(63.6)	15,377.7
<b>TOTAL LIABILITIES AND EQUITY .....</b>	<b>\$15,455.0</b>	<b>\$10,334.9</b>	<b>\$10,874.9</b>	<b>\$ 866.8</b>	<b>\$37,531.6</b>

See the accompanying notes to the unaudited pro forma condensed combined balance sheet.



**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF EARNINGS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(in millions)**

	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2020
	7-Eleven (Historical)	(Note 2) Speedway As Adjusted (Historical)			Pro Forma Adjustments
<b>Revenue</b>					
Merchandise sales .....	\$ 3,257.1	\$ 4,784.0	\$ —		\$ 8,041.1
Fuel sales .....	10,053.3	9,852.0	—		19,905.3
Net sales .....	13,310.4	14,636.0	—		27,946.4
Franchise and licensing revenues .....	1,919.1	—	—		1,919.1
Equity method investing income .....	—	70.0	(70.0)	(AA)	—
Diesel branding agreement income .....	—	109.9	—		109.9
Other income .....	21.8	36.0	—		57.8
Total revenues .....	15,251.3	14,851.9	—		30,033.2
<b>Costs and expenses</b>					
Merchandise cost of goods sold .....	2,306.4	3,453.2	—		5,759.6
Fuel cost of goods sold .....	8,554.8	8,098.0	—		16,652.8
Total cost of goods sold .....	10,861.2	11,551.2	—		22,412.4
Operating, selling, general and administrative expenses .....	3,627.8	2,281.1	(93.5)	(BB)	5,783.3
	—	—	(32.1)	(CC)	
Interest expense, net .....	80.5	4.7	152.1	(DD)	234.7
	—	—	(2.6)	(EE)	
Interest expense, net—related party .....	—	69.7	(69.7)	(FF)	—
Other income, net .....	—	14.6	—		14.6
Total costs and expenses .....	14,569.5	13,892.1	(45.8)		28,415.8
<b>Earnings before income tax</b> .....	681.8	959.8	(24.2)		1,617.4
Income tax expense .....	141.8	246.8	(6.0)	(GG)	382.5
<b>Net earnings</b> .....	<b>\$ 540.0</b>	<b>\$ 713.0</b>	<b>\$ (18.2)</b>		<b>\$ 1,234.9</b>

See the accompanying notes to the unaudited pro forma condensed combined statement of earnings.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(in millions)

	Year Ended December 31, 2019		Year Ended December 31, 2019	
	7-Eleven (Historical)	(Note 2) Speedway As Adjusted (Historical)	Pro Forma Adjustments	Pro Forma Combined
<b>Revenue</b>				
Merchandise sales .....	\$ 4,136.2	\$ 6,283.5	\$ —	\$10,419.7
Fuel sales .....	18,301.8	20,240.2	—	38,542.0
Net sales .....	22,438.0	26,523.7	—	48,961.7
Franchise and licensing revenues .....	2,659.9	—	—	2,659.9
Equity method investing income .....	—	82.3	(82.3) (AA)	—
Diesel branding agreement income .....	—	28.4	—	28.4
Other income .....	35.0	33.0	—	68.0
Total revenues .....	25,132.9	26,667.4	—	51,718.0
<b>Costs and expenses</b>				
Merchandise cost of goods sold .....	2,848.6	4,521.6	—	7,370.2
Fuel cost of goods sold .....	16,631.8	17,946.4	—	34,578.2
Total cost of goods sold .....	19,480.4	22,468.0	—	41,948.4
Operating, selling, general and administrative expenses .....	4,600.4	3,222.4	(98.0) (BB)	7,724.8
Interest expense, net .....	99.1	6.6	205.1 (DD)	310.8
Interest expense, net—related party .....	—	111.2	(111.2) (FF)	—
Other income, net .....	—	37.5	—	37.5
Total costs and expenses .....	24,179.9	25,770.7	(4.1)	49,946.5
<b>Earnings before income tax</b> .....	953.0	896.7	(78.2)	1,771.5
Income tax expense .....	225.5	225.5	(19.6) (GG)	431.4
<b>Net earnings</b> .....	<u>\$ 727.5</u>	<u>\$ 671.2</u>	<u>\$ (58.6)</u>	<u>\$ 1,340.1</u>

See the accompanying notes to the unaudited pro forma condensed combined statement of earnings.

## NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

### 1. Basis of Presentation

The Acquisition is being accounted for using the acquisition method of accounting applying the accounting guidance in ASC 805, Business Combinations, with 7-Eleven being treated as the accounting acquirer and the Speedway Business being treated as the accounting acquiree. 7-Eleven has performed a preliminary valuation analysis of the fair value of the Speedway Business's assets to be acquired and liabilities to be assumed and has made certain adjustments to the historical book values of the assets and liabilities of the Speedway Business to reflect preliminary estimates of the fair values. The excess of the purchase price over the adjusted historical net assets of the Speedway Business is recorded as goodwill. Accordingly, the pro forma condensed combined financial statements and pro forma adjustments are preliminary and have been made solely for the purpose of providing the pro forma condensed combined financial statements for inclusion in this offering circular. Amounts used in these pro forma condensed combined financial statements will differ from actual amounts once the Company has determined the final allocation of the purchase price and has completed the valuation analysis necessary to finalize the required purchase price allocation. Differences between these preliminary estimates and the final acquisition accounting may have a material impact on the pro forma condensed combined financial statements and the Company's future results of operations and financial position.

The unaudited pro forma condensed combined balance sheet as of September 30, 2020 assumes that the Acquisition and the offering of the notes occurred on September 30, 2020. The unaudited pro forma condensed combined statements of earnings for the nine months ended September 30, 2020 and the year ended December 31, 2019 present pro forma effect to the Acquisition and the offering of the notes as if they had been completed on January 1, 2019.

The unaudited pro forma condensed combined balance sheet as of September 30, 2020 has been prepared using, and should be read in conjunction with, the following:

- the unaudited consolidated balance sheet of 7-Eleven as of September 30, 2020 and the related notes as of September 30, 2020, included elsewhere in this offering circular; and
- the unaudited combined balance sheet of the Speedway Business as of September 30, 2020 and the related notes as of September 30, 2020, included elsewhere in this offering circular.

The unaudited pro forma condensed combined statement of earnings for the nine months ended September 30, 2020 has been prepared using, and should be read in conjunction with, the following:

- the unaudited consolidated statement of earnings of 7-Eleven for the nine months ended September 30, 2020 and the related notes, included elsewhere in this offering circular; and
- the unaudited combined statement of income of the Speedway Business for the nine months ended September 30, 2020 and the related notes, included elsewhere in this offering circular.

The unaudited pro forma condensed combined statement of earnings for the year ended December 31, 2019 has been prepared using, and should be read in conjunction with, the following:

- the audited consolidated statement of earnings of 7-Eleven for the twelve months ended December 31, 2019 and the related notes, included elsewhere in this offering circular; and
- the audited combined statement of income of the Speedway Business for the twelve months ended December 31, 2019 and the related notes, included elsewhere in this offering circular.

The historical financial information has been adjusted to give effect to matters that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the unaudited pro forma condensed combined statements of earnings, expected to have a continuing impact on the operating results of the

combined company. The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Transactions.

Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented.

The pro forma adjustments reflecting the consummation of the Transactions are based on certain currently available information and certain assumptions and methodologies that 7-Eleven believes is reasonable under the circumstances. The pro forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available and is evaluated. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the difference may be material.

## **2. Accounting Policies and Reclassifications**

Upon consummation of the Transactions, management will perform a comprehensive review of the two entities' accounting policies. As a result of the review, management may identify differences between the accounting policies of the two entities which, when conformed, could have a material impact on the financial statements of the combined company. Based on its initial analysis, 7-Eleven has identified certain differences that would have an impact on the unaudited pro forma condensed combined financial information and recorded the necessary adjustments. Refer to the tables below for impacted line items and adjustment amounts in the pro forma condensed combined balance sheet and statements of earnings.

Impact on pro forma condensed combined balance sheet as of September 30, 2020:

(Dollars in millions)	As of September 30, 2020		
	Speedway Before Reclassification	Reclassification	Speedway After Reclassification
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents .....	\$ 111.0	\$ —	\$ 111.0
Accounts receivable, net .....	238.3	—	238.3
Inventories .....	413.8	—	413.8
Other current assets .....	34.7	—	34.7
Total current assets .....	797.8	—	797.8
Non-current assets:			
Equity method investments .....	315.0	(315.0)(i)	—
Property & equipment, net .....	4,620.1	—	4,620.1
Goodwill .....	4,447.7	—	4,447.7
Operating lease assets .....	699.0	(699.0)(ii)	—
Intangible assets, net .....	128.0	—	128.0
Other assets, net .....	26.3	315.0(i)	341.3
Total non-current assets .....	10,236.1	(699.0)	9,537.1
<b>TOTAL ASSETS .....</b>	<b>\$11,033.9</b>	<b>\$(699.0)</b>	<b>\$10,334.9</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Trade accounts payable .....	\$ 313.8	\$ —	\$ 313.8
Accounts payable—related parties .....	1.7	—	1.7
Accrued interest—related parties .....	2.2	—	2.2
Operating lease liabilities .....	93.6	(93.6)(ii)	—
Other current liabilities .....	478.1	—	478.1
Total current liabilities .....	889.4	(93.6)	795.8
Non-current liabilities:			
Long-term finance lease liabilities .....	104.4	(104.4)(iii)	—
Notes payable-related party .....	739.4	—	739.4
Deferred income taxes .....	570.4	—	570.4
Long-term debt .....	—	104.4(ii)	104.4
Long-term operating lease liabilities .....	617.6	(617.6)(ii)	—
Other long-term liabilities .....	140.5	12.2(ii)	152.7
Total non-current liabilities .....	2,172.3	(605.4)	1,566.9
Total liabilities .....	3,061.7	(699.0)	2,362.7
Stockholders' equity (deficit)			
Parent company investment .....	7,973.4	—	7,973.4
Accumulated other comprehensive income (loss) .....	(1.2)	—	(1.2)
Total stockholders' equity .....	7,972.2	—	7,972.2
<b>TOTAL LIABILITIES AND EQUITY (DEFICIT) .....</b>	<b>\$11,033.9</b>	<b>\$(699.0)</b>	<b>\$10,334.9</b>

Impact on pro forma condensed combined statement of earnings for the nine months ended September 30, 2020:

(Dollars in millions)	Nine Months Ended September 30, 2020		
	Speedway Before Reclassification	Reclassification	Speedway After Reclassification
<b>Revenue</b>			
Merchandise sales .....	\$ 4,784.0	\$ —	\$ 4,784.0
Fuel sales .....	9,852.0	—	9,852.0
Net sales .....	14,636.0	—	14,636.0
Equity method investing income.....	70.0	—	70.0
Diesel branding agreement income.....	109.9	—	109.9
Other income.....	36.0	—	36.0
Total revenues.....	14,851.9	—	14,851.9
<b>Costs and expenses</b>			
Merchandise cost of goods sold.....	3,450.8	2.4(iv)	3,453.2
Fuel cost of goods sold .....	8,051.0	47.0(iv)	8,098.0
Total cost of goods sold.....	11,501.8	49.4(iv)	11,551.2
Operating, selling, general and administrative expenses .....	1,969.0	312.1(v)	2,281.1
Depreciation and amortization.....	312.1	(312.1)(v)	—
Interest expense, net .....	4.7	—	4.7
Interest expense, net—related party .....	69.7	—	69.7
Other income, net.....	14.6	—	14.6
Total costs and expenses.....	13,842.7	49.4(iv)	13,892.1
<b>Earnings before income tax.....</b>	<b>1,009.2</b>	<b>(49.4)(iv)</b>	<b>959.8</b>
Income tax expense (benefit).....	259.1	(12.4)(vi)	246.8
<b>Net earnings.....</b>	<b>\$ 750.1</b>	<b>\$ (37.1)</b>	<b>\$ 713.0</b>

Impact on pro forma condensed combined statement of earnings for the year ended December 31, 2019:

(Dollars in millions)	For the Year Ended December 31, 2019		
	Speedway Before Reclassification	Reclassification	Speedway After Reclassification
<b>Revenue</b>			
Merchandise sales	\$ 6,283.5	\$ —	\$ 6,283.5
Fuel sales	20,240.2	—	20,240.2
Net sales	26,523.7	—	26,523.7
Equity method investing income	82.3	—	82.3
Diesel branding agreement income	28.4	—	28.4
Other income	33.0	—	33.0
Total revenues	26,667.4	—	26,667.4
<b>Costs and expenses</b>			
Merchandise cost of goods sold	4,518.5	3.1(iv)	4,521.6
Fuel cost of goods sold	17,966.1	(19.7)(iv)	17,946.4
Total cost of goods sold	22,484.6	(16.6)(iv)	22,468.0
Operating, selling, general and administrative expenses	2,808.9	413.5(v)	3,222.4
Depreciation and amortization	413.5	(413.5)(v)	—
Interest expense, net	6.6	—	6.6
Interest expense, net—related party	111.2	—	111.2
Other income, net	37.5	—	37.5
Total costs and expenses	25,787.3	(16.6)(iv)	25,770.7
<b>Earnings before income tax</b>	880.1	16.6(iv)	896.7
Income tax expense	221.3	4.2(vi)	225.5
<b>Net earnings</b>	<b>\$ 658.8</b>	<b>\$ 12.4</b>	<b>\$ 671.2</b>

- i. Represents the reclassification of Speedway's equity method investments to other assets, net to align with the historical reporting and presentation of 7-Eleven.
- ii. Represents the reversal of the impact of the adoption and ongoing effects of ASC 842, Leases, recognized by the Speedway Business in its combined financial statements as 7-Eleven has not yet adopted ASC 842, and recognizes the ongoing effects under ASC 840, Leases, as of September 30, 2020.
- iii. Represents the reclassification of Speedway's capital leases to long-term debt to align with the historical reporting and presentation of 7-Eleven.
- iv. Represents the adjustment to align cost of sales for differences in inventory cost methods. Speedway utilizes the LIFO inventory method for merchandise and fuel inventory, while 7-Eleven utilizes the retail method, or FIFO, for merchandise inventory and the lower of cost or net realizable value method, where cost is determined by the weighted-average cost, for fuel inventory.
- v. Represents the reclassification of Speedway's depreciation and amortization expense to operating, selling, general and administrative expenses to align with the historical reporting and presentation of 7-Eleven. Historically, the Speedway Business presented depreciation and amortization expense on a separate line item.
- vi. Represents the adjustments to income tax expense as a result of the tax impact on the reclassification adjustments at the estimated statutory tax rate of 25.0%.

### 3. Debt Offering

7-Eleven intends to issue \$10.95 billion aggregate principal amount of notes pursuant to an indenture. The terms of the notes will include those expressly set forth in the indenture and those made part of the indenture. For

more information regarding the terms of the notes, see “Description of Notes.” The notes will be the Company’s unsecured, unsubordinated debt obligations and will rank equally in right of payment with all of its other unsecured and unsubordinated indebtedness of the Company from time to time outstanding. The notes will be structurally subordinated in right of payment to all existing and future indebtedness, liabilities and other obligations of the Company’s subsidiaries and effectively subordinated in right of payment to all future secured indebtedness of the Company to the extent of the value of the assets securing such indebtedness.

7-Eleven intends to use the net proceeds from the sale of the notes in this offering, together with borrowings under the Delayed Draw Term Loan Facilities and the Equity Contribution (refer to adjustment A to the pro forma condensed combined balance sheet), to finance the Acquisition and to pay fees and expenses incurred in connection with the Acquisition, the Delayed Draw Term Loan Facilities, the Revolving Credit Facility, and the other transactions contemplated in connection therewith.

As part of issuing the notes, 7-Eleven estimates that it will incur approximately \$75.1 million of debt issuance costs. The debt issuance costs include fees paid to underwriters, rating agencies, and for legal and accounting services. The debt issuance costs are capitalized on the unaudited pro forma condensed combined balance sheet and shown as a reduction of the proceeds received from the notes. The debt issuance costs will be amortized into interest expense utilizing the effective interest method over the term of the notes. In November 2020, 7-Eleven executed derivative contracts to hedge the interest rate risk through the date the notes are issued. The derivative contracts are at fair value, and 7-Eleven expects to terminate the contracts on the date the notes are issued.

For a more detailed description of the notes, see the discussion under the caption “Description of Notes” in this offering circular.

#### **4. Adjustments to Unaudited Pro Forma Condensed Combined Financial Information**

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Transactions and has been prepared for informational purposes only. 7-Eleven and the Speedway Business have not had any historical relationship prior to the Transactions. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had the combined company filed consolidated income tax returns during the periods presented.

##### ***Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet***

The adjustments included in the unaudited pro forma condensed combined balance sheet as of September 30, 2020 are as follows:

- (A) In addition to the notes discussed in Note 3, this adjustment reflects proceeds of approximately \$10.3 billion resulting from additional financing, including the following:
  - i. \$8.0 billion Equity Contribution from Seven & i;
  - ii. \$2.25 billion from Delayed Draw Term Loan Facilities. As of September 30, 2020, 7-Eleven presented debt issuance costs of approximately \$5.9 million within other assets, net on the balance sheet as no balance had been drawn on the term loan facilities. Therefore, this adjustment reflects the debt issuance costs incurred net of the proceeds received within long-term debt on the balance sheet.

For information on the additional debt financing, refer to “Description of Other Indebtedness—Delayed Draw Term Facilities” section included elsewhere within this offering circular.



- (B) Reflects the settlement of historical intercompany balances between the Speedway Business and MPC. While these intercompany transactions between the Speedway Business and MPC have historically been settled in cash, they will be deemed to have settled through MPC company investment on the unaudited pro forma condensed combined balance sheet.
- (C) Reflects the total cash consideration of \$21.0 billion, which has been adjusted for the net working capital adjustment, estimated closing indebtedness, and estimated cash acquired as of closing determined as of September 30, 2020. For purposes of the unaudited pro forma condensed combined balance sheet, it is assumed that the PFJ Repurchase will not occur prior to the consummation of the Acquisition and, therefore, the total cash consideration has not be adjusted for the PFJ Repurchase. Total cash consideration was calculated as follows:

<i>(in millions)</i>	<b>Amounts</b>
Base price .....	\$21,000.0
<i>Plus</i> Estimated net working capital adjustment .....	—
<i>Minus</i> Estimated closing indebtedness .....	104.4
<i>Plus</i> Estimated closing cash amounts .....	111.0
Total cash consideration .....	<u>\$21,006.6</u>

The following table sets forth a preliminary allocation of the estimated consideration for the Acquisition to the identifiable tangible and intangible assets acquired and liabilities assumed based on the Speedway Business's September 30, 2020 balance sheet, with the excess recorded as goodwill:

<i>(in millions)</i>	<b>Amount</b>
Total consideration .....	\$21,006.6
Cash and cash equivalents .....	741.0 <sup>(i)</sup>
Accounts receivable, net .....	238.3
Inventories, net .....	413.8
Other current assets .....	34.7
Property, plant and equipment, net .....	7,870.5 <sup>(ii)</sup>
Intangible assets, net .....	335.0 <sup>(ii)</sup>
Noncurrent assets .....	26.3
<b>Total identifiable assets acquired</b> .....	<b><u>9,659.6</u></b>
Accounts payable .....	313.8
Other current liabilities .....	478.1
Long-term finance lease liabilities .....	104.4
Other long-term liabilities .....	152.7
<b>Net identifiable liabilities acquired</b> .....	<b><u>1,049.0<sup>(iii)</sup></u></b>
Goodwill .....	<b><u>12,396.0</u></b>
Less: Goodwill reported on Speedway's historical financial statements .....	<u>4,447.7</u>
<b>Pro forma adjustment</b> .....	<b>\$ 7,948.3</b>

- i. Includes \$630 million related to the sale of Speedway's interest in PFJ Southeast to PTC pursuant to the Repurchase Right, which represents 7-Eleven's Repurchase Price Allocation pursuant to an agreement between 7-Eleven and MPC based on the minimum Repurchase Price of \$700 million.
- ii. Refer to Adjustment D regarding the preliminary fair market value of the tangible assets and intangible assets.
- iii. The historical financial statements of the Speedway Business included a deferred tax liability of \$570.4 million as of September 30, 2020. The deferred tax liability will not be assumed by 7-Eleven and therefore is excluded from the net identifiable liabilities acquired shown above.

In accordance with ASC Topic 350, Goodwill and Other Intangible Assets, goodwill will not be amortized, but instead will be tested for impairment at least annually or more frequently if certain indicators are present. In the event the Company determines that the value of goodwill has become impaired, an accounting charge for the amount of impairment during the quarter in which the determination is made may be recognized. Goodwill recognized is not expected to be deductible for tax purposes.

(D) Represents the adjustments to property, plant, and equipment, intangible assets and equity method investments to reflect the preliminary fair market value. Adjustments are calculated as follows:

	<b>Preliminary Fair Value (in millions)</b>	<b>Useful Life (in Years)</b>
<b><i>Property, plant and equipment</i></b>		
Personal Property .....	\$ 695.5	12
Land .....	3,725.0	—
Buildings .....	2,750.0	30
Site improvements .....	450.0	7
Leasehold improvements .....	250.0	8
<b>Total tangible assets</b> .....	<b>7,870.5</b>	
Less: Net tangible assets reported on the Speedway Business's historical financial statements .....	4,620.1	
<b>Pro forma adjustment</b> .....	<b>\$3,250.4</b>	
<b><i>Intangible assets</i></b>		
Net leasehold intangible .....	\$ 35.0	8
Speedway trade name—fuel .....	100.0	indefinite
Speedway trade name—merchandise .....	195.0	10
Speedway trade name—food service .....	5.0	10
<b>Total intangible assets</b> .....	<b>3,355.0</b>	
Less: Net intangible assets reported on the Speedway Business's historical financial statements .....	128.0	
<b>Pro forma adjustments</b> .....	<b>\$ 207.0</b>	

The preliminary fair value for land was determined using sales comparison, and the preliminary fair values for the buildings and site improvements were determined using a cost approach.

The preliminary fair values for intangible assets were determined using an income approach, and the fair value for the Speedway trade name was determined using the relief-from-royalty method.

The preliminary estimates of remaining useful lives for the intangible assets and property, plant, and equipment were determined by assessing the period of economic benefit of the asset.

These preliminary estimates of fair value, calculated utilizing the mid-point of the fair value ranges, and estimated useful lives may differ from final amounts the Company will calculate after completing a detailed valuation analysis, and the difference could have a material effect on the accompanying unaudited pro forma condensed combined financial information, including increases or decreases to the expected depreciation and amortization expense.

- (E) Represents the removal of Speedway's 29% equity interest in PFJ Southeast, which was accounted for as an equity method investment, as a result of PTC exercising its Repurchase Right with respect to Speedway's interest in PFJ Southeast.
- (F) Represents an estimate of transaction costs, including fees related to advisory, legal, investment banking, and other professional services, expected to be incurred by 7-Eleven.
- (G) Reflects the write-off of approximately \$23.8 million of debt issuance costs previously capitalized by the Company as of September 30, 2020 in connection with the Bridge Facility, which will be terminated on the date the notes are issued.

### Adjustments to Unaudited Pro Forma Condensed Combined Statements of Earnings

The pro forma adjustments included in the unaudited pro forma condensed combined statements of earnings for the nine months ended September 30, 2020 and year ended December 31, 2019 are as follows:

(AA) Reflects the removal of the equity method investment income related to Speedway's 29% equity interest in PFJ Southeast as a result of PTC exercising its Repurchase Right with respect to Speedway's interest in PFJ Southeast.

(BB) Reflects the increase (decrease) in depreciation and amortization expense recorded as a result of property, plant, and equipment and intangible assets acquired in the business combination. The adjustment is calculated as follows:

<i>(in millions, except useful life)</i>	Preliminary Fair Value	Useful Life (in Years)	Estimated Preliminary Depreciation and Amortization Expense	
			Nine Months Ended September 30, 2020	Year Ended December 31, 2019
<b>Property, plant and equipment</b>				
Personal property .....	\$ 695.5	12	\$ 43.3	\$ 58.0
Land .....	3,725.0	—	Not depreciable	Not depreciable
Buildings .....	2,750.0	30	68.4	91.7
Site improvements .....	450.0	7	48.0	64.3
Leasehold improvements.....	250.0	8	23.3	31.3
<b>Total tangible assets .....</b>	<b>\$7,870.5</b>			
<b>Intangible assets</b>				
Net leasehold intangible .....	\$ 35.0	8	\$ 3.3 <sup>(1)</sup>	\$ 4.4 <sup>(1)</sup>
Speedway trade name—fuel .....	100.0	—	Not amortizable	Not amortizable
Speedway trade name—merchandise .....	195.0	10	14.5	19.5
Non-compete agreements .....	100.0	4	0.4	0.5
<b>Total intangible assets .....</b>	<b>\$ 485.0</b>		<b>201.2</b>	<b>269.7</b>
	Less: Depreciation and amortization expense <sup>(2)</sup>		294.7	367.7
	<b>Pro forma adjustment</b>		<b>\$ (93.5)</b>	<b>\$ (98.0)</b>

(1) The incremental fair value of the net leasehold intangible assets will be amortized through rent expense rather than amortization expense.

(2) Depreciation and amortization expense reported on Speedway's historical financial statements includes other expenses related to asset retirement obligations, impairments, loss on retirement of assets and other miscellaneous expenses. The following table reconciles depreciation and amortization expense to total depreciation and amortization expense reported on Speedway's historical financial statements:

<i>(in millions)</i>	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Depreciation and amortization expense .....	\$ 294.7	\$ 367.7
Other property, plant and equipment expenses .....	17.4	45.8
<b>Total depreciation and amortization expense reported on Speedway's historical financial statements .....</b>	<b>\$ 312.1</b>	<b>\$ 413.5</b>

(CC) Reflects elimination of transaction related costs incurred and recorded by 7-Eleven and the Speedway Business during the nine months ended September 30, 2020 as these costs are not expected to have a recurring impact on the statement of earnings.

(DD) Reflects the additional interest expense recorded as a result of the debt financing, which is calculated based on an assumed weighted average interest rate of 1.4% for the notes offered hereby and the Delayed Draw Term Loan Facilities.

- (EE) Reflects the elimination of the amortization of debt issuance costs recorded during the nine months ended September 30, 2020 related to the Bridge Facility, which will be terminated on the date the notes are issued.
- (FF) Reflects the elimination of related party interest expense as the historical intercompany balances between the Speedway Business and MPC will be settled prior to the Acquisition.
- (GG) Reflects adjustments to income tax expense as a result of the tax impact on the pro forma adjustments at the estimated statutory tax rate of 25.0%.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF 7-ELEVEN

Set forth below is the selected historical financial data of 7-Eleven for the periods and as of the dates indicated. The selected historical consolidated financial data as of and for each of the three years ended December 31, 2019 has been derived from the audited consolidated financial statements and the notes thereto of 7-Eleven, which have been included elsewhere in this offering circular. The selected unaudited historical consolidated financial data as of and for the nine months ended September 30, 2020 and 2019 has been derived from the unaudited interim consolidated financial statements and the notes thereto of 7-Eleven, which also have been included elsewhere in this offering circular. The selected unaudited historical consolidated financial data for the twelve months ended September 30, 2020 has been derived by adding the financial data from the audited consolidated financial statements of 7-Eleven for the year ended December 31, 2019 to the financial data from the unaudited consolidated financial statements of 7-Eleven for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited consolidated financial statements of 7-Eleven for the nine months ended September 30, 2019. The unaudited consolidated financial statements of 7-Eleven have been prepared on the same basis as the audited financial statements of 7-Eleven and, in the opinion of 7-Eleven's management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this data. 7-Eleven's historical operating results are not necessarily indicative of the results that may be expected for any future period.

This selected historical consolidated financial data of 7-Eleven should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven" and 7-Eleven's audited annual and unaudited interim consolidated financial statements, and the notes related thereto, included elsewhere in this offering circular.

(Dollars and retail fuel gallons in millions)	Nine Months Ended September 30,		Twelve Months Ended September 30,	Year Ended December 31,		
	2020	2019	2020	2019	2018	2017
<b>Statement of Earnings Data</b>						
Revenue:						
Merchandise sales . . . . .	\$ 3,257.1	\$ 3,145.4	\$ 4,248.0	\$ 4,136.2	\$ 4,124.4	\$ 2,606.5
Fuel sales . . . . .	10,053.3	13,843.1	14,511.9	18,301.8	18,810.4	12,598.2
Net sales . . . . .	13,310.4	16,988.5	18,759.9	22,438.0	22,934.8	15,204.7
Franchise and licensing revenues . . .	1,919.1	2,012.9	2,566.1	2,659.9	2,580.1	2,433.7
Other income . . . . .	21.8	25.9	30.9	35.0	26.9	30.2
Total revenue . . . . .	15,251.3	19,027.3	21,356.9	25,132.9	25,541.7	17,668.6
Costs and expenses:						
Merchandise cost of goods sold . . . .	2,306.4	2,158.1	2,997.0	2,848.6	2,905.1	1,887.1
Fuel cost of goods sold . . . . .	8,554.8	12,627.7	12,559.0	16,631.8	17,249.6	11,407.5
Total cost of goods sold . . . . .	10,861.2	14,785.8	15,555.9	19,480.5	20,154.7	13,294.6
Operating, selling, general and administrative expenses . . . . .	3,627.8	3,477.4	4,750.8	4,600.4	4,429.7	3,588.0
Interest expense, net . . . . .	80.5	75.3	104.3	99.1	98.5	37.5
Total costs and expenses . . . . .	14,569.5	18,338.4	20,411.0	24,179.9	24,682.9	16,920.1
Earnings before income tax . . . . .	681.8	688.9	945.9	953.0	858.9	748.5
Income tax expense . . . . .	141.8	166.9	200.4	225.5	189.4	92.7
Net earnings . . . . .	\$ 540.0	\$ 522.0	\$ 745.5	\$ 727.5	\$ 669.4	\$ 655.8

(Dollars and retail fuel gallons in millions)	Nine Months Ended September 30,		Twelve Months Ended September 30,	Year Ended December 31,		
	2020	2019	2020	2019	2018	2017
<b>Balance Sheet Data (at end of period)</b>						
Cash and cash equivalents . . . . .	\$ 560.1	\$ 781.6	\$ 560.1	\$ 405.7	\$ 584.4	\$ 580.2
Total assets . . . . .	\$15,455.0	\$14,662.7	\$15,455.0	\$14,502.2	\$13,937.1	\$10,818.9
Total debt . . . . .	\$ 3,901.0	\$ 3,539.8	\$ 3,901.0	\$ 3,184.6	\$ 3,504.2	\$ 1,631.1
Total shareholder's equity . . . . .	\$ 7,469.2	\$ 7,105.3	\$ 7,469.2	\$ 7,323.1	\$ 6,947.6	\$ 6,350.6
<b>Statement of Cash Flows Data</b>						
Cash provided by operating activities . . . . .	\$ 1,266.0	\$ 1,066.6	\$ 1,595.7	\$ 1,396.3	\$ 1,448.1	\$ 1,001.3
Cash used in investing activities . . . . .	\$(1,357.5)	\$(878.8)	\$(1,771.9)	\$(1,293.2)	\$(3,223.0)	\$(785.9)
Cash provided by (used in) financing activities . . . . .	\$ 246.9	\$ 7.6	\$ (42.3)	\$ (281.6)	\$ 1,841.9	\$ (130.2)
<b>Other Operating and Financial Data</b>						
U.S. same-store merchandise sales growth <sup>(1)</sup> . . . . .	0.7%	2.9%		2.4%	1.9%	1.6%
Merchandise gross profit margin <sup>(2)</sup> . . . . .	34.2%	35.0%	34.1%	34.8%	34.2%	34.3%
Retail fuel gross profit margin (¢/gallon) <sup>(3)</sup> . . . . .	35.6¢	23.3¢	33.1¢	24.1¢	22.8¢	23.0¢
Retail fuel gallons . . . . .	3,814.7	4,522.8	5,270.4	5,978.5	5,950.7	4,236.7
Net debt <sup>(4)</sup> . . . . .	\$ 3,340.9	\$ 2,758.2	\$ 3,340.9	\$ 2,778.9	\$ 2,919.8	\$ 1,050.9
Company-operated stores (at end of period) <sup>(5)</sup> . . . . .	2,476	2,358	2,476	2,303	2,360	1,508
Franchisee-operated stores (at end of period) <sup>(6)</sup> . . . . .	7,413	7,273	7,413	7,379	7,213	7,162
Total Company-operated and Franchisee-operated stores (at end of period) . . . . .	9,889	9,631	9,889	9,682	9,573	8,670

- (1) U.S. same-store merchandise sales growth is a metric that reflects the change in merchandise sales for comparable company and franchisee-operated stores in the U.S. For more information about U.S. same-store merchandise sales growth, see footnote 1 under "Summary Historical Consolidated Financial Data of 7-Eleven."
- (2) Merchandise gross profit margin includes franchisee-operated stores on a fully-consolidated basis.
- (3) Retail fuel gross profit margin, which is presented on a cents per gallon basis, does not include any of the related costs or fees attributable to the sale of fuel through credit or debit cards or other payment networks.
- (4) Net debt is defined as total debt less cash and cash equivalents as set forth on the consolidated balance sheets for the applicable periods.
- (5) Consists of U.S. company-operated stores and Canada company-operated stores.
- (6) Consists of traditional franchisee-operated stores and BCP-operated stores, all of which are in the U.S. Excludes licensee-operated stores.

## SELECTED HISTORICAL COMBINED FINANCIAL DATA OF THE SPEEDWAY BUSINESS

Set forth below is the selected historical financial data of the Speedway Business for the periods and as of the dates indicated. The selected historical combined financial data as of and for each of the three years ended December 31, 2019 has been derived from the audited combined financial statements and the notes thereto of the Speedway Business, which have been included elsewhere in this offering circular. The selected unaudited historical combined financial data as of and for the nine months ended September 30, 2020 and 2019 has been derived from the unaudited interim combined financial statements and the notes thereto of the Speedway Business, which also have been included elsewhere in this offering circular. The selected unaudited historical combined financial data for the twelve months ended September 30, 2020 has been derived by adding the financial data from the audited combined financial statements of the Speedway Business for the year ended December 31, 2019 to the financial data from the unaudited combined financial statements of the Speedway Business for the nine months ended September 30, 2020 and subtracting the financial data from the unaudited combined financial statements of the Speedway Business for the nine months ended September 30, 2019. The unaudited combined financial statements of the Speedway Business have been prepared on the same basis as the audited financial statements of the Speedway Business and, in the opinion of management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this data. The historical combined financial statements may not be indicative of the future performance of the Speedway Business and do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as a separate, stand-alone company during the periods presented.

This selected historical combined financial data of the Speedway Business should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Speedway Business” and the audited and unaudited financial statements of the Speedway Business, and the notes related thereto, included elsewhere in this offering circular.

(Dollars in millions)	Nine Months Ended September 30,		Twelve Months Ended September 30,	Year Ended December 31,		
	2020	2019	2020	2019	2018	2017
<b>Results of Operations Data</b>						
Sales and other operating income <sup>(1)</sup> . . . . .	\$14,852	\$20,228	\$21,291	\$26,667	\$22,020	\$19,105
Income from operations . . . . .	\$ 1,069	\$ 730	\$ 1,299	\$ 960	\$ 747	\$ 667
Net earnings . . . . .	\$ 750	\$ 483	\$ 926	\$ 659	\$ 483	\$ 537
<b>Balance Sheet Data (at end of period)</b>						
Total assets . . . . .	\$11,034		\$11,034	\$11,203	\$10,524	\$ 5,563
Total notes payable—related party . . . . .	\$ 739		\$ 739	\$ 1,750	\$ 1,750	\$ 2,138
Total finance lease obligations . . . . .	\$ 111		\$ 111	\$ 105	\$ 95	\$ —
<b>Statement of Cash Flows Data</b>						
Cash provided by operating activities . . . . .	\$ 1,110	\$ 838	\$ 1,446	\$ 1,174	\$ 944	\$ 712
Cash used in investing activities . . . . .	\$ (282)	\$ (351)	\$ (395)	\$ (464)	\$ (357)	\$ (357)
Cash used in financing activities . . . . .	\$ (882)	\$ (531)	\$ (1,138)	\$ (787)	\$ (511)	\$ (320)

(1) Sales and other operating income presented herein include the impact of equity method investment and diesel branding agreement income. Refer to Note 6 and Note 8 to the audited financial statements of the Speedway Business included in this offering circular.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF 7-ELEVEN

*The following discussion and analysis of 7-Eleven's financial condition and results of operations covers periods prior to the consummation of the Transactions. Accordingly, the discussion and analysis of historical periods does not reflect the impact that the Transactions will have on us. You should read the following discussion of our financial condition and results of operations in conjunction with 7-Eleven's historical consolidated financial statements and the related notes included elsewhere in this offering circular and the information presented under the headings "Summary—Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data," "Summary—Summary Historical Consolidated Financial Data of 7-Eleven," "Unaudited Pro Forma Condensed Combined Financial Data" and "Selected Historical Financial Data of 7-Eleven" elsewhere in this offering circular. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of this offering circular. Actual results may differ materially from those contained in any forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."*

*Except with respect to information presented under "—Liquidity and Capital Resources Following the Transactions" and unless the context requires otherwise, references as used in this "Management's Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven" to "7-Eleven", "SEI," "we," "our," "us," and other similar terms refer to 7-Eleven, Inc. and each of its consolidated subsidiaries before giving effect to the consummation of the Acquisition. Additionally, the Non-GAAP Measures presented in this "Management's Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven" are presented on a historical basis for 7-Eleven and may vary from the presentation of similarly titled Non-GAAP Measures that are presented on a pro forma or an adjusted combined basis elsewhere in this offering circular. For more information, see "Use of Non-GAAP Measures" and "Summary— Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data."*

### Overview

From our humble beginnings in 1927, selling milk and bread from an ice dock in Oak Cliff, Texas, 7-Eleven, Inc. has grown into an international convenience retailer with more retail outlets than any other brand. In the U.S. and Canada, there were 2,476 and 2,303 company-operated stores and 7,413 and 7,379 franchisee-operated stores under our various franchise arrangements as of September 30, 2020 and December 31, 2019, respectively. Our international and domestic area licensees and master franchisees (collectively referred to as "*licensees*") operated 40,858 and 39,537 stores worldwide as of September 30, 2020 and December 31, 2019, respectively. As SEJ owns the right to the 7-Eleven trademark in Japan, 7-Eleven does not derive any revenue from SEJ-operated stores, and 7-Eleven stores operated by SEJ in Japan are not included in 7-Eleven's results of operations for any period presented.

We operate in the convenience store industry and manage our business through two lines of business, retail (merchandising and fuel) and wholesale (fuel). The retail line of business operates, franchises, and licenses convenience stores that sell fresh foods, snacks, beverages, merchandise, transportation fuel, and a variety of services, primarily under the 7-Eleven name. The wholesale line of business, which consists of our fuel supply and wholesale fuels businesses, purchases fuel from a number of refiners and suppliers and supplies it to our retail stores, dealer and consignment sites under long-term supply agreements, and other third parties. We have not provided segment reporting because, as a private company, we are not required to do so. Furthermore, we do not intend to provide segment reporting in any future period.



Our revenue is principally derived from the following sources:

- *Retail sales of merchandise from company-operated stores*

Merchandise revenues are comprised primarily of the sale of fresh foods, non-alcoholic beverages, beer, wine, proprietary beverages, candy, snacks, grocery items, cigarettes and tobacco products, and service commissions, along with sales from company-operated QSRs.

- *Retail fuel sales from 7-Eleven stores and wholesale fuel sales via independent dealer and consignment sites*

We own the fuel operations at both company and most franchisee-operated stores and pay these franchisees a commission to facilitate fuel sales at franchise stores. We sold fuel at 46% of our company and franchisee-operated stores as of December 31, 2019 and 2018, 39% as of 2017, and 47% as of September 30, 2020.

Sales from our wholesale fuels business, which supplies fuel to independent dealer sites and sells fuel on a consignment basis at sites operated by independent commission marketers, are included within fuel sales in our consolidated statements of earnings.

- *Revenues from franchisees*

Revenues from franchise stores include initial franchise fees and ongoing royalties based on a percentage of franchisee merchandise gross profit. Because they are independent operators, the merchandise sales and cost of goods sold from stores operated by franchisees are not included in our consolidated sales and cost of goods sold. As of January 1, 2019, initial franchise fees are amortized to revenue over a period of time generally equal to the term of the related franchise agreement. For years ended December 31, 2018 and prior, initial franchise fees were recognized as revenue when the initial services required by the franchise agreement were performed, typically at the time the franchisee took control of the store. See Note 2 of the audited financial statements of 7-Eleven for additional details regarding this accounting change.

- *Revenues from international and domestic area licensees and master franchisees*

Revenues from licensed stores include royalties based on a percentage of sales. Additionally, we also collect initial license fees for newly granted area licenses. As of January 1, 2019, initial license fees are amortized to revenue over a period of time generally equal to the term of the related license agreement. For years ended December 31, 2018 and prior, initial license fees were recognized as revenue when the initial services required by the license agreement were substantially performed. See Note 2 of the audited financial statements of 7-Eleven for additional details regarding this accounting change.

## **COVID-19**

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, which has since spread throughout the U.S. As a result, our stores have been impacted by a reduction in traffic, changing customer behaviors, reduced store hours and temporary closures, although substantially all impacted stores have re-opened and returned to normal operating hours as of December 31, 2020. As of September 30, 2020, approximately 400 stores were operating with reduced hours and five were temporarily closed. Though we experienced customer traffic declines in 2020 during the months of March and April, trends have improved steadily since April. Additionally, average basket dollar value increased during the nine months ended September 30, 2020, which partially offset the impact to sales from the decline in customer traffic, and fuel margins were favorable during the nine months ended September 30, 2020, which offset the decline in gallons sold. Customers have also switched to buying more take-home food and non-food items and fewer fresh food and proprietary beverage items. Many of our foreign licensees have experienced similar impacts, which has affected our royalties from licensed stores.

Our top priorities have been the health and safety of our franchisees, employees, and customers as well as franchisee and corporate financial viability, the stability of our supply chain, and strength of the brand. We have taken steps to support franchisees and the communities we serve in this time of great uncertainty.

For our franchisees, we have provided support in the form of credits, deferred charges, accelerated savings, waived fees, the provision of store sanitation supplies, and the creation of the Franchisee Financial Support Center to guide them through their financial uncertainties. We have also instituted certain retention programs, guaranteed bonus programs, and temporary wage increases for our company-operated store employees. For our customers, we have adapted to provide a safer shopping experience. Our initiatives enforce social distancing practices and encourage contactless shopping through 7NOW delivery, which we have expanded by adding Grubhub alongside existing partnerships with Postmates and Doordash, and Mobile Checkout. We are continuously exploring ways to improve our operations and provide the safest experience possible. We continue to ensure that our brand remains a leader in the communities we serve, offering the products customers need.

We incurred approximately \$124 million in incremental expenses related to the COVID-19 pandemic during the nine months ended September 30, 2020, the majority of which were incurred during second quarter of 2020, and there is great uncertainty around the duration of the disruption from the pandemic, any worsening of the pandemic and the availability of one or more vaccines. Therefore, while we expect the pandemic to significantly impact our business, results of operations, financial position, and cash flows from operations, the related future financial impact cannot be reasonably estimated at this time.

## Key Measures

In analyzing our performance and industry trends, management reviews a variety of measures including system-wide growth measures, U.S. same-store merchandise sales, fuel sales and margins, cash flows, and returns on investments.

- *Store count and system-wide store count*

Store count includes all stores operated, franchised, or licensed by us worldwide. The change in system-wide store count and merchandise sales directly drives our revenue, merchandise gross profit, and financial results. For a discussion of store counts as of September 30, 2020 and December 31, 2019, 2018 and 2017, see “—Store Count (Company and Franchisee-Operated Stores)” and “—System-wide store count.”

- *Same-store merchandise sales*

This measure reflects the change in merchandise sales for comparable company and franchisee-operated stores in the U.S. and Canada. We consider this widely used industry metric as an indicator for many internal and external factors including effectiveness of tactical plans, impact of investment and merchandising efforts, as well as local and national economic and customer trends. While franchisee-operated store merchandise sales and cost of goods sold are not reported in our consolidated statements of earnings, we monitor their same-store performance. By monitoring performance, we develop and implement strategies for all stores and evaluate company and franchisee-operated stores on the same basis related to sales and gross profits.

For the purpose of calculating same-store measures, both company and franchisee-operated stores with merchandise sales during all days of both periods being compared are included in the calculation. A new store, relocated store, or rebuilt store is not included in our U.S. same-store merchandise sales calculation until it has operated long enough to have merchandise sales during all of the days in both periods being compared.

Same-store measures as defined by us may not be comparable to similarly titled measures reported by other companies. For a discussion of same-store merchandise results for the nine months ended September 30, 2020 and the years ended December 31, 2019, 2018 and 2017, see “—Same-Store Merchandise Sales (Company and Franchisee-Operated Stores).”

- *Total merchandise gross profit*

Total merchandise gross profit includes the merchandise gross profit from franchisee-operated stores. While franchisee-operated stores are not included in our consolidated statements of earnings, we monitor their

merchandise gross profit to help develop and implement strategies for all stores and evaluate company and franchisee-operated stores on the same basis. For a discussion of total merchandise gross profit results for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017, see “—Total Merchandise Gross Profit (Company and Franchisee-Operated Stores).”

- *Merchandise sales and gross profit*

Merchandise sales and gross profit primarily represents sales and gross profit at company-operated stores and are impacted by new store development and acquisitions, same-store performance, franchise conversions, store closings, and foreign currency translation impact.

- *Fuel sales*

Fuel sales at all stores are closely monitored as they are a key indicator of positioning within the marketplace and within the mind of the consumer. Because the nature of fuel operations includes volatility, we closely monitor many external factors and internal performance metrics to ensure optimal store-level and ultimately enterprise performance. Our consolidated financial results represent all U.S. and Canadian fuel sales. For a discussion of fuel sales results for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017, see “—Results of Operations—Fuel Sales and Gross Profit.”

- *Fuel gross profit*

Fuel gross profits are monitored to ensure optimal store-level and ultimately enterprise performance. The benefits derived from our fuel supply operations are included in our consolidated fuel gross profits. Our measurement of fuel margins does not include any of the related costs or fees attributable to the sale of fuel through credit or debit cards or other payment networks. Our consolidated financial results represent all U.S. and Canadian fuel gross profit. For a discussion of fuel gross profit results for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017, see “—Results of Operations—Fuel Sales and Gross Profit.”

- *Combined gross profit*

Combined gross profit is defined as merchandise and fuel gross profit combined with franchise and licensed stores royalties and fees and other income in the consolidated statements of earnings.

- *EBIT and EBITDA*

EBIT, a Non-GAAP Measure, is defined as net earnings before income taxes and interest expense, net of interest income. EBITDA, a Non-GAAP Measure, is defined as EBIT before depreciation and amortization. As Non-GAAP Measures, neither EBIT nor EBITDA is a measure of operating performance under GAAP and should not be considered as a substitute for net earnings. Management uses these Non-GAAP Measures, along with the most directly comparable GAAP financial measures, when evaluating our operating performance. EBITDA is also one of the key measures used to determine executive compensation. For a reconciliation of EBIT and EBITDA to net earnings for the periods presented, see “—Reconciliation of Non-GAAP Financial Measures.” As noted elsewhere in this offering circular, the foregoing Non-GAAP Measures, which are presented on a historical basis for 7-Eleven, may vary from the presentation of similarly titled Non-GAAP Measures that are presented on a pro forma or an adjusted combined basis elsewhere in this offering circular. For more information, see “Use of Non-GAAP Measures” and “Summary—Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data.”

- *Retail fuel gross profit cents per gallon*

Retail fuel gross profit cents per gallon is calculated by dividing retail fuel gross profit by fuel gallons sold at retail. Retail fuel gross profit cents per gallon varies among our third-party relationships and is impacted by the availability of certain discounts and rebates from suppliers. Retail fuel gross profit cents per gallon is heavily impacted by volatile pricing and intense competition from convenience stores, supermarkets, club stores, and other retail stores, which varies based on the market.

### Store Count (Company and Franchisee-Operated Stores)

The following table summarizes the change in company and franchisee-operated store counts:

	U.S. Company- Operated Stores	Canada Company- Operated Stores	Total Company- Operated Stores	Traditional Franchisee- Operated Stores	BCP-Operated Stores <sup>(1)</sup>	Total Company- Operated and Franchisee- Operated Stores
<b>September 30, 2019</b> .....	<u>1,721</u>	<u>637</u>	<u>2,358</u>	<u>6,738</u>	<u>535</u>	<u>9,631</u>
Opened <sup>(2)</sup> .....	237	9	246	146	101	493
Closed .....	(69)	(14)	(83)	(106)	(35)	(224)
Converted .....	(41) <sup>(2)</sup>	—	(41)	41 <sup>(3)</sup>	—	—
Net temporary closures / re-opens <sup>(4)</sup> ..	<u>(2)</u>	<u>(2)</u>	<u>(4)</u>	<u>(6)</u>	<u>(1)</u>	<u>(11)</u>
<b>September 30, 2020</b> .....	<u>1,846</u>	<u>630</u>	<u>2,476</u>	<u>6,813</u>	<u>600</u>	<u>9,889</u>

- (1) Franchise operating model whereby the franchisee directly owns or leases the real estate rather than 7-Eleven.
- (2) Includes new store development and company-operated stores acquired.
- (3) Represents the net number of stores converted from company-operated stores to franchisee-operated stores and vice versa.
- (4) Represents the net number of stores temporarily closed and subsequently re-opened during the period. This category generally includes short-term closures primarily associated with property damage or structural issues and the remodel of recently-acquired stores. This category also includes nine stores temporarily closed as of September 30, 2020 due to the COVID-19 pandemic or the civil unrest events in certain cities in the U.S.

	U.S. Company- Operated Stores	Canada Company- Operated Stores	Total Company- Operated Stores	Traditional Franchisee- Operated Stores	BCP-Operated Stores <sup>(1)</sup>	Total Company- Operated and Franchisee- Operated Stores
<b>December 31, 2017</b> .....	<u>868</u>	<u>640</u>	<u>1,508</u>	<u>6,702</u>	<u>460</u>	<u>8,670</u>
Opened <sup>(2)</sup> .....	1,089	10	1,099	94	35	1,228
Closed .....	(196)	(29)	(225)	(80)	(21)	(326)
Converted .....	(25) <sup>(3)</sup>	—	(25)	25 <sup>(3)</sup>	—	—
Net temporary closures / re-opens <sup>(4)</sup> ..	<u>2</u>	<u>1</u>	<u>3</u>	<u>(3)</u>	<u>1</u>	<u>1</u>
<b>December 31, 2018</b> .....	<u>1,738</u>	<u>622</u>	<u>2,360</u>	<u>6,738</u>	<u>475</u>	<u>9,573</u>
Opened <sup>(2)</sup> .....	84	21	105	98	136	339
Closed .....	(96)	(7)	(103)	(106)	(19)	(228)
Converted .....	(59) <sup>(3)</sup>	—	(59)	59 <sup>(3)</sup>	—	—
Net temporary closures / re-opens <sup>(4)</sup> ..	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>
<b>December 31, 2019</b> .....	<u>1,667</u>	<u>636</u>	<u>2,303</u>	<u>6,788</u>	<u>591</u>	<u>9,682</u>

- (1) Franchise operating model whereby the franchisee directly owns or leases the real estate rather than 7-Eleven.
- (2) Includes new store development and company-operated stores acquired.
- (3) Represents the net number of stores converted from company-operated stores to franchisee-operated stores and vice versa.

- (4) Represents the net number of stores temporarily closed and subsequently re-opened during the period. This category includes short-term closures primarily associated with property damage or structural issues and the remodel of recently-acquired stores.

We initially operate newly developed or acquired stores on either a company-operated or franchisee-operated basis. We may elect to franchise newly developed or acquired stores after initially operating them as company-operated stores, or we may choose to operate such stores as company-operated stores on a long-term basis, depending on our assessment of the optimal operating model. With the acquisition of over 1,000 retail convenience stores in January 2018 from Sunoco, much of our focus during 2019 was on integrating these new stores into our system. During the nine months ended September 30, 2020, we continued to grow the store base via organic store openings and multi-site acquisitions, most notably the acquisition of 108 stores in the Oklahoma City area, which we are operating as company-operated stores. Meanwhile, we continued to work on converting certain company-operated stores to franchisee-operated stores and identifying candidates to operate certain other stores under our BCP franchise agreement. These candidates included both existing franchisees and franchisees that are new to the 7-Eleven system.

#### System-Wide Store Count

The following table summarizes the change in the number of company-operated, franchisee-operated and licensee-operated stores operated under the 7-Eleven brand worldwide(1):

	September 30,		Increase / (Decrease)	December 31,			Increase / (Decrease) (2018 to 2019)	Increase / (Decrease) (2017 to 2018)
	2020	2019		2019	2018	2017		
Company-operated stores . . . . .	2,476	2,358	118	2,303	2,360	1,508	(57)	852
Franchisee-operated stores . . . . .	7,413	7,273	140	7,379	7,213	7,162	166	51
Total company-operated and franchisee-operated stores . . .	9,889	9,631	258	9,682	9,573	8,670	109	903
Licensee-operated stores—U.S. . . . .	274	335	(61)	318	401	391	(83)	10
Licensee-operated stores— international (excluding Japan) <sup>(1)</sup> . . . . .	40,584	38,591	1,993	39,219	36,806	35,279	2,413	1,527
<b>Total company-operated, franchisee-operated and licensee-operated stores . . . .</b>	<b>50,747</b>	<b>48,557</b>	<b>2,190</b>	<b>49,219</b>	<b>46,780</b>	<b>44,340</b>	<b>2,439</b>	<b>2,440</b>

- (1) SEJ owned and operated 20,987 and 20,988 7-Eleven stores in Japan as of September 30, 2020 and December 31, 2019, respectively. 7-Eleven branded stores operated by SEJ in Japan are not included in 7-Eleven's results of operations for any period presented.

The increase in the number of international licensee-operated stores was primarily attributable to the rapid store growth in Thailand, South Korea, China, the Philippines, and Taiwan during the nine months ended September 30, 2020 and the year ended December 31, 2019.

Same-Store Merchandise Sales (Company and Franchisee-Operated Stores)

The table below provides a reconciliation of same-store merchandise sales results for both company and franchisee-operated stores to our reported merchandise sales:

<u>(Dollars in millions)</u>	<u>Nine Months Ended</u> <u>September 30,</u>		<u>%</u> <u>Change</u>	<u>Leap-Year</u> <u>Adjusted %</u> <u>Change<sup>(5)</sup></u>
	<u>2020</u>	<u>2019</u>		
<b>Merchandise sales:</b>				
U.S. same-store <sup>(1)</sup> . . . . .	\$ 12,012.1	\$ 11,889.4	1.0%	0.7%
Canada same-store (in Canadian dollars) . . . . .	1,052.9	1,031.5	2.1%	1.7%
Translation impact <sup>(2)</sup> . . . . .	(274.7)	(255.3)	—	—
New stores <sup>(3)</sup> . . . . .	508.2	73.3	—	—
Rebuilds / closings / other . . . . .	574.0	799.4	—	—
Total merchandise sales (including franchisee-operated stores). . . . .	<u>13,872.5</u>	<u>13,538.3</u>	2.5%	—
Less franchise stores' merchandise sales. . . . .	<u>(10,615.4)</u>	<u>(10,392.9)</u>	2.1%	—
Merchandise sales . . . . .	<u>\$ 3,257.1</u>	<u>\$ 3,145.4</u>	3.6%	—
Same-store customer counts (in millions) <sup>(4)</sup> . . . . .	1,856.7	2,157.0	(13.9)%	(14.2)%

- (1) U.S. same-store includes same-store merchandise sales for both company and franchisee-operated stores.
- (2) Represents the impact of translating Canada same-store merchandise sales from Canadian dollars to U.S. dollars.
- (3) New stores include both U.S. and Canada stores opened in either of the periods compared that do not meet the definition of same-stores as defined in “—Key Measures.”
- (4) Includes customer counts for company and franchisee-operated same-stores in both the U.S. and Canada.
- (5) Excludes the impact of the additional leap day in February 2020 on same-store growth metrics for the nine months ended September 30, 2020.

For the nine months ended September 30, 2020, although substantially all of our stores remained open to serve our communities during the COVID-19 pandemic, we saw declines in customer traffic and sales beginning in mid-March and continuing through much of the second and third quarters, as much of our customer base was forced to stay home from work and school. Despite this decline in customer traffic, our ability to provide customers one-stop shopping convenience led to an increase in the average basket size. This allowed us to grow U.S. same-store merchandise by 0.7% per-store-day and Canada same-store merchandise sales by 1.7% per-store-day for the nine months ended September 30, 2020. The sales increases were primarily driven by alcoholic beverages, which were favorably impacted by stay-at-home guidelines; cigarettes due to vendor-initiated price increases; and non-foods due to facemasks, gloves, and other supplies related to the COVID-19 pandemic. These increases were partially offset by decreases in fresh foods, coffee, and cold dispensed beverages due to lower customer counts and the alteration/removal of self-serve and grab-and-go options related to the COVID-19 pandemic.

<u>(Dollars in millions)</u>	<b>Years Ended December 31,</b>		<b>% Change (2018 to 2019)</b>
	<b>2019</b>	<b>2018</b>	
<b>Merchandise sales:</b>			
U.S. same-store <sup>(1)</sup> .....	\$ 14,232.1	\$ 13,901.4	2.4%
Canada same-store (in Canadian dollars) .....	1,376.1	1,349.2	2.0%
Translation impact <sup>(2)</sup> .....	(338.9)	(309.1)	—
New stores <sup>(3)</sup> .....	2,273.6	1,809.4	—
Rebuilds / closings / other .....	385.1	710.8	—
Total merchandise sales (including franchisee-operated stores) .....	<u>17,928.0</u>	<u>17,461.7</u>	2.7%
Less franchise stores' merchandise sales .....	<u>(13,791.8)</u>	<u>(13,337.3)</u>	3.4%
Merchandise sales .....	<u>\$ 4,136.2</u>	<u>\$ 4,124.4</u>	0.3%
Same-store customer counts (in millions) <sup>(4)</sup> .....	2,551.6	2,611.8	(2.3)%

- (1) U.S. same-store includes same-store merchandise sales for both company and franchisee-operated stores.
- (2) Represents the impact of translating Canada same-store merchandise sales from Canadian dollars to U.S. dollars.
- (3) New stores include both U.S. and Canada stores opened in either of the periods compared that do not meet the definition of same-stores as defined in “—Key Measures.”
- (4) Includes customer counts for company and franchisee-operated same-stores in both the U.S. and Canada.

During the year ended December 31, 2019, we were presented with several challenges to growing same-store merchandise sales, given the ever-changing economic environment for retailers leading to a decrease in same-store customer counts in both the U.S. and Canada. Despite this decrease in customer traffic, we were able to grow U.S. same-store merchandise sales by 2.4% and Canada same-store merchandise sales by 2.0% (in Canadian dollars) during 2019 primarily driven by increased sales of tobacco, particularly e-cigarettes, vapor and snuff, energy drinks, water, isotonic, alcoholic beverages such as single beer, hard seltzer and hard cider, and fresh food. These increases were partially offset by lower sales in cigarettes and coffee.

<u>(Dollars in millions)</u>	<b>Years Ended December 31,</b>		<b>% Change (2017 to 2018)</b>
	<b>2018</b>	<b>2017</b>	
<b>Merchandise sales:</b>			
U.S. same-store <sup>(1)</sup> .....	\$ 13,646.1	\$ 13,397.4	1.9%
Canada same-store (in Canadian dollars) .....	1,341.9	1,283.2	4.6%
Translation impact <sup>(2)</sup> .....	(307.4)	(292.5)	—
New stores <sup>(3)</sup> .....	2,039.0	66.0	—
Rebuilds / closings / other .....	742.1	994.0	—
Total merchandise sales (including franchisee-operated stores) .....	<u>17,461.7</u>	<u>15,448.1</u>	13.0%
Less franchise stores' merchandise sales .....	<u>(13,337.3)</u>	<u>(12,841.6)</u>	3.9%
Merchandise sales .....	<u>\$ 4,124.4</u>	<u>\$ 2,606.5</u>	58.2%
Same-store customer counts (in millions) <sup>(4)</sup> .....	2,550.9	2,611.2	(2.3)%

- (1) U.S. same-store includes same-store merchandise sales for both company and franchisee-operated stores.
- (2) Represents the impact of translating Canada same-store merchandise sales from Canadian dollars to U.S. dollars.
- (3) New stores include both U.S. and Canada stores opened in either of the periods compared that do not meet the definition of same-stores as defined in “—Key Measures.”
- (4) Includes customer counts for company and franchisee-operated same-stores in both the U.S. and Canada.

During the year ended December 31, 2018, we grew U.S. same-store merchandise sales by 1.9% and Canada same-store merchandise sales by 4.6% (in Canadian dollars), primarily driven by increased sales of

tobacco, particularly e-cigarettes; non-alcoholic beverages, led by energy drinks, water, and isotonic; and lottery commissions due to record Mega Millions and Powerball jackpots in 2018. These increases were partially offset by lower sales in proprietary beverages and cigarettes.

Total Merchandise Gross Profit (Company and Franchisee-Operated Stores)

<u>(Dollars in millions)</u>	<u>Nine Months Ended September 30,</u>		<u>% Change</u>
	<u>2020</u>	<u>2019</u>	
<b>Merchandise gross profit:</b>			
Total merchandise gross profit (including franchisee-operated stores) . . . . .	\$ 4,717.5	\$ 4,710.5	0.1%
Less franchise stores' merchandise gross profit . . . . .	(3,766.8)	(3,723.2)	1.2%
Merchandise gross profit . . . . .	\$ 950.7	\$ 987.3	(3.7)%
Total gross profit margin <sup>(1)</sup> . . . . .	34.2%	35.0%	(84)BPs <sup>(2)</sup>

(1) Total gross profit margin includes franchisee-operated stores on a fully-consolidated basis.

(2) BPs refers to basis points.

For the nine months ended September 30, 2020, total merchandise gross profit increased by 0.1%. This was primarily driven by increases in U.S. and Canadian same-store merchandise sales discussed in the previous sections, combined with the impact of new stores added via multi-site acquisitions and organic store growth, offset by an 84 basis point decrease in margin. The margin decrease was primarily driven by COVID-19 related impacts to our sales mix, whereby we saw sales decreases in high-margin categories such as coffee and cold dispensed beverages, coupled with sales increases in lower-margin categories such as alcoholic beverages and cigarettes.

<u>(Dollars in millions)</u>	<u>Years Ended December 31,</u>			<u>% Change (2018 to 2019)</u>	<u>% Change (2017 to 2018)</u>
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
<b>Merchandise gross profit:</b>					
Total merchandise gross profit (including franchisee-operated stores) . . . . .	\$ 6,189.8	\$ 5,930.4	\$ 5,268.1	4.4%	12.6%
Less franchise stores' merchandise gross profit . . . . .	(4,902.2)	(4,711.1)	(4,548.7)	4.1%	3.6%
Merchandise gross profit . . . . .	\$ 1,287.6	\$ 1,219.3	\$ 719.4	5.6%	69.5%
Total gross profit margin <sup>(1)</sup> . . . . .	34.8%	34.2%	34.3%	58BPs	(14)BPs <sup>(2)</sup>

(1) Total gross profit margin includes franchisee-operated stores on a fully-consolidated basis.

(2) BPs refers to basis points

The increases in U.S. and Canadian same-store merchandise sales, along with a full year of results in 2019 from over 1,000 retail convenience stores acquired from Sunoco (stores were acquired January 23, 2018), were the primary drivers for the 4.4% growth in total merchandise gross profit of company and franchisee-operated stores during the year ended December 31, 2019. Additionally, gross profit margin increased by 58 basis points during 2019 primarily due an increase in sales of higher-margin energy drinks and water and a decrease in sales of lower-margin cigarettes, partially offset by lower margins in coffee as a result of promotional pricing changes in 2019 and higher sales in lower-margin alcoholic beverages. Additionally, the adoption of ACS Topic 606 (“*ACS Topic 606*”) in 2019 resulted in a reclassification of corporate-funded cost support given to franchise stores from merchandise cost of goods sold to a reduction to franchise and licensing revenues.

For the year ended December 31, 2018, the acquisition of stores from Sunoco in January 2018 combined with the increases in U.S. and Canadian same-store merchandise sales were the primary drivers for the 12.6% growth in total merchandise gross profit. Partially offsetting this increase was a 14 basis point decrease in total



gross profit margin. The margin decrease was primarily driven by lower sales in proprietary beverages, which is one of our higher margin categories, combined with cycling of the fidget spinner trend from 2017 leading to a decrease in sales of these high-margin items. This was partially offset by higher lottery and ATM commissions, which are at 100% margin.

## Results of Operations

The following discussion includes comments and analysis relating to our results of operations for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017. The historical consolidated financial data as of and for each of the three years ended December 31, 2019 has been derived from the audited consolidated financial statements and the notes thereto of 7-Eleven, which have been included elsewhere in this offering circular. The unaudited historical consolidated financial data as of and for the nine months ended September 30, 2020 and 2019 has been derived from the unaudited, interim consolidated financial statements and the notes thereto of 7-Eleven, which also have been included elsewhere in this offering circular. The unaudited consolidated financial statements of 7-Eleven have been prepared on the same basis as the audited financial statements of 7-Eleven and, in the opinion of 7-Eleven's management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this data.

(Dollars in millions)	Nine Months Ended September 30,		Percent Change	Years Ended December 31,			Percent Change (2018 to 2019)	Percent Change (2017 to 2018)
	2020	2019		2019	2018	2017		
Merchandise sales . . . .	\$ 3,257.1	\$ 3,145.4	3.6%	\$ 4,136.2	\$ 4,124.4	\$ 2,606.5	0.3%	58.2%
Fuel sales . . . . .	10,053.2	13,843.1	(27.4)%	18,301.8	18,810.4	12,598.2	(2.7)%	49.3%
Total net sales . . . . .	13,310.3	16,988.5	(21.7)%	22,438.0	22,934.8	15,204.7	(2.2)%	50.8%
Merchandise gross profit . . . . .	950.7	987.3	(3.7)%	1,287.6	1,219.3	719.4	5.6%	69.5%
Fuel gross profit . . . . .	1,498.4	1,215.4	23.3%	1,670.0	1,560.8	1,190.6	7.0%	31.1%
Franchise and licensing revenues . . . . .	1,919.1	2,012.9	(4.7)%	2,659.9	2,580.1	2,433.7	3.1%	6.0%
Other income . . . . .	21.8	25.9	(15.8)%	35.0	26.9	30.2	30.1%	(10.9)%
Combined gross profit <sup>(1)</sup> . . . . .	4,390.0	4,241.5	3.5%	5,652.5	5,387.1	4,373.9	4.9%	23.2%
OSG&A . . . . .	(3,627.8)	(3,477.4)	4.3%	(4,600.4)	(4,429.7)	(3,588.0)	3.9%	23.5%
Interest expense . . . . .	(80.5)	(75.3)	6.9%	(99.1)	(98.5)	(37.5)	0.6%	162.7%
Income tax expense . . . .	(141.8)	(166.9)	(15.0)%	(225.5)	(189.4)	(92.7)	19.1%	104.3%
Net earnings . . . . .	\$ 540.0	\$ 522.0	3.4%	\$ 727.5	\$ 669.4	\$ 655.8	8.7%	2.1%

(1) Combined gross profit is defined as merchandise and fuel gross profit combined with franchise and licensed stores royalties and fees and other income in the consolidated statements of earnings.

(Dollars and retail fuel gallons in millions)	Nine Months Ended September 30,		Percent Change	Years Ended December 31,			Percent Change (2018 to 2019)	Percent Change (2017 to 2018)
	2020	2019		2019	2018	2017		
<b>Key Operating Data:</b>								
EBIT <sup>(1)</sup> .....	\$ 762.3	\$ 764.2	(0.2)%	\$1,052.1	\$ 957.3	\$ 786.0	9.9%	21.8%
EBITDA <sup>(1)</sup> .....	\$1,327.2	\$1,286.7	3.1%	\$1,755.6	1,641.2	\$1,400.0	7.0%	17.2%
Average price per retail gallon of fuel sold.....	2.27	2.66	(14.7)%	2.65	2.78	2.48	(4.7)%	12.1%
Retail fuel gross profit cents per gallon.....	35.55	23.31	52.5%	24.09	22.82	23.01	5.6%	(0.8)%
Retail fuel gross profit cents per gallon adjusted for credit card fees <sup>(2)</sup> .....	31.87	19.21	65.9%	20.00	18.51	19.20	8.0%	(3.6)%
Retail fuel gallons.....	3,814.7	4,522.8	(15.6)%	5,978.5	5,950.7	4,236.7	0.4%	40.4%
In-store customer counts (company-operated and franchisee-operated stores).....	2,014.3	2,289.0	(12.0)%	3,032.0	3,078.7	2,796.7	(1.6)%	10.1%

(1) See “—Key Measures” for the definition of EBIT and EBITDA.

(2) We report fuel gross profit and gross profit cents per gallon before deducting credit card fees. Credit card fees are reported within operating, selling, general and administrative (“*OSG&A*”) expense in our consolidated statements of earnings. Management also takes into consideration the impact of credit card fee cents per gallon in evaluating the results of our fuel operations.

### *Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019*

#### *Merchandise Sales and Gross Profit*

Merchandise sales increased \$111.7 million, or 3.6%, during the nine months ended September 30, 2020, primarily related to a \$239.2 million increase from new company-operated stores (246 company-operated stores opened since September 30, 2019), and a \$36.9 million increase in company-operated same-store merchandise sales. These increases were negatively impacted by a reduction in traffic, changing customer behaviors, reduced store hours and temporary closures related to the COVID-19 pandemic. The increases were partially offset by a \$72.7 million decrease related to closed company-operated stores (83 company-operated stores closed since September 30, 2020), a \$78.6 million decrease related to company-operated stores converted to franchise-operated stores, and a \$13.1 million exchange rate impact related to the weakening of the Canadian dollar during 2020.

Merchandise gross profit decreased \$36.6 million, or 3.7%, during the nine months ended September 30, 2020, primarily related to a \$79.1 million decrease related to closed company-operated stores and the impact of certain store cost support items absorbed at a corporate level, a \$20.9 million decrease related to company-operated stores converted to franchise-operated stores, a \$6.2 million decrease from company-operated same-stores, and a \$3.8 million exchange rate impact related to the weakening of the Canadian dollar during 2020. These decreases were partially offset by a \$73.4 million increase from new company-operated stores. While we cannot quantify the impact of the COVID-19 pandemic, we believe these changes were partially impacted by changing customer behaviors related to the COVID-19 pandemic, particularly customers buying fewer high-margin fresh food and proprietary beverage items.

#### *Fuel Sales and Gross Profit*

Fuel sales decreased \$3,789.9 million, or 27.4%, during the nine months ended September 30, 2020. This was the result of a \$3,364.0 million, or 28.0%, decrease in retail fuel sales, and a \$425.9 million, or 23.2%,

decrease in wholesale and supply fuel sales. The decrease in retail fuel sales was driven by a 15.7% decrease in volumes as a result of lower customer traffic related to the COVID-19 pandemic, and a 14.7% decrease in retail fuel prices. The decrease in wholesale and supply fuel sales was likewise driven by lower customer demand and lower fuel prices, although the volume decrease was partially offset by growth via the acquisition of multiple wholesale fuel businesses since the middle of 2019.

Fuel gross profit increased \$283.0 million, or 23.3%, during the nine months ended September 30, 2020. This was the result of a \$301.9 million, or 28.6%, increase in retail fuel gross profit, partially offset by an \$18.9 million, or 11.7%, decrease in wholesale and supply fuel gross profit. The increase in retail fuel gross profit was driven by historically high margins as a result of the sharp decrease in costs during 2020, partially offset by lower volumes. The decrease in wholesale and supply gross profit was driven by lower margins from our fuel supply business on internal sales to our retail stores (the price decreases during 2020 caused our bulk fuel inventory to decline in value), partially offset by higher gross profit from our wholesale fuel business due to higher margins at consignment fuel sites.

#### *Franchise and Licensing Revenues*

Franchise and licensing revenue decreased by \$93.8 million, or 4.7%, for the nine months ended September 30, 2020. This was comprised of an \$87.9 million, or 4.6%, decrease in franchise revenues, and a \$5.9 million, or 6.3%, decrease in licensing revenues. The decrease in franchise store revenues during the nine months ended September 30, 2020 was largely driven by an increase in operations credits and other cost support given to franchisees in 2020 to help support franchisees financially during the COVID-19 pandemic. This was partially offset by an increase in the number of franchisee-operated stores during the first nine months of 2020, due to our continued efforts to convert company-operated stores to franchisee-operated stores.

Licensed store royalties also decreased during the nine months ended September 30, 2020, as the COVID-19 pandemic negatively impacted sales of our international licensees. This was partially offset by continued store growth from our international licensees.

#### *Other Income*

Other income decreased by \$4.1 million, or 15.8%, during the nine months ended September 30, 2020. This was primarily driven by unfavorable operating results from our area licensee in Mexico, which is accounted for as an equity method investee, largely as a result of the impact of the COVID-19 pandemic.

#### *OSG&A Expense*

Total OSG&A expenses increased \$150.4 million, or 4.3%, during the nine months ended September 30, 2020, primarily related to a \$129.1 million, or 7.2%, increase in occupancy and related expenses, a \$46.2 million, or 5.0%, increase in compensation expenses, and a \$24.9 million, or 3.3%, decrease in other OSG&A expenses. The increase in occupancy and related expense was primarily driven by increases in rent, property and equipment depreciation, and repairs and maintenance expenses. The increase in compensation expense was primarily due to an increase in company-operated store employee headcount due to store growth, and an increase in general and administrative (“G&A”) employee headcount combined with year-over-year salary increases. The decrease in other OSG&A expenses was largely due to lower credit card fees as a result of lower fuel prices and volumes, a decrease in outside professional services, and the receipt of an emergency wage subsidy from the Canadian government related to the COVID-19 pandemic.

#### *Interest Expense*

Interest expense increased \$5.2 million, or 6.9%, for the nine months ended September 30, 2020, primarily due to an increase in term loan debt outstanding during 2020 as well as the amortization of bridge loan financing fees related to the pending Speedway acquisition during 2020.

### *Income Tax Expense*

The effective tax rate for the nine months ended September 30, 2020 was 24.33% compared to 24.75% for the nine months ended September 30, 2019. During 2020, we recorded a \$21.5 million discrete tax benefit related to net operating loss carrybacks allowed under the Coronavirus Aid, Relief, and Economic Security Act (the “*CARES Act*”) (see Note 10 to our unaudited consolidated financial statements included elsewhere in this offering circular for further discussion).

### ***Year Ended December 31, 2019 Compared to Year Ended December 31, 2018***

#### *Merchandise Sales and Gross Profit*

Merchandise sales increased \$11.8 million, or 0.3%, during 2019, primarily related to a \$203.7 million increase from new company-operated stores (105 company-operated stores opened during 2019, plus the impact of a full year of results from stores opened in 2018, including stores acquired from Sunoco in January 2018), and a \$39.8 million increase in company-operated same-store merchandise sales. These increases were partially offset by a \$157.2 million decrease related to closed company-operated stores (103 company-operated stores closed during 2019), a \$49.9 million decrease related to company-operated stores converted to franchise-operated stores, and a \$24.6 million exchange rate impact related to the weakening of the Canadian dollar during 2019.

Merchandise gross profit increased \$68.3 million, or 5.6%, during 2019, primarily related to an \$86.0 million increase from new company-operated stores, and a \$13.5 million increase from company-operated same-stores. These increases were partially offset by a \$12.8 million decrease related to closed company-operated stores, an \$11.1 million decrease related to company-operated stores converted to franchise-operated stores, and a \$7.3 million exchange rate impact related to the weakening of the Canadian dollar during 2019.

#### *Fuel Sales and Gross Profit*

Fuel sales decreased \$508.6 million, or 2.7%, during 2019 as a result of a \$728.7 million, or 4.4%, decrease in retail fuel sales, partially offset by a \$220.1 million, or 9.8%, increase in wholesale and supply fuel sales.

The 4.4% decrease in retail fuel sales during 2019 was primarily due to a 4.7% decrease in retail fuel price per gallon. This was partially offset by a 0.5% increase in volumes due to a full twelve months of results from stores acquired from Sunoco. The 9.8% increase in wholesale and supply fuel sales during 2019 was primarily due to the adoption of ASC Topic 606 in 2019. Prior to 2019, bulk fuel supply sales and sales to wholesale dealers were presented net of federal and state excise taxes. Beginning in 2019, these excise taxes are presented on a gross basis (with a corresponding increase to fuel cost of goods sold), resulting in a \$305.7 million increase to fuel sales for 2019. Additionally, wholesale and supply volumes increased due to the acquisition of a wholesale fuel business consisting of 68 dealer contracts and 27 consignment sites in June 2019. These increases were partially offset by lower market prices for fuel during 2019.

Fuel gross profit increased \$109.2 million, or 7.0%, during 2019 as a result of an \$82.7 million, or 6.1%, increase in retail fuel gross profit and a \$26.5 million, or 13.1%, increase in wholesale and supply fuel gross profit.

The 6.1% increase in retail fuel gross profit during 2019 was primarily due to an increase in retail margins. The retail fuel business generally experiences higher margins during times of falling prices and lower margins during times of rising prices. Therefore, the price decreases throughout most of the second through fourth quarters of 2019 favorably impacted margins for 2019. A full twelve months of results from stores acquired from Sunoco also contributed to the increase in retail fuel gross profit for 2019.

The 13.1% increase in wholesale and supply gross profit during 2019 was primarily driven by higher margins on supply fuel sales to our retail stores and increased gross profit on wholesale consignment sales.

Through our supply business, we were able to effectively manage our bulk inventory positions in 2019 to optimize margins based on market conditions. Meanwhile, our wholesale consignment business generated higher gross profit due to higher volumes as a result of the wholesale fuel business acquisition discussed above, along with favorable margins in 2019 (consignment margins generally track with retail fuel margins and thus were favorable in 2019).

#### *Franchise and Licensing Revenues*

Franchise and licensing revenue increased \$79.8 million, or 3.1%, during 2019. This was comprised of a \$81.2 million, or 3.3%, increase in franchise revenues, partially offset by a \$1.4 million, or 1.1%, decrease in licensing revenues. The increase in franchise revenues was due to increases in U.S. same-store merchandise sales and gross profit, which drove increased franchise royalties on a per store basis. Additionally, a presentation change related to the adoption of ASC Topic 606 in 2019 led to an additional \$53.2 million of franchise revenues via franchisee contributions to the Company's advertising fund in 2019. Prior to 2019, these franchisee contributions were held on the balance sheet as an obligation to buy advertising, which was offset as advertising dollars were spent. Beginning in 2019, franchisee contributions are presented on a gross basis as revenue, with the related advertising expenditures being reported within OSG&A.

Licensed store royalties remained fairly steady on a year-over-year basis, as increases from store and sales growth from our international licensees (most notably in Thailand and the Philippines) were more than offset by an unfavorable exchange rate impact and a one-time termination fee recognized in 2018 from one of our domestic area licensees, pursuant to which the licensee will de-brand its remaining stores by December 31, 2021.

#### *Other Income*

The \$8.1 million, or 30.1%, increase in other income during 2019 was primarily driven by favorable operating results from our area licensee in Mexico, which is accounted for as an equity method investee. Additionally, we saw operating losses in 2018 from a domestic equity method investee. This investment was sold in late 2018, leading to comparatively favorable results in 2019.

#### *OSG&A Expense*

Total OSG&A expenses increased \$170.7 million, or 3.9%, during 2019, primarily related to a \$108.1 million, or 4.8%, increase in occupancy and related expenses, \$9.8 million, or 0.8%, increase in compensation expenses and \$52.8 million, or 5.6%, increase in other OSG&A expenses. The increase in occupancy and related expense was primarily driven by increases in rent and property and equipment depreciation, combined with lower gains recorded on store divestitures in 2019 as compared to 2018. The increase in compensation expense was primarily due to an increase in G&A employee headcount and year-over-year salary increases, partially offset by decreases in certain incentive plan accruals. The increase in other OSG&A expenses was largely due to a presentation change for our advertising expenses related to the adoption of ASC Topic 606, as advertising expenditures are no longer netted against franchisee contributions in 2019, and an increase in environmental expenses (a large favorable adjustment to previously reserved receivables from the State of California in 2018 led to comparatively higher expenses in 2019).

#### *Interest Expense*

Interest expense remained relatively flat from 2018 to 2019, increasing \$0.6 million, or 0.6%.

#### *Income Tax Expense*

The effective tax rate for the year-ended December 31, 2019 was 23.66% compared to 22.06% for the year-ended December 31, 2018. In 2018, we recorded \$15.4 million of discrete tax benefits, primarily consisting of a

\$17.4 million increase to the 2017 provisional benefit recorded for the re-measurement of deferred tax liabilities related to the Tax Cuts and Jobs Act of 2017 (the “*TCJA*”), partially offset by a \$2.5 million expense related to a 2017 state return-to-provision true-up. The net discrete tax benefit recorded in 2019 was insignificant.

### *Year Ended December 31, 2018 Compared to Year Ended December 31, 2017*

#### *Merchandise Sales and Gross Profit*

Merchandise sales increased \$1,517.9 million, or 58.2%, during 2018, primarily related to a \$1,763.0 million increase from new company-operated stores (1,099 company-operated stores opened during 2018, including stores acquired from Sunoco in January 2018), and a \$64.7 million increase in company-operated same-store merchandise sales. These increases were partially offset by a \$173.7 million decrease related to closed company-operated stores (225 company-operated stores closed during 2018), a \$134.7 million decrease related to company-operated stores converted to franchise-operated stores, and a \$1.4 million exchange rate impact related to the weakening of the Canadian dollar during 2018.

Merchandise gross profit increased \$499.9 million, or 69.5%, during 2018, primarily related to a \$580.8 million increase from new company-operated stores, and a \$19.6 million increase from company-operated same-stores. These increases were partially offset by a \$59.6 million decrease related to closed company-operated stores, a \$40.7 million decrease related to company-operated stores converted to franchise-operated stores, and a \$0.2 million exchange rate impact related to the weakening of the Canadian dollar during 2018.

#### *Fuel Sales and Gross Profit*

Fuel sales increased \$6,212.2 million, or 49.3%, during 2018. This was the result of a \$6,067.7 million, or 57.8%, increase in retail fuel sales, and a \$144.5 million, or 6.9%, increase in wholesale and supply fuel sales. The increase in retail fuel sales was driven by a 40.5% increase in volumes largely as a result of the acquisition of stores from Sunoco, and a 12.1% increase in retail fuel prices. The increase in wholesale and supply fuel sales was driven by the increase in fuel prices, partially offset by a 5.9% decrease in volumes.

Fuel gross profit increased \$370.2 million, or 31.1%, during the 2018. This was the result of a \$383.0 million, or 39.3%, increase in retail fuel gross profit, partially offset by a \$12.8 million, or 5.9%, decrease in wholesale and supply fuel gross profit. The increase in retail fuel gross profit was driven by the increased volumes discussed above, partially offset by a 19 basis point decrease in cents per gallon margin (22.82¢ in 2018 versus 23.01¢ in 2017). The decrease in wholesale and supply gross profit was driven mainly by a decrease in sales of Renewable Identification Numbers (“*RINs*”) to third parties, as RIN prices fell precipitously in 2018 as compared to 2017, partially offset by favorable supply margins related to rising fuel prices.

#### *Franchise and Licensing Revenues*

Franchise and licensing revenue increased by \$146.4 million, or 6.0%, during 2018. This was comprised of a \$133.7 million, or 5.8%, increase in franchise revenues, and a \$12.7 million, or 11.0%, increase in licensing revenues. The increase in franchise store revenues was primarily driven by increased initial fees and renewal fees from franchisees related to the introduction of an updated version of our traditional franchise agreement in 2018. Additionally, we generated additional franchise royalties as a result of the continued conversion of company-operated stores to traditional franchisee-operated stores. Our franchisees operated an average of 137 additional stores in 2018, which was a 1.9% increase over 2017.

Licensed store royalties increased primarily due to continued store growth from our international licensees (primarily in Thailand, South Korea, and the Philippines), combined with the recognition of a one-time termination fee from one of our domestic area licensees during 2018, pursuant to which the licensee will de-brand its remaining stores by December 31, 2021.

### *Other Income*

The \$3.3 million, or 10.9%, decrease in other income during 2018 was primarily driven by unfavorable operating results from our area licensee in Mexico, which is accounted for as an equity method investee.

### *OSG&A Expense*

Total OSG&A expenses increased \$841.7 million, or 23.5%, during 2018, primarily related to a \$356.0 million, or 18.6%, increase in occupancy and related expenses, a \$301.8 million, or 33.1%, increase in compensation expenses, and a \$183.9 million, or 24.3%, increase in other OSG&A expenses. The increase in occupancy and related expense was primarily driven by increases in rent, property and equipment depreciation, repairs and maintenance, utilities, and other costs related to the acquisition of stores from Sunoco. The increase in compensation expense was primarily due to an increase in company-operated store employee wages and related payroll taxes as a result of the Sunoco transaction. The increase in other OSG&A expenses was largely due to an increase in credit card fees driven by the increases in fuel volumes as a result of the Sunoco transaction and fuel prices.

### *Interest Expense*

Interest expense increased \$61.0 million, or 162.7%, during 2018 primarily due to an increase in debt outstanding during the year to finance the acquisition of stores from Sunoco.

### *Income Tax Expense*

The effective tax rate for the year-ended December 31, 2018 of 22.06% compared to 12.38% for the year-ended December 31, 2017. In 2018, we recorded \$15.4 million of discrete tax benefits as discussed above, compared to a \$171.9 million benefit recorded in 2017, primarily related to a provision benefit for the re-measurement of deferred tax liabilities related to the TCJA. The decrease in our federal statutory tax rate in 2018 as a result of the TCJA partially offset the impact from discrete tax benefits recorded in each year.

## **Reconciliation of Non-GAAP Financial Measures**

The following table is a reconciliation of EBIT and EBITDA to net earnings (dollars in millions):

<u>(Dollars in millions)</u>	<u>Nine Months Ended</u> <u>September 30,</u>		<u>Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net earnings</b> .....	\$ 540.0	\$ 522.0	\$ 727.5	\$ 669.4	\$ 655.8
Interest expense, net.....	80.5	75.3	99.1	98.5	37.5
Income tax expense .....	141.8	166.9	225.5	189.4	92.7
EBIT .....	762.3	764.2	1,052.1	957.3	786.0
Depreciation and amortization.....	564.9	522.5	703.5	683.9	614.0
EBITDA.....	<u>\$1,327.2</u>	<u>\$1,286.7</u>	<u>\$1,755.6</u>	<u>\$1,641.2</u>	<u>\$1,400.0</u>

## **Historical Liquidity and Capital Resources**

We maintain a conservative cash management policy with strong emphasis on protecting principal rather than aggressively pursuing opportunities to increase yield. We typically invest excess cash in commercial bank demand and term deposits, which provide us flexibility in determining use of available cash to fund obligations and capital expenditures. As of September 30, 2020, cash and cash equivalents were \$560.1 million, compared to \$781.6 million as of September 30, 2019. As of December 31, 2019, cash and cash equivalents were \$405.7 million, compared to \$584.4 million as of December 31, 2018.

Included in cash and cash equivalents were \$88.1 million, \$49.7 million, \$57.0 million and \$26.8 million of cash held by our Canadian subsidiary as of September 30, 2020, September 30, 2019, December 31, 2019 and December 31, 2018, respectively. We have historically elected to reinvest undistributed earnings generated by our foreign subsidiaries. We expect this cash to be used to fund working capital requirements, investments in support of existing stores, or for other investments in our Canadian subsidiary's operations.

As of September 30, 2020 and December 31, 2019, we consider all historical earnings in our non-U.S. subsidiaries to be indefinitely reinvested and, accordingly, have not recorded any U.S. deferred income taxes. While the TCJA resulted in a one-time transition tax on the deemed repatriation of our foreign earnings, an actual repatriation from our non-U.S. subsidiaries could be subject to additional foreign withholding tax and U.S. state tax.

#### *Source and Use of Funds*

We obtain the majority of our working capital from (i) cash flows generated from our operating activities, (ii) the Commercial Paper Facility and (iii) borrowings under the Revolving Credit Facility.

#### *Cash Flow From Operating Activities*

Net cash provided by operating activities was \$1,266.0 million and \$1,066.6 million for the nine months ended September 30, 2020 and 2019, respectively. The primary driver of the \$199.4 million increase in net cash provided by operating activities during 2020 was historically high margins on fuel sales during 2020 and the timing of the collection of vendor and credit card receivables around the period-end dates. Additionally, we generated a net cash increase for the nine months ended September 30, 2020, due to lower outflows for credit card fees (due to lower fuel prices and volumes) and an influx of equity contributions from franchisees in 2020 upon their receipt of paycheck protection program loans provided by the U.S. federal government. These net cash increases were partially offset by an increase in U.S. federal income taxes paid and an increase in cash outflows related to rent, repairs and maintenance, and other occupancy charges.

Net cash provided by operating activities was \$1,396.3 million and \$1,448.1 million for the years ended December 31, 2019 and 2018, respectively. Contributing to the \$51.8 million decrease in net cash provided by operating activities during 2019 were increases in net cash outflows related to employee compensation, merchandise inventory purchases (related to the timing of payments around the year-end dates), rent, repairs and maintenance, and other occupancy charges and franchisee draws and compensation. Additionally, we saw a decrease in cash inflows for initial franchise fees as a result of the push to sign franchisees onto our new franchise agreement in late 2018. Partially offsetting these net cash decreases were higher cash inflows related to the increases in merchandise and fuel gross profit during 2019, combined with a net increase related to income taxes (primarily driven by the receipt of a large tax refund in 2019 related to prior tax years).

#### *Cash Flow From Investing Activities*

Net cash used in investing activities was \$1,357.5 million and \$878.8 million for the nine months ended September 30, 2020 and 2019, respectively. The \$478.7 million increase in net cash used in investing activities was primarily due to a \$377.1 million increase in acquisition of businesses (including escrow funding and working capital acquired), primarily related to a 108-store retail acquisition in the Oklahoma City, Oklahoma area, a 38-site acquisition in the Houston, Texas area consisting of both wholesale and retail sites, and the acquisition of nine retail stores from a BCP operator in the Denver, Colorado area during 2020. This 2020 activity was partially offset by a wholesale portfolio acquisition of 27 consignment locations and 68 dealer contracts, and the acquisition of 19 retail stores in Oregon and Washington in 2019. Additionally, we saw a \$87.6 million increase in payments for the purchase of property and equipment during 2020 as compared to 2019.

Net cash used in investing activities was \$1,293.2 million and \$3,223.0 million for the years ended December 31, 2019 and 2018. The \$1,929.8 million decrease in net cash used in investing activities in 2019 was



primarily due to a \$3,086.4 million decrease in cash used in acquisition of business and related working capital (primarily due to the acquisition of stores from Sunoco in January 2018). This was partially offset by an \$883.7 million decrease in proceeds from the sale of property and equipment (primarily due to sale leaseback transactions and store divestitures completed during 2018) and a \$246.3 million increase in payments for the purchase of property and equipment.

#### *Cash Flow From Financing Activities*

Net cash provided by financing activities during the nine months ended September 30, 2020 was \$246.9 million, compared to \$7.6 million provided by financing activities during the nine months ended September 30, 2019. The \$239.3 million year-over-year cash increase from financing activities was primarily due to \$900.0 million from the issuance of long-term debt agreements with third parties during 2020. This was partially offset by (i) a \$363.6 million dividend paid to SAM in May 2020, (ii) \$175.0 repayment in September 2020 of term loan debt that was outstanding as of December 31, 2019, (iii) \$50.0 million of proceeds received in September 2019 from a long-term debt agreement with SAM, (iv) \$38.7 million net cash decrease related to the decrease in outstanding payments in excess of cash held in bank accounts, and (v) \$34.0 million of debt issuance costs paid in August 2020 related to financing for the pending Acquisition.

Net cash used in financing activities during the year ended December 31, 2019 was \$281.6 million, compared to \$1,841.9 million provided by financing activities during the year ended December 31, 2018. The \$2,123.5 million year-over-year cash decrease from financing activities was primarily due to (i) \$900.0 million in net proceeds from the issuance of short and long-term debt agreements with third parties during 2018 (net of \$2,400.0 million in principle payments to pay down and refinance bridge loans), (ii) \$970.0 million in proceeds from the issuance of long-term debt from SAM during 2018, and (iii) \$350.0 million of payments in 2019 to pay off maturing debt. These decreases were partially offset by \$50.0 million of proceeds from the issuance of long-term debt from SAM during 2019, and a \$46.2 million net cash increase during 2019 related to the increase in outstanding checks in excess of cash held in bank accounts.

#### *Commercial Paper Facility, Revolving Credit Facility and Existing Term Loans*

We have \$650.0 million available under the Commercial Paper Facility, which is unsecured and guaranteed by SEJ. The Commercial Paper Facility is automatically extended an additional year unless terminated by either party at least one year and one day prior to any scheduled expiration date. We did not have any outstanding borrowings under the Commercial Paper Facility as of September 30, 2020, December 31, 2019 or December 31, 2018. From time to time, we may borrow under the Commercial Paper Facility as the need arises with respect to our store operations as well as our capital projects and acquisitions.

The Revolving Credit Facility is available on a revolving basis with interim availability of \$500.0 million of the commitments, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent. As of September 30, 2020, we did not have any outstanding borrowings under the Revolving Credit Facility.

As of September 30, 2020, we had an aggregate principal amount of \$3,745 million of term loan obligations under the Existing Term Loans.

For more information relating to the Commercial Paper Facility, the Revolving Credit Facility and the Existing Term Loans, see “Description of Other Indebtedness.”

#### *Debt Covenants*

Our credit facilities contain certain customary financial and operating covenants including, but not limited to, restrictions on indebtedness of 7-Eleven and its material subsidiaries, liens, asset sales, and the maintenance

of certain financial ratios including consolidated indebtedness and minimum interest and rent coverage ratios. A violation of these covenants may permit the lenders to restrict our ability to further access loans and letters of credit and may require the immediate repayment of any outstanding loans. If we fail to comply with these covenants, it could have a material adverse effect on our capital resources, financial condition, results of operations, and liquidity. As of September 30, 2020 and December 31, 2019, we were in compliance with all financial and operating covenants in the Revolving Credit Facility, Commercial Paper Facility and Existing Term Loans.

### *Capital Expenditures*

Historically, our capital expenditures included payments for the purchase of property and equipment and acquisition of businesses. For a discussion of our capital expenditures for the nine months ended September 30, 2020 and the year ended December 31, 2019, see “—Cash Flow From Investing Activities.”

Actual capital expenditures for the nine months ended September 30, 2020, totaled \$868 million, excluding acquisitions, and \$1.4 billion, including acquisitions. We anticipate that our capital expenditures for the remainder of 2020 will range between \$0.4 million and \$0.6 million for merchandising platforms, existing store remodels, digital and information technology projects, replacement of fuel USTs and equipment, and infrastructure upgrades. We anticipate that our capital expenditures for 2021, excluding acquisitions, will be up to \$2.1 billion and up to \$2.2 billion inclusive of other acquisitions. Capital spending plans may be adjusted given current uncertainty in business conditions, ability of third-parties to meet scheduled production and delivery time-frames, and availability of external service-provider resources resulting from the COVID-19 pandemic. See “—Liquidity and Capital Resources Following the Transactions.”

Cash flow from operations combined with proceeds from the Commercial Paper Facility, the Revolving Credit Facility, the Existing Term Loans and sale-leaseback transactions have historically provided sufficient funding for our capital expenditures. We expect that these funding sources will provide sufficient capital to meet our working capital needs and planned capital expenditure programs for the next twelve months. However, we cannot assure you that our operations will generate sufficient cash or that future borrowings under the facilities described above will be available to enable us to meet these requirements. See “—Liquidity and Capital Resources Following the Transactions.”

### *Long-Term Liquidity*

We expect to continue to satisfy our short-term and long-term liquidity needs through cash flow from operations and our substantial credit availability and capacity. Our ability to meet our day-to-day obligations and other capital requirements, including potential acquisitions and new store openings, will depend on our future performance which, in turn, will be subject to general economic, financial, business, competitive, legislative, regulatory, and other conditions, many of which are beyond our control. Changes in our operating plans, fluctuations in anticipated sales and expenses, acquisitions, or other events may cause us to seek additional debt financing in future periods. Debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions upon us.

In particular, we expect to explore real estate monetization transactions, including through sale leaseback transactions, following the Acquisition. The indenture that will govern the notes will not restrict any such transaction, and such transactions could be material individually or in the aggregate. Any such transactions will be subject to market and other conditions and we can provide no assurance as to the timing or site of any such transaction, or whether we will engage in any such transaction at all.

## Contractual Obligations and Commercial Commitments

### Financial Obligations

The following shows our material contractual obligations as of December 31, 2019 (dollars in millions):

	Total	Payment Due by Year			
		2020	2021-2022	2023-2024	Thereafter
Operating lease obligations	\$ 5,403.4	\$ 740.9	\$1,309.2	\$1,015.2	\$2,338.1
Long-term debt (excluding capital leases)					
Principal <sup>(1)</sup>	3,079.8	179.3	509.6	586.2	1,804.7
Interest	496.1	89.4	157.3	125.0	124.4
Fuel purchase commitment <sup>(2)</sup>	1,573.9	118.3	242.6	242.6	970.4
Asset retirement obligations	240.1	8.6	26.8	24.1	180.6
Capital lease obligations <sup>(3)</sup>	144.4	23.9	41.1	32.8	46.6
Post-employment benefit obligations	128.8	17.0	17.5	12.9	81.4
Employee long-term incentive	107.0	58.3	48.7	—	—
Environmental liabilities	38.0	26.6	8.4	1.5	1.5
Purchase commitments <sup>(4)</sup>	35.1	30.8	4.3	—	—
Total	<u>\$11,246.6</u>	<u>\$1,293.1</u>	<u>\$2,365.5</u>	<u>\$2,040.3</u>	<u>\$5,547.7</u>

- (1) Includes (i) \$175 million in term loans that mature in 2020, (ii) \$300 million in term loans that mature in 2021, (iii) \$200 million in term loans that mature in 2022, (iv) \$425 million of term loans that mature in 2023, (v) \$150 million of term loans that mature in 2024, (vi) \$375 million of term loans that mature in 2025, (vii) \$375 million of term loans that mature in 2026, (viii) \$1,020 million of term loans from SAM that mature in 2028, and (ix) \$59.8 million of acquisition financing obligations to be amortized through February 2032.
- (2) Represents a commitment to pay at least 97.5% of the expected annual supply margin under a 15-year fuel supply agreement signed in connection with the acquisition of stores from Sunoco in January 2018. The guaranteed minimum payments under the agreement are \$118.3 million for 2020 and \$121.3 million for each year from 2021 through 2032.
- (3) Includes \$38.8 million of imputed interest on capital lease obligations.
- (4) Represents agreements to purchase goods or services that are enforceable and legally binding and includes \$28.6 million in information technology commitments and \$6.5 million in advertising purchase commitments.

In addition to the commitments disclosed in the table above, we enter into various contracts for merchandise product purchases in the normal course of business that require us to purchase a minimum amount of products annually. Further, in addition to the Sunoco fuel purchase commitment disclosed in the table above, SEI Fuels enters into fuel purchase agreements and related transportation, storage, terminal, and exchange agreements in the ordinary course of business. These agreements may contain commitments to purchase specified minimum volumes of fuel at specific times. Failure to satisfy these minimum purchase requirements may result in penalties or damages for failure to perform. We have generally exceeded such minimum requirements in the past and expect to continue doing so for the foreseeable future.

As of December 31, 2019, our liability for uncertain tax positions was \$7.8 million. Due to the uncertainties related to these tax matters, we are unable to make a reasonably reliable estimate on when cash settlement with a taxing authority will occur.

### Store Leases

We use lease arrangements as a means of financing our property and equipment. Generally, real estate leases have primary terms from 10 to 15 years with options to renew for additional periods. Ground leases for

stores are recorded as operating leases, while leased buildings and equipment are recorded as capital or operating leases. Capital lease obligations and related assets are included in our balance sheets. Operating lease obligations and related assets are not included in our balance sheets (refer to Note 20 of our audited financial statements included elsewhere in this offering circular for a discussion of the Accounting Standards Update for Leases (Topic 842) and its impact on the balance sheet presentation of our leases).

As of September 30, 2020 and December 31, 2019, we operated or franchised 9,889 and 9,682 stores, respectively, in the U.S. and Canada. We own 26% and 27% of these stores, respectively, and we lease the remainder with the exception of 600 and 591 stores, respectively, that are either owned or leased by the franchisee. As of September 30, 2020, there were 3,708 leases representing 56% of our total leased stores that will expire by the end of 2025. Of these leases, 888 leases do not contain renewal options or contain negotiable rent options and 2,820 leases have fixed rent options. Given the current state of the commercial real estate market, we have devoted, and will continue to devote, considerable efforts to renegotiating or extending these leases before their actual renewal dates.

The following table shows a breakdown of lease expirations through 2025:

	<u>Total</u>	<u>2021</u>	<u>2022-2023</u>	<u>2024-2025</u>
Leases expiring or with negotiable-rent options . . . . .	888	187	338	363
Fixed-rent options . . . . .	<u>2,820</u>	<u>383</u>	<u>1,197</u>	<u>1,240</u>
Total . . . . .	<u>3,708</u>	<u>570</u>	<u>1,535</u>	<u>1,603</u>

For sites where we need to negotiate (i) a new lease to replace an expiring lease or (ii) a new rental for those leases that have negotiable rent renewal options, we expect that we will pay prevailing market rates when the new lease term or option term commences, which will likely increase our operating costs. If we have a fixed-rent option, in most cases the rent will increase either to a specific predetermined dollar amount or as calculated based on a predetermined formula, such as an increase in the consumer price index, thus increasing our operating costs.

## **Liquidity and Capital Resources Following The Transactions**

### *Overview*

We expect that the Acquisition will be financed through the proceeds from the notes and the Equity Contribution together with borrowings under the Delayed Draw Term Loan Facilities. On a pro forma basis giving effect to the Transactions, as of September 30, 2020, we would have had cash and cash equivalents of \$1,351.8 million and up to \$500.0 million of available borrowing capacity under our Revolving Credit Facility, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent.

Based on our expected operations and available cash after consummation of the Transactions, we believe our cash flows from operations, combined with availability under the Commercial Paper Facility, the Revolving Credit Facility and the Existing Term Loans, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, debt service requirements and capital spending requirements over the next twelve months. We cannot assure you, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the Commercial Paper Facility, the Revolving Credit Facility and the Existing Term Loans in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. Our ability to do so depends on prevailing economic conditions, many of which are beyond our control. In addition, upon the occurrence of certain events, such as a change of control, we could be required to repay or refinance our indebtedness. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital, and there can be no assurance that any such capital will be available to us on acceptable terms or at all.

After the consummation of the Transactions, we will be highly leveraged. On a pro forma basis giving effect to the Transactions, as of September 30, 2020, we would have had outstanding \$17.1 billion face value of aggregate indebtedness (including \$1.02 billion of intercompany debt and \$204.4 million of capital lease obligations), with approximately \$650.0 million of additional borrowing capacity available under the Commercial Paper Facility, the Revolving Credit Facility and the Delayed Draw Term Loan Facilities, subject to complying with the conditions contained therein. After the consummation of the Transactions, our liquidity requirements will be significant, primarily due to debt service requirements. On a pro forma basis, after the consummation of the Transactions, our net cash interest expense in accordance with the indenture governing the notes offered hereby for the twelve months ended September 30, 2020 would have been \$188.4 million (excluding interest on capital leases).

#### *Notes Offered Hereby*

For a description of the terms of the indenture governing the notes offered hereby, including certain restrictive covenants, see “Description of Notes.”

#### *Delayed Draw Term Loan Facilities*

We entered into a delayed draw senior unsecured term loan credit facility in August 2020 with commitments in an aggregate principal amount up to \$1.25 billion and another delayed draw senior unsecured term loan credit facility in October 2020 with commitments in an aggregate principal amount up to \$1.0 billion. All borrowings under the Delayed Draw Term Loan Facilities will be subject to the satisfaction of customary conditions for credit facilities of this type, including the consummation of the Acquisition and the funding of the Equity Contribution. For more information regarding the Delayed Draw Term Loan Facilities, see “Description of Other Indebtedness.”

#### *Commercial Paper Facility, Revolving Credit Facility and Existing Term Loans*

For a description of the Commercial Paper Facility, the Revolving Credit Facility and the Existing Term Loans, see “Description of Other Indebtedness.”

#### *Pro Forma Obligations and Commitments*

The following table shows our material contractual obligations as of December 31, 2019, after giving pro forma effect to the Transactions (in millions):

	Total	Payment Due by Year			
		2020	2021-2022	2023-2024	Thereafter
Operating lease obligations	\$ 6,215.4	\$ 858.9	\$1,518.2	\$1,178.2	\$ 2,660.1
Long-term debt (excluding capital leases)					
Principal <sup>(1)</sup>	16,279.8	179.3	1,509.6	6,336.2	8,254.7
Interest	2,696.5	89.4	533.1	426.3	1,647.7
Sunoco fuel purchase commitment <sup>(2)</sup>	1,573.9	118.3	242.6	242.6	970.4
Asset retirement obligations <sup>(3)</sup>	240.1	8.6	26.8	24.1	180.6
Capital lease obligations <sup>(4)</sup>	295.4	35.9	63.1	56.8	139.6
Post-employment benefit obligations	348.8	48.0	64.5	56.9	179.4
Employee long-term incentive	107.0	58.3	48.7	—	—
Environmental liabilities <sup>(5)</sup>	38.0	26.6	8.4	1.5	1.5
Purchase commitments <sup>(6)</sup>	55.1	50.8	4.3	—	—
<b>Total</b>	<b>\$27,850.0</b>	<b>\$1,474.1</b>	<b>\$4,019.3</b>	<b>\$8,322.6</b>	<b>\$14,034.1</b>

(1) Includes (i) \$175 million in term loans that mature in 2020, (ii) \$300 million in term loans that mature in 2021, (iii) \$1.0 billion in notes and \$200 million in term loans that mature in 2022, (iv) \$1.0 billion in notes

and \$1.425 billion of term loans that mature in 2023, (v) \$2.5 billion in notes and \$1.4 billion of term loans that mature in 2024, (vi) \$375 million of term loans that mature in 2025, (vii) \$1.7 billion in notes and \$375 million of term loans that mature in 2026, (viii) \$1.0 billion in notes and \$1.02 billion of term loans from SAM that mature in 2028, (ix) \$1.75 billion in notes that mature in 2031, (x) \$1.0 billion in notes that mature in 2041, (xi) \$1.0 billion in notes that mature in 2051, and (x) \$59.8 million of acquisition financing obligations to be amortized through February 2032.

- (2) Represents a commitment to pay Sunoco at least 97.5% of the expected annual supply margin under a 15-year fuel supply agreement signed in connection with the acquisition of stores from Sunoco in January 2018. The guaranteed minimum payments under the agreement are \$118.3 million for 2020 and \$121.3 million for each year from 2021 through 2032.
- (3) Asset retirement obligations does not include \$26.0 million of remaining asset retirement obligations of the Speedway Business as the timing of the payment of the obligations is not estimable.
- (4) Includes \$84.8 million of imputed interest on capital lease obligations.
- (5) Environmental liabilities does not include \$37.0 million of remaining environmental liabilities of the Speedway Business as the timing of the payment of the liabilities is not estimable.
- (6) Represents agreements to purchase goods or services that are enforceable and legally binding and includes \$28.6 million in information technology commitments, \$16.0 million in commitments to purchase property, plant and equipment, \$6.5 million in advertising purchase commitments, and \$4.0 million in utilities, supplies and various other maintenance and operating services commitments.

## Seasonality

Weather conditions can have a significant effect on our sales. Historically, our customers spend more and purchase higher profit margin products when weather conditions are favorable. Consequently, we generally experience higher sales and profitability during the warmer second and third quarters of the year and lower sales and profitability during the first and fourth quarters of the year.

## Other Matters

### *Acquisition Growth Strategy*

Our strategy has historically been to selectively acquire convenience stores within and contiguous to our existing market areas. In evaluating potential acquisition candidates, we consider a number of factors, including strategic fit, desirability of location, price, and our ability to improve the productivity and profitability of a location through the implementation of our business strategy. Additionally, we would consider acquiring stores that are not within or contiguous to our current markets if the opportunity met certain criteria including, among others, a minimum number of stores, sales volume and profitability, or the opportunity to convert existing convenience stores to the 7-Eleven brand.

From a wholesale fuels perspective, our strategy has historically been to selectively acquire existing fuel distributors that supply independent fuel site owners and operators (i.e., dealers) through long-term contracts and/or sell fuel on a consignment basis at retail sites where the convenience store operation is managed by an independent commission marketer. Our ability to act as a branded fuel distributor for multiple fuel brands allows us to leverage a supplier's scale to our advantage and is considered when reviewing potential acquisitions. In evaluating potential acquisition candidates, we consider a number of factors including volume, gross profit margins, competition, supply contract terms, likelihood of contract renewals, and future growth prospects.

During 2019, we acquired businesses totaling \$192.1 million, consisting of 31 retail stores, 27 wholesale consignment locations and 68 wholesale dealer accounts. As a result of these transactions, we recorded goodwill of \$136.8 million as the excess of cost of the acquisitions over the fair value of assets acquired and liabilities assumed. During the first nine months of 2020, we acquired businesses totaling \$506.0 million, consisting of 162 retail stores, 18 wholesale consignment locations, and 40 wholesale dealer accounts. As a result of these transactions, we recorded goodwill of \$342.4 million as the excess of cost of the acquisitions over the fair value of assets acquired and liabilities assumed.

Subsequent to the Transactions, we expect that we will curtail growing our store base and wholesale fuel business through acquisitions in the near-term while we focus on de-leveraging of our business.

#### *Guarantees and Off-Balance Sheet Arrangements*

Off-balance sheet arrangements comprise those arrangements that may potentially impact our liquidity and capital resources and results of operations, even though such arrangements are not recorded as liabilities under GAAP. Our off-balance sheet arrangements are limited to guarantees. Although these arrangements serve a variety of business purposes, we are not dependent on them to maintain our liquidity and capital resources, and we are not aware of any circumstances that are reasonably likely to cause the off-balance sheet arrangements to have a material adverse impact on our liquidity and capital resources.

#### *Effects of Inflation and Changing Prices*

Inflation and changes in the prices of the products we sell may periodically impact our liquidity and capital resources. The impacts are largely dependent on whether the changes are passed through to our customers, which is subject to our overall pricing strategy and competitive market conditions. Although we may experience short-term impacts from inflation and changing prices, we do not expect the effects to have a material impact on our liquidity and capital resources.

### **Quantitative and Qualitative Disclosures About Market Risk**

#### *Interest Rate Risk*

We are exposed to market risks related to fluctuations in interest rates on our debt obligations and any future financing requirements. We manage our exposure to interest rates through the use of variable-rate debt, fixed rate debt, and interest rate swaps. As of September 30, 2020, all of our debt obligations were either as fixed rate debt or involved variable-rate debt that was swapped to a fixed rate.

We may borrow on a short-term basis at prevailing market rates under the Commercial Paper Facility or the Revolving Credit Facility. We had no borrowings under the Commercial Paper Facility or the Revolving Credit Facility as of September 30, 2020. We are exposed to market risks related to fluctuations in interest rates for these instruments, as we borrow on a short-term basis at prevailing market rates.

Excluding capital leases and debt issuance costs, as of September 30, 2020, we had \$3.7 billion in fixed rate debt and \$75.0 million in variable-rate debt. Changes in interest rates generally affect the fair value of fixed-rate debt, but do not impact our earnings or cash flows. Conversely, for variable-rate debt, changes in interest rates generally do not impact the fair value of the debt instrument, but do affect our future earnings and cash flows. We do not have an obligation to prepay any of our fixed-rate debt prior to maturity, and as a result, interest rate risk and changes in fair value do not have a significant impact on the fixed-rate debt unless we refinance.

As of September 30, 2020, the maturities of our outstanding debt, excluding capital leases and debt issuance costs, were as follows:

<i>(Dollars in millions)</i>	<b>Maturities through December 31</b>					<b>Total</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Thereafter</b>	
Fixed rate debt . . . . .	\$304.4	\$205.2	\$355.5	\$455.7	\$2,404.7	\$3,725.5
Average interest rate . . . . .	2.1%	2.4%	2.7%	2.1%	2.9%	
Variable rate debt . . . . .	\$ —	\$ —	\$ 75.0	\$ —	\$ —	\$ 75.0

#### *Commodity Price Risk*

We are exposed to market risk with respect to changes in commodity prices that impact the cost of coffee, fresh food products, and other items sold in our stores. We minimize our exposure to changes in the market price of coffee by utilizing a coffee broker to manage our purchases on a negotiated basis. We do not utilize financial

instruments to hedge coffee prices. In addition, we have exposure to changes in energy costs that impact our fuel business, supply chain, and store utility expenses. We periodically evaluate, and at times, have entered into commodity-based futures contracts on a limited basis to manage exposures to fluctuations in fuel prices.

#### *Foreign-Exchange Risk Management*

We are exposed to foreign currency risk on our royalties earned in foreign currencies. We are also exposed to foreign currency risk from a wholly owned Canadian subsidiary and a partially owned foreign joint venture in Mexico, where we apply the equity method of accounting. We currently use derivative financial instruments to manage foreign currency risk related to certain monetary assets denominated in nonfunctional currency (from our Canadian operations). Significant fluctuations in foreign currencies could have a material impact to the our consolidated financial statements.

#### **Critical Accounting Policies and Estimates**

Our financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Critical accounting policies are those estimates and assumptions that we believe are most important to the portrayal of our financial condition and results, and are complex and subject to an inherent degree of uncertainty. We evaluate our estimates and judgments on an ongoing basis and base our estimates on historical experience, terms of existing contracts, evaluation of trends, and other assumptions that we believe to be reasonable under the circumstances. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates we used in preparing the accompanying financial statements.

#### *Franchisees*

Our traditional franchisee accounting policy is a net basis presentation for franchisee-related activity. Under the net basis presentation, the merchandise sales and cost of goods sold of our franchise stores are not included within our statements of earnings. Instead, our share of merchandise gross profit generated from franchise stores is reflected as royalty revenue. In addition, items such as franchisee cash, inventory, and certain miscellaneous assets and liabilities are not included in our balance sheets.

#### *Environmental Assets and Liabilities*

Environmental liabilities reflected in our financial statements are based on the estimated future costs related to remediation activities at existing and previously operated fuel stores and other properties where releases of regulated substances have been detected. Factors considered in the estimates of the environmental liabilities include prior experience with remediation sites, the condition of the site contamination, location of tank sites, and prior experience with contractors who perform environmental assessment and remediation work. The estimated liability is not discounted.

Under certain state reimbursement programs, we are eligible to receive reimbursement for a portion of accrued remediation costs relating to leaking USTs, as well as a portion of remediation costs previously paid. Our largest state reimbursement receivable is from the State of California, which accounted for \$45.5 million, net of allowance of \$2.4 million, of the total net receivables of \$56.8 million, as of September 30, 2020. We continuously assess the probability of collection of state reimbursement receivables based on each state's fund balance, revenue sources, existing claims backlog, status of clean-up activity, the sunset status of each state's fund, and our claim ranking, which can result in periodic adjustments to reimbursement receivables. Changes in these factors could result in periodic adjustments to our reimbursement receivables. While there is no assurance of the timing of the receipt of state reimbursement funds, we expect to receive the majority of state reimbursement funds within a period of one to three years after payments of eligible remediation expenses.



### *Long-lived Assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results and significant changes in the manner of use of the assets or our overall business strategies. When an evaluation is performed, fair value that is based on either appraised value or projected discounted cash flows is compared to the carrying value of the long-lived assets to determine if a write-down to fair value is required. The discount rate used is considered to be commensurate with the risk inherent in our current business model. Additional factors are taken into consideration, such as local market conditions, operating environment, store performance, and other trends.

Property and equipment of stores we plan to close are written down to their estimated net realizable value at the time management commits to a plan to close these stores. If the stores are leased, we accrue for related future estimated rent and other expenses at the time the store ceases operations, if the expenses are expected to exceed estimated sublease rental income. We base the estimated net realizable value of property and equipment on our experience in utilizing and/or disposing of similar assets and on estimates provided by our own and/or third-party real estate experts. We also use our experience in subleasing similar properties to estimate future sublease income. The results of operations include related write-downs of stores to estimated net realizable value and accruals for future estimated rent and other expenses in excess of estimated sublease rental income. Although we have not experienced significant changes in our estimates of net realizable value or sublease income, changes in real estate markets could significantly impact the net values realized from the sale of assets and sublease income.

As a result of the evaluations described above, we recognized impairment charges of \$38.7 million and \$29.7 million for the nine months ended September 30, 2020 and 2019, respectively, and \$32.7 million and \$31.1 million for the years ended December 31, 2019 and 2018, respectively. The impairment losses are included in OSG&A expense in the accompanying consolidated statements of earnings.

### *Goodwill and Intangible Assets*

We test goodwill for possible impairment on an annual basis and more frequently if impairment indicators arise. An impairment indicator represents an event or change in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount. For the purpose of the goodwill impairment test, we have two reporting units – retail and wholesale. For the year ended December 31, 2019, we completed our annual impairment test of goodwill as of July 31<sup>st</sup> and concluded that there was no evidence of impairment for either reporting unit. During 2020, we changed our testing date from July 31<sup>st</sup> to July 1<sup>st</sup> to better utilize second quarter reporting, and concluded that there was no evidence of impairment for either reporting unit. The estimated fair value of each reporting unit was substantially in excess of its carrying value and there have been no indicators of triggering events, which would warrant further impairment testing as of December 31, 2019 or September 30, 2020.

Our intangible assets with indefinite lives primarily consist of the 7-Eleven, Stripes and Laredo Taco trademarks and other area licenses. For the year ended December 31, 2019, we completed our annual impairment test of our intangible assets as of July 31<sup>st</sup> and concluded that there was no evidence of impairment. During 2020, we changed our testing date from July 31<sup>st</sup> to July 1<sup>st</sup> to better utilize second quarter reporting and concluded there was no evidence of impairment. Additionally, there have been no indicators of triggering events that would warrant further impairment testing as of December 31, 2019 or September 30, 2020.

Intangible assets subject to amortization primarily consist of favorable leasehold interests, franchise relationships, and wholesale customer relationships, all of which are amortized over the respective terms of the contracts or other relative terms. Intangible assets subject to amortization are reviewed for impairment when there is an indication that the carrying amount may not be recoverable. There was no evidence of impairment as of December 31, 2019 or September 30, 2020.

### *Underground Fuel Storage Tanks*

We recognize the estimated future cost to remove a UST over the estimated useful life of the storage tank and record a discounted liability for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset at the time a UST is installed. We base our estimates of the anticipated future costs for removal of a UST on our historical removal experience, estimated tank useful lives, external estimates, and government regulations. Changes in these factors could lead to a revision of the liability.

### *Inventory*

Inventories are stated at lower of cost or net realizable value. Merchandise inventory cost, using the retail method at store level, is generally determined by the FIFO method. Under the retail method, retail values are converted to a cost basis by applying average cost factors to groupings of merchandise. Inherent in the retail inventory method calculations are certain management judgments and estimates, which could impact the ending inventory valuation. Retail, supply, and wholesale fuel inventory costs are determined by the weighted average cost method.

### *Insurance*

We are primarily self-insured for costs associated with workers' compensation, general liability, automobile liability, environmental liability, physical loss to property and business interruption. We also have a variety of self-insured plans for employee healthcare. We have recorded undiscounted accrued liabilities based on our estimates of the ultimate costs to settle incurred but not reported claims. Our accounting policies regarding self-insurance programs include judgments and actuarial assumptions regarding economic conditions, the frequency and severity of claims, claim development patterns, and claim management and settlement practices. Although we have not experienced significant changes in actual expenditures compared to actuarial assumptions, such changes could occur in the future and could significantly impact our results of operations and financial position. A 10% change in the estimate for our self-insurance liabilities would have affected net earnings for the nine months ended September 30, 2020 by approximately \$8.2 million and net earnings for 2019 by approximately \$7.7 million.

### *Litigation and Tax Assessments*

From time to time, we are subject to lawsuits and other claims, including with respect to environmental matters. We assess the likelihood of any adverse judgments or outcomes to these matters as well as the potential range of probable losses. Our liabilities for legal contingencies contain uncertainties because we are required to make assumptions and to apply judgment to estimate the exposures associated with these items. We use our history and experience, as well as other specific circumstances surrounding these matters, in evaluating the amount of liability we should record. As additional information becomes available, we assess the potential liability related to our various matters and revise our estimates as appropriate. We believe that the final resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flows.

Additionally, we are engaged in various tax audits by federal and state governmental authorities incidental to our normal business activities. We recognize benefits of a tax position only when it is more likely than not, based on the position's technical merits, that the position would be sustained upon examination by the appropriate taxing authorities. We accrue for estimated probable losses for certain proceedings. It is possible that additional losses associated with these audits may be incurred; however, we believe that the final resolution of these issues will not have a material adverse effect on our financial position, results of operations, or cash flows.

### **Recently Issued Accounting Standards**

For a discussion regarding the anticipated impact of recently issued accounting standards on our consolidated financial statements, see Note 20 to the audited consolidated financial statements of 7-Eleven included elsewhere in this offering circular.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE SPEEDWAY BUSINESS

*The following discussion and analysis of the financial condition and results of operations of the Speedway Business covers periods prior to the consummation of the Transactions. Accordingly, the discussion and analysis of historical periods does not reflect the impact that the Transactions will have on the Speedway Business. You should read the following discussion of the financial condition and results of operations of the Speedway Business in conjunction with the combined financial statements of the Speedway Business and the related notes included elsewhere in this offering circular and the information presented under the headings “Summary—Summary Unaudited Pro Forma Condensed Combined Financial Data and Unaudited Adjusted Combined Financial Data,” “Summary—Summary Historical Combined Financial Data of the Speedway Business,” “Unaudited Pro Forma Condensed Combined Financial Data,” and “Selected Historical Combined Financial Data of the Speedway Business” elsewhere in this offering circular. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the “Risk Factors” section of this offering circular. Actual results may differ materially from those contained in any forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements.”*

*The combined financial statements of the Speedway Business have been derived from the consolidated financial statements and accounting records of MPC. We believe that the assumptions underlying the combined financial statements of the Speedway Business included in this offering circular are reasonable. However, the combined financial statements of the Speedway Business may not necessarily reflect the results of operations, financial position and cash flows of the Speedway Business for future periods or what they would have been had the Speedway Business been a separate, stand-alone company during the periods presented.*

*References as used in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Speedway Business,” unless the context requires otherwise, to “Speedway,” “we,” “our,” “us,” and other similar terms refer to the business and operations of MPC’s Speedway transportation fuels and convenience store business (excluding MPC’s direct-dealer retail locations), primarily operated under the Speedway brand, that will be acquired by 7-Eleven in connection with the consummation of the Acquisition before giving effect to the Acquisition. The information included in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Speedway Business” does not give effect to the exercise of the Repurchase Right unless expressly stated otherwise.*

### **Corporate Overview**

Speedway owns and operates a chain of convenience stores across the U.S., with approximately 3,850 locations primarily under the Speedway brand as of September 30, 2020. Our convenience stores sell transportation fuels and a wide variety of merchandise for our “on-the-go” customers, including beverages, snacks, prepared and pre-packaged foods, health and beauty products, tobacco products and general convenience items. Speedway also owns a 29% interest in PFJ Southeast, a joint venture between Speedway and PTC with 125 travel center locations primarily in the Southeast U.S. Our operations consist of one reportable operating segment.

### **Background on Speedway Operations**

Our margin for transportation fuel (primarily gasoline and diesel), which is the price paid by consumers less the cost of transportation fuels, including transportation and consumer excise taxes, impacts profitability. Transportation fuel prices are volatile and are impacted by changes in supply and demand in the regions where we operate. Numerous factors impact transportation fuel demand throughout the year, including local competition, seasonal demand fluctuations, the available wholesale supply, the level of economic activity in our marketing areas and weather conditions. Demand for transportation fuel is generally higher during the spring and summer months than during the winter months in most of our markets, primarily due to seasonal increases in highway traffic. As a result, the operating results for Speedway for the first and fourth quarters may be lower

than for those in the second and third quarters of each calendar year. The margin on merchandise sold at our convenience stores historically has been less volatile and has contributed substantially to our margin.

Inventories are carried at the lower of cost or market value. Costs of transportation fuels and merchandise are stated under the LIFO inventory costing method and aggregated on a consolidated basis for purposes of assessing if the cost basis of these inventories may have to be written down to market values. As of September 30, 2020, market values for transportation fuel inventories were lower than their cost basis, and, therefore, there is a lower of cost or market (“*LCM*”) inventory market valuation reserve of \$25 million. Based on movements of refined product prices, future inventory valuation adjustments could have an effect on earnings. *LCM* inventory market valuation reserves are subject to reversal in subsequent periods if prices recover.

The following is a rollforward of store growth for the nine months ended September 30, 2020 and 2019:

	<u>Store Count<sup>(a)</sup></u>
<b>Stores at 12/31/18</b> .....	3,923
New store construction .....	7
Acquisitions <sup>(a)</sup> .....	33
Closed .....	(23)
Sold .....	(9)
<b>Stores at 9/30/19</b> .....	<u>3,931</u>
<b>Stores at 12/31/19</b> .....	3,898
New store construction .....	12
Closed .....	(25)
Sold .....	(31)
<b>Stores at 9/30/20</b> .....	<u>3,854</u>

(a) Store count excludes franchised store locations.

The following is a rollforward of store growth through December 31, 2019:

	<u>Store Count<sup>(b)</sup></u>
<b>Stores at 12/31/17</b> .....	2,744
New store construction .....	23
Acquisitions <sup>(a)</sup> .....	1,176
Closed .....	(20)
Sold .....	—
<b>Stores at 12/31/18</b> .....	<u>3,923</u>
New store construction .....	21
Acquisitions .....	33
Closed .....	(33)
Sold .....	(46)
<b>Stores at 12/31/19</b> .....	<u>3,898</u>

(a) The 1,098 retail sites acquired from Andeavor are included in Speedway’s results of operations beginning October 1, 2018.

(b) Store count excludes franchised store locations.

In connection with the Acquisition and at the consummation of the Acquisition, SEI Fuels and Marathon LP will enter into the Fuel Supply Agreement, pursuant to which Marathon LP will provide an amount of fuel to the

Speedway Business that will be determined by SEI Fuels and Marathon LP and set forth in the Fuel Supply Agreement. The Fuel Supply Agreement will have an initial term of 15 years, subject to a single renewal term of three additional years, unless either party notifies the other of its non-renewal intent.

## **Recent Developments**

### ***PTC's Repurchase of Speedway's Interest in PFJ Southeast***

On October 30, 2020, PTC provided MPC notice of PTC's intent to exercise the Repurchase Right under the JV Agreement governing PFJ Southeast, pursuant to which PTC will repurchase Speedway's interest in PFJ Southeast for the Repurchase Price. The repurchase is expected to close in the first quarter of 2021 and Speedway will account for the equity method investment in PFJ Southeast LLC as an asset held for sale beginning in the fourth quarter of 2020.

### ***Acquisition of Andeavor***

On October 1, 2018, MPC acquired Andeavor (formerly Tesoro Corporation), an integrated oil and gas refining, logistics and marketing company. The subset of Andeavor's operations consisting primarily of company-owned and operated convenience stores (collectively, "***Andeavor Retail***") is included in the historical results of operations, financial position and cash flows of Speedway presented in this offering circular. As a part of the acquisition, MPC and Speedway began a fast-paced transformation initiative to convert the acquired locations to the Speedway brand. As of September 30, 2020, 699, or approximately 64%, of the acquired locations have been converted to the Speedway brand and business model. Refer to Note 4 to our audited combined financial statements for further discussion around the financial impact of Andeavor to Speedway's operations.

### ***Other Acquisitions***

During the fourth quarter of 2018, Speedway acquired 78 transportation fuel and convenience store locations from Petr-All Petroleum Consulting Corporation for total consideration of \$266 million. These stores are located primarily in the Syracuse, Rochester and Buffalo markets in New York and operated under the Express Mart brand. Additionally, during the third quarter of 2019, MPC acquired an asphalt terminal and 33 NOCO Express retail stores ("***NOCO Retail***") in Buffalo, Syracuse and Rochester, New York, from NOCO for total consideration of \$135 million. The NOCO Retail stores were integrated into Speedway and are reflected in the Company's financial results from July 2019, with close occurring over a two-week period from July 15 to July 25. These acquisitions expanded our footprint and assembled workforce in the Syracuse, Rochester and Buffalo markets. Refer to Note 4 to our audited combined financial statements for the year ended December 31, 2019 for further discussion around the financial impact to Speedway's operations.

### ***Pilot Travel Centers LLC Branding Agreement***

Speedway and PTC entered into the Diesel Branding Agreement effective October 1, 2019, pursuant to which PTC supplies, prices and sells diesel fuel at certain Speedway and PTC locations. As of September 30, 2020, this agreement included approximately 350 Speedway and PTC fueling locations across 15 states, including approximately 200 Speedway commercial fueling locations. Under the terms of the agreement, both companies agreed to share the diesel fuel margins captured as a result of the sourcing efficiencies and logistical economies of scale. Refer to Note 4 to our unaudited condensed combined financial statements for the nine months ended September 30, 2020 for further discussion around the financial impact to Speedway's operations.

### ***COVID-19***

In late 2019, a novel strain of coronavirus, COVID-19, was first reported in Wuhan, China. The coronavirus has since spread rapidly to many other countries, including the U.S. Global health concerns relating to the

coronavirus pandemic have had significant and widespread effects on the macroeconomic environment, including on the convenience store industry in the U.S. The convenience store industry in particular is experiencing acute challenges related to the COVID-19 pandemic. Our stores have been impacted by a reduction in traffic, changing customer behaviors, reduced store hours and temporary closures, although substantially all impacted stores have re-opened and have returned to normal operating hours as of September 30, 2020. As a result of restrictions related to the COVID-19 pandemic, 40 of our stores were temporarily closed and one of our convenience stores remains temporarily closed as of September 30, 2020. Various state “stay-at-home” orders have negatively impacted fuel demand and overall convenience store traffic and merchandise sales. For example, we experienced significant declines in customer traffic during March and April 2020, with recovery beginning in May 2020. Merchandise margins were impacted due to increased mix of tobacco and alcohol, which carry lower margins than fresh food and other general merchandise. At the same time, fuel margins have significantly benefited from the oil commodity market, which has offset our declines in fuel volumes and merchandise gross profit. In addition, convenience store operators have taken measures to increase the safety of employees and customers. We incurred approximately \$44 million in incremental expenses related to the COVID-19 pandemic during the nine months ended September 30, 2020, and there is great uncertainty around the duration of the disruption from the pandemic, any worsening of the pandemic and the availability of one or more vaccines. Global economic and political events, supply disruptions, new and changing government regulations and significant decreases in consumer demand (like that caused by the COVID-19 pandemic) could have a material adverse effect on our business, financial condition, results of operations and cash flows.

## Results of Operations

The following discussion includes comments and analysis relating to our results of operations for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017. The historical consolidated financial data as of and for each of the three years ended December 31, 2019 has been derived from the audited consolidated financial statements and the notes thereto of the Speedway Business, which have been included elsewhere in this offering circular. The unaudited historical consolidated financial data as of and for the nine months ended September 30, 2020 and 2019 has been derived from the unaudited, interim combined financial statements and the notes thereto of the Speedway Business, which also have been included elsewhere in this offering circular. The unaudited combined financial statements of the Speedway Business have been prepared on the same basis as the audited financial statements the Speedway Business and, in the opinion of the Speedway Business's management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of this data. The Speedway Business's historical operating results are not necessarily indicative of the results that may be expected for any future period. The historical combined financial statements of Speedway do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as a separate, stand-alone company during the periods presented. Actual costs that may have been incurred if the Speedway Business had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. These amounts include the results of NOCO from the acquisition date forward.

<i>(In millions)</i>	Nine Months Ended September 30,		9/30/20 vs. 9/30/19	Year Ended December 31,		12/31/19 vs. 12/31/18	Year Ended December 31,	12/31/18 vs. 12/31/17
	2020	2019	Variance	2019	2018	Variance	2017	Variance
<b>Revenues and other income:</b>								
Sales .....	\$14,672	\$20,170	\$(5,498)	\$26,557	\$21,946	\$4,611	\$19,036	\$2,910
Equity investment income .....	70	58	12	82	74	8	69	5
Diesel branding agreement income ....	110	—	110	28	—	28	—	—
Total sales and other operating income .....	14,852	20,228	(5,376)	26,667	22,020	4,647	19,105	2,915
Cost of sales <sup>(a)</sup> .....	11,502	17,120	(5,618)	22,484	18,862	3,622	16,389	2,473
Operating, general and administrative expenses <sup>(b)</sup> .....	1,969	2,093	(124)	2,809	2,090	719	1,775	315
Depreciation and amortization <sup>(c)</sup> .....	312	285	27	414	321	93	274	47
<b>Income from operations</b> .....	<b>1,069</b>	<b>730</b>	<b>339</b>	<b>960</b>	<b>747</b>	<b>213</b>	<b>667</b>	<b>80</b>
Other income, net .....	15	6	9	38	23	15	27	(4)
Interest expense, net .....	5	4	1	7	1	6	1	—
Interest expense, net— related-party .....	70	87	(17)	111	116	(5)	112	4
<b>Income before income taxes</b> .....								
Income tax expense .....	259	162	97	221	170	51	44	126
<b>Net earnings</b> .....	<b>\$ 750</b>	<b>\$ 483</b>	<b>\$ 267</b>	<b>\$ 659</b>	<b>\$ 483</b>	<b>\$ 176</b>	<b>\$ 537</b>	<b>\$ (54)</b>

(a) Cost of sales includes related party purchases of fuel. Cost of sales excludes depreciation and amortization, which are reflected in a separate line item.

(b) Operating, general and administrative expenses exclude depreciation and amortization, which are reflected in a separate line item.

- (c) Depreciation and amortization includes property, plant and equipment impairment charges of \$11 million and \$1 million for the nine months ended September 30, 2020 and 2019.

<b>Key Financial and Operating Data</b>	<b>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Fuel sales ( <i>millions of gallons</i> ).....	4,416	5,820	7,658	6,293	5,799
Average fuel sales prices ( <i>dollars per gallon</i> ).....	\$ 2.23	\$ 2.65	\$ 2.64	\$ 2.65	\$ 2.39
Merchandise sales ( <i>in millions</i> ) .....	\$4,784	\$4,728	\$6,284	\$5,231	\$5,170
Same store gasoline sales volume (period-over-period) <sup>(a)</sup> .....	(20.6)%	(2.8)%	(3.3)%	(1.5)%	(1.3)%
Same store merchandise sales (period-over-period) <sup>(a)(b)</sup> .....	(0.9)%	5.6%	5.4%	4.2%	1.2%
<b>Summary of Speedway Operating Stores</b>					
Company Owned Company Operated stores at period end .....	3,509	3,516	3,545	3,491	2,744
Multi-Site Operator stores at period-end .....	345	415	353	432	—
<b>Total Speedway Operating Stores</b> .....	<b>3,854</b>	<b>3,931</b>	<b>3,898</b>	<b>3,923</b>	<b>2,744</b>
Franchise stores at period-end .....	74	76	74	82	—

(a) Same store comparison includes only locations owned at least 13 months.

(b) Excludes cigarettes.

### *Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019*

#### *Sales*

Sales decreased \$5.5 billion, or 27%, primarily due to the effects of the COVID-19 pandemic which resulted in restricted travel, social distancing and reduced business operations. Speedway's fuel sales decreased by \$5.6 billion due to a \$0.42 per gallon decrease in average fuel sales prices and a decrease of 1.4 billion gallons sold. In addition, fuel sales volumes decreased as a result of an agreement between Speedway and PTC, effective October 1, 2019, in which PTC supplies, prices and sells diesel fuel at certain Speedway and PTC locations with both companies sharing in the diesel fuel margins. The decrease in fuel sales was offset slightly by a \$56 million increase in merchandise sales as a result of increased sales in the beer, wine and cigarettes product categories.

#### *Equity Investment Income*

Equity investment income reflects our proportionate share of net income generated by our equity method investee, PFJ Southeast. Equity investment increased by \$12 million, or 21%, mainly due to an increase in income for PFJ Southeast.

#### *Diesel Branding Agreement Income*

Diesel branding agreement income increased \$110 million due to our diesel branding agreement with PTC, effective October 1, 2019, in which PTC agreed to supply, price and sell fuel at certain Speedway and PTC locations.

#### *Cost of Sales*

Cost of sales ("*COS*") includes all costs incurred to acquire transportation fuels and merchandise inventories, including the purchase price, freight-in, transportation costs to stores, purchasing costs and shrinkage. *COS* decreased \$5.6 billion, or 33%, primarily due to the effects of the COVID-19 pandemic on fuel costs, which decreased by \$5.7 billion directly impacted by a decrease in volume of 1.4 billion gallons and a decrease in costs of \$0.11 per gallon. This decrease was partially offset by an increase in merchandise costs of \$61 million driven by increased sales in the beer, wine and cigarettes product categories.



### *Operating, General and Administrative Expenses*

Operating, general and administrative expenses primarily consist of salaries and wages, rent, bankcard processing fees, purchased services and other general corporate overhead charges. Operating, general and administrative expenses decreased \$124 million, or 6%, year over year primarily due to decreases of \$61 million in bankcard processing fees and decreases in operating costs resulting from closed and sold stores. Operating costs for stores acquired in 2019 were included in our results beginning on the acquisition dates.

### *Depreciation and Amortization*

Depreciation and amortization increased \$27 million, or 9%, primarily due to significant capital expenditures and assets placed into service after September 30, 2019, \$17 million of the increase is primarily for the conversion of Andeavor Retail stores to Speedway branding. The remaining increase is predominantly due to asset impairments of \$10 million.

### *Interest Expense*

Interest expense decreased \$16 million, or 18%, primarily due to a \$17 million decrease in related party interest expense as a result of the partial settlement of related party loans during the quarter ended September 30, 2020. See Note 4 to our unaudited condensed combined financial statements for the nine months ended September 30, 2020 for further details on related party debt.

### *Income Taxes*

Income tax expense increased \$97 million, or 60%, primarily due to increased pre-tax income of \$364 million combined with a higher effective tax rate for the nine months ended September 30, 2020. The effective tax rates of 25.7% and 25.1% for the nine months ended September 30, 2020 and 2019 respectively are higher than the U.S. statutory rate of 21 percent primarily due to state and local income taxes.

## ***Year Ended December 31, 2019 Compared to Year Ended December 31, 2018***

### *Sales*

Sales increased \$4.6 billion, or 21%, primarily due to increased fuel and merchandise sales of \$5.2 billion resulting from the Andeavor Retail acquisition on October 1, 2018. Excluding the impact of the Andeavor Retail acquisition, Speedway sales decreased by \$621 million, driven primarily by a decrease in fuel sales of \$969 million due to a \$0.13 per gallon decrease in average fuel sales prices and a decrease of 81 million gallons sold. The decrease in fuel sales was partially offset by an increase in merchandise sales of \$352 million driven by increased sales in the beer, wine, food service and cigarettes product categories.

### *Equity Investment Income*

Equity investment income reflects our proportionate share of net income generated by our equity method investee, PFJ Southeast. Equity investment increased by \$8 million, or 11%, mainly due to an increase in income for PFJ Southeast.

### *Diesel Branding Agreement Income*

Diesel branding agreement income increased \$28 million due to our diesel branding agreement with PTC, effective October 1, 2019, in which PTC agreed to supply, price and sell fuel at certain Speedway and PTC locations.

### *Cost of Sales*

COS includes all costs incurred to acquire transportation fuels and merchandise inventories, including the purchase price, freight-in, transportation costs to stores, purchasing costs and shrink. COS increased \$3.6 billion, or 19%, primarily due to increases in costs of fuel and merchandise of \$4.3 billion resulting from the Andeavor Retail acquisition. The increase was partially offset by a decrease in Speedway COS (excluding the impact of the Andeavor Retail acquisition) of \$727 million primarily driven by a \$975 million decrease in fuel costs directly impacted by a decrease in costs of \$0.13 per gallon offset by an increase in merchandise costs of \$248 million in the beer, wine, food service and cigarettes product categories.

### *Operating, General and Administrative Expenses*

Operating, general and administrative expenses primarily consist of salaries and wages, rent, bankcard processing fees, purchased services and other general corporate overhead charges. Operating, general and administrative expenses increased \$719 million, or 34%, year-over-year primarily due our acquisitions of Andeavor Retail, NOCO and Express Mart and increased corporate overhead charges from MPC. Operating costs for stores acquired in 2019 and 2018 were included in our results beginning on the acquisition dates.

### *Depreciation and Amortization*

Depreciation and amortization increased \$93 million, or 29%, primarily due to higher fixed asset depreciation and intangible asset amortization of \$50 million as a result of the Andeavor Retail acquisition and other acquisitions in 2018 and 2019. Depreciation and amortization also increased due to asset impairments of \$21 million. The remaining increase is due to higher capital expenditures and the related assets placed into service in 2019 compared to 2018.

### *Interest Expense*

Interest expense increased \$1 million, or 0.1%, mainly due to a \$6 million increase in interest expense related to finance lease obligations assumed as part of the Andeavor Retail acquisition, partially offset by a \$5 million decrease in related-party interest expense as a result of lower average LIBOR rates in 2019 compared to 2018. See Note 6 to our audited combined financial statements for further details on related-party debt.

### *Income Taxes*

Our income tax expense increased to \$221 million, or 30%, and resulted in an effective tax rate of 25% in 2019 that was higher than the U.S. statutory rate of 21%. This was primarily due to state and local income taxes being partially offset by tax credits. The income tax expense of \$170 million resulted in an effective tax rate of 26% in 2018 that was higher than the U.S. statutory rate of 21%. This was primarily due to state and local income taxes (inclusive of the remeasurement of deferred taxes related to a change in the effective state income tax rates), which was partially offset by tax credits. See Note 16 to our audited combined financial statements for further details.

## ***Year Ended December 31, 2018 Compared to Year Ended December 31, 2017***

### *Sales*

Sales increased \$2.9 billion, or 15%. The majority of this increase was due to \$1.7 billion of revenues resulting from the acquisition of Andeavor Retail on October 1, 2018. Excluding the impact of the Andeavor Retail acquisition, Speedway sales increased by \$1.2 billion. The increase was driven primarily by an increase in fuel sales of \$1.9 billion due to a 9 million increase in gallons sold and a \$0.32 per gallon increase in average fuel sales prices. Merchandise sales increased \$124 million due to an increase in sales across the cigarettes, beer, wine, and food service categories. These increases were partially offset by our election to present revenues net of

certain taxes under ASC Topic 606 prospectively from January 1, 2018, which resulted in a decrease in revenues of \$844 million in 2018 for Speedway (excluding the impact of Andeavor Retail). See Note 3 to our audited combined financial statements for additional information.

#### *Equity Investment Income*

Equity investment income reflects our proportionate share of net income generated by our equity method investee, PFJ Southeast. Equity investment increased by \$5 million, or 7%, mainly due to an increase in income for PFJ Southeast.

#### *Cost of Sales*

COS increased by \$2.5 billion, or 15%, primarily due to increases in costs of fuel and merchandise of \$1.4 billion resulting from the Andeavor Retail acquisition. Excluding the impact of the Andeavor Retail acquisition, Speedway COS increased \$1.1 billion primarily driven by increases in fuel costs of \$1.8 billion directly impacted by an increase of \$0.30 per gallon, partially offset by our election to present revenues net of certain taxes under ASC Topic 606 prospectively from January 1, 2018, which resulted in a decrease in COS of \$844 million in 2018 for Speedway (excluding the impact of the Andeavor Retail acquisition). The remaining difference is driven by changes in cost of merchandise.

#### *Operating, General and Administrative Expenses*

Operating, general and administrative expenses increased \$315 million, or 18%, year-over-year primarily due to the inclusion of three months of operating, general and administrative expenses of Andeavor Retail and increased corporate overhead charges from MPC.

#### *Depreciation and Amortization:*

Depreciation and amortization increased \$47 million, or 17%, primarily due to higher capital expenditures and the related assets placed into service which increased depreciation and amortization by \$32 million (excluding the impact of the Andeavor Retail acquisition) in 2018 compared to 2017. Depreciation also increased \$15 million due to the acquisition of Andeavor Retail.

#### *Interest Expense*

Interest expense increased \$4 million, or 4%, due to an increase in related-party interest expense as a result of higher average LIBOR rates in 2018 compared to 2017.

#### *Income Taxes*

Our income tax expense increased to \$170 million, or 286%, and resulted in an effective tax rate of 26% in 2018 that was higher than the U.S. statutory rate of 21%. This was primarily due to state and local income taxes (inclusive of the remeasurement of deferred taxes related to a change in the effective state income tax rates), which was partially offset by tax credits. The income tax expense of \$44 million resulted in an effective tax rate of 8% in 2017 that was lower than the U.S. statutory rate of 35%. This was primarily due to a tax benefit of \$174 million recorded for the remeasurement of deferred taxes related to the decrease in the U.S. statutory rate from 35% to 21% as a result of the TCJA, which was partially offset by state and local income taxes. See Note 16 to our audited combined financial statements for further details.

## Historical Liquidity and Capital Resources

### *Funding and Liquidity Strategy*

Speedway has historically participated in MPC's centralized treasury management, including centralized cash pooling and overall financing arrangements. Transfers of cash both to and from these arrangements are reflected as a component of Parent company investment in the condensed combined balance sheets. However, historically, we have generated operating cash flow sufficient to fund our working capital, capital expenditure and financing requirements.

Following the Transactions, the capital structure and sources of liquidity for Speedway are expected to change significantly. We will no longer participate in MPC's centralized treasury management. Instead, our ability to fund our capital needs will depend on our ongoing ability to generate cash from operations, our access to bank lines of credit and the capital markets, and any intercompany arrangements entered into with 7-Eleven. For information on the combined company's liquidity following the Transactions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven—Liquidity and Capital Resources Following the Transactions."

### *Cash Flows*

Our cash and cash equivalents balance was \$111 million and \$198 at September 30, 2020 and 2019, respectively, and \$165 million, \$212 million and \$166 million at December 31, 2019, 2018 and 2017, respectively. Net cash provided by (used in) operating activities, investing activities and financing activities for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017 are presented in the following table.

<i>(in millions)</i>	<b>Nine Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>September 30,</b>	<b>September 30,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>2020</b>	<b>2019</b>			
<b>Net cash provided by (used in):</b>					
Operating activities .....	\$1,110	\$ 838	\$1,174	\$ 944	\$ 712
Investing activities .....	(282)	(351)	(464)	(357)	(357)
Financing activities .....	(882)	(531)	(787)	(511)	(320)
<b>Total</b>	<b>\$ (54)</b>	<b>\$ (44)</b>	<b>\$ (77)</b>	<b>\$ 76</b>	<b>\$ 35</b>

### *Operating Activities*

Net cash provided by operating activities increased \$253 million in the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to an increase in operating results, which was offset by an unfavorable change in working capital of \$102 million.

Net cash provided by operating activities increased \$230 million in 2019 compared to 2018, primarily due to an increase in operating results, which was offset by an unfavorable change in working capital of \$15 million. Net cash provided by operating activities increased \$232 million in 2018 compared to 2017, primarily due to an increase in operating results and favorable change in working capital of \$13 million.

### *Investing Activities*

Cash flows used in investing activities decreased \$69 million in the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The decrease in the first nine months of 2020 is primarily attributable to reduced capital expenditures of \$60 million, driven primarily by Andeavor Retail store conversions that took place at a higher rate in 2019 compared to 2020 due to a \$250 million reduction in the

annual capital forecast for 2020 as a result of the COVID-19 pandemic. This was partially offset by an increase in cash proceeds from sales of property, plant and equipment of \$9 million.

Cash flows used in investing activities increased \$107 million in 2019 compared to 2018. The increase in 2019 was primarily attributable to additional capital expenditures of \$155 million primarily due to a full year of Andeavor Retail store conversions in 2019. This was partially offset by an increase in cash proceeds from sales of property, plant and equipment of \$48 million. Cash flows used in investing activities remained consistent in 2018 compared to 2017.

The unaudited condensed combined statements of cash flows for the nine months ended September 30, 2020 and 2019 exclude changes to the unaudited condensed combined balance sheets that did not affect cash. The audited combined statements of cash flows for the years ended December 31, 2019, 2018 and 2017 exclude changes to the combined balance sheets that did not affect cash. A reconciliation of additions to property, plant and equipment to total capital expenditures and investments follows for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017.

<i>(in millions)</i>	<b>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Additions to property, plant and equipment per consolidated statements of cash flows . . . . .	\$305	\$365	\$544	\$389	\$384
Increase (decrease) in capital accruals . . . . .	(95)	(21)	25	47	(1)
Total capital expenditures . . . . .	210	344	569	436	383
Investments in equity method investees . . . . .	15	13	(11)	13	45
<b>Total capital expenditures and investments . . . . .</b>	<b>\$225</b>	<b>\$357</b>	<b>\$558</b>	<b>\$449</b>	<b>\$428</b>

*Financing Activities*

Cash used for or provided by financing activities is due to transfers to and from our parent, MPC, and repayments of related-party debt. The components of net transfers include: (i) cash transfers from Speedway to MPC, (ii) cash investments from MPC used to fund operations, capital expenditures and acquisitions, (iii) charges (benefits) for income taxes, and (iv) allocations of MPC’s corporate expenses described in this offering circular. See Note 4 to our unaudited combined financial statements and Note 6 to our audited combined financial statements for more information.

**Capital Requirements**

*Capital Spending and Contractual Cash Obligations*

As of September 30, 2020, Speedway’s remaining 2020 forecasted capital expenditures of approximately \$40 million is focused on site acquisitions and conversion of acquired locations to the Speedway brand and systems, growth in existing and new markets, commercial fueling/diesel expansion, food service through store remodels and high-quality acquisitions.

Major capital projects over the last three years included converting recently acquired locations to the Speedway brand and systems, building new store locations, remodeling and rebuilding existing locations in core markets and building out our network of commercial fueling lane locations to capitalize on diesel demand.

The outstanding balance on Speedway’s \$875 million 5.25% Senior Note due September 15, 2022 was settled during the quarter ended September 30, 2020, with the settlement reflected as a component of Transfers (to) / from MPC, net in the condensed combined statements of cash flows. Speedway’s \$875 million 5.5% Senior Note due September 15, 2024 was partially settled during the quarter ended September 30, 2020 with a remaining

balance of \$739 million as of September 30, 2020, which is expected to be paid off in connection with the consummation of the Acquisition. At September 30, 2020, our contractual commitments to purchase services and materials totaled \$29 million; there were no such material commitments at December 31, 2019.

For information on the combined company’s capital spending and contractual cash obligations following the Transactions, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven—Contractual Obligations and Commercial Commitments.”

### *Off-Balance Sheet Arrangements*

Off-balance sheet arrangements comprise those arrangements that may potentially impact our liquidity and capital resources and results of operations, even though such arrangements are not recorded as liabilities under GAAP. Our off-balance sheet arrangements are limited to indemnities and guarantees. See Note 17 to our audited combined financial statements for further discussion of guarantees. Although these arrangements serve a variety of our business purposes, we are not dependent on them to maintain our liquidity and capital resources, and we are not aware of any circumstances that are reasonably likely to cause the off-balance sheet arrangements to have a material adverse impact on liquidity and capital resources.

### **Environmental Matters and Compliance Costs**

We have incurred and may continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations and clean-up efforts related to USTs at presently or formerly owned or operated retail locations. If these expenditures, as with all costs, are not ultimately reflected in the prices of our products and services, our operating results will be adversely affected. We believe that substantially all of our competitors must comply with similar environmental laws and regulations. However, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating locations and USTs or marketing areas related to retail operations.

Legislation and regulations pertaining to fuel specifications, climate change and GHG have the potential to materially adversely impact our business, financial condition, results of operations and cash flows, including costs of compliance and permitting delays. The extent and magnitude of these adverse impacts cannot be reliably or accurately estimated at this time because specific regulatory and legislative requirements have not been finalized and uncertainty exists with respect to the measures being considered, the costs and the time frames for compliance, and our ability to pass compliance costs on to our customers. For additional information see “Risk Factors.”

Our environmental expenditures, including non-regulatory expenditures, for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017 were:

<i>(in millions)</i>	<b>Nine Months Ended September 30,</b>		<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Capital .....	\$ 9	\$13	\$22	\$19	\$ 7
Compliance: <sup>(a)</sup>					
Operating and Maintenance .....	16	17	22	11	9
Remediation <sup>(b)</sup> .....	16	15	20	21	18
<b>Total</b>	<b>\$41</b>	<b>\$45</b>	<b>\$64</b>	<b>\$51</b>	<b>\$34</b>

(a) Based on the American Petroleum Institute’s definition of environmental expenditures.

(b) These amounts include spending charged against remediation reserves, where permissible, but exclude non-cash provisions recorded for environmental remediation.

Our environmental capital expenditures accounted for 4%, 4%, 4%, 4% and 2% of capital expenditures for the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017, respectively, excluding acquisitions.

We accrue for environmental remediation activities when the responsibility to remediate is probable and the amount of associated costs can be reasonably estimated. Accruals are not discounted for state reimbursement funds or insurance proceeds. As environmental remediation matters proceed toward ultimate resolution or as additional remediation obligations arise, charges in excess of those previously accrued may be required.

New or expanded environmental requirements, including under the Biden administration, which could increase our environmental costs, may arise in the future. It is not possible to predict all of the ultimate costs of compliance, including remediation costs that may be incurred and penalties that may be imposed.

In certain instances, Speedway can obtain reimbursement from state underground storage tank funds for certain remedial costs associated with tank releases. Receivables from state government agencies related to a portion of Speedway's remedial obligations amounted to approximately \$20 million at September 30, 2020 and December 31, 2019. We continuously assess the probability of collection of state reimbursement receivables based on each state's fund balance, revenue sources, existing claims backlog, status of clean-up activity, the sunset status of each state's fund, and our claim ranking, which can result in periodic adjustments to reimbursement receivables. Changes in these factors could result in periodic adjustments to our reimbursement receivables.

For more information on environmental regulations that impact us, or could impact us, see "Business of Speedway—Environmental Matters", "Risk Factors" and "Business of Speedway—Legal Proceedings."

### ***Critical Accounting Estimates***

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenues and expenses during the respective reporting periods. Accounting estimates are considered to be critical if (1) the nature of the estimates and assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and (2) the impact of the estimates and assumptions on financial condition or operating performance is material. The most significant areas involving management judgments and estimates are described below. Actual results could differ from the estimates and assumptions used.

### ***Impairment Assessments of Long-Lived Assets, Goodwill and Equity Method Investments***

Fair value calculated for the purpose of testing our long-lived assets, intangible assets, goodwill and equity method investments for impairment is estimated using the expected present value of future cash flows method and comparative market prices when appropriate. Significant judgment is involved in performing these fair value estimates since the results are based on forecasted financial information prepared using significant assumptions including:

- *Future margins on products sold.* Our estimates of future product margins are based on our analysis of various supply and demand factors, which include, among other things, end-user demand, capital expenditures and economic conditions. Such estimates are consistent with those used in our planning and capital investment reviews.

- *Discount rate commensurate with the risks involved.* We apply a discount rate to our cash flows based on a variety of factors, including market and economic conditions, operational risk, regulatory risk and political risk. This discount rate is also compared to recent observable market transactions, if possible. A higher discount rate decreases the net present value of cash flows.
- *Future capital requirements.* These are based on authorized spending and internal forecasts.

We base our fair value estimates on projected financial information, which we believe to be reasonable. However, actual results may differ materially from these projections.

The need to test for impairment can be based on several indicators, including a significant reduction in demand for our products, a poor outlook for profitability, a significant reduction in fuel margins, other changes to contracts or changes in the regulatory environment.

### Long-Lived Assets

Long-lived assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate that the carrying value of the assets may not be recoverable based on the expected undiscounted future cash flow of an asset group. For purposes of impairment evaluation, long-lived assets must be grouped at the lowest level for which independent cash flows can be identified, which generally is company-owned convenience store locations and assets. If the sum of the undiscounted estimated pretax cash flows is less than the carrying value of an asset group, fair value is calculated, and the carrying value is written down to the calculated fair value.

### Goodwill

Unlike long-lived assets, goodwill is subject to annual, or more frequent if necessary, impairment testing. A goodwill impairment loss is measured as the amount by which a reporting unit's carrying value exceeds its fair value, without exceeding the recorded amount of goodwill. As of September 30, 2020 and December 31, 2019, we had a total of \$4.4 billion and \$4.4 billion of goodwill recorded on our combined balance sheet, respectively.

Prior to performing our annual impairment assessment as of November 30, 2019, we determined that no significant adjustments to the carrying value of goodwill were necessary. The annual impairment assessment for these resulted in the fair value of our reporting unit exceeding its carrying value by approximately 140%.

Significant assumptions used to estimate the reporting units' fair value included estimates of future cash flows and market information for comparable assets. If estimates for future cash flows, which are impacted by consumer demand at retail locations and store performance, were to decline, the overall reporting units' fair value would decrease, resulting in potential goodwill impairment charges. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the impairment tests will prove to be an accurate prediction of the future. See Note 10 to our audited combined financial statements for additional information on our goodwill, including a table summarizing our recorded goodwill. See Note 11 to our audited combined financial statements for additional information on our intangible assets.

### Equity Method Investments

Equity method investments are assessed for impairment whenever factors indicate an other than temporary loss in value. Factors providing evidence of such a loss include the fair value of an investment that is less than its carrying value, absence of an ability to recover the carrying value or the investee's inability to generate income



sufficient to justify our carrying value. At September 30, 2020 and December 31, 2019, we had \$315 million and \$330 million, respectively, of investments in equity method investments recorded on our consolidated balance sheet.

An estimate of the sensitivity to net income resulting from impairment calculations is not practicable, given the numerous assumptions (e.g., pricing, volumes and discount rates) that can materially affect our estimates. That is, unfavorable adjustments to some of the above listed assumptions may be offset by favorable adjustments in other assumptions.

See Note 8 to our audited combined financial statements for additional information on our equity method investments.

### *Acquisitions*

In accounting for business combinations, acquired assets, assumed liabilities and contingent consideration are recorded based on estimated fair values as of the date of acquisition. The excess or shortfall of the purchase price when compared to the fair value of the net tangible and identifiable intangible assets acquired, if any, is recorded as goodwill or a bargain purchase gain, respectively. A significant amount of judgment is involved in estimating the individual fair values of property, plant and equipment, intangible assets, contingent consideration and other assets and liabilities. We use all available information to make these fair value determinations and, for certain acquisitions, engage third-party consultants for valuation assistance.

The fair value of assets and liabilities, including contingent consideration, as of the acquisition date are often estimated using a combination of approaches, including the income approach, which requires us to project future cash flows and apply an appropriate discount rate; the cost approach, which requires estimates of replacement costs and depreciation and obsolescence estimates; and the market approach, which uses market data and adjusts for entity-specific differences. The estimates used in determining fair values are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ materially from the projected results used to determine fair value. See Note 4 to our audited combined financial statements for additional information on our acquisitions. See Note 13 to our audited combined financial statements for additional information on fair value measurements.

### *Pension and Other Postretirement Benefit Obligations*

Accounting for pension and other postretirement benefit obligations involves numerous assumptions, the most significant of which relate to the following:

- the discount rate for measuring the present value of future plan obligations;
- the expected long-term return on plan assets;
- the rate of future increases in compensation levels;
- health care cost projections; and
- the mortality table used in determining future plan obligations.

We utilize the work of third-party actuaries to assist in the measurement of these obligations. We have selected different discount rates for each of our pension plans and retiree health and welfare based on the projected benefit payment patterns of each individual plan. The selected rates are compared to various similar bond indexes for reasonableness. In determining the assumed discount rates, we use our third-party actuaries' discount rate models. These models calculate an equivalent single discount rate for the projected benefit plan cash flows using yield curves derived from Aa or higher bond yields. The yield curves represent a series of annualized individual spot discount rates from 0.5 to 99 years. The bonds used have an average rating of Aa or higher by a recognized rating agency and generally only non-callable bonds are included. Outlier bonds that have

a yield to maturity that deviate significantly from the average yield within each maturity grouping are not included. Each issue is required to have at least \$250 million par value outstanding.

Of the assumptions used to measure the year-end obligations and estimated annual net periodic benefit cost, the discount rate has the most significant effect on the periodic benefit cost reported for the plans. Decreasing the discount rates of 2.85% for our pension plans and 3.25% for our other postretirement benefit plans by 0.25% would increase pension obligations and other postretirement benefit plan obligations by \$4.8 billion and \$174 million, respectively, and would increase defined benefit pension expense and other postretirement benefit plan expense by \$55 million and \$18 million, respectively.

The long-term asset rate of return assumption considers the asset mix of the plans (currently targeted at approximately 14% equity securities and 86% fixed income securities for the primary funded pension plan), past performance and other factors. Certain components of the asset mix are modeled with various assumptions regarding inflation and returns. In addition, our long-term asset rate of return assumption is compared to those of other companies and to historical returns for reasonableness. We used the 5% long-term rate of return to determine our 2019 defined benefit pension expense. After evaluating activity in the capital markets, along with the current and projected plan investments, we decreased the asset rate of return for our primary plan to 4.50% effective for 2020. Decreasing the 5% asset rate of return assumption by 0.25% would increase our defined benefit pension expense by \$464 million.

Compensation change assumptions are based on historical experience, anticipated future management actions and demographics of the benefit plans.

Health care cost trend assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends.

We utilized the 2019 mortality tables from the U.S. Society of Actuaries.

Note 14 to our audited combined financial statements includes detailed information about the assumptions used to calculate the components of our annual defined benefit pension and other postretirement plan expense, as well as the obligations and accumulated other comprehensive loss reported on the year-end balance sheets.

## **Recently Issued and Adopted Accounting Standards**

Refer to Note 2 to our unaudited combined financial statements and Note 3 to our audited combined financial statements included elsewhere in this offering circular for discussion of recently issued and adopted accounting standards.

## **Quantitative and Qualitative Disclosures About Market Risk**

### ***Interest Rate Risk***

Speedway has historically participated in MPC's centralized treasury management, including centralized cash pooling and overall financing arrangements. We have transferred cash to MPC daily and MPC has funded our operations and investing activities, as needed. Excluding certain intercompany notes and finance lease obligations, we have no other third-party debt or financial instruments where we are exposed to interest rate risks.

### ***Commodity Price Risk***

Speedway is exposed to market risks related to the volatility in the price of transportation fuels (primarily gasoline and diesel). We have not historically hedged or managed our price risk as the time between purchase of our gasoline and diesel fuel inventory and sales to our customers is very short.

### ***Foreign Currency Risk***

All of our operations are in the U.S.; as such we have no exposure to foreign currency fluctuations.

## BUSINESS OF 7-ELEVEN

*Unless the context requires otherwise, references in this “Business of 7-Eleven” to “7-Eleven,” “SEI,” the “Company,” “we,” “our,” “us,” and other similar terms refer to 7-Eleven, Inc. and each of its consolidated subsidiaries before giving effect to the Acquisition. References to “our stores,” means our company and franchisee-operated stores in the U.S. and our company-operated stores in Canada.*

### General

We introduced the convenience store concept in 1927, when as an ice company, our retail outlets began selling milk, bread, and eggs. Today, we are the largest convenience store brand in the world. As of September 30, 2020, approximately 71,700 locations operated under the 7-Eleven brand in 17 countries (including approximately 21,000 stores that SEJ independently operated in Japan, which are not included in 7-Eleven’s results of operations for any periods presented). 7-Eleven is the largest convenience store operator in the U.S. with 9,259 franchisee-operated or company-operated locations as of September 30, 2020. As of September 30, 2020, we operated, franchised, or licensed approximately 50,750 stores worldwide.

The name “7-Eleven” originated in 1946 when our stores were open from 7 a.m. until 11 p.m. Nearly all of our stores in the U.S. and Canada provide 24-hour convenience, seven days a week. For the nine months ended September 30, 2020, our company-operated and franchisee-operated stores served an average of 7.4 million daily in-store customers. Our stores generally range in size from 2,400 to 3,000 square feet and on average carry around 2,300 items.

We conduct our business through two lines of business, retail (merchandising and fuel) and wholesale (fuel). The retail line of business operates, franchises, and licenses convenience stores that sell fresh foods, snacks, beverages, merchandise, transportation fuel, and offer a variety of services, primarily under the 7-Eleven name. The wholesale line of business, which consists of our fuel supply and wholesale fuels businesses, purchases fuel from a number of refiners and suppliers and supplies it to our retail stores, to dealer sites and consignment sites under both short and long-term supply agreements, and to other third parties. We have not provided segment reporting because, as a private company, we are not required to do so. Furthermore, we do not intend to provide segment reporting in any future period.

In today’s COVID-19 environment, three key priorities continue to impact our customers: (i) customers are seeking health and safety, (ii) customers are looking for value, and (iii) customers continue to seek convenience. As our customers live in uncertain times in this new environment, they are buying more online, receiving products differently, eating and drinking differently, and demanding and discerning more than ever before.

In this era of ever-increasing digital disruption, we are working rapidly to transform into a digitally-enabled organization. Our goal is to redefine convenience for the customer by bringing together health and safety, value and convenience. We intend to accomplish this goal by combining our brick and mortar stores with the speed and convenience of our emerging digital and e-commerce platforms. Prominent examples of this include the 7Rewards customer loyalty program, through which we seek to engage customers with customized offers and encourage repeat visits. The 7Rewards loyalty program allows customers to earn points that can be redeemed for cash discounts or free items. The 7Rewards app is designed to capture data that can be used to personalize the experience for our customers and keep them coming back to our stores. Through the 7Rewards app, customers can also complete contactless transactions with the “Mobile Checkout” option in certain areas where we operate. Customers can use Mobile Checkout to scan and pay for their items via their smartphone, thus eliminating the need to wait in checkout lines and creating a truly frictionless experience. Additionally, we continue to improve the 7NOW delivery app and expand the delivery driver network. 7NOW provides the ability to place orders on demand for delivery to almost any location, allowing us to meet customers where they are and compete in the growing delivery marketplace, accelerated by the COVID-19 pandemic. We also expect to continue the development of new digital initiatives such as Fuel Loyalty, Digital Wallet, and others to continuously improve the convenience of our offerings.

Our fresh food and proprietary beverage teams are working on improving the quality and assortment of our food and beverage offerings. Through our relationship with Warabeya, a long-standing supplier specializing in fresh food product development and production, we have worked to add chef-inspired, locally-made meals, such as sliders, tacos, tamales, and freshly made breakfast sandwiches to our offerings. To build on our legacy as the retailer that first introduced to-go coffee in the U.S., we are in the midst of an initiative to transform our coffee business. Beginning with stores in the New York area, we are installing brand new coffee equipment that allow customers to brew fresh bean-to-cup coffee on demand, as well as specialty coffees, such as lattes, espressos, cappuccinos, iced coffee, cold brew, and nitro cold brew in our stores.

As of September 30, 2020 and December 31, 2019, 80% and 82% of our U.S. stores were operated by franchisees, respectively. Our sales team seeks to identify talented franchise prospects from diverse backgrounds with the aptitude and entrepreneurial spirit necessary to be successful. The sales team identifies candidates from various sources, including existing franchisees and external applicants. We believe the franchising business models we deploy help us attract quality franchisees who provide our customers with innovative and locally-relevant product selections, while also driving growth and profitability for 7-Eleven. We share in both merchandise gross profit and certain store operating expenses, rather than receiving a royalty on sales. Most 7-Eleven franchisees operate under our traditional franchise arrangement, in which we own the land and building or secure a long-term lease, provide an exclusive equipment package, and provide significant up-front and ongoing training. The franchisee provides funding for inventory, store labor, and the majority of the advertising to support the brand in the U.S. In order to support our growth and access the wide array of site opportunities in the convenience store industry with substantially less capital investment, we also offer BCP franchise arrangements, where the franchisee owns or leases the real estate rather than 7-Eleven.

As of September 30, 2020 and December 31, 2019, we operated nearly 4,700 and 4,500 retail sites in the U.S. and Canada, respectively, that sell transportation fuels. We manage and set fuel prices through a centralized pricing process. Our strategy is to optimize fuel gross profit through the proper balance of volume and gross margin per gallon at each site. As of September 30, 2020 and December 31, 2019, approximately 45% and 43%, respectively, of our retail fuel sites sell 7-Eleven branded fuel while the remaining sites sell major oil company branded fuels such as Sunoco, Exxon Mobil, Valero, Conoco, and Esso, among others. Increases or decreases in the cost of fuel will generally cause similar increases or decreases in the retail price of fuel. An increase in the cost of fuel generally results in higher retail prices within one to four days after the cost increase. A decrease in the cost of fuel generally results in lower retail prices within a similar time frame. Competitive conditions in the retail marketplace can cause these time periods to vary considerably on a market-by-market basis, which can have a significant impact on fuel gross profit. For information regarding our long-term contracts to purchase fuel, see the notes to our consolidated financial statements included elsewhere in this offering circular.

Both our retail fuel operations and fuel supply and wholesale operations are owned by 7-Eleven, Inc. and its wholly-owned subsidiary SEI Fuels. Through our fuel supply operation, we purchase a significant portion of our fuel supply directly from major integrated oil companies and independent refining and marketing companies. These direct relationships allow us to bring value to the 7-Eleven system through a mix of bulk and rack purchases across the enterprise depending on market conditions and opportunities, resulting in lower fuel procurement costs and higher fuel gross profit margin. Our fuel supply operation also serves as a platform to supply both branded and unbranded fuel to dealer sites and to sell fuel on a consignment basis at consignment sites via our wholesale fuels business. As of September 30, 2020, this business served nearly 1,400 such sites with both branded and unbranded fuels. While these independent locations are not branded 7-Eleven, SEI Fuels is responsible for supplying these accounts.

We support our international and domestic area licensees, who license the right to use the 7-Eleven trade name from us, for use within a defined geographic area. Many of our area licensees have been long-term business partners. As of September 30, 2020, our international licensees operated stores in East and Southeast Asia, Latin America, Australia, Scandinavia and the Middle East. With the exception of our area licensee in Mexico, which is a joint venture in which we own a 49% equity interest, our license agreements require our licensees to pay us a

royalty based on a percentage of sales. An initial fee is also common for newly licensed areas. As part of our effort to grow the 7-Eleven brand internationally, SE China recently signed regional franchise agreements with third parties to operate 7-Eleven stores in Hunan and Henan provinces. The first store in Hunan opened in May 2020, and the first Henan store opened in October 2020. In 2019, we also signed an area license agreement with a third party to operate 7-Eleven stores in India, marking our entry into the South Asia region. In addition, 7-Eleven recently entered into area license agreements that will facilitate the development and operation of stores in Cambodia and Laos. The first stores in India, Cambodia and Laos are expected to open in 2021 and 2022.

**Our Industry**

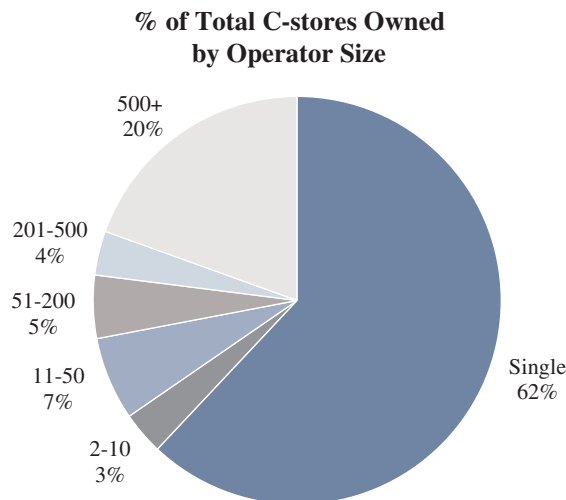
The industry trends referenced in this section include data sourced from The NACS 2019 NACS State of the Industry (“*SOI*”) report. The NACS is an international trade association representing retail convenience stores and suppliers.

A number of market and industry trends may influence our financial results. The U.S. convenience store industry is large, fragmented and in the midst of consolidation. The industry is also growing, as consumers increasingly demand convenience in both retail locations and offerings. In some cases, convenience stores have supplanted traditional neighborhood grocery stores, providing an alternative for consumers purchasing a variety of grocery and prepared food items. Convenience stores have also expanded their presence in suburbs and in areas where it is challenging for supermarkets or niche retailers to operate profitably.

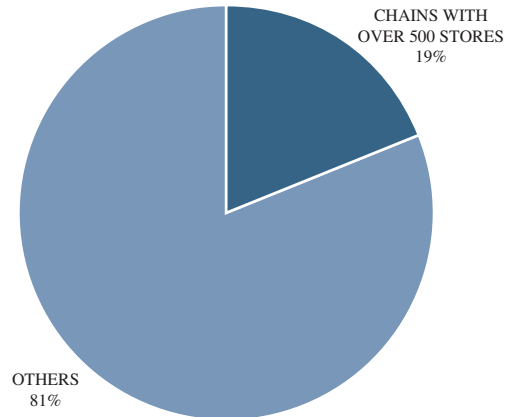
As of December 31, 2019, there were over 150,000 convenience stores in the U.S. Convenience stores serve approximately half of the American population daily with annual sales of approximately \$250 billion in merchandise and approximately \$360 billion gallons of transportation fuel. Approximately 80% of convenience stores in the U.S. sell transportation fuel, which is an important driver of customer traffic. The convenience store industry provides essential services and products in communities across the country, including transportation fuel, food and over-the-counter medicine. Convenience stores are located close to their consumers with approximately 93% of Americans living within a 10-minute drive from a convenience store.

***Fragmented Industry***

Large convenience store chains in the U.S. with over 500 stores own or operate only 19.5% of the country’s approximately 153,000 convenience stores as of December 31, 2019. Of the convenience stores in the U.S., 62% were operated by single-store proprietors as of December 31, 2019. We believe that the high level of industry fragmentation presents opportunities for consolidation as larger chains benefit from significant scale advantages.



**% of Total C-stores Owned  
by Large Chains vs Others**



***Growing Industry***

Total industry inside sales (defined as non-fuel sales) increased 4% in 2019, reaching a record \$251.9 billion and marking the 17<sup>th</sup> consecutive year of inside sales growth for the convenience store industry. Over the last decade, inside sales have grown by nearly 38% with an average annual growth rate of 3%. Foodservice and beverage sales have been the most significant drivers of the increase. Many convenience store companies are concentrating on providing more value offerings, including food services and proprietary offerings. This is in part driven by increased competition due to the diversity of offerings from QSRs, dollar stores and drugs stores. In addition, merchandise sales accounted for 23.4% of total sales in 2019 and remained the largest contributor of gross profit dollars at 37.2%.

We believe that the industry will continue to grow, within the non-fuel segment, driven primarily by sales of merchandise and prepared food. Industry fuel volumes have declined and while fuel margins tend to be volatile in the short term, fuel margins in 2019 set a new record high of 24.8 cents per gallon and fuel gross profits increased 4.9% to approximately \$43,000 per store, per month in 2019.

Convenience stores are well-positioned to capitalize on several trends within the evolving retail landscape, including:

- **Instant gratification and convenience:** Most in-store products are consumed immediately or within one hour of purchase. This includes consumption of beverages, on-the-go packaged foods and fresh prepared food offerings. Time-constrained consumers place emphasis on the quality of foodservice operations, including wait times, service and menu options.
- **Economic resiliency:** North American convenience stores grew in-store sales for 17 straight years through 2019 and cumulatively delivered approximately \$11.9 billion in total pre-tax profits in 2019.
- **Less vulnerability to digital disruption:** Convenience stores continue to grow even with the societal shift to digital retailing. There is an increased focus on using digital capabilities to enhance the consumers' experience, improve marketing effectiveness and enhance customer loyalty. To some extent, convenience stores are naturally shielded from internet disintermediation. The need for consumers to visit locations to purchase transportation fuel provides an opportunity to leverage those visits to market additional products and services. The best-in-class convenience store operators, however, are increasingly incorporating non-fuel offerings and digital capabilities to enhance the customer experience and to drive sales and profitability.

## *Challenges*

Our industry also faces challenges, which could influence the market and our financial results, including:

- Gradual declines in gasoline demand due to improvements in fuel efficiency and growth in the number of alternative-fuel vehicles and declines in cigarette sales. We believe we are well positioned to address these challenges and continue to grow our business and profitability.
- Increased competition from QSR's, dollar stores, and drug stores, which have expanded hours of operation or expanded product assortments to include more convenience items. Competition is also changing as a result of digital disruption, with competitors offering pick-up and delivery services for certain products.
- Long-term macroeconomic trends have increasingly applied pressure on consumer discretionary spending. Many of consumers' fixed costs, such as healthcare and housing, are significantly outpacing wages. Technology is transforming the retail industry as mainstream consumers begin to adopt online and mobile commerce.
- Certain states and local jurisdictions have recently proposed or implemented measures to increase taxes on cigarettes and tobacco products and/or raise the minimum age to purchase cigarettes and tobacco products. Tobacco 21, a campaign to raise the minimal legal age for tobacco and nicotine sales to 21 years, had been adopted by 18 states and over 500 cities by December 31, 2019. Additionally, in December 2019, President Trump signed legislation making Tobacco 21 effective immediately across the U.S. As a result, tobacco sales and 18 to 20 year old customer store visits may decline.
- E-cigarettes have been highly regulated since the third quarter of 2019 due to the increase in teen vaping and illnesses/deaths associated with vaping. Cities and states started banning flavored cigarette sales late in 2019, and at the beginning of January 2020, the FDA banned all flavored e-cigarettes, including the very popular mint flavor. E-cigarette sales will likely decline in the future, as customers will only be able to purchase tobacco and menthol flavored e-cigarettes.
- State and local minimum wage increases have gained support in recent years. Many employees in our industry are, or will be, paid higher minimum wages, resulting in higher labor costs for operators. In addition, many customers may receive higher minimum wages, which could lead to an increase in discretionary spending capacity.
- Tariffs created uncertainty throughout 2019 as trade tensions with China continued to escalate. Recently, the U.S. and China signed a trade deal that should lead to an increase in sales of U.S. goods and services to China. However, the trade deal leaves in place U.S. tariffs on about \$370 billion in Chinese goods, or about three-quarters of Chinese imports to the U.S. Possible tariff reductions will be left to later negotiations. Ongoing trade negotiations may increase costs and slow U.S. economic activity. The U.S. strategy with respect to trade negotiations in general, and China specifically, could change under the upcoming Biden administration.
- Starting in early 2020, the World Health Organization declared the outbreak of a novel strain of the coronavirus, COVID-19, to be a pandemic. The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, "stay-at-home" orders, supply chain logistical changes and closure of non-essential businesses. Such measures have negatively impacted fuel demand and overall convenience store traffic and merchandise sales. In addition, convenience store operators, including 7-Eleven, have taken measures to increase the safety of employees and customers. In the fourth quarter of 2020, the U.S. and certain foreign countries approved the distribution of various COVID-19 vaccines, which are expected to be widely distributed by the middle to end of 2021. The impact of the widespread vaccination of populations against COVID-19 on society, economies and business practices is currently unknown.

## Our Competitive Strengths

Our goal is to redefine convenience for the customer by bringing together the quality, value, and neighborhood experience of our brick and mortar stores with the speed and convenience of our digital and e-commerce platforms. To that end, our business is well-positioned to capitalize on three key priorities that continue to impact our customers: (i) customers are seeking health and safety; (ii) customers are looking for value; and (iii) customers continue to seek convenience. As our customers live in uncertain times in this new environment, they are buying more online, receiving products differently, eating and drinking differently, and demanding and discerning more than ever before. In the highly competitive convenience store industry, we believe that we gain a competitive advantage from, among other factors:

### **1. *Our globally-recognized brand displayed at approximately 71,700 locations worldwide***

The name “7-Eleven” originated in 1946 when our stores were open from 7 a.m. until 11 p.m. Nearly all of our stores in the U.S. and Canada now provide 24-hour convenience, seven days a week. For the nine months ended September 30, 2020, our company-operated and franchisee-operated stores served an annual average of 7.4 million daily in-store customers. SEJ independently operated approximately 21,000 stores in Japan as of September 30, 2020. Our stores operated by SEJ in Japan are not included in our results of operations for any periods presented.

### **2. *Our industry-leading merchandising, including localized assortment, proprietary fresh food and beverages, and high quality, great value private brand products***

To meet the one-stop shopping needs of our on-the-go customers, we evaluate merchandising on a store-by-store basis to selectively expand the range of the products we carry beyond traditional convenience store items. Our merchandising strategy also includes local and regional products in our stores to maximize the relevance of each store’s selection to our neighborhood and customers. We believe our merchandising is differentiated through:

- *7-Eleven’s proprietary fresh food and beverages:* Our proprietary branded products sold exclusively in our stores include iconic brands such as Slurpee semi-frozen carbonated beverages, Big Gulp fountain beverages, and Big Bite hot dogs. In addition, as the demands of today’s on-the-go consumer continue to expand and increase, we have begun investing in new food and beverage in-store equipment to meet those needs. Expanded beverage offerings (such as bean-to-cup coffee, specialty hot and cold beverages, and innovative fresh on-demand assortments) are being implemented at the same time that bake-in-store pastry and breakfast programs, self-serve roller grills and grab-and-go hot food cases are being introduced to modernize and elevate the fresh food experience. We have launched these offerings in approximately 1,800 stores to date, with plans for the majority of the remainder of our stores in 2021. Our chef-inspired, locally-made meals, such as sliders, tacos, tamales, and freshly made breakfast sandwiches as well as pastries and cookies baked in store provide a fast, high quality option for customers on the go.
- *7-Eleven’s private label product offerings:* We also have differentiated our packaged foods and non-foods assortment through the ongoing development of private brand products, the majority of which are sold under the 7-Select brand. Through 7-Select, we offer our customers unique items that meet or exceed the quality of nationally-branded products, usually at a lower price point while achieving higher profit margins for our stores. The extensive lineup of our products includes approximately 1,800 items in total and ranges across almost all store categories including potato chips, candy, soft drinks, health and beauty aids, paper products, energy drinks, and isotonic. We continue to innovate and introduce new, high demand private brand items, including Quake Performance Energy Drinks and Replenish Isotonics, both of which had very successful launches.

### **3. *Our digital capabilities, including 7Rewards, 7NOW Delivery, and Mobile Checkout.*** In this era of ever-increasing digital disruption in the retail industry, we have transformed into a digitally enabled organization. Prominent examples of this include the 7Rewards customer loyalty program, which has 39.5 million registered customers and the 7NOW delivery app, which has a network of approximately 1,850 stores in North America as of September 30, 2020.



The 7Rewards customer loyalty program enables us to engage with our customers through customized offers and encourages repeat visits. The 7Rewards loyalty program allows customers to earn points that can be redeemed for cash discounts or free items. The app is designed to capture data that can be used to personalize the experience for our customers and keep them coming back to our stores. Through the 7Rewards app, customers can also complete contactless transactions with the Mobile Checkout option in certain areas where we operate. Customers can use Mobile Checkout to scan and pay for their items via their smartphone, thus eliminating the need to wait in checkout lines and creating a truly frictionless experience.

Additionally, we continue to enhance the 7NOW delivery app and expand the delivery driver network. 7NOW provides the ability to place orders on demand for delivery to almost any location, allowing us to meet customers where they are and compete in the growing delivery marketplace, accelerated by the COVID-19 pandemic. We have also launched new digital initiatives such as Fuel Loyalty, Digital Wallet, and others to continuously improve the convenience of our offerings.

- 4. *Our system of daily distribution of fresh foods and other time-sensitive items to our stores allows us to offer the freshest available products and to remain in stock on top-selling items.*** The vast majority of our stores receive fresh bakery items every day. Our food offering expands into better-for-you foods including entrée sized salads, fresh deli sandwiches, and fruit and vegetable sides. Currently, we use a system of 29 combined distribution centers in the U.S. and Canada to service approximately 8,500 of our stores. Combined distribution centers typically serve stores within a 120 minute drive and ship approximately 100,000 units to our stores daily. The centers receive deliveries of products such as milk, bread, produce, fresh and packaged bakery products, fresh sandwiches, and other perishables from a variety of suppliers.

We have principally contracted with third parties who own and operate 16 bakeries and 15 commissaries on our behalf to provide daily deliveries of fresh foods such as sandwiches, salads, and baked goods to approximately 7,800 of our stores in the U.S. and Canada.

- 5. *Our technology-enabled practice of using data to optimize the product assortment within each store.*** Our RIS is a proprietary system that provides most franchisees, store managers, and our management team a complete turn-key store solution that differentiates itself by providing access to item-by-item sales information captured by a point-of-sale scanning system at the register. As a part of the system, stores can be linked to vendors, our primary third-party distributors, and our combined distribution centers for ordering and item-level information sharing. Effective use of the system is the foundation of the our business model, allowing franchisees and store managers the ability to manage both their products and time more effectively.
- 6. *The scale of our operations, which permits us to operate more efficiently and to leverage our purchasing power with our suppliers.*** For the nine months ended September 30, 2020, our company-operated and franchised store base served an average of 7.4 million daily in-store customers. In addition to volume to support our company-operated store base, all but a very small percentage of our franchisees purchase at least 85% of their total merchandise and cigarette volume from recommended vendors, which leverages our scale and additional purchasing power to reduce costs to our stores.

## **Our Strategy**

As part of our effort to continuously improve the customer experience and drive favorable results for our brand, we continue to focus on our six point plan to improve our long-term operating performance.

- 1. *Deliver a Consistent Customer Experience.*** At the core of our business is the ability to consistently provide customers with friendly and fast service in a clean and safe environment, while ensuring that the products they need are in-stock. We have implemented a program that we refer to as Brand Excellence. Through this program, we periodically evaluate our stores and operators on multiple dimensions including customer service, cleanliness, in-stock rates, and safety. As a testament to the underlying principles of the program, results to date have shown that the stores achieving the highest tier of performance under Brand Excellence have also experienced much stronger financial performance than stores in the lower tiers. We believe this provides a strong incentive to our store operators to improve their Brand Excellence rating into that highest

tier and to maintain that performance once achieved. We also continuously seek opportunities to simplify store operations and empower store associates to focus their time and energy on better serving customers. These efforts include rolling out tools to assist in the inventory ordering process, and upgrading shelving and storage equipment to reduce restocking time. We are also elevating our convenience by offering product delivery to customers via the 7NOW and other third party delivery apps in 1,300 cities, reaching 60 million households. We also use robust data analytics to capture fuel margins all while contemporizing the customer experience at the pump and driving trips.

- 2. *Modernize Food and Beverage Experience.*** It is our goal to make each of our stores a food and beverage destination for our customers. In order to support this effort, we continuously look to offer our customers new and high-quality fresh and hot food and beverage options. As noted above, we have begun installing new coffee equipment in our stores allowing our customers to brew fresh bean-to-cup coffee on demand, as well as specialty coffees, such as lattes, espressos, cappuccinos, iced coffee, cold brew, and nitro cold brew. This new coffee equipment will be accompanied by self-serve roller grills, grab-and-go hot food cases, and baked-in-store cookies and pastries, to fully capitalize on the opportunity to provide new coffee customers with attractive food options to add to their basket.

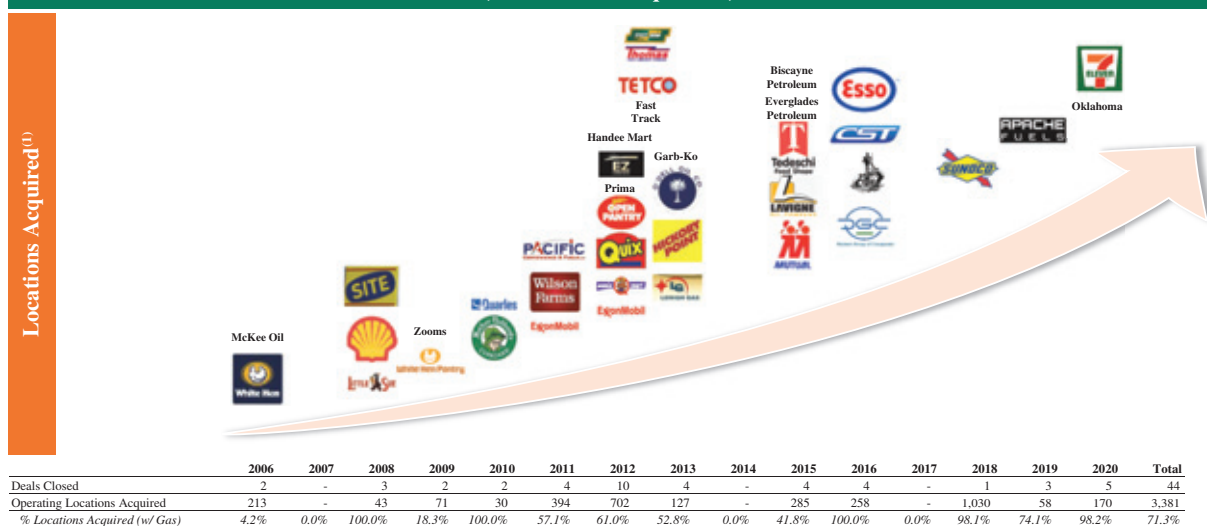
Recently, we made additions to our chef-inspired, locally-made meals, such as sliders, tacos, tamales, and freshly made breakfast sandwiches, including pastries and cookies baked fresh in the store. These meals are a fast, high quality option for customers on the go. We continue to work with our pizza supplier to improve the quality, adding more cheese and a more flavorful sauce. We have also started to test handmade pizzas in several stores in the Dallas/Fort Worth area. Our stores receive fresh bakery and commissary-made items every day, with our food offering expanding into better-for-you options, such as entrée sized salads, fresh deli sandwiches, and fruit and vegetable sides. We know that customers want more fresh options, and we are also providing that through our expansion of restaurant concepts including Laredo Taco and Roost.

- 3. *Optimize the Product Offering.*** In recent years, we have made significant efforts to improve the assortment of products in our stores. To meet the one-stop shopping needs of our on-the-go customers, we have worked on a store-by-store basis to selectively expand the range of products we carry beyond traditional convenience store items. We are also focused on introducing local and regional products in our stores to maximize the relevance of each store's selection to our neighborhood and customers. To differentiate our product assortment from our competitors, we have developed a variety of proprietary branded products sold exclusively in our stores. Long-standing brands such as Slurpee semi-frozen carbonated beverages, Big Gulp fountain beverages, and Big Bite hot dogs are already well-identified with our stores. To build on this, we continue to innovate and introduce new, high demand private brand items, including Quake Performance Energy Drinks and Replenish Isotonics, both of which had very successful launches in 2019. We also have differentiated our packaged foods and non-foods assortment through the ongoing development of private brand products, the majority of which are sold under the 7-Select brand. Through 7-Select, we offer our customers unique items that we believe meet or exceed the quality of nationally-branded products, usually at a lower price point while achieving higher profit margins for our stores. The extensive assortment of our products includes approximately 2,000 items in total and ranges across almost all store categories, including, but not limited to, potato chips, candy, soft drinks, health and beauty aids, paper products, energy drinks, and isotonic. To ensure each store can provide a highly relevant product offering to their neighborhoods, we are also creating a better way to get merchandise to the stores. In order to ensure our stores are well-stocked at any time, we are building a more flexible supply chain that supports higher delivery frequencies and improved inventory planning through self-distribution. By establishing such a supply chain, we will offer a better customer experience at a lower cost.
- 4. *Digitally Transform Convenience.*** We continue to improve customer convenience by introducing innovative merchandising programs and building digital capabilities, which redefines convenience and brings the "store" closer to the customer. We believe our market concentration, 24/7 operations, and daily distribution, when combined with digital capabilities, provide customers with the freedom to buy what they want, when and where they want it, with the ability to pay how they want. Our goal is to redefine convenience for the customer by bringing together the health and safety, quality, value, and neighborhood

experience of our brick-and-mortar stores with the speed and convenience of our digital and e-commerce platforms. As part of this effort, we have expanded the 7Rewards loyalty program. In 2019, we finished the year with 27 million total members, up from 18 million in 2018, with 8.5 million active users, up from 4.3 million the previous year. Now, customers can earn rewards as well as use contactless, secure payments at the pump through Fuel Loyalty. This new feature is expected to drive trips to the pump and traffic inside the store. The addition of 7-Eleven Wallet adds the perfect complement to 7Rewards as well, by allowing customers to load cash onto the 7Rewards app. 7-Eleven Wallet offers a new level of convenience to cash customers that will keep them coming back. Through 7-Eleven's 7Rewards app, customers can also scan and pay using the Mobile Checkout feature, which is currently offered within select markets. Furthermore, our customer facing Pin Pads accept Google and Apple Pay. We also have strategic partnerships that make the lives of our customers easier by offering services, including bill payments, package pickup options, and other innovative offerings. We believe these partnerships not only please customers, but also drive traffic to our stores. To continuously improve our store capabilities, we aim to innovate technology solutions that will streamline workflows and enable data-driven efficiencies. We also intend to employ data for predictive customer-centric insights that can be monetized through vendor partnerships. Going forward, these innovations will maintain the momentum we have built in transforming convenience.

5. **Modernize the Store Base.** As we continuously transform convenience by offering what customers want, when and where they want it, we are also transforming our store environment. By accelerating innovation within the store, we believe we can achieve stronger sales growth and a better customer experience. As of November 2020, we have five Lab Stores from which we are taking the successes and lessons to develop 7-Eleven 2.0 stores. These next generation stores are intended to be value-engineered and standardized for faster development at a scalable cost. They will offer a modern aesthetic with the aim of attracting new customers and exciting existing customers. In stores where we emphasize our new food and beverage platforms, we achieve significantly higher sales. As part of our focus on being a food and beverage destination, we are designing a new store layout that will put our food and beverage experience front and center. Existing stores will be refreshed with the modern aesthetic and platforms that customers are seeking. The modernization of our store base will complement all of our strategic initiatives.
6. **Grow the Store Base.** As the world's largest convenience retailer, we are able to offer customers elevated levels of convenience by being located nearby. After making improvements to store quality and processes, we are refocusing on growth through organic new stores and acquisitions. Our organic growth efforts are focused on new store openings and our BCP arrangements, whereby established convenience retail sites can convert to 7-Eleven stores to access our strategic model and resources. Consistent with our strategy of market concentration, our development efforts are primarily focused on our existing markets to take advantage of population density and store traffic, and to better leverage our business system in those markets. Typically, new stores are concentrated around combined distribution centers, commissaries, and bakeries that allow us to operate more efficiently. We evaluate sites for new stores by focusing on population density, demographics, traffic volume, visibility, ease of access, and economic activity in the area. Our strategy for acquisitions is to selectively acquire convenience stores within and contiguous to our existing market areas. In evaluating potential acquisition candidates, we consider several factors, including strategic fit, desirability of location, price, and our ability to improve the productivity and profitability of a location through the implementation of our business strategy. From 2006 to 2020, we have closed 44 deals, acquiring 3,381 stores, of which 71.3% were locations that sold gas. For example, in January 2018, we completed the acquisition of 1,030 stores from Sunoco. During 2019, we continued the process of converting Sunoco stores to the 7-Eleven brand and executed our plan to integrate back office support, as well as store support center personnel.

Since 2006, 7-Eleven has acquired 3,381 stores



(1) Includes all channels of trade that include real estate.

We have a history of successfully de-leveraging following significant acquisitions. For example, following the acquisition of 1,030 stores from Sunoco in January 2018, we completed \$0.9 billion in sale leaseback transactions and reduced our net debt to EBITDA leverage ratio from 4.3x as of the close of the acquisition to 1.8x and 1.6x as of December 31, 2018 and 2019, respectively.

We are also committed to growing the brand worldwide and supporting our existing international licensees. We continuously work with our licensees to share best practices and provide extensive knowledge in convenience retailing to help grow their businesses. We also look for opportunities to enter new markets. In just the past five years, our licensees have opened the first 7-Eleven stores in the UAE and Vietnam, while also entering seven new provinces in China (Zhejiang, Jiangsu, Hubei, Shaanxi, Fujian, Hunan and Henan). We have also signed agreements with licensees in India, Cambodia, and Laos to operate stores in the coming years.

## Products and Services

Our stores carry a broad array of products, which our merchandising team selects based on customer demand, sales potential, and profitability. At the same time, franchisees and store managers supplement this product assortment with items intended to appeal to local preferences.

We estimate that the breakdown of our company and franchisee convenience store merchandise sales in the U.S. and Canada by principal product category for the nine months ended September 30, 2020 and the years ended December 31, 2019, 2018 and 2017 was as follows:

	Nine Months Ended September 30,		Year Ended December 31,		
	2020		2019	2018	2017
Cigarettes .....	25.1%		25.0%	26.2%	27.0%
Beverages .....	22.5		23.4	23.4	23.9
Beer/wine .....	13.2		11.2	10.9	10.5
Candy/snacks .....	9.5		9.8	9.7	9.8
Fresh food .....	9.1		10.7	10.6	11.6
Tobacco .....	7.4		7.4	6.4	5.1
Non-foods .....	4.6		4.3	4.3	4.6
Dairy .....	2.6		2.3	2.4	2.7
Other .....	1.8		1.7	1.8	1.7
<b>Total product sales .....</b>	<b>95.8</b>		<b>95.8</b>	<b>95.7</b>	<b>96.9</b>

	Nine Months Ended September 30,	Year Ended December 31,		
	2020	2019	2018	2017
Services.....	3.2%	3.1%	3.2%	3.1%
Restaurant sales.....	1.0	1.1	1.1	0.0
<b>Total merchandise sales</b> .....	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

In addition to a variety of products, our stores offer several convenience-oriented services to our customers. We have one of the largest ATM networks among North American retailers, with more than 9,800 ATMs in the U.S. and Canada, and continue to be one of the leading retailers of money orders in the U.S. Our stores also provide other services that draw customer traffic, such as the sale of lottery tickets, general-purpose reloadable cards, gift cards, prepaid calling cards, and gaming cards. Finally, we are working with a variety of third parties to develop and expand new and innovative services in our stores. Recent examples include Amazon delivery lockers in select stores and partnering with PayNearMe to provide convenient online shopping and bill payment services to under-banked customers.

### Retail Information System

7-Eleven’s RIS is a proprietary system that provides franchisees, store managers, and our management team a complete turn-key store solution that provides item-by-item sales information captured by a point-of-sale scanning system at the register. As a part of the system, stores can be linked to vendors, our primary third-party distributors, and our combined distribution centers for ordering and item-level information sharing. Effective use of the system is the foundation of the 7-Eleven business model, allowing franchisees and store managers the ability to manage both their products and time more efficiently.

The system features:

- a point-of-sale, touch-screen system with scanning and integrated credit, debit, EBT, and stored value card authorization, supported by a centralized price book;
- daily ordering, supported by forward-looking weather forecasts, merchandise messages, and historical sales and ordering information;
- category management and item-level shelf sales analysis;
- the ability to integrate fuel and “pay-at-the-pump” functionality;
- automated back-office functions, such as sales and cash reporting, payroll, fuel pricing, and inventory control, which are connected directly to our accounting system;
- the ability to make delivery adjustments and perform write-offs on a hand-held unit; and
- functionality to further simplify the demand chain with electronic check-in of store ordered items, matching of delivered items to payment authorization and creating perpetual inventory counts within the store.

The RIS consists of proprietary hardware and software designed to operate on the point-of-sale, in-store server and handheld scanner technologies, all of which receive periodic updates.

In 2020, we rolled out 7MD to all of our 7-Eleven stores. This device allows associates to check-in deliveries, order products, manage inventory, process shift changes, and complete transactions from anywhere within the store. In addition, we have deployed upgraded retail accounting and franchise systems to select stores on a test basis to provide modern flexible systems that aim to drive accuracy, consistency, and enable profitability. The new systems will support our growth strategy and improved business processes. We are also embarking upon a plan to update our RIS software and will be re-architecting our store information technology model, with anticipated development completion and store rollout beginning in 2021.

## **Commissaries and Bakeries**

We have contracted with third parties who own and operate 16 bakeries and 15 commissaries that provide daily deliveries of fresh foods such as sandwiches, salads, and baked goods to approximately 8,100 7-Eleven stores in the U.S. and Canada. Daily commissary and bakery shipments range significantly, depending on demand and store base. In addition to any government inspections that may be required, we conduct unannounced audits of these third-party commissaries and bakeries to ensure that our products are produced to our specifications in a safe and sanitary environment. In fact, some of these locations are U.S. Department of Agriculture facilities and have achieved certification to a Global Food Safety Initiative-recognized system such as British Retail Consortium or Safe Quality Food.

## **Distribution**

We rely primarily on traditional wholesale distribution services for the delivery of non-perishable goods to our stores. McLane Company, Inc. and Core-Mark are our primary third-party distributors, delivering traditional grocery products to our company-operated and franchisee-operated stores in the U.S. Our agreements with Core-Mark and McLane Company, Inc. will expire during the third and fourth quarter of 2021, respectively. During the first quarter of 2021, we intend to request proposals from third-party distributors to either renew or replace these agreements for wholesale distribution services and believe we will be successful in procuring supply agreements appropriate for our business. However, there can be no assurance that the costs of the services to be provided and other terms under any new distribution agreements will be as favorable as the costs and terms of our existing arrangements. Wallace and Carey, Inc. distributes to all of our stores in Canada.

Our stores also purchase a variety of merchandise, including certain alcoholic and non-alcoholic beverages and snack foods, directly from several vendors and their distributors. We have been working with these vendors and distributors to improve the accuracy, scheduling, and frequency of deliveries through our proprietary business system, Business Transformation.

Currently, we use a system of 29 combined distribution centers in the U.S. and Canada to service approximately 8,500 of our stores. Combined distribution centers typically serve stores within a 120-minute drive. These 29 combined distribution centers are operated by third party logistics companies. The average center ships about 100,000 units to our stores daily. Each center has cross-docking facilities so that most of incoming shipments are matched with the same day's orders.

Each combined distribution center serves an average of approximately 275 stores. The centers receive deliveries of products such as milk, bread, produce, fresh and packaged bakery products, fresh sandwiches, and other perishables from a variety of suppliers, including the commissaries and bakeries. Merchandise is then sorted to fill orders placed by area stores. Store deliveries are made by 5 a.m. the following day so that the freshest possible products are ready for morning customers. For perishable products with a longer shelf life such as juices, deli meats, cheeses, and snack foods, the combined distribution centers may hold three to seven days of supplier-owned inventory when demonstrated to be more efficient and cost-effective.

## **Franchisees**

Our franchise agreements are designed to align our franchisees with our business strategies involving fresh foods and proprietary beverages, digital, private brands, and operational excellence to provide an opportunity to increase profits for our franchisees and us. During 2018, we introduced an updated version of our traditional franchise agreement that maintains balanced economics for both 7-Eleven and franchisees and incorporates a few changes that are consistent with industry and franchise business best practices. Traditional franchise agreements generally have a 10 to 15-year term, with a one-time renewal option for an additional term.

As of September 30, 2020 and December 31, 2019, independent franchisees operated 7,413 and 7,379 7-Eleven stores in the U.S., respectively, which collectively comprised around 80% and 82%, respectively, of our

U.S. store base. Merchandise sales by franchise stores totaled approximately \$10.6 billion and \$13.8 billion for the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively. Franchise stores merchandise sales are not included in the Company's results of operations.

Under our traditional franchise agreement, we generally receive approximately 50% of the merchandise gross profits as our royalty; however, the structure is a graduated gross profit split, which varies according to store sales volume. The traditional franchisee pays an advertising fee of 0.5% to 1.5% of the store's gross profits on older versions of the franchise agreement and a flat 1.0% of the store's gross profits on the current version of the franchise agreement. All but a very small percentage of franchisees purchase at least 85% of their total merchandise and cigarette volume from recommended vendors, which is intended to enhance our ability to leverage our scale with additional purchasing power and reduce costs to our stores.

We offer a second franchise alternative known as the Business Conversion Program. The goal of the BCP is to provide a franchise solution to independent operators and small box retailers where 7-Eleven shares its brand name, purchasing scale, proprietary products, certain equipment, advanced technology, provides training and ongoing support, and shares in the cost of a store remodel. The operator provides a good store location and retains ownership of the real estate, certain equipment, and related expenses. As a result, 7-Eleven's share of gross profit is lower in the BCP model than in the traditional franchise model, generally ranging between 18% to 25% of gross profit.

In both franchise programs, we select qualified applicants and train the operators who will participate in store operations. In the traditional franchise program, the franchisee pays us an initial fee that varies by store and is generally a "market value" fee that is calculated based upon the actual or projected gross profit dollars of the store if it has not been operating for an extended period. Under the traditional program, we provide a ready-to-operate 7-Eleven store to the franchisee. 7-Eleven bears the costs of acquiring the land, building, and equipment as well as most utility costs and property taxes. The franchisee pays for all business licenses, permits, inventory, and in-store selling expenses, including labor. We offer financing for certain ongoing operating expenses and inventory purchases. In addition to our financing services, we provide our traditional franchisees with bookkeeping, advertising, business consulting, and other services.

Our traditional franchisees sell transportation fuel on consignment from us, and we pay them a fee for measuring and reporting deliveries of transportation fuel, changing the price displays, and cleaning the service areas. Our current traditional franchise agreement sets this fee at \$0.015 per gallon sold. Under our BCP franchise agreement, the fuel operations are retained by the third party operator.

The traditional and BCP franchisee may terminate the franchise agreement at any time. We may terminate the traditional or BCP franchise agreement for cause following the notice specified in the agreement. In the BCP agreement, we have termination clauses that require notice with early exit payments due to 7-Eleven. The initial term of a BCP agreement is typically 10 years with a right to one renewal. Upon termination by the franchisee or the franchisor for cause the franchisee must pay liquidated damages if the agreement is terminated prior to the end of its term, de-brand the store from use of the 7-Eleven trademark, allow 7-Eleven or a representative to access the store and remove any equipment and the franchisee is prohibited from selling any 7-Eleven branded products.

Under our current version of our traditional franchise agreement, we no longer process payroll on behalf of the franchisee.

## **Licenses**

We also grant international, and previously granted domestic, area licenses and master franchises to operators (collectively referred to as "*licenses*") for the right to operate and sublicense 7-Eleven stores in a geographic region. Under our licenses, we generally receive an initial area license fee that varies by agreement and monthly royalty fees based on a percentage of sales for the licensed stores that generally ranges from 0.25% to 1.5% of the store's gross merchandise sales and up to 10% of the store's fee income. In addition to the license

right, we also provide limited pre-opening and on-going services, including initial and ongoing training of the operators and manuals and forms to advise on operations. As of September 30, 2020, licensees operated 40,584 7-Eleven stores internationally (excluding Japan, which is not subject to an area license).

The licenses generally contain requirements that the licensee maintain certain quality and standards of licensed stores and the products, and services to be sold in the licensed stores in order to maintain the 7-Eleven brand and goodwill. Many of the licensees are required to spend a small percentage, generally 0.6% or less, of the store's gross sales on advertising.

Licenses generally have a 20 to 30-year term, with several renewal options for additional 10 year terms, subject to local laws and regulations. Certain of the area licenses are perpetual, including in Hong Kong, Singapore and Taiwan. The licenses can be terminated by 7-Eleven, or in a few cases by the licensee, for cause. Upon termination the licensee must de-brand the stores from use of the 7-Eleven trademarks and the licensee is prohibited from selling any 7-Eleven branded products. In many of the licenses, the licensee is also required to pay liquidated damages upon termination.

In Mexico, we own a 49% equity interest in our Mexico area licensee.

### System-Wide Stores Counts

As of September 30, 2020, 71,734 stores operated under the 7-Eleven brand in 17 countries. As of September 30, 2020, SEJ operated 20,987 stores in Japan. 7-Eleven stores operated by SEJ in Japan are not included in our results of operations for any periods presented. The following table presents the number of stores operated by us, our franchisees, our domestic licensees, our international licensees and master franchisees by country as of September 30, 2020:

<u>Country</u>	<u>Total Stores<sup>(1)</sup></u>
Thailand .....	12,225
South Korea .....	10,378
United States <sup>(2)</sup> .....	9,533
Taiwan .....	5,938
China <sup>(3)</sup> .....	3,290
Philippines .....	2,960
Malaysia .....	2,377
Mexico .....	1,826
Australia .....	710
Canada <sup>(2)</sup> .....	630
Singapore .....	410
Denmark .....	173
Norway .....	155
Sweden .....	84
Vietnam .....	48
UAE <sup>(4)</sup> .....	10
<b>Total</b> .....	<b><u>50,747</u></b>

(1) Outside of the U.S. and Canada, all of the stores are operated by international area licensees. For information about the stores operated in the U.S. and Canada, see “—Properties.”

(2) Includes 961 stores that we operate under names other than 7-Eleven.

(3) Includes 1,336 stores in the Guangdong province, 971 stores in Hong Kong, 281 stores in Beijing, 173 stores in Tianjin, 129 stores in Shanghai, 108 stores in Qingdao, 70 stores in Chengdu, 51 stores in Macau, 46 stores in Zhejiang, 37 stores in Chongqing, 31 stores in Shaanxi, 21 stores in Jiangsu, 13 in Fujian, 12 stores in Hunan, and 11 stores in Hubei.

(4) The master franchise agreement covering the UAE was terminated as of November 24, 2020.



In the last two years, we have signed master franchise agreements in India, Cambodia, and Laos, with the first stores expected to open in 2021 and 2022. For more information regarding these agreements see “—Licenses.”

We receive royalty payments from our licensees based on a percentage of their gross sales, except for our area licenses in Mexico, where we own a 49% equity interest in our Mexico area licensee.

## **Competition**

The convenience store industry in the U.S. is highly competitive and fragmented with approximately 153,000 stores, 100,000 of which are controlled by independent operators with fewer than 10 stores. In terms of operators of traditional convenience stores, the industry includes a few large companies, a moderate number of mid-sized, regional chains, and many smaller, independent companies.

In this competitive environment, we believe that we gain a competitive advantage from, among other factors:

- our well-recognized 7-Eleven service mark displayed at approximately 71,700 locations worldwide;
- our technology-enabled practice of using data to optimize the product assortment within each store;
- our digital capabilities including 7Rewards, 7NOW delivery, and Mobile Checkout;
- our system of daily distribution of fresh foods and other time-sensitive items to approximately 8,500 of our stores, which allows us to offer the freshest available product and to remain in stock on top-selling items;
- our revitalization of stores to improve overall fresh foods and proprietary beverage quality;
- our team merchandising practice of partnering with key suppliers to develop new products for our customers, including high-quality, great value private brand products; and
- the scale of our operations, which permits us to operate more efficiently and to leverage our purchasing power with our suppliers.

In general merchandise sales, our stores compete with several national, regional, local, and independent retailers, including traditional convenience stores, dollar stores, drug stores, QSRs, grocery stores, and a variety of other retailers, such as online retailers.

In sales of transportation fuel, our stores compete with other convenience stores, service stations, and increasingly, supermarket chains and discount clubs. Each store’s ability to compete depends on its location, traffic access, and customer service.

## **Trademark**

Our 7-Eleven trademark, first registered in 1961, is well known throughout the U.S. and in many other parts of the world. Our other trademarks and service marks include Slurpee, Big Gulp, Big Bite, and 7 Select, as well as many other trade names, marks, and slogans relating to other foods, beverages, and services. Additionally, from time to time, we acquire, or acquire the rights to use, certain trade names and other marks related to acquired businesses and assets. See “Risk Factors—We may be unable to adequately obtain, maintain, protect and enforce our trademarks or other intellectual property rights we use in our business.”

## **Employees**

As of September 30, 2020, we had approximately 37,000 employees. This figure excludes individuals employed by our franchisees who, as independent contractors, are responsible for hiring their own employees.

## Ownership Structure

The following diagram shows our ownership structure:



- (1) Seven & i, 7-Eleven’s ultimate parent, is listed on the Tokyo Stock Exchange. In connection with the Acquisition, Seven & i is expected to contribute indirectly \$8.0 billion in cash to 7-Eleven in exchange for 40,000 shares of common stock of SAM. Following the Equity Contribution, Seven & i will have a 25% direct ownership in SAM. See “The Transactions—The Equity Contribution.”
- (2) SEJ is a wholly owned subsidiary of Seven & i. SEJ owns the 7-Eleven trademark in Japan and operated 20,987 7-Eleven stores in Japan as of September 30, 2020. 7-Eleven stores operated by SEJ in Japan are not included in our results of operations for any periods presented. SEJ’s subsidiary, Seven-Eleven Hawaii, Inc. (“*SEH*”), as of September 30, 2020, operated 64 7-Eleven stores in Hawaii on a royalty-free basis under an area license agreement with 7-Eleven. SEJ’s wholly owned subsidiary, Seven-Eleven China Co., Ltd. (“*SE China*”), is our master licensee for all areas in the People’s Republic of China not already subject to an area license agreement. SE China has the following business relationships, among others:
  - Controlling stake in Seven-Eleven (Beijing) Co., Ltd. (“*SE Beijing*”), a joint venture, which operated 281 stores in Beijing as of September 30, 2020 under an area license agreement with 7-Eleven.
  - Owns Seven-Eleven (Chengdu) Co., Ltd. (“*SE Chengdu*”), the regional franchisee for SE China for the greater Chengdu market, operating 70 stores in Chengdu as of September 30, 2020 under an area license with 7-Eleven.
  - Indirect controlling stake in 7-Eleven Tianjin Commercial Co. Ltd., (through SE Beijing’s 100% ownership), which operated 173 stores in Tianjin as of September 30, 2020 under an area license agreement with 7-Eleven.
  - 10% ownership in New Nine Business Development Co., Ltd., the regional franchisee of SE China for the Chongqing market, operating 37 stores in Chongqing as of September 30, 2020 under an area license agreement with 7-Eleven.SEJ owns a 35% stake in Shandong Zhongdi Convenience Co., Ltd., the regional franchisee of SE China for the greater Shandong market, operating 108 stores in Shandong as of September 30, 2020 under an area license agreement with 7-Eleven.

We receive royalty revenue, directly or indirectly, from these affiliates of SEJ for licensing operations in China.
- (3) SEJ Asset Management & Investment Company (“*SAM*”), a Delaware corporation was established on October 17, 2012 and is a wholly-owned subsidiary of SEJ.
- (4) 7-Eleven is a wholly-owned subsidiary of SAM.

## **Regulatory Matters**

### *Environmental Matters*

We are subject to numerous federal, state, local, provincial and foreign environmental, health and safety laws and regulations governing, among other matters, petroleum storage, the content of fuel products, the handling, transportation, disposal and releases of, and exposure to, hazardous and toxic substances, and remediation of contaminated sites. Under these laws and regulations, we are required to obtain and maintain certain licenses and permits for our operations. Environmental, laws and regulations are becoming increasingly more stringent, including those relating to climate change, and compliance with, and enforcement by the EPA and their state and foreign counterparts of, these existing and future laws and regulations will continue to affect our operations by imposing increased operating and maintenance costs and costs relating to remedial actions, as well as capital expenditures required for compliance. In addition, certain review and approval procedures required by these laws and regulations can result in increased lead times and costs for new facilities.

We are subject to extensive environmental laws and regulations governing our USTs. Pursuant to the RCRA, the EPA established a comprehensive program for the detection, prevention, investigation and cleanup of leaking USTs. In addition, the EPA, under CERCLA, requires certain leak detection and leak prevention systems. State or local agencies are often delegated the responsibility for implementing the federal program or developing and implementing equivalent state or local regulations. We have a comprehensive program in place for performing routine tank testing and other compliance activities which are intended to promptly detect and investigate any potential releases.

Under provisions of both the RCRA and CERCLA, any contamination, leaks from storage tanks or other releases of regulated materials could result in claims against us by governmental authorities and other third parties for fines or penalties, natural resource damages, personal injury and property damage. We could be subject to joint and several as well as strict liability for such contamination. Some of our current, former, licensed and franchised properties have been operated by third parties whose handling and management of hazardous materials were not under our control, and substantially all of them have or previously had transportation fuel or petroleum product storage tanks. Pursuant to certain environmental laws and regulations, we could be responsible for remediating contamination relating to such sites, including impacts attributable to prior site occupants or other third parties, at third-party sites to which we sent wastes, and in connection with any releases related to our or Speedway's vehicle fleets or transportation of fuel, and for implementing remedial measures to mitigate the risk of future contamination. In addition, we may be subject to claims by adjacent landowners or other third parties for personal injury or property damage allegedly caused by releases of hazardous substances, including petroleum and hydrocarbon products, at, from or in connection with our current, former, licensed or franchised properties or operations.

We are also required to comply with financial assurance requirements and pay fees to state "leaking UST" funds in states where they exist. These funds are expected to pay or reimburse us for certain cleanup expenses related to contamination associated with USTs subject to their jurisdiction. Such payments are subject to a deductible paid by us, specified per incident caps and specified maximum annual payouts, which vary among the funds. Additionally, such funds may have eligibility requirements that not all of our sites will meet. There is no assurance that a state fund will have the funds to pay all cleanup claims. To the extent we face administrative proceedings governing the remediation of contamination or spills from current and past operations or state funds or other responsible parties do not pay or delay payments for cleanups, we will be obligated to make these payments without reimbursement, which could have a material adverse effect on our business, financial condition and results of operations. We are currently involved in, and may in the future, continue to be involved in, investigation and remediation activities at a significant number of our properties although we are entitled to receive reimbursements from certain state reimbursement programs for a portion of the costs of conducting such activities.

We record accruals on our financial statements to cover the reasonably estimable remediation cost at our sites. At September 30, 2020, on a pro forma basis, we had accrued \$73.1 million for undiscounted environmental liabilities. Our accruals for environmental liabilities are recorded by calculating our best estimate of probable and

reasonably estimable future costs using current information that is available at the time of the accrual. Based upon currently known facts and circumstances, the amount of future remediation costs that will be incurred to address known contamination is not expected to have a material adverse effect our business, financial condition and results of operation. However, there is the possibility that additional environmental expenditures could be required to address contamination, including as a result of discovering additional contamination or the imposition of new or revised remediation requirements applicable to known contamination.

Air emissions from our facilities are also subject to regulation. For example, certain of our fueling stores may be required to install and maintain vapor recovery systems to control emissions of volatile organic compounds to the air during the vehicle fueling process. In those locations where required, any failure to maintain these systems, or comply with system testing and reporting requirements, could subject us to penalties or other sanctions, which could have a material adverse effect on our business, financial condition and results of operations.

Consumer demand for our products may be adversely impacted by fuel economy standards as well as GHG vehicle emission reduction measures imposed by foreign and U.S. federal, state or local governmental agencies. In particular, in 2010, the EPA and the NHTSA finalized standards raising the required Corporate Average Fuel Economy of the nation's passenger fleet to approximately 34 miles per gallon by the 2016 model year and imposing the first-ever federal GHG emissions standards on cars and light trucks. Further regulations required increases in fuel economy beginning with the 2017 through 2021 model year vehicles. The EPA and NHTSA also regulate GHG and fuel efficiency standards for medium and heavy-duty vehicles and in August 2016, jointly finalized "Phase 2" vehicle and engine performance standards covering model years 2021 through 2027, which apply to semi-trucks, large pick-up trucks and vans, and all types and sizes of buses and work trucks. While the EPA and NHTSA amended the fuel economy and GHG emissions standards for passenger cars and light trucks in April 2020, adopting less stringent standards, future laws and regulations, including those proposed under the Biden administration, may require heightened fuel efficiency standards. These and any future increases in fuel economy standards or GHG emission reduction requirements could decrease demand for our products.

Violation of environmental, health and safety laws and regulations, licenses, permits or orders could result in, among other measures, fines and penalties, the imposition of remedial requirements, civil or criminal enforcement actions or curtailment or cessation of our operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of 7-Eleven—Critical Accounting Policies and Estimates—Environmental Assets and Liabilities."

#### *Sale of Regulated Products*

In certain areas where our convenience stores are located, state or local laws limit the hours of operation for the sale of alcoholic beverages and all localities restrict the sale of alcoholic beverages, tobacco and vaping products to persons younger than a certain age. State and local regulatory agencies have the authority to approve, revoke, suspend or deny applications for and renewals of permits and licenses relating to the sale of alcoholic beverages, as well as to issue fines to convenience stores for the improper sale of alcoholic beverages and cigarettes. Failure to comply with these laws may result in the loss of necessary licenses and the imposition of fines and penalties on us. Such a loss or imposition could have a material adverse effect on our business, financial condition and results of operations. In many states, retailers of alcoholic beverages have been held responsible for damages caused by intoxicated individuals who purchased alcoholic beverages from them. While the potential exposure for damage claims as a seller of alcoholic beverages and cigarettes is substantial, we have adopted procedures intended to minimize such exposure.

Federally mandated anti-money laundering regulations, specifically the USA PATRIOT Act, which amends the Bank Secrecy Act of 1970, as amended, dictate the rules and documentation requirements we follow for the sales of money orders and other items. In addition, we are subject to random anti-money laundering compliance audits. We also adhere to the rules governing lottery sales as determined by state lottery commissions in each state in which we make such sales.

Certain of our locations in Illinois maintain and operate video gaming terminals, which results in us and certain of our subsidiaries being subject to gaming regulations in Illinois. Any violations by us or any of our licensed subsidiaries of the gaming regulations to which we are subject could result in fines, penalties (including the limiting, conditioning, suspension or revocation of any licenses held) and criminal actions.

#### *Health and Safety*

We are subject to federal, state, local, provincial and foreign health and safety laws and regulations, including requirements of the Occupational Safety and Health Act (“*OSHA*”) and similar state and local laws governing the health and safety of workers. These regulations address issues ranging from facility design, equipment specific requirements, training, hazardous materials, record retention, self-inspection, equipment maintenance and other worker safety issues, including workplace violence. In addition, the OSHA hazard communication standard requires that certain information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens.

#### *Employment and Labor Laws*

Our operations are also subject to federal, state and local laws governing such matters as wage rates, overtime, working conditions and citizenship requirements. At the federal level, there are proposals under consideration from time to time to increase minimum wage rates and to introduce a system of mandated health insurance, both of which could affect our results of operations. State and local jurisdictions have also proposed or enacted increases to minimum wage rates over the federal level and laws governing working conditions and employee relations.

California AB-5, which took effect on January 1, 2020. This legislation codifies the standard established in a California Supreme Court case (*Dynamex Operations West v. Superior Court*) for determining whether workers should be classified as employees or independent contractors. AB-5 establishes a strict three-part test (the “*ABC test*”) which presumes that a person providing labor or services for remuneration is an employee unless the hiring entity satisfies each prong of the ABC test. AB-5 is not a franchise-specific law, and the law is unclear on whether or to what extent it applies to the franchising industry, or to joint employment. However, depending on the outcome of certain legal proceedings currently pending in California, including a lawsuit involving our franchise system, or that could be filed in the future, it is possible that AB-5 could be applied to convert franchisees into employees rather than independent contractors. If that occurs, we could be deemed the employer of all or some portion of our franchisees (and their employees) in California. In that event, we could be liable for any violations of California’s wage and hour laws, including with respect to rights or claims arising under the California Labor Code, wage orders of the California Industrial Welfare Commission, or the California Unemployment Insurance Code, and could be required to treat our franchisees and their employees as our employees under such laws. Such a finding could adversely affect our business and business model and could significantly impact the financial viability of all or some franchised locations in California. It is unclear what effect such a determination would have on existing franchise agreements. Claims that our franchisees have been misclassified as independent contractors have also been filed in Massachusetts and Illinois.

AB-5 has been the subject of widespread discussion, both at the national and state level, and efforts to narrow the reach of AB-5 continue. These efforts include a lawsuit which seeks to enjoin the State of California from enforcing AB-5 against franchised businesses. A bill (SB-967) which was introduced specifically to exempt the relationship between a franchisee and a franchisor from the scope of AB-5 failed in the California legislature. Other states have considered, and some may still be considering, adopting a similar test for misclassification. It is possible that a similar test could also be considered at the federal level.

#### *Other Regulatory Matters*

Our locations are subject to regulation by federal agencies and to licensing and regulations by state and local health, sanitation, safety, fire and other departments relating to the development and operation of our stores,

including regulations relating to zoning and building requirements and the preparation and sale of food. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development of a new site in a particular area.

Through our wholesale line of business, we are also subject to the Petroleum Marketing Practices Act (“*PMPA*”), which is a federal law that applies to the relationship between fuel suppliers and wholesale distributors, wholesale distributors and wholesale distributors to retailers, regarding the marketing of branded fuel. The law is intended to prevent the cancellation, or non-renewal, of arbitrary or discriminatory dealership agreements and stipulates limitations on the cancellation, or non-renewal, of agreements for distribution of branded fuel, unless certain preconditions, as defined by law, are met.

We hold credit card information and data related to loyalty customers and are subject to federal, state and local requirements related to the possession, use, and disclosure of personally identifiable information, including mandated procedures to be followed in the event a data breach were to occur.

EMV, which stands for Europay, MasterCard and Visa, is a global standard for credit cards that uses computer chips to authenticate and secure chip-card transactions. The liability for fraudulent credit card transactions shifted from the credit card processor to us in October 2015 for transactions processed inside the convenience stores (although due to the unavailability of the correct software from branded fuel suppliers, certain of such suppliers have retained certain associated liabilities) and will shift to us in April 2021 for transactions at the fuel dispensers. In connection with incentive funds provided by fuel suppliers, we are actively upgrading our point-of-sale machines and fuel dispensers to be EMV-compliant at the fuel dispenser. We have upgraded all of our inside point-of-sale machines to be EMV-compliant and are in the process of upgrading our fuel dispensers to be EMV-compliant. Due to the unavailability of the correct software from branded fuel suppliers and the cost to upgrade each site, we do not expect to upgrade all of our sites prior to April 2021 and accordingly, may be subject to liability for fraudulent credit card transactions processed at fuel dispensers. We do not believe that this will expose it to material liability.

## Properties

The following table shows the location and number of our U.S. and Canadian company-operated and franchised 7-Eleven stores as of September 30, 2020.

State/Province	Stores			
	Owned	Leased	BCP Franchisee Owned	Total
<b>U.S.</b>				
Arizona	28	27	—	55
California	202	1,398	179	1,779
Colorado	69	244	55	368
Connecticut	14	26	2	42
Delaware	3	13	—	16
District of Columbia	6	43	—	49
Florida	407	513	37	957
Georgia	2	—	—	2
Idaho	1	—	—	1
Illinois	66	262	1	329
Indiana	19	19	—	38
Kansas	14	3	3	20
Kentucky	1	—	—	1
Louisiana	3	—	—	3
Maine	1	9	1	11

State/Province	Stores			
	Owned	Leased	BCP	
			Franchisee	Owned
Maryland	104	257	31	392
Massachusetts	49	162	2	213
Michigan	70	132	1	203
Missouri	24	22	2	48
Nevada	87	114	25	226
New Hampshire	10	18	1	29
New Jersey	91	248	45	384
New York	109	440	103	652
North Carolina	12	77	—	89
Ohio	9	56	—	65
Oklahoma	64	45	—	109
Oregon	47	104	2	153
Pennsylvania	134	196	4	334
Rhode Island	—	19	—	19
South Carolina	40	28	8	76
Tennessee	38	3	—	41
Texas	304	921	43	1,268
Utah	56	97	—	153
Vermont	—	2	3	5
Virginia	192	584	29	805
Washington	72	171	9	252
West Virginia	17	27	14	58
Wisconsin	—	14	—	14
<b>Canada</b>				
Alberta	100	156	—	256
British Columbia	93	118	—	211
Manitoba	16	41	—	57
Ontario	20	42	—	62
Saskatchewan	22	22	—	44

*Additional Information About Properties and Leases*

As of September 30, 2020, 56 7-Eleven stores were under construction. We owned, or were under contract to purchase, 17 undeveloped sites, had leases on 377 undeveloped sites and had another 66 executed agreements for BCP's with plans to open these stores in the near future. In addition, as of September 30, 2020, we owned 202 non-operating properties, including 28 unimproved parcels of land, 100 closed store locations, 46 excess properties adjoining store locations, and 28 non-saleable locations. As of September 30, 2020, 28 of these properties were under contract for sale and 28 were subleased to third parties.

As of September 30, 2020, we held leases on 159 closed stores or other non-operating properties, of which 37 were subleased to third parties.

As of September 30, 2020, we owned or leased 256 commission marketer operated sites and 68 sites operated by independent dealers, all under our wholesale business.

As of September 30, 2020, we had 9,889 company and franchisee-operated (including BCP-operated stores) 7-Eleven stores in the U.S. and Canada, of which 961 stores were operated under brands other than 7-Eleven. The following table shows the change in our U.S. and Canadian store count during the nine months ended September 30, 2020.

	Total Number of Stores at December 31, 2019	Store Openings During the Nine Months Ended September 30, 2020	Store Closings During the Nine Months Ended September 30, 2020	Net Temporary Closures/Re-Opens During the Nine Months Ended September 30, 2020	Total Number of Stores at September 30, 2020
Total 7-Eleven stores . . . . .	9,682	349	(126)	(16)	9,889

Generally, we lease our stores for primary terms of 10 to 15 years, with options to renew for additional periods. Many leases grant us a right of first refusal if the lessor decides to sell the property. In addition to our minimum annual rent payments, certain leases require us to pay percentage rental payments if sales exceed a certain amount, in addition to real estate taxes, insurance, and maintenance.

Over the next five years, leases covering approximately 50% of our total leased stores will expire, including approximately 900 leases that lack rent renewal options or will be determined based on the current fair market value, and approximately 2,800 leases that have fixed rent options. We have devoted, and will continue to devote, considerable efforts to extend and/or renegotiate these leases.

### Legal Proceedings

The Company is party to various legal actions in the ordinary course of its business. We believe these actions (i) are generally routine in nature and incidental to the operation of our business, (ii) have not progressed to a point where we can either determine the degree of probability of an unfavorable outcome or make a reasonable estimate of the amount of potential damages, and/or (iii) are otherwise immaterial. While the outcomes of these actions cannot be predicted with certainty, we believe that the ultimate resolutions of these matters will not have a material adverse effect on our business, financial condition or results of operations.



## BUSINESS OF SPEEDWAY

*Unless the context requires otherwise, references in this “Business of Speedway” to “Speedway,” the “Speedway Business,” “we,” “our,” “us,” and other similar terms refer to the business and operations of MPC’s Speedway transportation fuels and convenience store business (excluding MPC’s direct-dealer retail locations), primarily operated under the Speedway brand, that will be acquired by 7-Eleven in connection with the consummation of the Acquisition before giving effect to the Acquisition. The information included in the “Business of Speedway” does not give effect to the exercise of the Repurchase Right unless expressly stated otherwise.*

Speedway sells transportation fuel, food and merchandise at convenience stores that it owns and operates primarily under the Speedway brand. Speedway is the second-largest company owned and operated convenience store chain in the U.S. It operates in the highly attractive retail convenience industry. Over 90% of Americans live within a 10-minute drive from a convenience store and the industry serves approximately 165 million customers each day.

As of September 30, 2020, the Speedway network of stores was comprised of approximately 3,850 company-owned convenience stores in the U.S. across 36 states, approximately 89% of which operate under the Speedway brand, and consisted of the following:

- 3,509 convenience stores that are operated by Speedway, of which 2,671 are owned and 838 are leased. Speedway retains the gross margins on transportation fuel sales, convenience merchandise sales and services at the stores. We refer to these stores as COCO stores; and
- 345 convenience stores that are operated by a third-party operator, of which 112 are owned and 233 are leased. At each of these stores, Speedway retains title to the transportation fuel inventory and sells it directly to customers; therefore, it manages transportation fuel pricing and retains the gross margin on transportation fuel sales. Speedway provides a commission to operate the store and the operator retains the gross margin on non-fuel sales, including convenience merchandise sales and services. We refer to these as MSO stores.

At approximately 250 of its COCO locations, Speedway provides separate diesel fueling lanes, making it the fourth largest truck fueling network in the U.S. as of September 30, 2020. We refer to these locations as CFLs.

The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, “stay-at-home” orders, supply chain logistical changes and closure of non-essential businesses. Such measures have negatively impacted fuel demand and overall convenience store traffic and merchandise sales. The current impacts of the COVID-19 pandemic are reflected in the business performance numbers included for 2020. Many uncertainties remain around the duration and potential worsening of the pandemic, as well as the timing and rollout of COVID-19 vaccines and the long-term effects of the pandemic on economic activity and mobility.

Speedway averaged over 4 million transactions, defined as either an inside convenience store or fuel purchase, per day in 2019. In 2019, it sold approximately 7.7 billion gallons of transportation fuel and generated total sales of approximately \$26.5 billion, including merchandise sales of approximately \$6.3 billion. In the same period, Speedway generated net income of approximately \$659 million and EBITDA of approximately \$1.4 billion. During the nine months ended September 30, 2020, Speedway averaged over 3.7 million transactions per day, sold approximately 4.4 billion gallons of fuel and generated total sales of approximately \$14.6 billion, including merchandise sales of approximately \$4.8 billion resulting in net income of approximately \$750.1 million and EBITDA of approximately \$1.4 billion.

We believe Speedway’s success derives in part from the value of the Speedway brand. Speedway makes it a priority to consistently provide quality transportation fuel, a wide product selection at competitive pricing and

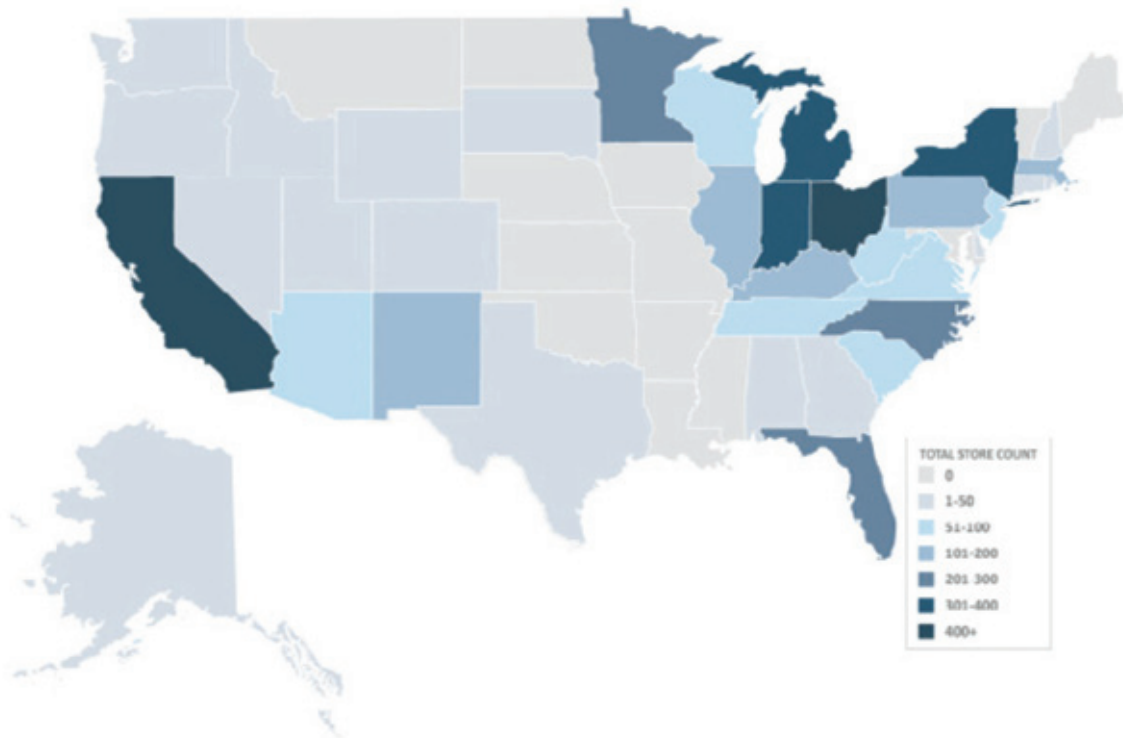
exceptional customer service. Through decades of experience and development, Speedway has established a scalable operating model that is focused on delivering operational excellence across its platform and a consistent customer experience at its stores.

Speedway's Speedy Rewards loyalty program has been highly successful since its inception in 2004, with a consistently growing customer base. During the nine months ended September 30, 2020, active Speedy Rewards members, which we define as members who have completed more than one transaction, in the preceding 30 days, averaged approximately 5.5 million. The Speedy Rewards program, with the ability to earn and redeem loyalty points, provides a consistent platform with strong brand value that we believe, helps drive sales.

Approximately 39,000 employees proudly represent the Speedway brand. Their experience, hard work and dedication is an important component of Speedway's operational excellence. The commitment of Speedway's employees to providing exceptional customer service and Speedway's commitment to its employees are key elements of Speedway's success. In the communities where Speedway operates, its employees are part of the lives of the millions of customers it serves daily, many who consider the location itself as a neighborhood convenience store.

### Geographically Diverse Network of Retail Locations

Most of Speedway's stores are in metropolitan areas or in proximity to major highways, making its stores easily accessible and convenient to consumers' homes, places of work and daily commutes. Speedway's diversified geographic reach spans across 36 states, allowing it to manage regional fluctuations in fuel margins and regionalized merchandise along with other regional macroeconomic conditions, including variations in economic growth and employment.



## **Growth through Acquisitions**

Speedway originated in the 1960s when MOC began acquiring gas stations and convenience store companies. Beginning in 1986, Speedway began converting these stores from this collection of acquisitions to the Speedway brand. Over the following years, several additional acquisitions significantly increased Speedway's footprint, including the acquisitions of SuperAmerica, Total (a regional convenience store operator in Michigan), Gas America, Gas City, Hess's retail network, Express Mart and NOCO, and MPC's acquisition of Andeavor. The acquisition of Hess's retail network in 2014, the largest acquisition to date, expanded Speedway's presence to the Northeast, Mid-Atlantic and Southeast markets. The acquisition of Andeavor's retail network in 2018 extended Speedway's presence coast-to-coast by adding a significant retail presence in the Southwest region and in California. Since 2011, Speedway's store count has nearly tripled, increasing from 1,371 stores to 3,854 as of September 30, 2020.

Since 2014, Speedway has completed four significant acquisitions, adding approximately 2,450 stores and rapidly integrating these locations into the Speedway platform. Of these acquired stores, approximately 86% have been converted to the Speedway brand and operating model as of September 30, 2020. As of September 30, 2020, Speedway has converted over 750 of the stores acquired in the October 2018 Andeavor transaction. In 2019 alone, Speedway converted 569 stores (primarily those acquired in the Andeavor transaction) to the Speedway brand. In 2020, Speedway continued integrating acquired stores, but at a slower pace due to impacts of the COVID-19 pandemic. Results from the converted Andeavor stores have yielded average same-store merchandise sales growth of approximately 6.4% year-over-year comparing fourth quarter 2019 to fourth quarter 2018.

## **Operations**

Of the 3,854 Speedway locations, over 90% are COCO locations. The COCO format provides Speedway with full control over the entire operations of a location and customer experience, including product offering and quality, customer service, pricing, marketing and expense management. Speedway maintains a small percentage of MSO stores, all of which were part of recent acquisitions, where a third party operates the convenience store and Speedway manages the fuel sales.

Speedway owns the property at approximately 70% of its locations. We believe that owning the real estate provides Speedway with significant operational flexibility and value. Speedway's profitable and diverse store portfolio has an average store size of approximately 2,600 square feet, which enables it to offer a compelling selection of in-store merchandise, foodservice and other services to its customers. In addition, Speedway can nimbly adjust the footprint and store layout as customer preferences change and new initiatives are introduced at individual stores. Speedway's NTI locations average approximately 4,600 square feet, which typically provide customers with an expanded selection of higher-margin offerings, including prepared food, in a modern and attractive format.

As of September 30, 2020, approximately 89% of the total store count operated under the Speedway brand, including the Speedway Express format that is used exclusively at MSO stores. We believe there are significant benefits to operating under the Speedway name.

The Speedway operations model is defined by what it calls "Speedway Mentality"—an understanding that each member of the team is either directly taking care of customers or taking care of someone who does. This enables the operations team to focus on customers, with the assistance of 15 dedicated internal support organizations.

Speedway believes that operational excellence is achieved by driving employee accountability against five key priorities: (i) People Development; (ii) Speedy Rewards loyalty program; (iii) Food Development and Execution; (iv) Supply Chain Efficiencies; and (v) overall demonstration of Speedway Mentality. Each general

manager is evaluated quarterly on these priorities and approximately 91% attained the highest possible rating in the third quarter of 2020. The focus on accountability makes Speedway's operating model very scalable and we believe it helps drive successful integration of acquisitions while achieving or exceeding expected synergies.

Speedway believes that its efficient operating model, significant scale and control over its store network allows it to execute a standardized operating model across a broad platform. This differentiated model includes integrated information technology systems and a highly efficient in-store labor model. Speedway believes that the internally developed labor model that allocates labor to COCO stores on a weekly basis is a key component of Speedway's operational success, by helping to improve efficiency and optimize expense management. Speedway's fully integrated back-office and point-of-sale platform are streamlined to provide timely access to data, reduce operating expenses and enable centralized management of the operation across the national platform.

Speedway has approximately 39,000 employees, with over 36,000 of those employees working in its stores. Although Speedway experiences employee turnover characteristic of retail operations, its employee training approach focuses on providing a consistently exceptional customer experience. Store associates are incentivized in part by several important operating metrics, including customer service scores and site profitability.

### **Joint Venture and Other Arrangements**

Speedway owns a 29% interest in PFJ Southeast, which is a joint venture between Speedway and PTC, with 124 travel center locations, as of September 30, 2020, primarily in the Southeast U.S. On a historical basis, Speedway's equity method investment income from PFJ Southeast was \$70.0 million for the nine months ended September 30, 2020, \$94.3 million for the twelve months ended September 30, 2020 and \$82.3 million for the year ended December 31, 2019. Pursuant to the JV Agreement, in connection with the announcement of the Acquisition, PTC has a Repurchase Right to repurchase Speedway's interest in PFJ Southeast for the Repurchase Price. On October 30, 2020, PTC provided MPC notice of PTC's intent to exercise the Repurchase Right. For more information, see "Summary—Recent Developments—Repurchase of PFJ Southeast Interest by PTC." Speedway also sells fuel-hauling services to PFJ Southeast. For the nine months ended September 30, 2020 and 2019 and the years ended December 31, 2019, 2018 and 2017, on a historical basis, Speedway's related party revenue for fuel-hauling services sold to PFJ Southeast was \$7 million, \$7 million, \$9 million, \$8 million and \$8 million, respectively.

Separately, Speedway and PTC entered into the Diesel Branding Agreement effective October 1, 2019 pursuant to which PTC supplies, prices and sells diesel fuel at certain Speedway and PTC locations with both companies sharing in the diesel fuel margins. As of September 30, 2020, the Diesel Branding Agreement included approximately 351 total Speedway and PTC fueling locations across 15 states, including approximately 200 Speedway CFLs. For the nine months ended September 30, 2020 and the year ended December 31, 2019, on a historical basis, Speedway's Diesel Branding Agreement revenue was \$110 million and \$28 million, respectively.

As of September 30, 2020, there were 74 franchise stores that are independently owned and operated under the Speedway brand. Speedway provides support and services to these franchisees, which sell gasoline, diesel and convenience items. Speedway collects royalties and fees for the use of its proprietary marks and support services provided at these locations. Speedway does not generally include these locations in its store counts.

### **Products and Services**

Speedway's COCO stores carry a broad selection of products, including beverages, snacks, prepared and pre-packaged foods, health and beauty products, tobacco products and general convenience items. Many of these products are offered under the proprietary brand Speedy Choice. Speedway offers multiple foodservice concepts, including Speedy Café, Food Destination, and Made-to-Cook programs. This variety of programs allows Speedway to tailor food offerings to the size, traffic and footprint of the store. Speedway's foodservice programs have experienced significant growth in recent years, though they have recently faced new challenges relating to

COVID-19 impacts. Speedway utilizes its operating model and significant experience to roll out new product offerings system wide. At select locations, it also offers services such as lottery, money orders, car washes, air/water/vacuum services and ATM access. Speedway averaged nearly 3.7 million transactions per day during the nine months ended September 30, 2020. In 2019, its non-fuel sales were \$6.3 billion, or approximately \$150,000 on a per-store per-month basis (excluding MSO stores), which, according to public filings, was the second highest among publicly traded convenience store operators listed in the U.S. and Canada for such period.

Speedway's large scale enables it to leverage partnerships with vendors to provide quality merchandise at competitive prices and at what we believe to be best-in-class speed to market. Speedway consistently delivers for its vendor partners promotional programs with simultaneous launches across its COCO network, making Speedway an attractive marketing partner. Speedway has deep and long-lasting relationships with wholesaler suppliers and aims to hold them to strict operational metrics, which allows it to benchmark performance and, Speedway believes, results in superior performance, efficiency and merchandise quality.

The Speedy Rewards loyalty program has been highly successful since its inception in 2004, with a consistently growing customer base. The Speedy Rewards program, with the ability to earn and redeem loyalty points, provides a consistent platform with strong brand value.

Speedway sells gasoline and diesel transportation fuel at nearly all of its locations. In 2019, Speedway sold approximately 7.7 billion gallons of transportation fuel. During the nine months ended September 30, 2020, Speedway sold approximately 4.4 billion gallons of transportation fuel. In addition, according to the 2020 Convenience Store News Fuels 50 report, which was produced in partnership with Oil Price Information Service, Speedway had the highest national market share of transportation fuel sales in 2019 among the 50 fuel brands referenced.

Speedway's fuel supply relationship with MPC provides it with access to a stable and predictable supply of high-quality transportation fuel with market-based pricing. After the closing of the Acquisition, we expect approximately 95% of Speedway's fuel demand to be supplied pursuant to a Fuel Supply Agreement to be entered into between MPC and Speedway. For more information, see "The Transactions—Fuel Supply Agreements." The close alignment of Speedway's store network with MPC's infrastructure provides natural fuel supply chain efficiency. In addition, the Fuel Supply Agreement contemplates other fuel supply arrangements between the parties for incremental volumes (based on available supply agreements and terms), and the potential for geographic expansion outside of MPC's traditional supply network.

## **Speedway's Strengths**

### ***Significant Scale and Execution Capabilities across Nationwide platform***

Speedway is the second-largest company owned and operated convenience store operator chain in the U.S. with 3,854 company-owned stores across 36 states as of September 30, 2020. Its efficient operating model, significant scale and control over a COCO store network allows it to execute a standardized operating model across a broad platform and deliver a consistent customer experience. This includes integrated information technology systems and a highly efficient labor model. Speedway's fully integrated back-office and point-of-sale platform are streamlined to provide timely access to data, reduce operating expenses and enable centralized management of its operation. This model also allows it to gather and analyze information related to inventory, consumer behavior and sales trends to enhance marketing, and develop effective promotions increasing revenue, operating margins and customer satisfaction.

Speedway leverages this operating model to provide customers with offerings according to their specific preferences on a localized, store-specific level. Having ownership and control over COCO stores promotes effective and transparent communication with employees, enabling them to execute strategies in a timely and efficient manner that is consistent with Speedway standards across its platform.

There are many functional areas that we believe benefit from Speedway's scale and execution capabilities, including:

- Merchandising: Speedway offers competitive pricing to customers using a centralized store pricing model. Speedway implements its pricing model on a store-by-store basis, using local and regional demographics and supply and demand trends. Speedway has an internally developed merchandise model which identifies and promotes highly demanded items and optimizes shelf space accordingly. It also utilizes a centralized fuel pricing system with the ability to modify pricing and signage at many of its stores directly from its home office.
- Labor: Speedway aims to control operating expenses by tracking activity levels across the entire store portfolio and adjusting labor as needed to optimize the number of personnel working at each location throughout the day. This is intended to ensure appropriate staff to support the customer experience while limiting labor hours during off-peak periods.
- New product launches: Speedway leverages people and systems to quickly and consistently roll out products and programs across its store network ahead of its competition, capturing opportunities based on consumer trends and innovation and further enhancing customer satisfaction. Speedway's ability and demonstrated track record of effectively executing these rollouts makes it an attractive partner to vendors, who choose to collaborate with Speedway to introduce new products across its large store base in a coordinated and expeditious manner. Speedway believes its proven capabilities across marketing, pricing and promotions, supported by the Speedy Rewards loyalty program, can enhance the effectiveness of these product rollouts. Speedway's significant control over its stores enables the rapid placement of new products in strategic locations for increased exposure and sales.
- Inventory and supply chain: Speedway's large scale enables it to leverage its partnerships with vendors to provide quality merchandise at competitive prices at what we believe to be best-in-class speed. Speedway delivers for vendor partners promotional programs with simultaneous launches across the Speedway-branded network. Speedway has a deep and long-lasting relationships with wholesaler partners and aims to hold them to strict operational metrics which allows it to benchmark performance and, we believe, results in superior performance, efficiency and merchandise quality. Speedway leverages its best-in-class inventory back-office system to drive cost savings and enhanced efficiency across its value chain. Speedway's fully automated back-office system does not require personnel to track inventory; it automatically places orders to replenish items as needed, allowing for optimized inventory levels and delivery schedules with wholesalers and select direct store distributors.

### ***Industry Leading Customer Loyalty Program***

Speedway's Speedy Rewards loyalty program has been very successful since its inception in 2004, is well-recognized and boasts a consistently growing customer base. The Speedy Rewards program, with the ability to earn and redeem loyalty points, provides a consistent platform with strong brand value. Speedway believes Speedy Rewards is a key reason why customers choose Speedway over competitors and make it their preferred convenience location.

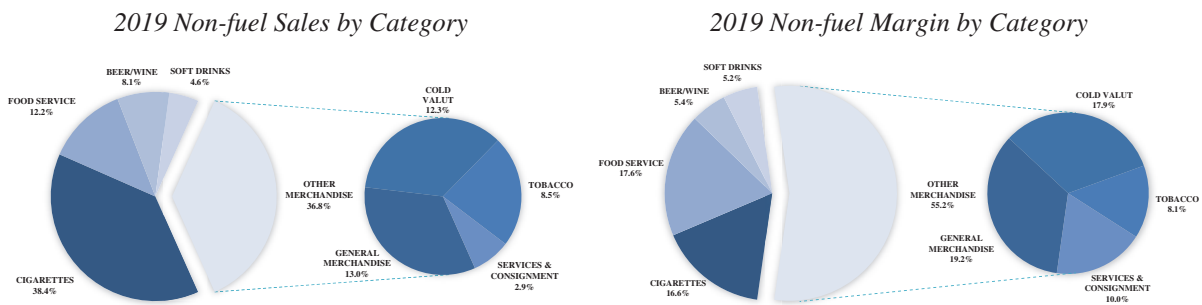
The loyalty program and mobile application provide Speedway with the ability to collect and analyze data to deliver differentiated value to customers. This includes targeted promotions based on past purchasing behavior and differentiated service offerings and pricing on both a site-by-site and individual market basis. These capabilities provide Speedway with deep insights into historical performance, informing future business decisions on products while also allowing it to deliver targeted offers and promotions tailored toward each customer's preferences.

During the nine months ended September 30, 2020, active Speedy Rewards members, which we define as members who have completed more than one transaction in the preceding 30 days, averaged approximately 5.5 million. In addition, Speedway had approximately 9.2 million members who made at least one transaction in

the preceding 30 days. Since 2014, the number of active members has grown by nearly 40%. Additionally, as of September 30, 2020, there were approximately 1.0 million active users of Speedway’s corresponding mobile app, which we define as unique users accessing the app within a 28-day period. The Speedy Rewards mobile app is a key component of Speedway’s digital engagement with its customers. The app was downloaded approximately 1.0 million times during the nine months ended September 30, 2020 with over 1 million active users each month. The Speedy Rewards app allows users to store and redeem coupons, participate in rewards clubs, load and use gift cards, check gas prices and locate stores nearest to them. Internal data shows that active loyalty customers spend more per visit and visit more frequently, driving incremental transportation fuel and merchandise sales.

***Attractive Merchandise and Foodservice Offerings***

In 2019, 43.7% of Speedway’s gross profit was from non-fuel offerings. Speedway’s non-fuel business is a natural complement to its quality transportation fuel offerings and provides consistency and diversity of revenue generation across convenience categories.



Speedway provides at its COCO stores a high-quality assortment of merchandise, foodservice and other convenience services that make the lives of time-conscious customers easier and more enjoyable. Speedway prides itself on reach-in coolers, or “cold vaults”, offering customers a wide-variety of single-serve beverages for life on the go. We believe Speedway is an industry leading destination for single serve beverages based on customer-favored cold vaults and superior dispensed beverage programs. Speedway’s beverage offerings include highly popular energy drinks, sports drinks, private label water and carbonated beverages. Speedway’s internal research shows that approximately 60% of consumers who visit a Speedway store purchase a beverage, and the average non-fuel market basket associated with that beverage purchase is approximately 1.6 times the beverage sale.

Across its COCO platform, Speedway offers a broad and attractive selection of grocery and foodservice items, including made-to-order offerings that represent higher-margin and higher-growth areas of convenience retail. Speedway’s strategy is to continue developing foodservice programs, particularly as it integrates acquired locations that historically focused on transportation fuel sales. Speedway offers multiple foodservice concepts, including Speedy Café, Food Destination, and Made-to-Cook programs. The variety of programs allows it to custom tailor food offerings to the size, traffic and footprint of the location.

## Speedway Food Programs

Food Program	Description	# of Locations
Speedy Café	Made-to-order fresh food items including salads, sandwiches, paninis, wraps, subs and pizza	276
Food Destination	Full line-up of self-serve sandwiches, pizza, stuffers, deli and bakery prepared fresh on-site along with warm cookies	309
Made-to-Cook	Self-serve sandwiches, pizza, deli and bakery prepared fresh on-site	1,541
Grill, Deli, Bakery	Self-serve roller grill, pre-packages sandwiches and bakery	1,009
Limited/No Food	Small stores that do not offer food or do so in a limited fashion	374
MSO	Third party operated stores with various food offerings as determined by the operator	345
<b>Total Stores:</b>		<b>3,854</b>

Speedway has a strong private label program that includes several product categories, providing customers with compelling value and quality while delivering attractive margins to Speedway. During the nine months ended September 30, 2020, approximately 7.6% of its total non-fuel sales (excluding cigarettes) were private label products. This is intended to allow Speedway to optimize the offerings, providing both value and margin for products for which consumers do not exhibit strong brand preference.

Speedway operates over 400 car wash locations in 23 states. The car washes allow for cross-selling and promotional opportunities, along with a tie-in to the Speedy Rewards loyalty program.

### High-Quality Real Estate Portfolio

Speedway's convenience stores are positioned on well-situated properties, with most located in metropolitan areas or in proximity to major highways, making its stores easily accessible and convenient to consumers' homes, places of work and daily commutes. Speedway owns the property at approximately 70% of its locations. Speedway believes that owning the real estate provides Speedway with significant operational flexibility and value. Controlling the real estate facilitates Speedway's ability to execute its business model and, coupled with its COCO format, provides it with important operational flexibility and significant asset value to support future growth.

On average, Speedway stores are approximately 2,600 square feet and approximately 37% of its stores are 3,000 square feet or larger. This enables Speedway to offer a compelling selection of in-store grocery and prepared food offerings to COCO store customers, often incorporating a walk-in cooler, and adjust offerings as consumer preferences evolve.

Speedway's NTI stores are significantly larger than its average store size, with a standard size of more than 4,600 square feet. These stores allow more space for larger cold vaults and a broader food offering. In addition, many of the NTI stores include multiple commercial fueling lanes to service high-volume diesel customers. Most of Speedway's existing locations have been remodeled to incorporate key Speedway foodservice offerings and merchandising elements to drive higher margins. Smaller stores typically include Made-to-Cook or Food Destination formats while the larger stores and NTI stores may offer the Speedy Café (made-to-order) concept.

Speedway utilizes its dedicated and experienced national real estate team to continuously evaluate and acquire well-situated properties to support organic growth initiatives according to its in-house model.



Speedway's in-house model identifies strategic real estate site prospects that are ranked based on data such as vehicle counts, population and competitor densities, and are assessed by a real estate team with specific site analytic tools. Selected real estate site prospects are further evaluated by local and experienced market experts.

### ***Track Record of Executing and Integrating Broad Range of Acquisitions***

In the past ten years, Speedway expanded its network through nine acquisitions. In the past five years, it acquired approximately 2,450 locations and we view its quick conversion and integration capabilities as a key factor leading to its rapid realization of synergies during the same period.

In 2014, Speedway acquired Hess's 1,245 retail stores, nearly doubling the existing approximately 1,500 stores and provided market entry into 13 states. Speedway successfully converted this entire retail portfolio to the Speedway brand in approximately 20 months, facilitating the rapid capture of over \$210 million in annual synergies, which exceeded the forecasted synergies for the transaction.

In 2018, MPC's acquisition of Andeavor added approximately 1,100 stores in 13 additional states, including California, New Mexico, Arizona and Minnesota. Through 2019, this acquisition has provided approximately \$120 million of realized synergies, exceeding the estimate of \$90 million in the first year.

In 2018 and 2019, Speedway acquired 78 Express Mart and 33 NOCO convenience stores, all of which were converted to the Speedway brand within 14 days of the respective acquisitions. Moreover, Speedway has achieved incremental improvements in same store performance for such stores since they were acquired.

### **Commitment to Operating Sustainably**

Since 2014, Speedway has invested over \$18 million to implement energy efficient LED lighting across most of our stores, reducing energy consumption. In our NTI stores, we also have lighting occupancy sensors, Energy Star® certified water heaters and advanced HVAC controls.

To ensure reliability and minimize risk regarding our fueling systems, we employ a single management system of all environmental activities related to remediation, compliance, emergency response, waste management, financial management, legal matters and document retention. We manage our fuel system integrity through a sophisticated risk management system and maintain a 24-hour internal emergency spill response program to evaluate and respond to any emergency situations.

At many of our locations, we offer various alternative transportation fuels, such as ethanol flex fuel and biodiesel. We are well-positioned to deliver additional alternative fuels should consumers demand additional product offerings given our existing geographic footprint and store network. In addition, to reduce our carbon footprint, we continue to implement more sustainable remediation practices such as phytoremediation, solar power and monitored natural attenuation, where appropriate. We incorporate sustainability into remediation system design to minimize the carbon footprint of active remediation systems through the use of telemetry data and remote monitoring systems.

## Speedway's Properties

The following table sets forth the number of company-owned convenience stores by state as of September 30, 2020:

<u>Location</u>	<u>Number of Locations</u>
Alabama.....	4
Alaska.....	31
Arizona.....	91
California.....	492
Colorado.....	12
Connecticut.....	1
Delaware.....	4
Florida.....	197
Georgia.....	9
Idaho.....	5
Illinois.....	129
Indiana.....	307
Kentucky.....	147
Massachusetts.....	108
Michigan.....	306
Minnesota.....	193
Nevada.....	9
New Hampshire.....	12
New Jersey.....	64
New Mexico.....	118
New York.....	328
North Carolina.....	264
Ohio.....	489
Oregon.....	12
Pennsylvania.....	121
Rhode Island.....	19
South Carolina.....	47
South Dakota.....	1
Tennessee.....	53
Texas.....	31
Utah.....	30
Virginia.....	59
Washington.....	32
West Virginia.....	57
Wisconsin.....	69
Wyoming.....	3
Total.....	<u>3,854</u>

Speedway's corporate headquarters are located at 500 Speedway Drive, Enon, Ohio 45323.

## Suppliers

*Transportation Fuels.* The Fuel Supply Agreement is expected to efficiently provide for a long-term supply of transportation fuel to Speedway's retail locations. It is expected that transportation fuel will be sold to Speedway at various terminal locations throughout the U.S. at market-based prices and that Speedway will rely on a combination of third-party transportation companies and internal fleet to deliver the transportation fuel to

stores in Speedway's network. The Fuel Supply Agreement is expected to include provisions covering, among other things, the addition and removal of retail locations. For more information, see "The Transactions—Fuel Supply Agreements."

*Merchandise.* The majority of Speedway's general merchandise, including most grocery items, general merchandise, Speedway proprietary-branded items, beverages and tobacco products, are purchased from a limited number of wholesale distributors, including Eby-Brown Company LLC, a subsidiary of Performance Food Group Company, and McLane Company, Inc.

### **Competition, Market Conditions and Seasonality**

Speedway faces strong competition for retail sales of gasoline, diesel fuel and merchandise. Speedway's competitors for fuel sales include convenience stores operated by independent entrepreneurs and other well-recognized national or regional convenience stores and travel centers, often selling gasoline, diesel fuel and merchandise at competitive prices. Non-traditional transportation fuel retailers, such as supermarkets, club stores and mass merchants, have affected the convenience store industry with their entrance into sales of retail gasoline and diesel fuel. Energy Analysts International, Inc. estimated such retailers had approximately 16% of the U.S. gasoline market in 2019. Speedway's competitors for convenience items and food service include independent entrepreneurs and other well-recognized national or regional convenience stores and travel centers, supermarkets, drugstores, discount stores, dollar stores, club stores, fast food outlets and quick service restaurants. Major competitive factors include location, ease of access, product and service selection, gasoline brands, pricing, customer service, store appearance, cleanliness and safety.

Demand for gasoline and diesel fuel is generally higher during the spring and summer months than during the winter months in most of Speedway's markets, primarily due to seasonal increases in highway traffic. As a result, the operating results for Speedway for the first and fourth quarters may be lower than for those in the second and third quarters of each calendar year. Margins from the sale of merchandise tend to be less volatile than margins from the retail sale of gasoline and diesel fuel.

In late 2019, a novel strain of coronavirus, COVID-19, was first reported in Wuhan, China. The coronavirus has since spread rapidly to many other countries, including the U.S. Global health concerns relating to the coronavirus pandemic have had significant and widespread effects on the macroeconomic environment, including on the convenience store industry in the U.S. The convenience store industry in particular is experiencing acute challenges related to the COVID-19 pandemic. Various state "stay-at-home" orders have negatively impacted fuel demand and overall convenience store traffic and merchandise sales. In addition, convenience store operators have taken measures to increase the safety of employees and customers. Speedway has implemented the "Speedy Safe Zone" to provide customer access to hand sanitizer, masks and gloves in its stores and is testing food/product delivery at the pump at select locations.

Global economic and political events, supply disruptions, new and changing government regulations and significant decreases in consumer demand (like that caused by the COVID-19 pandemic) could have a material adverse effect on Speedway's business, financial condition, results of operations and cash flows.

### **Speedway's Employees**

As of September 30, 2020, Speedway employed approximately 39,000 people, consisting of approximately 26,400 full-time and 12,800 part-time employees. Approximately 360 of these employees are hourly employees represented under collective bargaining agreements.

### **Intellectual Property**

The Speedway trademark is material to the conduct of Speedway's retail operations, and certain of its businesses primarily use the ARCO®, Shell®, Tesoro® and Mobil® brands for fuel sales and additional brands for

convenience store merchandise. Some of the brands under which Speedway operates are owned by it and some are owned by third parties, including MPC. Speedway expects to enter into agreements with the applicable owner or licensee for certain trademarks used in its operations. See “Risk Factors—We may be unable to adequately obtain, maintain, protect and enforce our trademarks or other intellectual property rights we use in our business.”

## **Information Technology**

Speedway’s IT systems include a fully integrated back-office and point-of-sale platform that is used by nearly all COCO stores. IT systems are designed to deliver operating efficiencies, streamline back-office functions, offer an exceptional customer experience, and provide corporate management with timely access to financial, human resource and marketing data, reduce store level and corporate administrative expense, and provide better visibility and control over fuel and merchandise inventories.

Speedway primarily utilizes an EMV (Europay, Mastercard, Visa) certified NCR Radiant point-of-sale scanning system for sales transactions, including at the pump, payment processing, and Speedy Rewards loyalty program points redemption through an interactive customer experience. Speedway received outside EMV certification for its system well in advance of the deadline and have implemented that system at the majority of its locations. Sales and inventory data from the back-office system is fed to a data warehouse and leveraged for automated inventory replenishment, category management, data analysis and trending. The MSO stores utilize a VeriFone point-of-sale system for sales and credit card processing.

Speedway utilizes a centralized store pricing model to effectively optimize merchandise pricing at COCO stores, and a workforce management system that allocates labor to the stores on a weekly basis. It also utilizes a centralized fuel pricing system across its network with the ability to modify pricing and signage directly from its home office at many of its locations. The IT platform is highly scalable, allowing new and acquired convenience stores to be quickly integrated into its supply network, sales and marketing programs, Speedy Rewards loyalty program, labor model and back-office processes.

Speedway’s technology platforms and proprietary Speedy Rewards loyalty program, with an average of approximately 5.5 million active members as of September 30, 2020, facilitate its digital engagement with its customers at the pump, in the store and on customers’ smartphones. The Speedy Rewards program, with the ability to earn and redeem loyalty points, provides a consistent platform with strong brand value.

Speedway’s IT network is kept up to date by investing capital each year, replacing end-of-life hardware and updating software versions. It also invests capital to ensure critical systems are backed up and redundant. It employs security for its network through firewalls, anti-virus and spam protection. Speedway has business policies and processes around access controls, password expirations and file retention to ensure a high level of control within its IT network.

SAP is MPC’s enterprise system, which Speedway uses for accounting, purchase ordering and consolidated financial reporting. 7-Eleven and MPC will enter into a the TSA prior to the closing of the Acquisition pursuant to which MPC and its subsidiaries will provide certain services to Speedway, on an interim, transitional basis for a mutually agreeable time following the Acquisition. For more information, see “The Transactions—Transition Services Agreement.”

## **Regulatory Matters**

*Environmental Matters.* Speedway’s operations are subject to a variety of federal, state, and local environmental laws and regulations, including those relating to petroleum storage, the content of fuel products, handling, transportation, disposal and releases of, and exposure to, hazardous and toxic substances and remediation of contaminated sites. These laws and regulations require Speedway to obtain and maintain permits

and registrations from governmental authorities for its operations. Any violation of such requirements can result in litigation, increased costs or the imposition of significant civil and criminal penalties, injunctions or other sanctions. Compliance with these environmental requirements affects Speedway's overall cost of business, including capital costs to construct, maintain and upgrade equipment and facilities, and ongoing operating expenditures. Although Speedway strives to comply with these environmental requirements and utilize modern technologies and rigorous compliance processes in the ordinary course of business, we cannot assure you that it will be at all times in compliance with all applicable environmental laws, regulations and permits.

Speedway is subject to extensive environmental laws and regulations governing its USTs. Pursuant to the RCRA, the EPA established a comprehensive program for the detection, prevention, investigation and cleanup of leaking USTs. In addition, the EPA, under CERCLA, adopted technical requirements in 1988 (which were further supplemented in 2015) relating to the specifications and operations of USTs, including requirements relating to leak detection and leak prevention systems. State or local agencies are often delegated the responsibility for implementing the federal program or developing and implementing equivalent state or local regulations. Speedway has a comprehensive program in place for performing routine tank testing and other compliance activities which are intended to promptly detect and investigate any potential releases.

Under provisions of both the RCRA and CERCLA, any contamination, leaks from storage tanks or other releases of regulated materials could result in claims against Speedway by governmental authorities and other third parties for fines or penalties, natural resource damages, personal injury and property damage. Speedway is also required to comply with financial assurance requirements and pay fees to state "leaking UST" funds in states where they exist. These funds are expected to pay or reimburse it for certain cleanup expenses related to contamination associated with USTs subject to their jurisdiction. Such payments are always subject to a deductible paid by Speedway, specified per incident caps and specified maximum annual payouts, which vary among the funds. Additionally, such funds may have eligibility requirements that not all sites will meet. There is no assurance that a state fund will have the funds to pay all cleanup claims. In certain instances, Speedway can obtain reimbursement from state underground storage tank funds for certain remedial costs associated with tank releases. Receivables from state government agencies related to a portion of Speedway's remedial obligations amounted to approximately \$20 million at September 30, 2020. To the extent Speedway faces administrative proceedings governing the remediation of contamination or spills from current and past operations or state funds or other responsible parties do not pay or delay payments for cleanups, it will be obligated to make these payments without reimbursement, which could have a material adverse effect on Speedway's business, financial condition and results of operations.

From time to time, Speedway is subject to legal and administrative proceedings governing the remediation of contamination or spills from current and past operations, including from leaking petroleum storage tanks. Speedway is currently involved in, and may in the future continue to be involved in, investigation and remediation activities at a significant number of its properties. Speedway could also be held liable for the cleanup of releases in connection with its vehicle fleets or transportation of fuel or third-party disposal sites where it has arranged for the disposal of wastes. Although Speedway does not typically arrange for the treatment or disposal of large quantities of hazardous wastes, wastes generated during cleanups of contamination at its sites could expose it to such liability.

The U.S. Clean Air Act and certain state air laws require that certain of Speedway's sites be equipped with gasoline vapor recovery systems that collect gasoline vapors from vehicles' fuel tanks while customers dispense gasoline products into their vehicles. The system consists of special nozzles and coaxial hoses at each gasoline pump that captures vapors from the vehicle's fuel tank and routes them to the station's storage tanks. Any failure to maintain these systems, or comply with system testing and reporting requirements, could subject Speedway to penalties, or other sanctions, which could have a material adverse effect on its business, financial condition and results of operations.

Speedway outlays capital expenditures to achieve continuing compliance with environmental laws and regulations. These include constructing, maintaining, and upgrading petroleum storage and dispensing equipment

and facilities, including leak detection and monitoring systems for USTs at many of Speedway's fueling stations. We do not anticipate material capital expenditures for environmental projects and controls in the current or subsequent fiscal year.

Speedway monitors its USTs for evidence of releases, and records accruals on its financial statements to cover the reasonably estimable remediation cost at its sites. At September 30, 2020, Speedway had accrued \$36 million for undiscounted environmental liabilities. Accruals for environmental liabilities are recorded by calculating the best estimate of probable and reasonably estimable future costs using current information that is available at the time of the accrual. Speedway utilizes remediation practices such as phytoremediation, solar power, and monitored natural attenuation, where appropriate, and telemetry data and remote monitoring systems, where appropriate, for active remediation systems. Based upon currently known facts and circumstances, the amount of future remediation costs that will be incurred to address known contamination is not expected to have a material adverse effect on future net income, cash flows or liquidity. However, there is the possibility that additional environmental expenditures could be required to address contamination, including as a result of discovering additional contamination or the imposition of new or revised remediation requirements applicable to known contamination.

In the course of acquiring or divesting of certain sites in the past, Speedway has given certain indemnities for environmental matters. Though no material claims are currently pending that relate to those indemnities at this time, there may be claims for indemnification against Speedway in the future.

Because environmental laws and regulations are becoming more complex and stringent, and new environmental laws and regulations are continuously being enacted or proposed, the level of future expenditures required for environmental matters could increase. In particular, the Biden administration is expected to propose or enact additional or more stringent rules or legislation relating to GHG and climate change. In addition, any major upgrades to any of Speedway's sites could require material additional expenditures to comply with environmental laws and regulations.

See also Note 17 to the audited combined financial statements of the Speedway Business included elsewhere in this offering circular.

*Sale of Regulated Products.* In certain areas where Speedway's convenience stores are located, state or local laws limit the hours of operation for the sale of alcoholic beverages and all localities restrict the sale of alcoholic beverages and tobacco and vapor products to persons younger than a certain age. State and local regulatory agencies have the authority to approve, revoke, suspend or deny applications for and renewals of permits and licenses relating to the sale of alcoholic beverages, as well as to issue fines to convenience stores for the improper sale of alcoholic beverages and cigarettes. Failure to comply with these laws may result in the loss of necessary licenses and the imposition of fines and penalties. Such a loss or imposition could have a material adverse effect on Speedway's business, liquidity and results of operations. In many states, retailers of alcoholic beverages have been held responsible for damages caused by intoxicated individuals who purchased alcoholic beverages from them. While the potential exposure for damage claims as a seller of alcoholic beverages and cigarettes is substantial, Speedway has adopted procedures intended to minimize such exposure.

Federally mandated anti-money laundering regulations, specifically the USA PATRIOT Act, which amends the Bank Secrecy Act of 1970, as amended, dictate the rules and documentation requirements Speedway follows for the sales of money orders and other items. In addition, Speedway is subject to random anti-money laundering compliance audits.

Speedway also adheres to the rules governing lottery sales as determined by state lottery commissions in each state in which it makes such sales.

Certain Speedway locations in Illinois maintain and operate video gaming terminals which results in it and certain subsidiaries being subject to gaming regulations in Illinois. Any violations by Speedway or any of its licensed subsidiaries of the gaming regulations to which it is subject could result in fines, penalties (including the limiting, conditioning, suspension or revocation of any licenses held) and criminal actions.

*Safety and Health.* Speedway is subject to federal, state and local safety laws and regulations, including requirements of the OSHA and similar state and local laws governing the health and safety of workers. These regulations address issues ranging from facility design, equipment specific requirements, training, hazardous materials, record retention, self-inspection, equipment maintenance and other worker safety issues, including workplace violence.

*Other Regulatory Matters.* Speedway's locations are subject to regulation by federal agencies and to licensing and regulations by state and local health, sanitation, safety, fire and other departments relating to the development and operation of its stores, including regulations relating to zoning and building requirements and the preparation and sale of food. Difficulties in obtaining or failures to obtain the required licenses or approvals could delay or prevent the development of a new site in a particular area.

Speedway's operations are also subject to federal, state and local laws governing such matters as wage rates, overtime, working conditions and citizenship requirements. At the federal level, there are proposals under consideration from time to time to increase minimum wage rates and to introduce a system of mandated health insurance, both of which could affect Speedway's results of operations. State and local jurisdictions have also proposed or enacted increases to minimum wage rates over the federal level and laws governing working conditions and employee relations.

## **Legal Proceedings**

Speedway is from time to time subject to a variety of litigation and other legal and regulatory proceedings and claims incidental to its business. Some of these matters are discussed below. The ultimate resolution of some of these contingencies could, individually or in the aggregate, be material. We incorporate by reference into this section disclosures included in Note 17 of the audited combined financial statements of the Speedway Business and Note 9 and Note 11 of the unaudited combined financial statements of the Speedway Business that are included elsewhere in this offering circular.

Speedway is a defendant in a number of lawsuits and other proceedings arising in the ordinary course of business. While the ultimate outcome and impact to use cannot be predicted with certainty, we believe that the resolution of these other lawsuits and proceedings will not have a material adverse effect on Speedway's combined financial position, results of operations or cash flows.

## MANAGEMENT

### Directors

The Company's directors and their ages, as of January 12, 2021, are as follows:

<u>Name</u>	<u>Age</u>
Ryuichi Isaka .....	63
Fumihiko Nagamatsu .....	63
Shintaro Asako .....	46
Joseph M. DePinto .....	58
Stanley Reynolds .....	55
Shinji Abe .....	57
Yoshimichi Maruyama .....	61
Tamaki Wakita .....	48
Christopher P. Tanco .....	58
Ken Wakabayashi .....	49

**Ryuichi Isaka** was first elected director in January 2011. Mr. Isaka has also served as President and Representative Director of Seven & i since May 2016. Before his appointment as President of Seven & i, Mr. Isaka served as President of SEJ and has served in a multitude of capacities with SEJ for more than 30 years.

**Fumihiko Nagamatsu** has served as a director since April 2019. Mr. Nagamatsu has also served as the President and Representative Director of SEJ since April 2019 and has served on the board of directors of Seven & i since May 2018. Mr. Nagamatsu has served in a multitude of capacities with SEJ and Seven & i since 1980.

**Shintaro Asako** has served as a director since July 2019. He is a member of the Board's Audit and Compensation Committee. Mr. Asako held numerous roles with DeNa Co., Ltd., including serving as its Executive Officer and Chief Financial Officer. Mr. Asako also serves on the board of directors of Kubota Pharmaceutical Holdings Co. Ltd., a manufacturer of pharmaceuticals to treat sight-threatening diseases and disorders.

**Joseph M. Depinto** was first elected director in December 2005 and was named the Company's President and Chief Executive Officer at that time. Mr. DePinto has also served on the board of directors of Seven & i since May 2015. Mr. DePinto served as President of GameStop, Inc. from March 2005 to December 2005. At 7-Eleven, Mr. DePinto served as Division Vice President from 2002 to 2003 and as Vice President, Operations, from 2003 to March 2005. Before joining 7-Eleven, Mr. DePinto held executive positions at PepsiCo, Inc., and was the Chief Operating Officer of Thornton Oil Corp. He also serves as chairman of the board of directors of Brinker International, Inc.

**Stanley Reynolds** was first elected director in December 2018. He has served as the Company's Executive Vice President, Chief Financial Officer and Chief Administrative Officer since January 2016. Mr. Reynolds served as Executive Vice President and Chief Financial Officer from July 2007 to December 2015, and as Senior Vice President and Chief Financial Officer from November 2005 to July 2007. From August 2005 to November 2005, Mr. Reynolds served as Vice President, Planning and Treasurer. Mr. Reynolds was elected Treasurer in January 2001 and served as Vice President and Treasurer from May 2002 to July 2005. Mr. Reynolds has been employed by the Company since 1997. Prior to joining 7-Eleven, Mr. Reynolds served as Vice President in Corporate Banking at Nations Bank and was previously employed at Ernst & Whinney.

**Shinji Abe** was first elected director in December 2018. Mr. Abe has also served as Executive Officer, Head of Planning Department & Head of Overseas Business Department of SEJ since August 2020. Mr. Abe previously served as Executive Officer & Division Head, Global Business Expansion Division, Planning Department of SEJ. Effective January 1, 2021, Mr. Abe was appointed as President and a director of SAM. He



currently serves as a director of SEH. In addition, Mr. Abe previously served as Project Leader & Executive Officer of SEJ and in various other capacities since 1987.

**Yoshimichi Maruyama** has served as a director since January 2021. Mr. Maruyama has served as an Executive Officer of Seven & i since May 2017 and has served as the General Manager of the Corporate Finance and Accounting Division of Seven & i since March 2018. Mr. Maruyama joined Seven & i’s management team in May 2012, serving as the Senior Officer of the Risk Management Department. Mr. Maruyama became the Senior Officer of the Information Management and Security Office for Seven & i in November 2014, and the Senior Officer of the Corporate Planning Department in July 2016. In December 2016, Mr. Maruyama became Seven & i’s Senior Officer of the Corporate Development Department. Mr. Maruyama currently serves as a Representative Director and President of Seven & i Financial Center Co., Ltd. and as the Representative Director and President of Seven & i Asset Management Co., Ltd.

**Tamaki Wakita** has served as a director since January 2021, and has served as a Senior Officer of Seven & i since March 2019. Prior to joining Seven & i, Mr. Wakita held a variety of leadership positions at Sojitz Corporation, General Electric International Inc., Nissen Holdings Co., Ltd. and Shaddy Co., Ltd. Mr. Wakita currently serves on the board of directors of Nissen Holdings Co., Ltd.

**Christopher P. Tanco** has served as a director since January 2021, and has served as the Company’s Executive Vice President and Chief Operating Officer since December 2015. Mr. Tanco served as the Executive Vice President, International from May 2012 to December 2015 and was Senior Vice President, International upon joining the Company in November 2009. Before joining 7-Eleven, Mr. Tanco served as Chief Franchise Officer at Yum! Brands and held a number of other positions there over a career spanning 17 years. He has been employed by the Company since 2009.

**Ken Wakabayashi** has served as the Senior Vice President and Head of International of the Company since 2018, has served as a director of the Company since January 2021 and currently serves as a member of the Executive Committee. Mr. Wakabayashi concurrently serves as a director for 7 Eleven Mexico, S.A. de C.V., and also serves as a director of the National Association of Convenience Stores. Mr. Wakabayashi previously held positions at Seven-Eleven Japan Co., Ltd., serving in Operations and Corporate Planning from 1994 until 2002. From 2002 through 2004, Mr. Wakabayashi served in Overseas Finance for Ito-Yokado Co., Ltd. In 2004, Mr. Wakabayashi joined the Company as Director, Operations Support, and was promoted to Vice President of Operations Support in 2006. After serving in a variety of leadership roles at the Company, Mr. Wakabayashi returned to Japan in 2014 for a one-year assignment at Seven-Eleven Japan Co., Ltd., returning to the Company in 2015 as the Senior Vice President of Planning.

## Executive Officers

The Company’s executive officers, their positions with the Company, and their ages as of January 12, 2021 are listed below:

Name	Position	Age
Joseph M. DePinto† . . . . .	President and Chief Executive Officer	58
Stanley Reynolds† . . . . .	Executive Vice President, Chief Financial Officer and Chief Administrative Officer	55
Christopher P. Tanco† . . . . .	Executive Vice President and Chief Operating Officer	58
Rankin L. Gasaway . . . . .	Senior Vice President, General Counsel and Secretary	57
Scott R. Hintz . . . . .	Senior Vice President, Human Resources	55
Jack Stout . . . . .	Senior Vice President, Merchandising and Logistics	49

† Mr. Depinto’s, Mr. Reynold’s and Mr. Tanco’s biographies are presented under “—Directors.”

**Rankin L. Gasaway** has served as the Company's Senior Vice President, General Counsel and Secretary since August 2012. He was appointed Vice President and Deputy General Counsel in May 2011. Mr. Gasaway served as Vice President and Assistant General Counsel from February 2008 to May 2011. He has been employed by the Company since 1991.

**Scott R. Hintz** has served as the Company's Senior Vice President, Human Resources, since April 2014. In May 2005, Mr. Hintz joined the Company as the Director of Benefits. Later in 2005, Mr. Hintz assumed responsibility for Compensation, and from December 2006 until April 2014, Mr. Hintz was 7-Eleven's Vice President, Compensation, Benefits, and HRIS. Before joining 7-Eleven, Mr. Hintz served in a variety of human resources roles with Atlantic Richfield Company (ARCO), Sabre Corporation, Essilor of America, Inc., and Maxus Energy Corporation.

**Jack Stout** has served as the Company's Senior Vice President, Merchandising and Logistics since July 2018. Mr. Stout joined the company in 2003 as Operations Planning Manager. Prior to joining the Merchandising Leadership team in 2015, Mr. Stout held positions as Director of Store Development Strategy, Senior Director of National Franchise, and Vice President of Business and Financial Planning. Prior to joining 7-Eleven, Mr. Stout served as an officer in the U.S. Air Force and held positions with TXU Energy and Booz Allen Hamilton.

## THE TRANSACTIONS

*The following discussion reflects our relationships and related-party transactions entered into in connection with the Transactions. The description of the Purchase Agreement and the other transaction documents described below do not purport to be complete and are qualified in their entirety by reference to the full text of such agreements. The Fuel Supply Agreement, TSA and certain other agreements with MPC have not been finalized as of the date hereof and we cannot assure you that these agreements will be successfully executed on the terms described herein or otherwise. See “Risk Factors—The terms of the Fuel Supply Agreement, TSA and certain other agreements with MPC have not been finalized.” We will make copies of the Purchase Agreement available to you upon request as described under “Available Information.”*

### The Acquisition

#### *General*

On August 2, 2020, 7-Eleven entered into the Purchase Agreement with MPC and the Sellers, pursuant to which 7-Eleven will acquire all of the outstanding equity in the Speedway Acquired Companies, which are the subsidiaries of MPC and Sellers related to the Speedway Business, in exchange for the Acquisition Consideration. Prior to the consummation of the transactions contemplated by the Purchase Agreement, MPC and Sellers will undertake certain restructuring activities such that (i) all assets of the Speedway Business and all liabilities to be assumed by 7-Eleven under the Purchase Agreement will be transferred to a Speedway Acquired Company and all (ii) excluded assets and all other liabilities of MPC and the Sellers held at any Speedway Acquired Company will be transferred out to subsidiaries to be retained by MPC or the Sellers.

As a condition to MPC’s and the Sellers’ willingness to enter into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, 7-Eleven delivered to MPC and the Sellers a duly executed guarantee issued by Seven & i in favor of MPC and Sellers (the “**Parent Guarantee**”). Pursuant to the Parent Guarantee, Seven & i agreed to guarantee payment of the initial purchase price, which is an amount equal to \$21 billion, plus the estimated net working capital adjustment at closing, minus the estimated closing date indebtedness of the Speedway Acquired Companies, plus the estimated closing date cash amounts (including cash and cash equivalents other than restricted cash) held by the Speedway Acquired Companies. The Parent Guarantee does not guarantee payment of any post-closing adjustment amounts payable by 7-Eleven under the Purchase Agreement, or any payments which might arise under any related transaction agreements.

#### *Closing Deliverables and Conditions to Closing*

The consummation of the Acquisition will take place electronically on the third business day following satisfaction (or waiver) of all closing conditions other than those conditions that by their terms are satisfied at the consummation of the Acquisition, but subject to the satisfaction or waiver of those conditions. The obligations of both 7-Eleven and MPC and the Sellers to close the Acquisition are subject to the satisfaction or waiver of the following conditions:

- the expiration or early termination of all applicable waiting periods under the HSR Act; and
- the absence of any law, order or injunction of any governmental authority which, if enacted, promulgated, issued, entered into or enforced, would enjoin, restrain, make illegal or otherwise prohibit the consummation of the Acquisition.

The obligation of 7-Eleven to consummate the Acquisition is subject to the satisfaction or waiver by 7-Eleven of the following additional conditions:

- all fundamental representations and warranties of MPC and the Sellers contained in the Purchase Agreement are true and correct in all respects (other than any such failure to be true and correct as would

be *de minimis*) as of the closing date, as though made on and as of such date (except for any representations or warranties that speak of a specified date, in which case such representation or warranty shall be true and correct in all respects as of such specified date);

- all representations and warranties of MPC and the Sellers made with respect to assets, real property and brokers' fees shall be true and correct in all material respects, without giving effect to any materiality or material adverse effect qualifications, as of the closing date, as though made on and as of such date (except for any representations or warranties that speak of a specified date, in which case such representation or warranty shall be true and correct in all material respects as of such specified date);
- all other representations and warranties of MPC and the Sellers shall be true and correct as of the closing date, as though made on and as of such date (except for any representations or warranties that speak of a specified date, in which case such representation or warranty shall be true and correct as of such specified date), except for such failures to be true and correct as would not in the aggregate have a material adverse effect (as defined in the Purchase Agreement), and without giving effect to any materiality or material adverse effect qualifications;
- MPC and the Sellers shall have performed the obligations and complied with the covenants with respect to all internal, pre-closing restructuring transactions in all material respects;
- MPC and the Sellers shall have in all material respects performed the obligations and complied with all other covenants required to be performed or complied with by such parties at or prior to closing;
- no material adverse effect (as defined in the Purchase Agreement) shall have occurred since August 2, 2020, the signing date of the Purchase Agreement; and
- certain other customary closing deliverables and certificates shall have been delivered by MPC and the Sellers to 7-Eleven.

The obligations of MPC and Sellers to consummate the Acquisition is subject to the satisfaction or waiver by MPC and the Sellers, as applicable, of the following additional conditions:

- all fundamental representations and warranties of 7-Eleven contained in the Purchase Agreement are true and correct in all respects (other than any such failure to be true and correct as would be *de minimis*) as of the closing date, as though made on and as of such date (except for any representations or warranties that speak of a specified date, in which case such representation or warranty shall be true and correct in all respects as of such specified date);
- all representations and warranties of 7-Eleven made with respect to brokers' fees shall be true and correct in all material respects, without giving effect to any materiality or material adverse effect qualifications, as of the closing date, as though made on and as of such date (except for any representations or warranties that speak of a specified date, in which case such representation or warranty shall be true and correct in all material respects as of such specified date);
- all other representations and warranties of 7-Eleven shall be true and correct as of the closing date, as though made on and as of such date (except for any representations or warranties that speak of a specified date, in which case such representation or warranty shall be true and correct as of such specified date), except for such failures to be true and correct as would not in the aggregate materially impair or delay 7-Eleven's ability to consummate the Acquisition, and without giving effect to any materiality qualifications;
- MPC and the Sellers shall have in all material respects performed the obligations and complied with all other covenants required to be performed or complied with by such parties at or prior to closing; and
- certain other customary closing deliverables and certificates shall have been delivered by MPC and the Sellers to 7-Eleven.

### ***Representations, Warranties and Covenants***

Pursuant to the Purchase Agreement, MPC and the Sellers make customary representations and warranties with respect to their businesses and the Speedway Business, including:

- due organization, existence, good standing and authority to carry on their respective businesses and to enter into and consummate the Acquisition;
- capital structure, subsidiaries and record or beneficial ownership of the equity interests of each Speedway Acquired Company;
- absence of encumbrances on any of the equity interests of the Speedway Acquired Companies;
- governmental consents;
- no conflict or violation;
- sufficiency and title to assets;
- inventory;
- use of property;
- accuracy of financial statements;
- SEC filings since January 1, 2017;
- compliance with the applicable rules and regulations of the SEC and the Sarbanes-Oxley Act of 2002;
- absence of undisclosed liabilities;
- bank accounts;
- legal proceedings;
- owned and leased real property;
- tax matters;
- absence of certain changes;
- certain material contracts of MPC, the Sellers, their respective subsidiaries and the Speedway Acquired Companies, and the absence of breach or default thereunder;
- certain labor, employment and employee benefits matters;
- compliance with law;
- certain intellectual property matters;
- environmental matters;
- affiliate transactions;
- absence of undisclosed brokerage or finders' fees;
- information technology systems, data privacy and security matters;
- maintenance of certain insurance policies;
- maintenance of applicable surety or other bonds;
- compliance with the Petroleum Marketing Practices Act;
- absence of gifts, bribes, rebates, payoffs, kickbacks or similar payments in violation of law; and
- unclaimed property returns, reports, declarations or other required filings.

The representations and warranties of MPC and the Sellers are, in certain cases, qualified by the knowledge of MPC or the Sellers or materiality or material adverse effect qualifiers, and are subject to certain specified and disclosed exceptions.

The Purchase Agreement also contains customary buyer representations and warranties made by 7-Eleven that are subject to specified exceptions and qualifications. 7-Eleven's representations and warranties are, in certain cases, qualified by 7-Eleven's knowledge or materiality qualifications.

In addition, MPC and the Sellers have generally agreed (i) to conduct the Speedway Business in the ordinary course and consistent with past practices (including past practices in response to the COVID-19 pandemic), (ii) to preserve substantially intact the organization, assets, properties and goodwill of the Speedway Business, including the material contracts and relationships with customers, suppliers, vendors, partners, governmental authorities and other persons in connection with the Speedway Business and (iii) comply with certain interim operating restrictions between August 2, 2020, the signing date of the Purchase Agreement, and the date of the consummation of the Acquisition.

MPC and the Sellers also agreed to undertake certain pre-closing restructuring actions in order to ensure that (i) all assets and assumed liabilities of the Speedway Business, including any material contracts, permits and employees, will be held, as of the closing date of the Acquisition, at or by a Speedway Acquired Company and (ii) all excluded assets to be retained by MPC or the Sellers and all other liabilities of MPC and the Sellers will be held, as of the closing date of the Acquisition, at or by MPC, a Seller or one of their respective subsidiaries other than a Speedway Acquired Company.

#### ***Employee Matters***

For at least one year following the closing date of the Acquisition, 7-Eleven has generally agreed to provide, or cause to be provided, each continuing employee of the Speedway Business who is employed as of immediately prior to the closing date with (i) base salary, base wage rate and incentive compensation opportunities which are no less than those provided to such employees immediately prior to the closing date of the Acquisition, (ii) employee and fringe benefits that are no less favorable in the aggregate than those provided to such employees immediately prior to the closing date of the Acquisition and (iii) with respect to any severance eligible termination of employment under the applicable employee benefit plans, severance pay and benefits that are no less favorable than those which would have otherwise been provided to such employees. Nothing in the Purchase Agreement prohibits 7-Eleven from terminating the employment of any pre-closing employee of the Speedway Business or any Speedway Acquired Company.

#### ***Indemnification and Insurance***

MPC and the Sellers, jointly and severally, agreed to indemnify 7-Eleven and its affiliates and indemnified parties from and against all direct and indirect losses that such 7-Eleven indemnified parties may suffer in connection with (i) any breach or inaccuracy of any of the surviving representations and warranties of MPC and the Sellers, (ii) any breach of or default under any covenant or agreement of MPC or the Sellers under the Purchase Agreement, and (iii) any liabilities retained by MPC, the Sellers or any of their affiliates or retained subsidiaries. 7-Eleven agreed to indemnify MPC, the Sellers and their respective affiliates and indemnified parties from and against all direct and indirect losses that such MPC or Seller indemnified parties may suffer in connection with (i) any breach of or default under any covenant or agreement of 7-Eleven under the Purchase Agreement, (ii) any liabilities assumed by 7-Eleven under the Purchase Agreement, and (iii) any third-party claim brought after the closing date of the Acquisition involving any indemnified party, to the extent such third-party claim results from 7-Eleven's ownership or operation of the Speedway Business after closing.

MPC's and the Sellers' liability for indemnification for losses arising out of fraud or undisclosed liabilities is not subject to any cap. MPC's and the Sellers' liability for indemnification for losses arising out of MPC's and

the Sellers' fundamental representations and warranties is subject to a threshold of \$42 million, after which 7-Eleven may only recover any such excess amounts, subject to a cap in the amount equal to the final purchase price paid by 7-Eleven. MPC's and the Sellers' liability for indemnification for losses arising out of all other of MPC's and the Sellers' representations and warranties is subject to a cap of \$84 million.

For a period of six years after the closing date of the Acquisition, 7-Eleven agreed not to modify the provisions of the organizational documents of the Speedway Acquired Companies in any manner which would reduce, limit or otherwise adversely affect the indemnification rights of or advancement of expenses to any current or former directors, officers, members or managers.

Concurrently with the execution of the Purchase Agreement, 7-Eleven delivered to MPC and the Sellers a representation and warranty insurance policy covering the transactions contemplated by the Purchase Agreement. The underwriting costs, deposits, premiums and taxes incurred in connection with this representation and warranty insurance policy will be paid by MPC and the Sellers at the closing date of the Acquisition.

The Purchase Agreement further contemplates that 7-Eleven will use reasonable best efforts to obtain an environmental insurance policy and cause coverage thereunder to be in effect as of the closing date of the Acquisition. The underwriting costs, deposits, premiums and taxes incurred in connection with any such environmental insurance policy will be paid by MPC and the Sellers, subject to a cap of \$10 million. In the event that 7-Eleven is unable to obtain an environmental insurance policy or such policy is not in effect as of the closing date of the Acquisition, then MPC and the Sellers will pay 7-Eleven \$10 million in lieu thereof.

### ***Survival***

The representations and warranties of MPC and the Sellers set forth in the Purchase Agreement generally survive the termination of the Purchase Agreement or consummation of the Acquisition for a period of two years. The fundamental representations and warranties of MPC and the Sellers survive the termination of the Purchase Agreement or consummation of the Acquisition for a period of six years. The representations and warranties of MPC and the Sellers with respect to taxes survive the termination of the Purchase Agreement or consummation of the Acquisition for the statute of limitations plus sixty days. The representations and warranties of MPC and the Sellers made with respect to the absence of undisclosed liabilities survive the termination of the Purchase Agreement or consummation of the Acquisition indefinitely. The representations and warranties of 7-Eleven set forth in the Purchase Agreement do not survive the termination of the Purchase Agreement or consummation of the Acquisition.

## **Fuel Supply Agreements**

### ***General***

In connection with the Acquisition and at the consummation of the Acquisition, SEI Fuels and Marathon LP, will enter into the Fuel Supply Agreement, pursuant to which Marathon LP will provide an amount of fuel to the Speedway Business that will be determined by SEI Fuels and Marathon LP and set forth in the Fuel Supply Agreement. The Fuel Supply Agreement will have an initial term of 15 years, subject to a single renewal term of three additional years, unless either party notifies the other of its non-renewal intent.

In addition to the Fuel Supply Agreement, SEI or one or more of its affiliates and MPC expect to enter into one or more agreements related to incremental opportunities to supply fuel volume to SEI and its other retail fuel store locations.

### ***Volume and Pricing; Adjustments***

Under the Fuel Supply Agreement, during each contract year, SEI Fuels will purchase from Marathon LP, and Marathon LP will sell to SEI Fuels, the minimum annual volume commitment applicable to such contract

year. The minimum annual volume commitment under the Fuel Supply Agreement will be subject to adjustment as will be further set forth in the Fuel Supply Agreement, including upon the addition or removal of fuel store locations to or from the Fuel Supply Agreement from time to time, subject to the limitations to be set forth in the Fuel Supply Agreement.

The Fuel Supply Agreement will also provide for quarterly minimum volumes (which, in the aggregate, will equal the minimum annual volume commitment) and estimated monthly volumes, each of which will also be subject to adjustment. The Fuel Supply Agreement will require SEI Fuels and Marathon LP to meet annually to discuss, among other things, the quarterly minimum volumes and monthly volumes (and any proposed adjustments thereto). In between annual meetings, the Fuel Supply Agreement will require the parties to meet no less than monthly to evaluate, and discuss potential adjustments to, the estimated monthly volumes.

Pricing under the Fuel Supply Agreement will be calculated in accordance with pricing formulas based on the applicable product and terminal to be set forth in the Fuel Supply Agreement, which are subject to annual adjustments.

### ***Indemnification***

The Fuel Supply Agreement will contain customary mutual indemnification provisions providing for indemnification by either party upon such party's breach, failure to perform or other failure.

### ***Termination Rights; Liquidated Damages***

The Fuel Supply Agreement will be terminable by either party upon the occurrence of a "Termination Event" with respect to the other party. Upon the occurrence of an SEI Fuels-related Termination Event, SEI Fuels is liable to pay liquidated damages to Marathon LP upon such termination. For purposes of the Fuel Supply Agreement, any of the following shall be deemed a "Termination Event": the occurrence of a default under the material terms of the Fuel Supply Agreement continuing for 15 days or more after written notice thereof by the non-defaulting party (other than SEI Fuels's non-payment of any amount due); SEI Fuels's non-payment of any amount due continuing for five days after written notice thereof; the insolvency or liquidation or reorganization (under the U.S. Bankruptcy Code) of the other party; certain sales of all or substantially all of the assets of 7-Eleven or SEI Fuels to a third party; or any attempted assignment of the Fuel Supply Agreement in contravention of the terms thereof.

### **Transition Services Agreement**

At the closing of the Acquisition, 7-Eleven, MPC and certain of their respective related parties (including the Speedway Acquired Companies) will enter into the TSA, pursuant to which MPC and/or certain of its retained subsidiaries will provide certain transitional services to the Speedway Business for a term of up to a twenty-four months after the closing of the Acquisition (subject to extensions). The services to be provided under the TSA will include, among other things, services in connection with fleet operations, supply chain process systems and controls, utility contract management, accounting, tax, information technology support, administrative support and property management. Each transitional service will be provided to the Speedway Business on the terms and conditions to be set forth in the TSA, for the periods of time to be agreed upon among the parties thereto.

The compensation to be paid by to the service provider for each transition service shall be the prices and rates set forth in the applicable service schedule attached to the TSA, and shall be adjusted as necessary for the termination of any individual service or portion thereof. The services provided under the TSA may be extended by the Speedway Business upon notice for up to two 180-day extension terms. The TSA will include customary termination rights, including termination by the Speedway Business of any service, or portion thereof, for convenience.



## Other Agreements

In connection with the closing of the Acquisition, the Company and MPC are considering entering into an agreement pursuant to which MPC will provide certain transportation services to the Speedway Business. The extent and duration of any such services will be subject to the terms and conditions of any transportation services agreement as agreed upon among the parties thereto.

In addition, the Company is working with MPC to reach mutually agreeable terms with respect to the Speedway Business's branded partners at certain acquired locations. The parties may enter into agreements with one or more branded partners regarding post-closing relationships with the Speedway Business. Alternatively, the parties may decide to de-brand these sites, in which case such sites will be governed by the Fuel Supply Agreements.

## The Equity Contribution

In connection with the Acquisition, Seven & i is expected to contribute indirectly \$8.0 billion in cash to 7-Eleven to be used to pay a portion of the Acquisition Consideration in exchange for 40,000 shares of common stock of SAM. Following the Equity Contribution, Seven & i will have a 25% direct ownership in SAM.

## The Financing Transactions

In connection with the Acquisition, (i) 7-Eleven has entered into the August 2020 Term Loan Facility, a three-year senior unsecured delayed draw term loan credit facility in an aggregate principal amount of up to \$1.25 billion, the entire amount of which may be drawn at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent, as described more fully under "Description of Other Indebtedness—Delayed Draw Term Loan Facilities," (ii) 7-Eleven has entered into the October 2020 Term Loan Facility, a two-year senior unsecured delayed draw term loan credit facility in an aggregate principal amount of up to \$1.0 billion, the entire amount of which may be drawn at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent, as described more fully under "Description of Other Indebtedness—Delayed Draw Term Loan Facilities," (iii) 7-Eleven has entered into the Revolving Credit Facility, an amended and restated three-year senior unsecured revolving credit facility in an aggregate principal amount of up to \$500.0 million, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent, as described more fully under "Description of Other Indebtedness—Revolving Credit Facility," and (iv) 7-Eleven intends to issue the notes offered hereby in an aggregate principal amount of \$10.95 billion. For more information relating to the notes, see "Description of Notes."

7-Eleven intends to use the net proceeds from the borrowings under the Delayed Draw Term Loan Facilities, the net proceeds from this offering and the proceeds from the Equity Contribution (i) to finance the Acquisition and (ii) to pay fees and expenses incurred in connection with the Acquisition, the Delayed Draw Term Loan Facilities, the Revolving Credit Facility, this offering of the notes, and the other transactions contemplated in connection therewith, as set forth under "Use of Proceeds."

In the event that the net proceeds from this offering, together with the Equity Contribution and the Delayed Draw Term Loan Facilities, are not sufficient to fund the Acquisition, 7-Eleven has obtained a commitment letter (the "**Bridge Commitment Letter**") for a 364-day unsecured bridge term loan credit facility (the "**Bridge Facility**") in an aggregate principal amount of up to \$10.95 billion that may be entered into at the consummation of the Acquisition. To the extent 7-Eleven intends to draw upon the Bridge Facility as a source of additional funding for the Acquisition, it is contemplated that (i) that borrowings under the Bridge Facility will be subject to the satisfaction of customary conditions substantially similar to the conditions set forth in the Delayed Draw Term Loan Facilities and (ii) the Bridge Facility documentation will contain terms substantially similar to the terms of the Revolving Credit Facility, with certain exceptions set forth in the Bridge Commitment Letter. The aggregate commitments for the Bridge Facility will be permanently reduced, ratably among the lenders with

commitments for the Bridge Facility, upon certain events occurring on or prior to the date of the Acquisition, including but not limited to a dollar-for-dollar reduction by (i) 100% of the net cash proceeds received by 7-Eleven from any issuance of debt securities or incurrence of other debt for borrowed money (subject to certain exceptions), (ii) 100% of the commitments provided to 7-Eleven pursuant to any definitive agreement for the incurrence of debt for borrowed money that has become effective solely for the specific purpose of financing the Acquisition and that has conditions to availability that are not more restrictive than the conditions to the availability of the Bridge Facility and (iii) 100% of the net cash proceeds of all asset sales or other dispositions by the Issuer and its subsidiaries (subject to certain exceptions and thresholds). As of the date hereof, the commitments for the Bridge Facility have been reduced by the commitments provided under the Delayed Draw Term Loan Facilities (such reductions already reflected in the figure above). The commitments for the Bridge Facility will be further reduced by the amount of the net cash proceeds of this offering. The Bridge Commitment Letter also contemplates that, on or prior to the Acquisition's closing date, the aggregate commitments shall be permanently reduced to zero immediately upon the earliest of (i) the Outside Date, (ii) the consummation of the Acquisition without the use of the funds from the Bridge Facility and (iii) the date that the Purchase Agreement is terminated or expires in accordance with the terms thereof.

#### **PTC's Repurchase of Speedway's Interest in PFJ Southeast**

On October 30, 2020, PTC provided MPC notice of PTC's intent to exercise the Repurchase Right under the JV Agreement governing PFJ Southeast, pursuant to which PTC will repurchase Speedway's interest in PFJ Southeast for the Repurchase Price. See "Summary—Recent Developments—Repurchase of PFJ Southeast Interest by PTC."

## CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

### 7-Eleven

#### *SEJ's Strategic Support of 7-Eleven's International Expansion*

In connection with 7-Eleven's plans to continue to expand internationally through master franchise agreements or other similar arrangements, 7-Eleven and SEJ entered into a Strategic Support Agreement for New Markets ("SSA") in July 2014. Under the agreement, SEJ provides certain enhanced knowledge and support services to the Company and its international master franchisees. Pursuant to the SSA, 7-Eleven pays SEJ a "Pre-Agreement Service Fee" based upon SEJ's general and administrative expenses and out-of-pocket expenses, minus the portion of the general and administrative expenses and out-of-pocket expenses paid directly to SEJ by the potential international master franchisee under separate Enhanced Knowledge and Support Agreements, in connection with the work performed by SEJ related to the entrance into new markets and work performed in connection with potential international master franchisees prior to execution of an international master franchise agreement by 7-Eleven.

After 7-Eleven has entered into a new international master franchise agreement, 7-Eleven also pays SEJ a "Strategic Support Fee" in the amount equal to 50% of the initial or entry fee and the monthly royalty fee, as paid by such international master franchisee to 7-Eleven. 7-Eleven may terminate any statement of work under the SSA upon 90 days' written notice, subject to the payment of certain fees, and SEJ may terminate any such statement of work upon 90 days' written notice, at which time 7-Eleven would owe SEJ no further fees. For the nine months ended September 30, 2020 and the year ended December 31, 2019, 7-Eleven expensed SEJ's strategic support fees of \$0.9 million and \$1.3 million, respectively.

#### *SEJ Ownership of 7-Eleven Trademark in Japan*

In March 2011, 7-Eleven and SEJ mutually terminated the Japan area license agreement. In connection with the terminated agreement, 7-Eleven sold and transferred to SEJ the right to 7-Eleven and ancillary trademarks in Japan for an aggregate purchase price of \$332.0 million. At September 30, 2020, SEJ independently operated approximately 21,000 7-Eleven stores in Japan. 7-Eleven stores operated by SEJ in Japan are not included in our results of operations for any periods presented.

#### *Seven-Eleven Hawaii, Inc.*

SEH, which is a wholly owned subsidiary of SEJ, entered into an area license agreement with 7-Eleven with respect to the State of Hawaii in December 1989. The area license agreement has a term of indefinite duration. As part of the area license agreement, SEH is no longer required to make royalty payments to 7-Eleven.

#### *SEJ's Expansion in China*

In April 2008, SE China affiliates entered into a master license agreement with 7-Eleven, authorizing SE China to enter into regional franchise agreements with affiliated and unaffiliated third parties to operate 7-Eleven stores within various market areas throughout China. As a result of these agreements, 7-Eleven earned royalty license fees of \$2.2 million for the nine months ended September 30, 2020 and \$3.3 million, \$3.8 million and \$2.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. The master license agreement has an initial term of 30 years and up to five additional renewal terms of ten years each, subject to certain conditions. Under the terms of the master license agreement, SE China pays 7-Eleven a royalty of 0.53384% of the prior month's sales of 7-Eleven stores operated by SE China's regional franchisees. SE China also pays 7-Eleven a fee of the greater of (i) 25% of the initial fee received by SE China upon the execution of each regional franchise agreement, or (ii) \$500,000.

### ***Other Transactions with Related Parties***

7-Eleven periodically engages in related-party transactions, including certain asset sales, leasing arrangements, and dividend payments. For additional information, see Note 21 to the audited consolidated financial statements of 7-Eleven included elsewhere in this offering circular. Additionally, 7-Eleven periodically enters into financing agreements with certain of its subsidiaries. See “Description of Other Indebtedness” for a description of such related-party financing agreements.

### ***Speedway Business***

For a discussion of activity with related parties, see Note 6 to Speedway’s audited combined financial statements for the year ended December 31, 2019, Note 5 of the unaudited combined financial statements of the Speedway Business that are included elsewhere in this offering circular and “The Transactions.”

## DESCRIPTION OF OTHER INDEBTEDNESS

### Revolving Credit Facility

7-Eleven entered into a senior unsecured revolving credit facility in August 2020 (the “*Revolving Credit Facility*”) with Citibank, N.A., as administrative agent, and lenders party thereto, with commitments in an aggregate principal amount up to \$500.0 million, which will increase to \$1.5 billion upon the consummation of the Acquisition, subject to the satisfaction or waiver of certain conditions precedent, as more specifically described below. The Revolving Credit Facility matures in August 2023, or if the Incremental Availability (as defined below) becomes available, on the third anniversary of the Commitment Increase Date (as defined below). The Revolving Credit Facility is used by 7-Eleven for working capital in the ordinary course of business, to support other general corporate purposes and for the issuance of commercial and standby letters of credit. As of September 30, 2020, (i) no amounts had been drawn under the Revolving Credit Facility and (ii) there were no outstanding letters of credit under the Revolving Credit Facility.

The Revolving Credit Facility is available on a revolving basis with interim availability of \$500.0 million of the commitments. Full availability of the remaining \$1.0 billion (the “*Incremental Availability*”), for an aggregate availability of \$1.5 billion, is subject to the satisfaction (or waiver) of certain limited conditions precedent, including the consummation of the Acquisition, the funding of the Equity Contribution, absence of a material adverse effect (as defined in the Purchase Agreement), delivery of certain required financial statements, absence of certain insolvency events of default and the accuracy of certain specified representations and warranties (the date of such satisfaction (or waiver) being the “*Commitment Increase Date*”). On the earlier of (i) the Outside Date and (ii) the date that the Purchase Agreement is terminated or expires in accordance with the terms thereof, if the Commitment Increase Date has not occurred, the Incremental Availability shall automatically terminate and the commitments under the Revolving Credit Facility shall be reduced to \$500.0 million.

All borrowings under the Revolving Credit Facility are subject to the satisfaction of customary conditions for credit facilities of this type.

The Revolving Credit Facility contains certain customary financial and operating covenants including, among other things, a financial covenant that requires 7-Eleven to maintain a consolidated net leverage ratio of (i) 3.50 to 1.00 prior to the Commitment Increase Date, (ii) 6.00 to 1.00 on or during the period after the Commitment Increase Date until the first anniversary of the Commitment Increase Date, (iii) 5.25 to 1.00 on or during the period after the first anniversary of the Commitment Increase Date until the second anniversary of the Commitment Increase Date, and (iv) 4.50 to 1.00 during the period on or after the second anniversary of the Commitment Increase Date.

Under the Revolving Credit Facility, 7-Eleven’s material subsidiaries may incur, among other types of debt, debt for borrowed money in an aggregate principal amount up to 10% of consolidated tangible assets of 7-Eleven and its subsidiaries, and 7-Eleven Canada, Inc. may incur, among other types of debt, debt for borrowed money in an aggregate principal amount of up to 20% of the consolidated tangible assets of 7-Eleven Canada, Inc. Additionally, 7-Eleven and its subsidiaries may incur, among other types, liens if the aggregate amount of debt secured by such liens does not exceed 20% of the consolidated tangible assets of 7-Eleven and its subsidiaries. As of September 30, 2020, 7-Eleven was in compliance with all of the Revolving Credit Facility’s financial and operating covenants.

The interest rates under the Revolving Credit Facility will be, at the option of 7-Eleven, (i) adjusted LIBOR plus the applicable adjusted LIBOR margin or (ii) an alternate base rate plus the greater of (a) 0.00% and (b) the applicable adjusted LIBOR margin minus 1.00%. The applicable adjusted LIBOR margin for the Revolving Credit Facility ranges from 1.00% to 2.25% per annum depending on the pricing level, which in turn depends on the rating agencies’ rating of 7-Eleven’s senior unsecured, non-credit-enhanced long-term debt.

In addition to paying interest on outstanding principal under the Revolving Credit Facility, 7-Eleven is required to pay customary agency and other fees. 7-Eleven is also obligated to pay a commitment fee ranging from 0.125% to 0.250% per year on the unused portion of the commitment, based on the pricing level, which in turn depends on the rating agencies' rating of 7-Eleven's senior unsecured, non-credit-enhanced long-term debt.

The Revolving Credit Facility contains certain customary events of default, including a cross-default provision such that if 7-Eleven fails to satisfy specified obligations, including the failure to make any payment due on material indebtedness, 7-Eleven could be in default under the terms of the Revolving Credit Facility. If an event of default occurs, the lenders under the Revolving Credit Facility would be entitled to take various actions, including declaring immediately due and payable the unpaid principal of all amounts owed under the Revolving Credit Facility, along with all accrued interest and other obligations thereunder.

### **Delayed Draw Term Loan Facilities**

7-Eleven entered into a delayed draw senior unsecured term loan credit facility in August 2020 (the "**August 2020 Term Loan Facility**") with Sumitomo Mitsui Banking Corporation, as administrative agent, and lenders party thereto, with commitments in an aggregate principal amount up to \$1.25 billion, which may be borrowed at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent as more specifically described below (the "**August 2020 Term Loan Facility Closing Date**"). The August 2020 Term Loan Facility, if drawn, will mature on the date that is three years after the August 2020 Term Loan Facility Closing Date. Under the August 2020 Term Loan Facility, 7-Eleven is entitled to request one or more additional term loans thereunder in an aggregate principal amount not to exceed an additional \$1.0 billion, subject to customary conditions.

7-Eleven entered into another delayed draw senior unsecured term loan credit facility in October 2020 (the "**October 2020 Term Loan Facility**" and, together with the August 2020 Term Loan Facility, the "**Delayed Draw Term Loan Facilities**") with Sumitomo Mitsui Banking Corporation, as administrative agent, and lenders party thereto, with commitments in an aggregate principal amount up to \$1.0 billion, which may be borrowed at the consummation of the Acquisition upon satisfaction or waiver of certain other conditions precedent as more specifically described below (the "**October 2020 Term Loan Facility Closing Date**"). The October 2020 Term Loan Facility, if drawn, will mature on the date that is two years after the October 2020 Term Loan Facility Closing Date.

Each of the Delayed Draw Term Loan Facilities may be drawn in a single drawing on the closing date of the Acquisition (subject to the satisfaction or waiver of certain other conditions precedent as more specifically described below), which must occur on or prior to the earlier of (i) the Outside Date and (ii) the date that the Purchase Agreement is terminated or expires in accordance with the terms thereof.

All borrowings under the Delayed Draw Term Loan Facilities will be subject to the satisfaction (or waiver) of customary conditions precedent for credit facilities of this type, including the consummation of the Acquisition, the funding of the Equity Contribution, absence of a material adverse effect (as defined in the Purchase Agreement), delivery of certain required financial statements, absence of certain insolvency events of default and the accuracy of certain specified representations and warranties. Any amounts borrowed under the Delayed Draw Term Loan Facilities that are repaid or prepaid may not be re-borrowed by 7-Eleven.

The August 2020 Term Loan Facility contains certain customary financial and operating covenants including, among other things, a financial covenant that requires 7-Eleven to maintain a consolidated net leverage ratio of (i) 6.00 to 1.00 prior to the first anniversary of the August 2020 Term Loan Facility Closing Date, (ii) 5.25 to 1.00 during the period on or after the first anniversary of the August 2020 Term Loan Facility Closing Date until the second anniversary of the August 2020 Term Loan Facility Closing Date, and (iii) 4.50 to 1.00 during the period on or after the second anniversary of the August 2020 Term Loan Facility Closing Date. The October 2020 Term Loan Facility contains certain customary financial and operating covenants including,

among other things, a financial covenant that requires 7-Eleven to maintain a consolidated net leverage ratio of (i) 6.00 to 1.00 prior to the first anniversary of the October 2020 Term Loan Facility Closing Date and (ii) 5.25 to 1.00 during the period on or after the first anniversary of the October 2020 Term Loan Facility Closing Date. Under each of the Delayed Draw Term Loan Facilities, 7-Eleven's material subsidiaries may incur, among other types of debt, debt for borrowed money in an aggregate principal amount up to 10% of consolidated tangible assets of 7-Eleven and its subsidiaries, and 7-Eleven Canada, Inc. may incur, among other types of debt, debt for borrowed money in an aggregate principal amount of up to 20% of the consolidated tangible assets of 7-Eleven Canada, Inc. Additionally, 7-Eleven and its subsidiaries may incur, among other types, liens if the aggregate amount of debt secured by such liens does not exceed 20% of the consolidated tangible assets of 7-Eleven and its subsidiaries. As of September 30, 2020, 7-Eleven was in compliance with all of the Delayed Draw Term Loan Facilities' financial and operating covenants.

The interest rates under the Delayed Draw Term Loan Facilities will be, at the option of 7-Eleven, (i) adjusted LIBOR plus the applicable adjusted LIBOR margin or (ii) an alternate base rate plus the greater of (a) 0.00% and (b) the applicable adjusted LIBOR margin minus 1.00%. The applicable adjusted LIBOR margin for the August 2020 Term Loan Facility ranges from 1.00% to 2.25% per annum, and the applicable adjusted LIBOR margin for the October 2020 Term Loan Facility ranges from 0.70% to 1.50% per annum, in each case, depending on the pricing level, which in turn depends on the rating agencies' rating of 7-Eleven's senior unsecured, non-credit-enhanced long-term debt. In addition to paying interest on outstanding principal under the Delayed Draw Term Loan Facilities, 7-Eleven is required to pay customary agency and other fees.

The Delayed Draw Term Loan Facilities contain certain customary events of default, including a cross-default provision such that if 7-Eleven fails to satisfy specified obligations, including the failure to make any payment due on material indebtedness, 7-Eleven could be in default under the terms of the Delayed Draw Term Loan Facilities. If an event of default occurs, the lenders under the Delayed Draw Term Loan Facilities would be entitled to take various actions, including declaring immediately due and payable the unpaid principal of all amounts owed under the Delayed Draw Term Loan Facilities, along with all accrued interest and other obligations thereunder.

Proceeds of the Delayed Draw Term Loan Facilities drawn on the closing date of the Acquisition will be used, together with the net proceeds from the sale of the notes in this offering and the Equity Contribution, to finance the Acquisition and to pay fees and expenses incurred in connection with the Acquisition, the Delayed Draw Term Loan Facilities, the Revolving Credit Facility and the other transactions contemplated in connection therewith, as described more fully under "Use of Proceeds." It is 7-Eleven's expectation that the entire amount of the Delayed Draw Term Loan Facilities will be borrowed on the closing date of the Acquisition.

### **Commercial Paper Facility**

On December 29, 2005, 7-Eleven entered into a \$650.0 million commercial paper facility consisting of (i)(a) a commercial paper dealer agreement, by and among 7-Eleven, as issuer, SEJ, as guarantor, and Goldman, Sachs & Co., as dealer, and (b) a commercial paper dealer agreement, by and among 7-Eleven, as issuer, SEJ, as guarantor, and BofA Securities, Inc. (formerly Merrill Lynch Money Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated), as dealer, pursuant to which 7-Eleven and the respective dealers agreed to terms governing the issuance and sale by 7-Eleven of short-term promissory notes through such dealers (the "**Dealer Agreements**") and (ii) a commercial paper issuing and paying agent agreement, by and among 7-Eleven, SEJ, and Citibank, N.A., pursuant to which 7-Eleven and SEJ appointed Citibank, N.A., as agent in connection with the issuance and payment of 7-Eleven's short-term promissory notes and SEJ's guaranty thereof (the "**Paying Agent Agreement**," and, together with the Dealer Agreements, the "**Commercial Paper Facility**"). The Commercial Paper Facility is guaranteed by SEJ pursuant to the terms of (i) an indemnity and reimbursement agreement by and between 7-Eleven and SEJ (the "**Indemnity Agreement**"), pursuant to which SEJ agreed to guarantee up to \$650.0 million of the payment obligations of 7-Eleven under the commercial paper notes issued pursuant to the Dealer Agreements and to automatically renew such guarantee annually unless terminated by

either 7-Eleven or SEJ at least one day prior to any scheduled expiration date of such Indemnity Agreement, and (ii) a guarantee of SEJ, pursuant to which SEJ guarantees payment in full of the principal of and interest, if any, on the promissory notes issued by 7-Eleven pursuant to the Paying Agent Agreement. Pursuant to the Indemnity Agreement, 7-Eleven pays SEJ a guarantee fee of 0.125% per year (accruing on a daily basis) on the Commercial Paper Facility's average outstanding commercial paper balance guaranteed by SEJ. While it is not anticipated that SEJ would be required to perform under its commercial paper guarantee, in the event that SEJ makes any payments under the guarantee, 7-Eleven would be required to reimburse SEJ for such payments. 7-Eleven may borrow under the Commercial Paper Facility as the need arises with respect to working capital requirements, capital spending, acquisitions, and other general corporate purposes. As of September 30, 2020, no commercial paper balance was outstanding under the Commercial Paper Facility.

### Existing Term Loans

As of September 30, 2020, 7-Eleven had an aggregate principal amount of \$3.745 billion of term loan obligations, of which \$2.725 billion of the obligations were with third-party lenders and \$1.02 billion of the obligations were with SAM. The interest payments for all of these Existing Term Loans are due either on a monthly, quarterly or semi-annual basis. 7-Eleven's term loan agreements contain covenants that are customary for facilities of this nature and that are materially similar to the covenants contained in the Revolving Credit Facility. The Existing Term Loans also generally contain certain customary financial maintenance covenants including, among others, a covenant that requires 7-Eleven to maintain various consolidated net leverage ratios over prescribed periods of time. As of September 30, 2020, 7-Eleven was in compliance with all of the financial and operating covenants in the Existing Term Loans. The terms of the Existing Term Loans vary, but they generally contain certain restrictions limiting 7-Eleven and 7-Eleven's subsidiaries' ability to, among other things, incur indebtedness, sell property, and merge or sell substantially all of the assets.

The table below reflects the material terms of the Existing Term Loans as of September 30, 2020 and December 31, 2019:

<u>Amounts Due In</u>	<u>Weighted Average Effective Interest Rate</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
		(Dollars in thousands)	
September 2020 .....	3.1%	\$ —	\$ 100,000
September 2020 .....	LIBOR plus 0.70%	—	75,000
June 2021 .....	2.1%	200,000	200,000
September 2021 <sup>(1)</sup> .....	2.0%	100,000	100,000
January 2022 .....	2.4%	200,000	200,000
March 2023 .....	3.5%	100,000	100,000
March 2023 .....	LIBOR plus 0.85%	75,000	75,000
June 2023 .....	2.5%	100,000	100,000
September 2023 <sup>(1)</sup> .....	2.3%	150,000	150,000
January 2024 .....	2.6%	150,000	150,000
April 2024 .....	2.0%	200,000	—
July 2024 .....	1.7%	100,000	—
February 2025 .....	4.0%	375,000	375,000
April 2025 .....	2.4%	100,000	—
July 2025 .....	2.0%	100,000	—
February 2026 .....	4.2%	175,000	175,000
September 2026 <sup>(1)</sup> .....	2.7%	200,000	200,000
April 2027 .....	2.7%	300,000	—
July 2027 .....	2.3%	100,000	—
January 2028 .....	2.7%	970,000	970,000
January 2028 .....	1.92%	50,000	50,000
<b>Total</b> .....		<u>\$3,745,000</u>	<u>\$3,020,000</u>

(1) The borrower of this Existing Term Loan is 7-Eleven International Investments LP, and 7-Eleven is the guarantor.



## **Intercompany Loans**

In January 2018, 7-Eleven entered into the January 2018 Intercompany Loan, a \$900.0 million intercompany loan with SAM, which bears a fixed interest rate of 2.7% per annum and matures in January 2028. In July 2018, 7-Eleven entered into the July 2018 Intercompany Loan, a \$70.0 million intercompany loan with SAM, which bears a fixed interest rate of 2.7% per annum and matures in January 2028. The proceeds of the loans were used by 7-Eleven to fund acquisitions. 7-Eleven recorded interest expense of \$19.9 million and \$26.6 million related to these loans for the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively.

In September 2019, 7-Eleven entered into the September 2019 Intercompany Loan, a \$50.0 million intercompany loan with SAM, which bears a fixed interest rate of 1.92% per annum and matures in January 2028. The proceeds of the loan were used by 7-Eleven for general corporate purposes. 7-Eleven recorded interest expense of \$0.7 million and \$0.3 million related to this loan for the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively.

## **2012 Acquisition Financing**

In connection with acquisitions made by 7-Eleven in 2012, 7-Eleven entered into lease agreements to lease the real estate for certain store locations from the sellers. The portion of the lease payments in excess of the market rent were considered to be purchase price installment payments and treated as a financing obligation. The financing obligation represents the present value of the purchase price installment payments discounted at 4%, which was 7-Eleven's incremental borrowing rate at the time of the acquisition. The acquisition financing obligation outstanding as of September 30, 2020 was \$56.6 million.

## DESCRIPTION OF NOTES

*In this “Description of Notes” section, the terms “we,” “our,” “us” and “Company” refer solely to 7-Eleven, Inc. (and not its subsidiaries) and any person that succeeds thereto, and is substituted therefor, under the terms of the Indenture (as defined below).*

The Notes (as defined below) will be issued under an indenture, dated as of February 10, 2021, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as supplemented by one or more supplemental indentures (as so supplemented, the “Indenture”), in a private transaction that is not subject to the registration requirements of the Securities Act. See “Transfer Restrictions.” The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”). Holders of the Notes will not be entitled to any registration rights.

The following discussion summarizes selected provisions of the Indenture. Because this is only a summary, it is not complete and does not describe every aspect of the Notes and the Indenture. Whenever there is a reference to defined terms of the Indenture, the statement is qualified in its entirety to such ascribed definition.

Upon the issuance of the Notes, a copy of the Indenture can be obtained from the Company, upon request. You should read the Indenture for provisions that may be important to you but which are not included in this summary.

### General Terms of the Notes

The floating rate senior notes due 2022 (the “2022 Floating Rate Notes”) are initially issuable in an aggregate principal amount of \$1,500,000,000. The 2022 Floating Rate Notes will mature on August 10, 2022 at 100% of their principal amount.

The 0.625% senior notes due 2023 (the “2023 Notes”) are initially issuable in an aggregate principal amount of \$1,250,000,000. The 2023 Notes will mature on February 10, 2023 at 100% of their principal amount.

The 0.800% senior notes due 2024 (the “2024 Notes”) are initially issuable in an aggregate principal amount of \$2,250,000,000. The 2024 Notes will mature on February 10, 2024 at 100% of their principal amount.

The 0.950% senior notes due 2026 (the “2026 Notes”) are initially issuable in an aggregate principal amount of \$1,250,000,000. The 2026 Notes will mature on February 10, 2026 at 100% of their principal amount.

The 1.300% senior notes due 2028 (the “2028 Notes”) are initially issuable in an aggregate principal amount of \$1,000,000,000. The 2028 Notes will mature on February 10, 2028 at 100% of their principal amount.

The 1.800% senior notes due 2031 (the “2031 Notes”) are initially issuable in an aggregate principal amount of \$1,700,000,000. The 2031 Notes will mature on February 10, 2031 at 100% of their principal amount.

The 2.500% senior notes due 2041 (the “2041 Notes”) are initially issuable in an aggregate principal amount of \$750,000,000. The 2041 Notes will mature on February 10, 2041 at 100% of their principal amount.

The 2.800% senior notes due 2051 (the “2051 Notes” and, together with the 2023 Notes, the 2024 Notes, the 2026 Notes, the 2028 Notes, the 2031 Notes and the 2041 Notes, the “Fixed Rate Notes”; the Fixed Rate Notes together with the 2022 Floating Rate Notes, the “Notes”) are initially issuable in an aggregate principal amount of \$1,250,000,000. The 2051 Notes will mature on February 10, 2051 at 100% of their principal amount.

The Notes will be our unsecured, unsubordinated debt obligations and will rank equally in right of payment with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. The Notes will be structurally subordinated in right of payment to all existing and future indebtedness, liabilities and other

obligations of our subsidiaries. The Notes will be effectively subordinated in right of payment to all of our future secured indebtedness to the extent of the value of the assets securing such indebtedness. As of September 30, 2020, after giving effect to this offering of the Notes and the Transactions, the aggregate amount of debt of our consolidated subsidiaries, excluding intercompany debt and including \$104.9 million of capital leases obligations, would have been approximately \$554.9 million. The Company had no outstanding secured indebtedness as of September 30, 2020.

The Indenture will not limit the amount of notes, debentures or other evidences of indebtedness that we may issue under the Indenture and will provide that notes, debentures or other evidences of indebtedness may be issued from time to time in one or more series. The 2022 Floating Rate Notes, the 2023 Notes, the 2024 Notes, the 2026 Notes, the 2028 Notes, the 2031 Notes, the 2041 Notes and the 2051 Notes will each constitute a separate series of securities under the Indenture.

We may from time to time, without giving notice to or seeking the consent of the holders of a series of the Notes, issue securities having the same ranking and the same interest rate, maturity and other terms as such series of the Notes other than issue date, issue price and the payment of interest accruing prior to the issue date of the additional securities, *provided* that if such additional securities are not fungible with the then-outstanding Notes of such series for U.S. federal income tax purposes, the additional securities shall have a separate CUSIP number. Any additional securities having such similar terms, together with the relevant series of the Notes, will constitute a single series of securities under the Indenture.

Except as set forth herein, any payment otherwise required to be made in respect of the Notes on a date that is not a business day for the Notes may be made on the next succeeding business day with the same force and effect as if made on that date. No additional interest shall accrue as a result of a delayed payment. A “business day” means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City (or other place of payment of the principal of and interest on the Notes as specified pursuant to the Indenture) are authorized or obligated by law or executive order to close. Principal and interest will be payable, and the Notes will be transferable or exchangeable, at the office or offices or agency maintained by us for this purpose, which will initially be the corporate trust office of the Trustee in Houston, Texas.

The Notes will be issued only in fully registered form without coupons in denominations of \$2,000 and any integral multiples of \$1,000 in excess thereof. No service charge will be made for any transfer or exchange of the Notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with a transfer or exchange. A holder may transfer or exchange Notes in accordance with the Indenture and the procedures described in “Book-Entry; Delivery and Form” and “Transfer Restrictions.” The registrars and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents. Also, we are not required to transfer or exchange any Note (1) for a period of 15 days before a selection of Notes to be redeemed pursuant to the terms of the Indenture or (2) tendered and not withdrawn in connection with a Change of Control Offer (as defined below). The Notes of each series will be represented by one or more global securities registered in the name of a nominee of DTC. The Notes will be available only in book entry form. See “Book-Entry, Delivery and Form.”

We will initially appoint the Trustee at its corporate trust office as a paying agent and registrar for the Notes. We will cause to be kept at the office of the registrar a register in which, subject to such reasonable regulations as we may prescribe, we will provide for the registration of the Notes and registration of transfers of the Notes. We may vary or terminate the appointment of any paying agent or registrar, or appoint additional or other such agents or approve any change in the office through which any such agent acts. We will provide you with notice of any resignation, termination or appointment of the Trustee or any paying agent or registrar, and of any change in the office through which any such agent will act.

## **Interest on the Notes**

### ***Fixed Rate Notes***

The 2023 Notes will bear interest at the rate per annum of 0.625%. The 2024 Notes will bear interest at the rate per annum of 0.800%. The 2026 Notes will bear interest at the rate per annum of 0.950%. The 2028 Notes will bear interest at the rate per annum of 1.300%. The 2031 Notes will bear interest at the rate per annum of 1.800%. The 2041 Notes will bear interest at the rate per annum of 2.500%. The 2051 Notes will bear interest at the rate per annum of 2.800%.

Interest on the Fixed Rate Notes will accrue from February 10, 2021 and be payable semiannually in arrears on February 10 and August 10 of each year, commencing on August 10, 2021, to the persons in whose names such Notes were registered at the close of business on the immediately preceding January 25 and July 25, respectively (whether or not a business day). Interest on the Fixed Rate Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

### ***Floating Rate Notes***

The 2022 Floating Rate Notes will bear interest at a variable rate. The interest rate for the 2022 Floating Rate Notes for a particular interest period will be a per annum rate equal to LIBOR as determined on the applicable interest determination date by the calculation agent appointed by us, which initially will be The Bank of New York Mellon Trust Company, N.A., plus 0.450%. The interest rate on the 2022 Floating Rate Notes will be reset on the first day of each interest period other than the initial interest period (each an “*interest reset date*”).

Interest on the 2022 Floating Rate Notes will be payable quarterly on February 10, May 10, August 10 and November 10 of each year, beginning May 10, 2021, to the persons in whose names the 2022 Floating Rate Notes were registered at the close of business on the 15th day preceding the respective interest payment date (whether or not a business day) (the “*regular record date*”). An interest period is the period commencing on an interest payment date (or, in the case of the initial interest period, commencing on February 10, 2021) and ending on the day preceding the next interest payment date. The initial interest period is the period commencing on February 10, 2021 and ending on May 9, 2021.

The interest determination date for an interest period will be the second London Business Day preceding such interest period (the “*interest determination date*”). The interest determination date for the initial interest period will be February 8, 2021. Promptly upon determination, the calculation agent will inform the Trustee and us, or in certain circumstances described below, we or our designee (which may be an independent financial advisor or such other designee of ours (any of such entities, a “*Designee*”)) will inform the Trustee, of the interest rate for the next interest period. Absent manifest error, the determination of the interest rate by the calculation agent, or in certain circumstances described below, by us or our Designee, shall be binding and conclusive on the holders of the 2022 Floating Rate Notes, the Trustee and us. For the avoidance of doubt, in no event shall the calculation agent or the Trustee be the Designee.

If any interest payment date (other than the maturity date) falls on a date that is not a business day, the payment will be made on the next business day, except that if that business day is in the immediately succeeding calendar month, the interest payment will be made on the next preceding business day, in each case with interest accruing to the applicable interest payment date (as so adjusted). If the maturity date of the 2022 Floating Rate Notes falls on a day that is not a business day, then the related payment of principal and interest will be made on the next day that is a business day with the same effect as if made on the date that the payment was first due, and no interest will accrue on the amount so payable for the period from the maturity date. Interest on the 2022 Floating Rate Notes payable on each interest payment date will be paid to the person in whose name the 2022 Floating Rate Notes are registered as of the close of business on the regular record date for the applicable interest payment date (whether or not a business day).

In no event shall the calculation agent be responsible for determining any substitute for LIBOR, or for making any adjustments to any alternative benchmark or spread thereon, the business day convention, interest determination dates or any other relevant methodology for calculating any such substitute or successor benchmark. In connection with the foregoing, the calculation agent will be entitled to conclusively rely on any determinations made by us or our Designee and will have no liability for such actions taken at our or our Designee's direction.

Any determination, decision or election that may be made by the us or our Designee in connection with a Benchmark Transition Event or a Benchmark Replacement, including any determination with respect to a rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in our or our Designee's sole discretion, and, notwithstanding anything to the contrary in the transaction documents, will become effective without consent from any other party. None of the Trustee or the calculation agent will have any liability for any determination made by or on behalf of us or our Designee in connection with a Benchmark Transition Event or a Benchmark Replacement.

Interest on the 2022 Floating Rate Notes will be calculated on the basis of the actual number of days in each quarterly interest period and a 360-day year.

"LIBOR" will be determined by the calculation agent in accordance with the following provisions:

- (1) With respect to any interest determination date, LIBOR will be the rate for deposits in United States dollars having a maturity of three months commencing on the first day of the applicable interest period that appears on Reuters Screen LIBOR01 Page (as hereinafter defined) as of 11:00 a.m., London time, on that interest determination date (or, if the 3-month U.S. dollar LIBOR does not appear or is not available on such Reuters screen, Bloomberg L.P. Page). If no rate appears, then LIBOR, in respect of that interest determination date, will be determined in accordance with the provisions described in (2) below.
- (2) With respect to an interest determination date on which no rate appears on Reuters Screen LIBOR01 Page or Bloomberg L.P. Page, as specified in (1) above, the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market (which may include affiliates of the initial purchasers), as selected by us, to provide the calculation agent with its offered quotation for deposits in United States dollars for the period of three months, commencing on the first day of the applicable interest period, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that interest determination date and in a principal amount that is representative for a single transaction in United States dollars in that market at that time. If at least two quotations are provided, then LIBOR on that interest determination date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in The City of New York, on the interest determination date by three major banks in The City of New York (which may include affiliates of the initial purchasers) selected by us for loans in United States dollars to leading European banks, having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars in that market at that time; *provided* that if the banks selected by us are not providing quotations in the manner described by this sentence, LIBOR will be the same as the rate determined for the immediately preceding interest reset date or if there is no immediately preceding interest reset date, LIBOR will be the same as the rate determined for the initial interest period.

"London Business Day" means any day on which dealings in United States dollars are transacted on the London interbank market.

"Bloomberg L.P. Page" means the display designated on page "BBAM" on Bloomberg (or such other page as may replace the BBAM page on that service or any successor service for the purpose of displaying LIBOR for U.S. dollar deposits of major banks).

“*Reuters Screen LIBOR01 Page*” means the display designated on page “LIBOR01” on Reuters (or such other page as may replace the LIBOR01 page on that service or any successor service for the purpose of displaying LIBOR for U.S. dollar deposits of major banks).

Notwithstanding the three foregoing paragraphs, if we or our Designee determine on or prior to the relevant interest determination date that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then current Benchmark, then (i) we shall promptly provide notice of such determination to the calculation agent and (ii) the provisions set forth below under the heading “—Effect of Benchmark Transition Event” (the “*benchmark transition provisions*”) will thereafter apply to all determinations, calculations and quotations made or obtained for the purposes of calculating the rate and amount of interest payable on the 2022 Floating Rate Notes during a relevant interest period. In accordance with the benchmark transition provisions, after a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the amount of interest that will be payable for each interest period on the 2022 Floating Rate Notes will be a rate per annum equal to the sum of the Benchmark Replacement and the margin of 0.450%, as determined by us or our Designee.

However, if we or our Designee determine that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, but for any reason the Benchmark Replacement has not been determined as of the relevant interest determination date, the interest rate for the applicable interest period will be equal to the interest rate on the last interest determination date for the 2022 Floating Rate Notes, as determined by us or our Designee.

All percentages resulting from any calculation of any interest rate for the 2022 Floating Rate Notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 8.986865% (or 0.08986865) being rounded to 8.98687% (or 0.0898687)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate on the 2022 Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States laws of general application. Additionally, the interest rate on the 2022 Floating Rate Notes will in no event be lower than zero.

The calculation agent will, upon the request of any holder of the 2022 Floating Rate Notes, provide the interest rate then in effect with respect to the 2022 Floating Rate Notes. All calculations made by the calculation agent in the absence of manifest error will be conclusive for all purposes and binding on us and the holders of the 2022 Floating Rate Notes.

### ***Effect of Benchmark Transition Event***

#### ***Benchmark Replacement***

If we or our Designee determine that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the 2022 Floating Rate Notes in respect of such determination on such date and all determinations on all subsequent dates.

#### ***Benchmark Replacement Conforming Changes***

In connection with the implementation of a Benchmark Replacement, we or our Designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

#### ***Decisions and Determinations***

Any determination, decision, election or calculation that may be made by us or our Designee pursuant to the benchmark transition provisions described herein, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or

refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in our or our Designee's sole discretion and notwithstanding anything to the contrary in any documentation relating to the 2022 Floating Rate Notes, shall become effective without consent from the holders of the 2022 Floating Rate Notes or any other party. If the Designee is unable to determine whether a Benchmark Transition Event has occurred and/or has not selected the Benchmark Replacement, then, in such case, we shall make such determination or select the Benchmark Replacement, as the case may be.

#### *Certain Defined Terms*

As used herein:

“*Benchmark*” means, initially, three-month U.S. dollar LIBOR; *provided* that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to three-month U.S. dollar LIBOR or the then-current Benchmark, then “*Benchmark*” means the applicable Benchmark Replacement.

“*Benchmark Replacement*” means the Interpolated Benchmark with respect to the then-current Benchmark, plus the Benchmark Replacement Adjustment for such Benchmark; *provided* that if we or our Designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then “*Benchmark Replacement*” means the first alternative set forth in the order below that can be determined by us or our Designee as of the Benchmark Replacement Date:

- (1) the sum of (a) Term SOFR and (b) the Benchmark Replacement Adjustment;
- (2) the sum of (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment;
- (3) the sum of (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;
- (4) the sum of (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; and
- (5) the sum of (a) the alternate rate of interest that has been selected by us or our Designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

“*Benchmark Replacement Adjustment*” means the first alternative set forth in the order below that can be determined by us or our Designee as of the Benchmark Replacement Date:

- (1) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero), that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment; and
- (3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by us or our Designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time.

“*Benchmark Replacement Conforming Changes*” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “interest period,” timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, changes to

the definition of “Corresponding Tenor” solely when such tenor is longer than the interest period and other administrative matters) that we or our Designee decide may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if we or our Designee decide that adoption of any portion of such market practice is not administratively feasible or if we or our Designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as we or our Designee determine is reasonably necessary).

“*Benchmark Replacement Date*” means the earliest to occur of the following events with respect to the then-current Benchmark:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; and
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

“*Benchmark Transition Event*” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely; *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely; *provided* that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

“*Compounded SOFR*” means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate being established by us or our Designee in accordance with:

- (1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; *provided* that:
- (2) if and to the extent that we or our Designee determine that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by us or our Designee giving due consideration to any industry accepted market practice for U.S. dollar-denominated floating rate notes at such time.

For the avoidance of doubt, the calculation of Compounded SOFR shall exclude the Benchmark Replacement Adjustment and the margin specified in this offering circular.



“*Corresponding Tenor*” with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

“*Interpolated Benchmark*” with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

“*ISDA Definitions*” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

“*ISDA Fallback Adjustment*” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

“*ISDA Fallback Rate*” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor, excluding the applicable ISDA Fallback Adjustment.

“*Reference Time*” with respect to any determination of the Benchmark means (1) if the Benchmark is three-month U.S. dollar LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such determination, and (2) if the Benchmark is not three-month U.S. dollar LIBOR, the time determined by us or our Designee in accordance with the Benchmark Replacement Conforming Changes.

“*Relevant Governmental Body*” means the Federal Reserve Board and/or the NY Federal Reserve, or a committee officially endorsed or convened by the Federal Reserve Board and/or the NY Federal Reserve or any successor thereto.

“*SOF*” with respect to any day means the secured overnight financing rate published for such day by the NY Federal Reserve, as the administrator of the benchmark, or a successor administrator, on the website of the NY Federal Reserve at <http://www.newyorkfed.org>, or any successor source.

“*Term SOFR*” means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“*Unadjusted Benchmark Replacement*” means the Benchmark Replacement, excluding the Benchmark Replacement Adjustment.

### **Special Mandatory Redemption of the Notes**

We intend to use the net proceeds from the sale of the Notes in this offering, together with borrowings under the Delayed Draw Term Loan Facilities and the Equity Contribution, to finance the Acquisition and to pay fees and expenses incurred in connection with the Acquisition, the Delayed Draw Term Loan Facilities, the Revolving Credit Facility and the other transactions contemplated in connection therewith. See “Summary” and “Use of Proceeds.” The closing of this offering is expected to occur before the consummation of the Acquisition. If we do not complete the Acquisition on or before the Outside Date (as defined herein) (or such later date to which the Outside Date is extended pursuant to the terms of the Purchase Agreement or by agreement between the Company and MPC) (the “*special redemption deadline*”), or if, prior to the special redemption deadline, the Purchase Agreement is terminated (each such event, a “*special redemption event*”), we must redeem all of the outstanding aggregate principal amount of the Notes on the special redemption date (the “*Special Redemption*”).

We will deliver, by first class mail, a notice to each holder of Notes (or, in the case of global securities, electronically through the procedures of DTC, Euroclear or Clearstream, as applicable), notice of a Special Redemption (the “*special redemption notice*”) within five business days after the applicable special redemption event. The “*special redemption date*” will be the thirtieth business day following the delivery of the special redemption notice.

If we are required to redeem any Notes according to this Special Redemption provision, all of the outstanding aggregate principal amount of the Notes will be redeemed at a special redemption price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest from, and including, the date of initial issuance (or the most recent interest payment date to which interest has been paid, whichever is later), to but excluding the special redemption date (the “*special redemption price*”). If funds sufficient to pay the special redemption price of the Notes to be redeemed on the special redemption date are deposited with the paying agent on or before the special redemption date, and certain other conditions are satisfied, on and after the special redemption date, the Notes to be redeemed will cease to bear interest and all rights under such Notes will terminate.

There is no escrow account for or security interest in the proceeds of this offering for the benefit of holders of the Notes in the event this Special Redemption provision is triggered. Upon the consummation of the Acquisition, the foregoing provisions regarding the Special Redemption will cease to apply.

## **Optional Redemption**

### ***2022 Floating Rate Notes***

Prior to August 10, 2021, we may not redeem the 2022 Floating Rate Notes. At any time on or after August 10, 2021, we may redeem the 2022 Floating Rate Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2022 Floating Rate Notes being redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

### ***Optional Redemption of the 2023 Notes***

Any or all of the 2023 Notes may be redeemed at our option at any time prior to February 10, 2022 (the “*2023 Par Call Date*”) at a redemption price equal to the greater of the following amounts:

- 100% of the principal amount of the 2023 Notes being redeemed on the redemption date; or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been due if the 2023 Notes matured on the 2023 Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to their present value as of such redemption date on a semiannual basis at the Adjusted Treasury Rate, as determined by the Reference Treasury Dealer, plus 10 basis points;

plus, in each case, accrued and unpaid interest on the 2023 Notes to, but excluding, the redemption date.

Any or all of the 2023 Notes may be redeemed on or after the 2023 Par Call Date, at a redemption price equal to 100% of the principal amount of the 2023 Notes being redeemed on the redemption date plus accrued and unpaid interest on the 2023 Notes to, but excluding, the redemption date.

### ***Optional Redemption of the 2024 Notes***

Any or all of the 2024 Notes may be redeemed at our option at any time prior to February 10, 2022 (the “*2024 Par Call Date*”) at a redemption price equal to the greater of the following amounts:

- 100% of the principal amount of the 2024 Notes being redeemed on the redemption date; or

- the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been due if the 2024 Notes matured on the 2024 Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to their present value as of such redemption date on a semiannual basis at the Adjusted Treasury Rate, as determined by the Reference Treasury Dealer, plus 10 basis points;

plus, in each case, accrued and unpaid interest on the 2024 Notes to, but excluding, the redemption date.

Any or all of the 2024 Notes may be redeemed on or after the 2024 Par Call Date, at a redemption price equal to 100% of the principal amount of the 2024 Notes being redeemed on the redemption date plus accrued and unpaid interest on the 2024 Notes to, but excluding, the redemption date.

***Optional Redemption of the 2026 Notes***

Any or all of the 2026 Notes may be redeemed at our option at any time prior to January 10, 2026 (the “2026 Par Call Date”) at a redemption price equal to the greater of the following amounts:

- 100% of the principal amount of the 2026 Notes being redeemed on the redemption date; or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been due if the 2026 Notes matured on the 2026 Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to their present value as of such redemption date on a semiannual basis at the Adjusted Treasury Rate, as determined by the Reference Treasury Dealer, plus 10 basis points;

plus, in each case, accrued and unpaid interest on the 2026 Notes to, but excluding, the redemption date.

Any or all of the 2026 Notes may be redeemed on or after the 2026 Par Call Date, at a redemption price equal to 100% of the principal amount of the 2026 Notes being redeemed on the redemption date plus accrued and unpaid interest on the 2026 Notes to, but excluding, the redemption date.

***Optional Redemption of the 2028 Notes***

Any or all of the 2028 Notes may be redeemed at our option at any time prior to December 10, 2027 (the “2028 Par Call Date”) at a redemption price equal to the greater of the following amounts:

- 100% of the principal amount of the 2028 Notes being redeemed on the redemption date; or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been due if the 2028 Notes matured on the 2028 Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to their present value as of such redemption date on a semiannual basis at the Adjusted Treasury Rate, as determined by the Reference Treasury Dealer, plus 10 basis points;

plus, in each case, accrued and unpaid interest on the 2028 Notes to, but excluding, the redemption date.

Any or all of the 2028 Notes may be redeemed on or after the 2028 Par Call Date, at a redemption price equal to 100% of the principal amount of the 2028 Notes being redeemed on the redemption date plus accrued and unpaid interest on the 2028 Notes to, but excluding, the redemption date.

***Optional Redemption of the 2031 Notes***

Any or all of the 2031 Notes may be redeemed at our option at any time prior to November 10, 2030 (the “2031 Par Call Date”) at a redemption price equal to the greater of the following amounts:

- 100% of the principal amount of the 2031 Notes being redeemed on the redemption date; or

- the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been due if the 2031 Notes matured on the 2031 Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to their present value as of such redemption date on a semiannual basis at the Adjusted Treasury Rate, as determined by the Reference Treasury Dealer, plus 12.5 basis points;

plus, in each case, accrued and unpaid interest on the 2031 Notes to, but excluding, the redemption date.

Any or all of the 2031 Notes may be redeemed on or after the 2031 Par Call Date, at a redemption price equal to 100% of the principal amount of the 2031 Notes being redeemed on the redemption date plus accrued and unpaid interest on the 2031 Notes to, but excluding, the redemption date.

***Optional Redemption of the 2041 Notes***

Any or all of the 2041 Notes may be redeemed at our option at any time prior to August 10, 2040 (the “2041 Par Call Date”) at a redemption price equal to the greater of the following amounts:

- 100% of the principal amount of the 2041 Notes being redeemed on the redemption date; or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been due if the 2041 Notes matured on the 2041 Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to their present value as of such redemption date on a semiannual basis at the Adjusted Treasury Rate, as determined by the Reference Treasury Dealer, plus 15 basis points;

plus, in each case, accrued and unpaid interest on the 2041 Notes to, but excluding, the redemption date.

Any or all of the 2041 Notes may be redeemed on or after the 2041 Par Call Date, at a redemption price equal to 100% of the principal amount of the 2041 Notes being redeemed on the redemption date plus accrued and unpaid interest on the 2041 Notes to, but excluding, the redemption date.

***Optional Redemption of the 2051 Notes***

Any or all of the 2051 Notes may be redeemed at our option at any time prior to August 10, 2050 (the “2051 Par Call Date”) at a redemption price equal to the greater of the following amounts:

- 100% of the principal amount of the 2051 Notes being redeemed on the redemption date; or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon that would have been due if the 2051 Notes matured on the 2051 Par Call Date (not including any portion of any payments of interest accrued to the redemption date) discounted to their present value as of such redemption date on a semiannual basis at the Adjusted Treasury Rate, as determined by the Reference Treasury Dealer, plus 20 basis points;

plus, in each case, accrued and unpaid interest on the 2051 Notes to, but excluding, the redemption date.

Any or all of the 2051 Notes may be redeemed on or after the 2051 Par Call Date, at a redemption price equal to 100% of the principal amount of the 2051 Notes being redeemed on the redemption date plus accrued and unpaid interest on the 2051 Notes to, but excluding, the redemption date.

***Provisions Related to Optional Redemptions***

Notwithstanding the foregoing, installments of interest on the Notes of a particular series that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date. The redemption price will be calculated on the basis of a 360-day year consisting of twelve 30-day months (or, in the case of the 2022 Floating Rate Notes, the actual number of days elapsed and a 360-day year).

Notice of any redemption will be sent at least 10 days but not more than 60 days before the redemption date to each registered holder of the Notes of a particular series to be redeemed. Once notice of redemption is sent, the Notes of the applicable series called for redemption will become due and payable on the redemption date and at the applicable redemption price, plus accrued and unpaid interest to the redemption date, subject to any conditions precedent specified in such notice. In addition, if such redemption is subject to satisfaction of one or more conditions precedent, such notice shall state that, in our discretion, the redemption may be delayed until such time (including more than 60 days after the date the notice of redemption was sent) as such condition shall be satisfied or waived, or such redemption may not occur and such notice may be rescinded in the event that such condition shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed, or such notice may be rescinded at any time in our discretion if in our good faith judgment such condition will not be satisfied. In addition, the Company may provide in such notice that payment of the redemption price and performance of the Company's obligations with respect to such redemption may be performed by another Person.

On and after the redemption date, interest will cease to accrue on the Notes of a particular series or any portion of the Notes of such series called for redemption (unless we default in the payment of the redemption price and accrued interest or unless the conditions precedent for the redemption have not been satisfied). On or before the redemption date, we will deposit with a paying agent or the Trustee money sufficient to pay the redemption price of and accrued interest on the Notes of such series to be redeemed on that date. If less than all of the Notes of a particular series are to be redeemed, the Notes of such series to be redeemed shall be selected by the Trustee pro rata, by lot, or by such other method the Trustee deems to be fair and appropriate, in each case in accordance with the applicable procedures of DTC.

No notes of \$2,000 or less may be redeemed in part. The Notes will not be entitled to the benefit of any mandatory redemption or sinking fund.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), we or our affiliates may, at any time and from time to time, purchase outstanding Notes by tender, in the open market or by private agreement.

#### ***Definitions Related to Optional Redemptions of the Notes***

“*Adjusted Treasury Rate*” means, with respect to any redemption date and a series of the Fixed Rate Notes, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue for such series of Fixed Rate Notes, assuming a price for the Comparable Treasury Issue for such series of Fixed Rate Notes (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such series of Fixed Rate Notes and such redemption date.

“*Comparable Treasury Issue*” means, with respect to any redemption date and a series of the Fixed Rate Notes, the United States Treasury security selected by the applicable Quotation Agent as having a maturity comparable to the *remaining term* of the applicable series of the Fixed Rate Notes to be redeemed (assuming, for such purpose, that the 2023 Notes matured on the 2023 Par Call Date, the 2024 Notes matured on the 2024 Par Call Date, the 2026 Notes matured on the 2026 Par Call Date, the 2028 Notes matured on the 2028 Par Call Date, the 2031 Notes matured on the 2031 Par Call Date, the 2041 Notes matured on the 2041 Par Call Date, and the 2051 Notes matured on the 2051 Par Call Date (in each case, such period prior to such date, the “*remaining term*”)), that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such series of the Fixed Rate Notes to be redeemed.

“*Comparable Treasury Price*” means, with respect to any redemption date and a series of the Fixed Rate Notes, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, such quotation.

“*Quotation Agent*” means the Reference Treasury Dealer appointed by us for the Notes.

“*Reference Treasury Dealer*” means (i) each of Credit Suisse Securities (USA) LLC and SMBC Nikko Securities America, Inc. (or their respective affiliates which are Primary Treasury Dealers (as defined below)), and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in the United States of America (a “*Primary Treasury Dealer*”), we will substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer(s) selected by us.

“*Reference Treasury Dealer Quotation*” means, with respect to each Reference Treasury Dealer and any redemption date for a series of Fixed Rate Notes, the average, as determined by the Company, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third business day preceding such redemption date.

### **Change of Control Triggering Event**

Upon the occurrence of a Change of Control Triggering Event, unless we have defeased the Notes as described in the Indenture or exercised our right to redeem the Notes as described above under “—Optional Redemption,” the Indenture will provide that each holder of Notes will have the right to require us to repurchase all or a portion of such holder’s Notes pursuant to the offer described below (the “*Change of Control Offer*”), for cash, at a repurchase price equal to 101% of the aggregate principal amount thereof *plus* accrued and unpaid interest, if any, on the amount repurchased to, but not including, the date of repurchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Within 30 days following the date upon which the Change of Control Triggering Event occurred, or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we are required to send, by first class mail, a notice to each holder of Notes (or, in the case of global securities, electronically through the procedures of DTC, Euroclear or Clearstream, as applicable), with a copy to the Trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the repurchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is sent (the “*Change of Control Payment Date*”). The notice, if sent prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date. In addition, if such Change of Control Offer is subject to satisfaction of such condition that the Change of Control Triggering Event occur on or prior to the applicable Change of Control Payment Date, such notice shall state that, in our discretion, the Change of Control Payment Date may be delayed until such time (including more than 60 days after the date the notice of the Change of Control Offer was delivered) as such condition shall be satisfied or waived, or such Change of Control Offer may not occur and such notice may be rescinded in the event that such condition shall not have been satisfied by the Change of Control Payment Date, or by the Change of Control Payment Date so delayed, or such notice may be rescinded at any time in our discretion if in our good faith judgment such condition will not be satisfied.

Holders of Notes electing to have Notes repurchased pursuant to a Change of Control Offer will be required to surrender their Notes, with the form entitled “Option of Holder to Elect Purchase” on the reverse of the Notes completed, to the paying agent at the address specified in the notice, or transfer their Notes to the paying agent by book-entry transfer pursuant to the applicable procedures of the paying agent, prior to the close of business on the third business day prior to the Change of Control Payment Date.

We will not be required to make a Change of Control Offer if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all Notes properly tendered and not withdrawn under its offer.

In the event that holders of Notes of a series validly tender and do not validly withdraw not less than 90% in aggregate principal amount of the outstanding Notes of such series in a Change of Control Offer and we (or any

third party making such Change of Control Offer in lieu of us as described above) purchase all of such Notes so tendered and not withdrawn, we will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer, to redeem all of the Notes of such series that remain outstanding following such purchase at a redemption price equal to 101% of the aggregate principal amount of such Notes, *plus* accrued and unpaid interest, if any, on such Notes, to the date of redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

“*Change of Control*” means the occurrence of any one of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its subsidiaries taken as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the Exchange Act)) other than the Company or one of its subsidiaries;

(2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person (including any “person” or “group” (as those terms are used in Section 13(d)(3) of the Exchange Act)), other than the Majority Owner, becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of the Company or any other Voting Stock into which the Voting Stock of the Company is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; or

(3) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company (or any other Voting Stock into which the Voting Stock of the Company is reclassified, consolidated, exchanged or changed) is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Company (or any other Voting Stock into which the Voting Stock of the Company is reclassified, consolidated, exchanged or changed) outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person immediately after giving effect to such transaction.

Notwithstanding the foregoing, a transaction will not be considered to be a Change of Control if (a) we become a direct or indirect wholly-owned subsidiary of a holding company and (b) immediately following that transaction, the direct or indirect holders of the Voting Stock of the holding company are substantially the same as the holders of our Voting Stock immediately prior to that transaction.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of the Company and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of Company and its subsidiaries taken as a whole to another Person or group may be uncertain.

“*Change of Control Triggering Event*” means, with respect to a series of the Notes, the occurrence of both a Change of Control and a related Rating Event.

“*Investment Grade*” means, with respect to a series of the Notes, a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating category of Moody’s) and a rating of BBB– or better by S&P (or its equivalent under any successor rating category of S&P) and the equivalent investment grade rating from any replacement Rating Agency or Rating Agencies appointed by us.

“*Majority Owner*” means Seven & i Holdings Co., Ltd., a Japanese corporation, or any of its subsidiaries, all of whose capital stock is owned directly or indirectly by Seven & i Holdings Co., Ltd.

“*Moody’s*” means Moody’s Investors Service, Inc. and its successors.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“*Rating Agency*” means each of Moody’s and S&P; *provided* that if either Moody’s or S&P ceases to provide rating services to issuers or investors, we may appoint a replacement for such Rating Agency.

“*Rating Event*” means, with respect to a series of the Notes, (i) the ratings on the Notes of such series are downgraded by both Ratings Agencies during the Trigger Period and (ii) the Notes of such series are rated below an Investment Grade rating by each of the Ratings Agencies on any date during the Trigger Period; *provided* that a Rating Event otherwise arising by virtue of a particular reduction in rating shall be deemed not to have occurred in respect of a particular Change of Control (and thus shall be deemed not to be a Rating Event for purposes of the definition of Change of Control Triggering Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Rating Event).

“*S&P*” means S&P Global Ratings, a division of S&P Global, Inc., and its successors.

“*Trigger Period*” means the 60-day period commencing on the date of the first public announcement by us of any Change of Control (or pending Change of Control), which Trigger Period will be extended following consummation of a Change of Control for so long as either of the Rating Agencies has publicly announced that it is considering a possible ratings change.

“*Voting Stock*” of any specified Person as of any date means the capital stock of such Person that is at the time entitled to vote generally in the election of the board of directors of such Person.

We will comply with the applicable requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the offer to purchase the Notes of a series as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Offer provisions of the Notes of a series, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of any Notes by virtue of any such conflict.

The change of control feature of the Notes may in certain circumstances make it more difficult to consummate or discourage a sale or takeover of us and, thus, the removal of incumbent management. We could, in the future, enter into certain transactions, including takeovers, recapitalizations or other similar transactions, that would not constitute a Change of Control under the Notes, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings on the Notes.

## **Certain Covenants**

### ***Limitation on liens***

The Indenture will provide that we will not, and will not permit any of our subsidiaries to, create, incur, issue, assume or guarantee any debt for borrowed money secured by a Lien (other than Permitted Liens) upon



any Principal Property, or any shares of stock or evidences of indebtedness issued by any of our Significant Subsidiaries, owned by us or by any other of our subsidiaries, without making effective provision to secure all of the Notes (together with, if we shall so determine, any other debt ranking equally with the Notes) equally and ratably with (or, at our option, prior to) such other debt secured thereby, so long as any of such other debt shall be so secured.

As of the issue date, neither we nor any of our subsidiaries own any real property that would constitute Principal Property.

### ***Merger, consolidation or sale of assets***

The Indenture will provide that we will not merge, consolidate or amalgamate with or into any other person or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all of our property in any one transaction or series of related transactions unless:

(1) the Company shall be the surviving person (the “*Surviving Person*”) or the Surviving Person (if other than the Company) formed by such merger, consolidation or amalgamation or to which such sale, transfer, assignment, lease, conveyance or disposition is made shall be a person organized and existing under the laws of the U.S., any State thereof or the District of Columbia,

(2) the Surviving Person (if other than the Company) expressly assumes, by supplemental indenture in form reasonably satisfactory to the Trustee, executed and delivered to the Trustee by such Surviving Person, the due and punctual payment of the principal of, and premium, if any, and interest on, all the Notes, according to their tenor, and the due and punctual performance and observance of all the covenants and conditions of the Indenture to be performed by the Company,

(3) immediately before and immediately after giving effect to such transaction or series of related transactions, no default or event of default shall have occurred and be continuing, and

(4) the Company shall deliver, or cause to be delivered, to the Trustee, an officer’s certificate and an opinion of counsel, each stating that such transaction and the supplemental indenture, if any, in respect thereto comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been complied with.

For the purposes of this covenant, the sale, transfer, assignment, lease, conveyance or other disposition of all the property of one or more subsidiaries of the Company, which property, if held by the Company instead of such subsidiaries, would constitute all or substantially all the property of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all the property of the Company.

### ***Reports***

We will be required to furnish to the Trustee and to beneficial owners of the Notes and prospective purchasers of the Notes the following reports:

(1) within 120 days after the end of each fiscal year, annual audited consolidated financial statements for such fiscal year prepared in accordance with GAAP or IFRS, as applicable, together with a report on the annual financial statements by the Company’s certified independent accountants and a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” substantially similar to that which would be included in an Annual Report on Form 10-K filed with the SEC by the Company (if the Company were required to prepare and file such form); and

(2) within 120 days after the end of each of the first three fiscal quarters of each fiscal year, unaudited consolidated financial statements for such fiscal quarter prepared in accordance with GAAP or IFRS, as applicable, together with a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” substantially similar to that which would be included in a Quarterly Report on Form 10-Q filed with the SEC by the Company (if the Company were required to prepare and file such form).

If we make such reports available to the public on the SEC's EDGAR system (or any similar successor system) or to the Trustee, the beneficial owners of the Notes and prospective purchasers of the Notes privately through a secure private website (or deliver such reports to the Trustee to be posted on a secure private website), we will have no obligations to furnish such report to the Trustee, beneficial owners or prospective investors separately.

In addition, if at any time the Company is not subject to the reporting requirements of the Exchange Act, we will promptly furnish to the holders, beneficial owners and bona fide prospective purchasers of the Notes, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of the Notes pursuant to Rule 144A.

The information required to be furnished pursuant to this covenant need not (i) contain any financial statements of unconsolidated subsidiaries or 50% or less owned persons as contemplated by Rule 3-09 of Regulation S-X or any schedules required by Regulation S-X, or in each case any successor provisions or (ii) contain segment information or otherwise comply with accounting rules relating to segment reporting that are applicable to an issuer subject to the reporting requirements of the Exchange Act. Furthermore, the information required to be furnished pursuant to this covenant need not be presented on a basis that would be in compliance with Regulation G under the Exchange Act or Item 10(e) of Regulation S-K with respect to any non-GAAP or non-IFRS financial measures contained therein.

Any and all defaults or events of default arising from a failure to furnish in a timely manner any financial information required by this covenant shall be deemed cured (and the Company shall be deemed to be in compliance with this covenant) upon furnishing such financial information as contemplated by this covenant (but without regard to the date on which such financial statement or report is so furnished); *provided* that such cure shall not otherwise affect the rights of the holders under “—Events of Defaults” if the principal of, premium, if any, on, and interest, if any, on, the Notes have been accelerated in accordance with the terms of the Indenture and such acceleration has not been rescinded or cancelled prior to such cure.

With respect to all of the foregoing, the Trustee shall have no obligation to determine whether such information, documents or reports have been so posted or filed. Delivery of such information, documents and reports to the Trustee under the Indenture is for informational purposes only and the information and Trustee's receipt of the foregoing shall not constitute actual or constructive notice of any information contained therein, or determinable from information contained therein, including the Company's compliance with any of its covenants thereunder (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate). The Trustee shall have no duty to review or analyze reports delivered to it. Additionally, the Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Company's compliance with the covenants or with respect to any reports or other documents filed with the SEC or any internet or intranet website or datasite under the Indenture.

#### ***Definitions related to certain covenants***

The following terms used in “—Certain Covenants” are defined as follows.

“*Consolidated Net Tangible Assets*” means the aggregate amount of our (or 7-Eleven Canada's, as applicable) assets (less applicable reserves and other properly deductible items) and our (or 7-Eleven Canada's, as applicable) consolidated subsidiaries' assets after deducting therefrom (a) all current liabilities (excluding the sum of any debt for money borrowed having a maturity of less than twelve months from the date of our most recent consolidated balance sheet but which by its terms is renewable or extendable beyond twelve months from such date at the option of the borrower and, without duplication, any current installments thereof payable within such twelve month period) and (b) all goodwill, trade names, patents, unamortized debt discount and expense and other like intangibles, all as set forth on our (or 7-Eleven Canada's, as applicable) most recent consolidated balance sheet and computed in accordance with GAAP or IFRS, as applicable.

“GAAP” means United States generally accepted accounting principles, to the extent applicable to the relevant financial statements.

“IFRS” means the international financial reporting standards as issued by the International Accounting Standards Board as in effect from time to time, to the extent applicable to the relevant financial statements.

“Lien” means, with respect to any property, shares of stock or evidences of indebtedness, any mortgage or deed of trust, pledge, hypothecation, security interest, lien, encumbrance or other security arrangement of any kind or nature on or with respect to such property, shares of stock or evidences of indebtedness.

“Permitted Liens” means:

- (1) Liens (other than Liens created or imposed under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)), for taxes, assessments or governmental charges or levies not yet subject to penalties for non-timely payment or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP or IFRS have been established (and as to which the property or assets subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);
- (2) statutory Liens of landlords and Liens of mechanics, materialmen, repairmen, warehousemen, carriers and suppliers and other Liens imposed by law or pursuant to customary reservations or retentions of title arising in the ordinary course of business, *provided* that any such Liens which are material secure only amounts not yet due and payable or, if due and payable, are unfiled and no other action has been taken to enforce the same or are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP or IFRS have been established (and as to which the property or assets subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);
- (3) Liens (other than Liens created or imposed under ERISA) incurred or deposits made by us and our subsidiaries in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security, laws or regulations, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, trade or government contracts, surety, indemnification, appeal, performance and return-of-money bonds, letters of credit, bankers acceptances and other similar obligations (exclusive of obligations for the payment of borrowed money), or as security for customs or import duties and related amounts;
- (4) Liens in connection with attachments or judgments (including judgment or appeal bonds), *provided* that the judgments secured shall, within 30 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall have been discharged within 30 days after the expiration of any such stay;
- (5) Liens securing indebtedness (including any Liens, interest or title of a lessor under any capital leases) incurred or assumed to finance the purchase price or cost of acquisition, development, improvement or construction of property or assets (or additions, accessions, repairs, alterations or improvements thereto), *provided* that the commitment of the creditor to extend the credit secured by any such Liens shall have been obtained within twelve months of the later of (a) acquisition or completion of construction or development (or addition, repair, alteration or improvement) and (b) full operation thereof;
- (6) Liens securing industrial revenue bonds, pollution control bonds or similar types of tax-exempt bonds;
- (7) Liens arising from deposits with, or the giving of any form of security to, any governmental agency required as a condition to the transaction of business or exercise of any privilege, franchise or license, or Liens encumbering deposits made in the ordinary course of business to secure nondelinquent obligations arising from statutory, regulatory, contractual or warranty requirements of the Company or its subsidiaries;

- (8) encumbrances, covenants, conditions, restrictions, easements, reservations and rights of way or zoning, building code or other restrictions, (including defects or irregularities in title and similar encumbrances) as to the use of real property, or Liens incidental to conduct of the business or to the ownership of our or our subsidiaries' properties not securing debt that do not in the aggregate materially impair the use of said properties in the operation of our business, including our subsidiaries, taken as a whole;
- (9) leases, licenses, subleases or sublicenses granted to others (i) in the ordinary course of business and not intended to constitute a financing arrangement or (ii) not interfering in any material respect with our business, including our subsidiaries, taken as a whole;
- (10) Liens on property or assets or shares of stock or evidences of indebtedness for borrowed money at the time such property or assets are acquired by us or any of our subsidiaries;
- (11) Liens on property or assets of any person, or any shares of stock or evidences of indebtedness for borrowed money, at the time such person becomes one of our subsidiaries or is merged or consolidated with or into the Company or one of our subsidiaries;
- (12) Liens on receivables from customers sold to third parties pursuant to credit arrangements in the ordinary course of business or consistent with past practice;
- (13) Liens existing on the date of this offering circular or any extensions, amendments, renewals, refinancings, replacements or other modifications thereto;
- (14) Liens on any property or assets created, assumed or otherwise brought into existence in contemplation of the sale or other disposition of the underlying property or assets, whether directly or indirectly, by way of share disposition or otherwise;
- (15) Liens securing debt of a subsidiary owed to us or to another one of our subsidiaries;
- (16) Liens in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision thereof, to secure partial, progress, advance or other payments;
- (17) Liens to secure debt of joint ventures in which we or any of our subsidiaries have an interest, to the extent such Liens are on property or assets of, or equity interests in, such joint ventures;
- (18) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution;
- (19) Liens arising from financing statement filings regarding operating leases;
- (20) Liens in favor of customs and revenue authorities to secure custom duties in connection with the importation of goods;
- (21) Liens securing the financing of insurance premiums payable on insurance policies; *provided*, that such Liens shall only encumber unearned premiums with respect to such insurance, interests in any state guarantee fund relating to such insurance and subject and subordinate to the rights and interests of any loss payee, loss payments which shall reduce such unearned premiums;
- (22) Liens securing cash management obligations (that do not constitute indebtedness), or arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods and contractual rights of set-off relating to purchase orders and other similar arrangements, in each case in the ordinary course of business or consistent with past practice;
- (23) purchase money Liens on gasoline and other fuel securing trade payable amounts, *provided* that (a) the trade payable amounts secured thereby are otherwise incurred in the ordinary course of business of the Company or its subsidiaries, (b) such Liens shall not apply to any other property or assets of the Company or any of its subsidiaries, and (c) the principal amount of the trade payable amounts secured thereby are not more than 100% of the purchase price of such gasoline or other fuel;

- (24) Liens on any property or assets of our foreign subsidiaries securing debt of such subsidiaries (but not debt of the Company or any of our domestic subsidiaries);
- (25) Liens securing debt in respect of any arrangement under which the Company or any of our subsidiaries transfer, once or on a revolving basis, without recourse (except for indemnities and representations customary for securitization transactions and except for the retention of risk in an amount and form required by applicable laws and regulations or as is customary for a similar type of transaction) involving one or more “true sale” transactions, accounts receivable or interests therein and related assets customarily transferred in connection with securitization transactions (i) to a trust, partnership, corporation, limited liability company or other entity, which transfer is funded in whole or in part, directly or indirectly, by the incurrence or issuance by the transferee or successor transferee of indebtedness or other securities that are to receive payments from, or that represent interests in, the cash flow derived from such accounts receivable or interests therein, or (ii) directly to one or more investors or other purchasers, in each case on customary terms for fair value as determined at the time of consummation in good faith by the Company;
- (26) other Liens on our property or assets and the property or assets of our subsidiaries securing debt in an aggregate principal amount not to exceed, as of any date of incurrence of such secured debt pursuant to this clause and after giving effect to such incurrence and the application of the proceeds therefrom, 15% of our Consolidated Net Tangible Assets;
- (27) Liens on the assets of 7-Eleven Canada, Inc., a corporation organized under the laws of Canada and a wholly-owned subsidiary of the Company (“7-Eleven Canada”), securing indebtedness of 7-Eleven Canada in an aggregate principal amount of up to 15% of the Consolidated Net Tangible Assets of 7-Eleven Canada;
- (28) Liens on any amounts held by a trustee under any indenture issued in escrow pursuant to customary escrow arrangements pending the release thereof, or under any indenture pursuant to customary discharge, redemption or defeasance provisions;
- (29) Liens securing obligations incurred in connection with any sale and leaseback transaction;
- (30) Liens created in connection with a project financed with non-recourse debt;
- (31) rights of tenants, subtenants, franchisees or parties in possession (other than a debtor in possession, trustee in bankruptcy or receiver in respect of the Company), or options or rights of first refusal, whether pursuant to leases, subleases, franchise agreements, other occupancy agreements or otherwise, if such rights were vested on the issue date or created thereafter in the ordinary course of business; and
- (32) any extensions, amendments, renewals, refinancings, replacements or other modifications thereto (or successive extensions, amendments, renewals, refinancings, replacements or other modifications thereto), as a whole or in part, of any Lien referred to in subparagraphs (1) through (31) above or the indebtedness secured thereby; *provided* that the Lien so extended, amended, renewed, refinanced, replaced or otherwise modified does not extend to any additional property or assets.

“*Principal Property*” means any individual real property, or portion thereof, owned or hereafter acquired by us or any subsidiary and located within the United States of America, which, in the good faith opinion of the Company, is of material importance to the total business conducted by us and our subsidiaries taken as a whole, *provided* that no such individual facility or property will be deemed of material importance if its gross book value (excluding therefrom any equipment and before deducting accumulated depreciation) is less than 1.0% of our Consolidated Net Tangible Assets. For purposes of this definition, gross book value will be measured at the time the relevant Lien is being created.

“*Significant Subsidiaries*” means any of our subsidiaries that is a “significant subsidiary” as defined in Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act.

## Events of Default

The Indenture will define “Events of Default” with respect to the Notes of any series as being one of the following events:

- (i) default in the payment of any installment of interest on that series for 30 days after becoming due;
- (ii) default in the payment of principal of (or premium, if any, on) that series when due;
- (iii) default in the performance of any other covenant in the Indenture (other than a covenant included in the Indenture solely for the benefit of any series of the Notes other than that series) for 90 days after notice to us by the Trustee or to us and the Trustee by the holders of at least 25% in principal amount of the Notes of all series affected (voting as a single class);
- (iv) a default under any debt for money borrowed by us or any subsidiary that results in acceleration of the maturity of such debt, or failure to pay any such debt within any applicable grace period after final stated maturity, in an aggregate amount greater than \$400 million, or its foreign currency equivalent, at the time without such debt having been discharged or acceleration having been rescinded or annulled; and
- (v) certain events of bankruptcy, insolvency or reorganization with respect to the Company or any subsidiary that would be a Significant Subsidiary.

A default under clause (iii) is not an Event of Default until the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes of all series affected that are then outstanding notify us of the default and we do not cure such default within the time specified after receipt of such notice. Such notice must specify the default, demand that it be remedied and state that such notice is a “Notice of Default.” A default under one series of the Notes issued under the Indenture will not necessarily be a default under another series of the Notes under the Indenture.

If an Event of Default shall occur and be continuing, either the Trustee or the holders of at least 25% in principal amount of the Notes then outstanding of all series affected, voting as a single class, may declare the principal of the Notes of all such series to be due and payable. Under certain conditions, such a declaration may be annulled. Notwithstanding the foregoing, if an Event of Default pursuant to (v) above occurs with respect to the Company, the unpaid principal of, premium, if any, and any accrued and unpaid interest on all the Notes shall become and be immediately due and payable without further action or notice on the part of the Trustee or any holder.

Notwithstanding the preceding paragraph, in the event of a declaration of acceleration in respect of the Notes because an event of default as described herein shall have occurred and be continuing, such declaration of acceleration shall be automatically annulled if (i) the default under the debt that is the subject of such event of default has been cured by us or has been waived by the holders thereof or (ii) the holders of such debt that is the subject of such event of default have rescinded their declaration of acceleration in respect of such debt, and written notice of such cure, waiver or rescission shall have been given to the Trustee by us and countersigned by the holders of such debt or a trustee, fiduciary or agent for such holders, within 20 days after such declaration of acceleration in respect of the Notes and if the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction, and no other event of default exists or has occurred during such 20-day period which has not been cured or waived during such period.

No holder of Notes of any series will have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any remedy thereunder, unless:

- (1) such holder has previously given to the Trustee written notice of a continuing Event of Default;
- (2) the registered holders of at least 25% in aggregate principal amount of the Notes then outstanding of such series have made a written request and offered indemnity or security to the Trustee reasonably

satisfactory to it to institute such proceeding, and the Trustee shall have failed to institute such proceeding within 60 days of receiving such request and such indemnity; and

- (3) the Trustee shall not have received from the registered holders of a majority in aggregate principal amount of the Notes then outstanding in such series a written direction inconsistent with such request.

However, such limitations do not apply to a suit instituted by a holder of any Note for enforcement of payment of the principal of, and premium, if any, or interest on, such Note on or after the respective due dates expressed in such Note.

The Indenture will provide that the Trustee shall, within 90 days after the occurrence of a default actually known to one of its responsible officers, give the holders of Notes notice of all uncured defaults actually known to one of its responsible officers (the term “default” to mean the events specified above without grace periods); *provided, however*, that, except in the case of default in the payment of principal of or interest on any Note, the Trustee shall be fully protected in withholding such notice if it in good faith determines the withholding of such notice is in the interest of the holders of the Notes.

The Company will be required to furnish to the Trustee annually a statement by the principal financial officer, the principal executive officer or the principal accounting officer of the Company stating whether or not, to the best of his or her knowledge, the Company is in default in the performance and observance of any of the terms, provisions and conditions under the Indenture and, if the Company is in default, specifying each such default.

The holders of a majority in principal amount of the outstanding Notes of all series affected will have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes of such series, and to waive certain defaults with respect thereto. The Indenture will provide that in case an Event of Default shall occur and be continuing, the Trustee shall exercise such of its rights and powers under the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any of the holders of Notes unless they shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request.

### **Modification of the Indenture**

The Indenture may generally be modified or amended, and waivers may generally be obtained, with the consent of the holders of not less than a majority in principal amount of the outstanding Notes of each series affected by the modification or waiver (voting as a single class); *provided, however*, that no such modification or amendment may be made, without the consent of the holder of each Note affected, which would:

- (i) reduce the percentage of principal amount of Notes the holders of which must consent to an amendment, modification, supplement or waiver,
- (ii) reduce the rate of or extend the time of payment for interest on any Note;
- (iii) reduce the principal amount or extend the stated maturity of any Note;
- (iv) reduce the redemption price of any Note or add redemption provisions to any Note;
- (v) make any Note payable in money other than that stated in the Indenture or the Note;
- (vi) impair the right to receive, and to institute suit for the enforcement of, any payment with respect to the Notes; or
- (vii) make any change to the amendment and waiver provisions of the Notes.

Without the consent of any holder of the Notes, the Company and the Trustee may enter into a supplemental indenture to amend the Indenture or the Notes issued under that Indenture for any of the following purposes, among other things:

- (i) to evidence the succession of another person to the Company and the assumption by any such successor of the covenants of the Company in the Indenture, as supplemented, and in the Notes;
- (ii) to add to the covenants of the Company, for the benefit of the holders of all or any series of the Notes (and if such covenants are to be for the benefit of less than all series of the Notes, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company;
- (iii) to add any additional Events of Default;
- (iv) to permit the issuance of Notes of any series in uncertificated form, *provided* that any such action shall not adversely affect the interests of the holders of Notes of any series in any material respect;
- (v) to add to, change or eliminate any of the provisions of the Indenture, *provided* that any such addition, change or elimination shall become effective only with respect to Notes not outstanding at the time of the execution of such supplemental indenture;
- (vi) to secure the Notes, to provide for guarantees of the Notes or for the addition of an additional obligor on the Notes;
- (vii) to provide for the issuance of additional Notes of any series in accordance with the provisions set forth in the Indenture;
- (viii) to provide for the issuance of and establish forms and terms and conditions of a new series of the Notes;
- (ix) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Notes of one or more series and/or to add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts under the Indenture by more than one Trustee;
- (x) to cure any ambiguity or omission, to correct or supplement any provision of the Indenture, as supplemented, which may be defective or inconsistent with any other provision herein, or to conform any provision applicable to Notes of any series to any provision of this “Description of Notes” in this offering circular;
- (xi) to comply with the rules of any applicable securities depository;
- (xii) to comply with any requirement to effect or maintain the qualification of the Indenture under the Trust Indenture Act, if applicable; or
- (xiii) to make any other provisions with respect to matters or questions arising under the Indenture, *provided* that such action shall not adversely affect the interests of the holders of Notes of any series in any material respect.

The consent of the holders of the Notes will not be necessary under the Notes or the Indenture to approve the particular form of any proposed amendment or waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver.

### **Defeasance and Discharge**

The Indenture will provide that the Company may elect, with respect to any series of the Notes, either:

- (i) to terminate (and be deemed to have satisfied) any and all obligations in respect of such Notes (except for certain obligations to register the transfer or exchange of Notes, to replace stolen, lost or mutilated Notes, to



maintain paying agencies and hold monies for payment in trust and, if so specified with respect to the Notes of a certain series, to pay the principal of (and premium, if any) and interest, if any, on such specified Notes and certain obligations owed to the Trustee (“*legal defeasance*”); or

(ii) to be released from its obligations to comply with any restrictive covenants under the Indenture and for the related Events of Default to no longer apply to the Company (“*covenant defeasance*”),

in either case after the deposit with the Trustee, in trust, of money and/or certain government obligations that through the payment of interest and principal thereof in accordance with their terms will provide money in an amount sufficient to pay any installment of principal (and premium, if any (and interest, if any)), on the stated maturity of such payments in accordance with the terms of the Indenture and such Notes. Such a trust may be established only if, among other things, the Company has delivered to the Trustee an opinion of counsel (who may be counsel to the Company) to the effect that, based upon applicable U.S. federal income tax law or a ruling published by the U.S. Internal Revenue Service (which opinion must, in the case of legal defeasance, be based on a change in applicable U.S. federal income tax law after the date of the Indenture or a ruling published by the U.S. Internal Revenue Service after the date of the Indenture), that the deposit and related defeasance would not cause the beneficial owners of the relevant Notes to (i) recognize income, gain or loss for U.S. federal income tax purposes, or (ii) be subject to U.S. federal income tax with respect to the Notes on different amounts or at different times than they would otherwise have been subject to absent the defeasance. For the avoidance of doubt, neither the Trustee nor any of its agents are responsible for determining the sufficiency of any amounts deposited in trust pursuant to a discharge or defeasance of any series of the Notes under the Indenture and neither the Trustee nor any of its agents shall have any obligation or liability whatsoever with respect to the sufficiency of such amounts. We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option.

The Indenture also provides that the Indenture shall cease to be of further effect with respect to any series of the Notes (except as to any surviving rights of registration of transfer or exchange of Notes of such series), and the Trustee, at the expense of and upon written instruction by the Company, shall execute proper instruments acknowledging satisfaction and discharge of the Indenture as to such series, when

(a) either:

- (i) all Notes of such series theretofore authenticated and delivered (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in the Indenture and (ii) Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in the Indenture) have been delivered to the Trustee for cancellation; or
- (ii) all such Notes of such series not theretofore delivered to the Trustee for cancellation:
  - (A) have become due and payable (by reason of the making of a notice of redemption or otherwise), or
  - (B) will become due and payable at their stated maturity (to be defined in the Indenture) within one year of the date of deposit, or
  - (C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (A), (B) or (C) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest, if any, to the date of such deposit (in the case of Notes which have become due and payable), or to the stated maturity or the redemption date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable under the Indenture by the Company with respect to such series; and

(c) the Company has delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that, with respect to such series, all conditions precedent provided for in the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

### **Governing Law**

The Indenture will provide that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

We do not expect to qualify the Indenture under the Trust Indenture Act. The Indenture will accordingly not be subject to the Trust Indenture Act, and will not contain any provision corresponding or similar to certain provisions of the Trust Indenture Act that would otherwise apply if the Indenture were so qualified, including Trust Indenture Act §316(b).

### **Trustee**

The Bank of New York Mellon Trust Company, N.A. will be the Trustee under the Indenture, with its corporate trust office at 601 Travis Street, 16th Floor, Houston, Texas 77002.

## BOOK-ENTRY; DELIVERY AND FORM

### General

The notes are being offered and sold only to qualified institutional buyers in reliance on Rule 144A (“*Rule 144A Notes*”) and in offshore transactions in reliance on Regulation S (“*Regulation S Notes*”). Except as set forth below, the notes will be issued in registered, global form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Rule 144A Notes initially will be represented by one or more notes in registered, global form without interest coupons (collectively, the “*Rule 144A Global Notes*”). The Rule 144A Global Notes will be deposited upon issuance with the trustee as custodian for The Depository Trust Company (“*DTC*”) and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC as described below. Regulation S Notes initially will be represented by one or more notes in temporary registered, global form without interest coupons (collectively, the “*Temporary Regulation S Global Notes*”) and will be deposited upon issuance with the trustee as custodian for DTC or its nominee for the accounts of the Euroclear System (“*Euroclear*”) and Clearstream Banking, S.A. (“*Clearstream*”) (as indirect participants in DTC). The Temporary Regulation S Global Notes will be exchangeable for one or more permanent global notes (collectively, the “*Permanent Regulation S Global Notes*” and together with the Temporary Regulation S Global Notes, the “*Regulation S Global Notes*”) through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “*Restricted Period*”) upon certification that the beneficial interests in such global notes are owned by non-U.S. persons. During the Restricted Period, beneficial interests in the Regulation S Global Notes may be held only through Euroclear and Clearstream unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See “—Exchanges between Regulation S Notes and Rule 144A Notes.”

Except as set forth below, the Rule 144A Global Notes, the Temporary Regulation S Global Notes and the Regulation S Global Notes (collectively, the “*Global Notes*”) may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive notes in registered certificated form (“*Certificated Notes*”) except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes.” Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Transfer Restrictions.” Regulation S Notes will also bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

### Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither Trustee nor the Issuer take responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Issuer that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “*Participants*”) and to facilitate the clearance and settlement of

transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers, trust companies and clearing corporation that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "*Indirect Participants*"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised the Issuer that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes with the Trustee as custodian for DTC, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Investors in the Rule 144A Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants. Investors in the Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Regulation S Global Notes through Participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a person having beneficial interests in a Global Note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

**Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or "holders" thereof under the indenture governing the notes for any purpose.**

Payments in respect of the principal of, and interest and premium, if any, on, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture governing the notes. Under the terms of the indenture governing the notes, the Issuer and the trustee will treat the persons in whose names the notes, including the Global Notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, nor the trustee nor any agent of the Issuer or the trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining,

supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or the applicable Issuer. Neither the Issuer nor the trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the notes, and the Issuer and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between the Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositories; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default (as defined in the indenture governing the notes) under the notes, DTC reserves the right to exchange the Global Notes for legended notes in certificated form, and to distribute such notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time.

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global security. DTC's records reflect only the identity of the DTC participants to whose accounts those global securities are credited, which may or may not be the beneficial owners of interests in a global security. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts global securities are credited, which also may or may not be the beneficial owners of interests in a global security. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the trustee, nor any underwriters and any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Exchange of Global Notes for Certificated Notes**

A Global Note is exchangeable for Certificated Notes if:

- (1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the applicable Issuer fails to appoint a successor depository;
- (2) the Issuer, at its option and subject to the procedures of DTC, notifies the trustee in writing that it elects to cause the issuance of the Certificated Notes; or
- (3) there has occurred and is continuing a Default or Event of Default (as defined in the indenture that will govern the notes) with respect to the notes and the trustee has received a written request from DTC to issue such notes in certificated form.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture governing the notes. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

### **Exchange of Certificated Notes for Global Notes**

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture governing the notes) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Transfer Restrictions.”

### **Exchanges Between Regulation S Notes and Rule 144A Notes**

Prior to the expiration of the Restricted Period, beneficial interests in the Temporary Regulation S Global Notes may be exchanged for beneficial interests in the Rule 144A Global Note only if:

- (1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the trustee a written certificate (in the form provided in the indenture governing the notes) to the effect that the notes are being transferred to a person:
  - (A) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
  - (B) purchasing for its own account or the account a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
  - (C) in accordance with all applicable securities laws of the states of the U.S. and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the trustee a written certificate (in the form provided in the indenture governing the notes) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Temporary Regulation S Global Note prior to the expiration of the Restricted Period.

### **Same-Day Settlement and Payment**

The Issuer, or any paying agent on behalf of the Issuer, will make payments in respect of the notes represented by the Global Notes, including principal, premium, if any, and interest, by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. The Issuer will make all payments of principal, interest and premium, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The notes represented by the Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Issuer that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

### General

The following is a summary of the material U.S. federal income tax of the purchase, ownership and disposition of the notes as of the date of this offering circular. Unless otherwise stated, this summary deals only with notes held as capital assets (within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code) by persons who purchase the notes for cash upon original issuance at their initial offering price.

As used herein, a “U.S. holder” means a beneficial owner of the notes that is for U.S. federal income tax purposes any of the following:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The term “non-U.S. holder” means a beneficial owner of the notes (other than a partnership or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. holder.

This summary does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special tax treatment, including if you are:

- a broker or dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;
- a person holding the notes as part of a hedging, integrated, conversion or constructive sale transaction or a straddle or wash sale;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a partnership or other pass-through entity for U.S. federal income tax purposes (or an investor in such an entity);
- a U.S. holder whose “functional currency” is not the U.S. dollar;
- a “controlled foreign corporation”;
- a “passive foreign investment company”;
- a U.S. expatriate; or
- a person subject to special tax accounting rules as a result of any item of gross income with respect to the notes being taken into account in an applicable financial statement.



This summary is based on the Code, U.S. Treasury regulations, administrative rulings and judicial decisions as of the date hereof. Those authorities may be changed, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those summarized below. We have not and will not seek any rulings from the Internal Revenue Service, or the IRS, regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the purchase, ownership or disposition of the notes that are different from those discussed below.

If a partnership (including any entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner in a partnership holding notes, you should consult your tax advisors.

This summary does not represent a detailed description of the U.S. federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-U.S. tax laws, or tax consequences arising under the 3.8% tax on net investment income. It is not intended to be, and should not be construed to be, legal or tax advice to any particular purchaser of notes.

**THIS SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE U.S. FEDERAL TAX LAWS OTHER THAN INCOME TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.**

### **Effect of Certain Contingencies**

We may be required to make payments of additional amounts to holders of the notes under certain circumstances and/or to repurchase or redeem the notes earlier than their scheduled maturity date. We intend to take the position that these possibilities do not result in the notes being treated as “contingent payment debt instruments” under the applicable U.S. Treasury regulations. Our position is binding on you unless you disclose your contrary position in the manner required by applicable U.S. Treasury regulations. However, our position is not binding on the IRS. If the IRS were to successfully challenge our position, you might, among other things, be required to accrue interest income at a higher rate than the stated interest rate and to treat as ordinary interest income (rather than capital gain) any gain realized on a taxable disposition of the notes. You should consult your tax advisors regarding the possible application of the contingent payment debt instrument rules to the notes. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments.

### **Certain U.S. Federal Income Tax Consequences to U.S. Holders**

The following is a summary of the material U.S. federal income tax consequences that will apply to U.S. holders of the notes.

*Payment of Interest.* It is anticipated, and this discussion assumes, that the notes will be issued with no more than a *de minimis* amount (as set forth in the applicable U.S. Treasury regulations) of original issue discount. In such case, interest paid on the notes generally will be taxable to you as ordinary income at the time it is received or accrued, depending on your method of accounting for U.S. federal income tax purposes.

*Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes.* Upon a sale, exchange, retirement, redemption, or other taxable disposition of a note, you generally will recognize gain or loss equal to the difference, if any, between the amount realized upon the sale, exchange, retirement, redemption or other taxable disposition (less an amount equal to any accrued and unpaid interest, which will be treated in the manner

described above under “—*Payment of Interest*”) and your adjusted tax basis in the note. Your adjusted tax basis in a note will, in general, be your cost for that note. Any recognized gain or loss will be capital gain or loss. Capital gains of noncorporate holders derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

*Information Reporting and Backup Withholding.* Information reporting requirements generally will apply to interest on the notes and the proceeds of a sale or other disposition (including a retirement or redemption) of a note paid to a U.S. holder unless the U.S. holder is an exempt recipient (such as a corporation). Backup withholding may apply to those payments if the U.S. holder fails to provide its correct taxpayer identification number, or certification of exempt status, or if the U.S. holder is notified by the IRS that it has failed to report in full payments of interest and dividend income. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. holder’s U.S. federal income tax liability provided the required information is timely furnished to the IRS.

### **Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders**

*Payments of interest.* Subject to the discussions of backup withholding and FATCA below, U.S. federal income tax and the 30% U.S. federal withholding tax will not be applied to any payment of interest on a note to a Non-U.S. holder provided that:

- such interest is not effectively connected with the Non-U.S. holder’s conduct of a trade or business in the U.S.;
- the Non-U.S. holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock that are entitled to vote within the meaning of Section 871(h)(3) of the Code;
- the Non-U.S. holder is not a controlled foreign corporation that is related to us (actually or constructively) through stock ownership;
- the Non-U.S. holder is not a bank whose receipt of interest on the notes is described in Section 881(c)(3)(A) of the Code; and
- the Non-U.S. holder provides its name and address, and certifies, under penalties of perjury, that it is not a U.S. person (which certification may be made on an IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable form)) or the Non-U.S. holder holds the notes through certain foreign intermediaries or certain foreign partnerships, and the Non-U.S. holder and the foreign intermediaries or foreign partnerships satisfy the certification requirements of applicable U.S. Treasury Regulations.

If a Non-U.S. holder cannot satisfy the requirements described above, the gross amounts of interest will be subject to the 30% U.S. federal withholding tax, unless the Non-U.S. holder provides the applicable withholding agent with a properly executed (i) IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (ii) IRS Form W-8ECI (or other applicable form) stating that interest paid on the notes is not subject to withholding tax because it is effectively connected with the Non-U.S. holder’s conduct of a trade or business in the U.S. If a Non-U.S. holder is engaged in a trade or business in the U.S. and interest on the notes is effectively connected with the conduct of that trade or business and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or U.S. fixed base, then (although the Non-U.S. holder will be exempt from the 30% withholding tax provided the certification requirements discussed above are satisfied) the Non-U.S. holder will be subject to U.S. federal income tax on that interest on a net income basis generally in the same manner as if the Non-U.S. holder were a U.S. holder. In addition, if a Non-U.S. holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the U.S.

*Disposition of notes.* Subject to the discussions of backup withholding and FACTA below, generally no withholding of U.S. federal income tax will be required with respect to any gain or income realized by a Non-U.S. holder upon the sale, exchange or other disposition of a note unless:

- that gain is effectively connected with a Non-U.S. holder's conduct of a trade or business in the U.S. (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or a U.S. fixed base); or
- the Non-U.S. holder is an individual who is present in the U.S. for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

If a Non-U.S. holder's gain is described in the first bullet point above, such holder will be subject to tax at regular graduated U.S. federal income tax rates on the net gain recognized, generally in the same manner as if such holder were a U.S. holder. If a Non-U.S. holder is a foreign corporation that recognizes gain described in the first bullet point above, such holder may also be subject to the branch profits tax equal to 30% (or such lower rate as may be prescribed under an applicable U.S. income tax treaty) of its effectively connected earnings and profits.

If a Non-U.S. holder is described in the second bullet point above, such holder will generally be subject to a flat 30% tax (unless an applicable treaty rate applies) on the gain recognized (which gain may be offset by certain U.S.-source capital losses). Any amounts which a Non-U.S. holder receives on a sale, exchange, redemption, repurchase or other taxable disposition of a note which are attributable to accrued interest will be taxable as interest and subject to the rules described above under "*—Payments of interest.*"

### **Information Reporting and Backup Withholding with respect to Non-U.S. Holders**

Information reporting will generally apply to payments of interest and the amount of tax, if any, withheld with respect to such payments to a Non-U.S. holder. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty.

U.S. backup withholding tax will generally not apply to payments of interest on a note or proceeds from the sale of a note payable to a Non-U.S. holder if the certification described in "*—Certain U.S. Federal Income Tax Consequences to Taxation of Non-U.S. holders—Payments of Interest*" above is duly provided by such Non-U.S. holder or the Non-U.S. holder otherwise establishes an exemption, provided that the payor does not have actual knowledge or reason to know that the holder is a U.S. person or that the conditions of any claimed exemption are not satisfied. Certain information reporting may still apply to interest payments even if an exemption from backup withholding is established.

Any amounts withheld under the backup withholding tax rules from a payment to a Non-U.S. holder will be allowed as a refund or a credit against such Non-U.S. holder's U.S. federal income tax liability, provided that the requisite procedures are followed.

Non-U.S. holders should consult their own tax advisors regarding their particular circumstances and the availability of, and procedure for obtaining, an exemption from backup withholding.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the Code, and the regulations and administrative guidance thereunder, (commonly referred to as FATCA) impose withholding at a 30% rate on payments of interest on the notes and, subject to the regulatory relief described below, the gross proceeds from the sale or other disposition of a note, in each case, paid to a "foreign financial institution" or to a "non-financial foreign entity" (all as defined in the Code), whether such foreign financial institution or non-financial foreign entity is the beneficial owner or an

intermediary, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations, (ii) the nonfinancial foreign entity either certifies it does not have any “substantial United States owners” (as defined in the Code) or furnishes identifying information regarding each substantial U.S. owner or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (i) above, it generally must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities (as defined in applicable U.S. Treasury Regulations), annually report certain information about such accounts and withhold 30% on payments to noncompliant foreign financial institutions and certain other account holders. Foreign governments may enter into, and many foreign governments have entered into, intergovernmental agreements with the U.S. to implement FATCA in a different manner. If an interest payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under the sections titled “—*Payments of interest*,” the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. Under proposed U.S. Treasury Regulations that may be relied upon pending finalization, the withholding tax on gross proceeds would be eliminated and, consequently, FATCA withholding on gross proceeds paid from the sale or other disposition of a note is not expected to apply. Prospective investors should consult their tax advisors regarding the application of FATCA to the purchase, ownership, and disposition of the notes.

## CERTAIN ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”) imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) which are subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “*ERISA Plans*”) and on those persons who are fiduciaries with respect to ERISA Plans. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan and applicable provisions of ERISA, the Code or any Similar Laws (as defined below). The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed above under “Risk Factors” and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans, accounts and arrangements that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts, and entities whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (together with ERISA Plans, “*Plans*”)) and certain persons (referred to as “*parties in interest*” or “*disqualified persons*”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. In addition, a fiduciary of the Plan who engaged in such non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. Further, the U.S. Department of Labor has promulgated regulations 29 C.F.R. Section 2510.3-101, describing what constitutes the assets of a Plan with respect to the Plan’s investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if the notes are acquired with the assets of a Plan with respect to which the Issuer, the initial purchasers, the placement agents, the trustee, the lenders under the Issuer’s existing credit facility or any of their respective affiliates, is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire a note and the circumstances under which such decision is made. However, there can be no assurance that any administrative or statutory exemption will be available with respect to any particular transaction involving the notes.

Governmental plans, certain church plans, non-U.S. plans and other plans, while not subject to the fiduciary responsibility provisions of Title I of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local or other federal or non-U.S. laws that are substantially similar to the foregoing provisions of ERISA and the Code (“*Similar Laws*”). Fiduciaries of any such plans should consult with their counsel before acquiring the notes.

### **Representations and Further Considerations**

By its acquisition of notes, each purchaser and subsequent transferee thereof will be deemed to have represented and warranted, on each day from the date on which such purchaser or transferee, as applicable, acquires its interest in such notes through and including the date on which such purchaser or transferee, as

applicable, disposes of its interest in such notes, either that (a) it is not a Plan and is not using the assets of a Plan nor any entity whose underlying assets include “plan assets” by reason of a Plan’s investment in the entity, nor a governmental, church, non-U.S. or other plan which is subject to any Similar Law or (b) neither its sale, transfer, acquisition nor holding of a note will constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church, non-U.S. or other plan, a non-exempt violation under any Similar Law). Any purported transfer of such note, or any interest therein, to a purchaser or transferee that does not comply with the requirements specified in the applicable documents shall, to the extent permitted by law, be of no force and effect and shall be null and void *ab initio*.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that any Plan fiduciary or other person who proposes to use assets of any Plan to acquire the notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, or any other applicable Similar Laws, to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA, the Code or any other applicable Similar Laws.

The sale of the notes to a Plan, a plan subject to Similar Laws, or to a person using assets of any Plan to effect its acquisition of the notes, is in no respect a representation by the Issuer or the placement agent that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

## PLAN OF DISTRIBUTION

Under the terms and conditions to be set forth in the purchase agreement with respect to the notes, we will agree to sell to the initial purchasers the following respective principal amounts of notes set forth opposite their names below.

Initial Purchaser	Principal Amount of Floating Rate Notes	Principal Amount of 2023 Notes	Principal Amount of 2024 Notes	Principal Amount of 2026 Notes	Principal Amount of 2028 Notes	Principal Amount of 2031 Notes	Principal Amount of 2041 Notes	Principal Amount of 2051 Notes
Credit Suisse Securities (USA) LLC.....	\$ 375,000,000	\$ 312,500,000	\$ 562,500,000	\$ 312,500,000	\$ 250,000,000	\$ 425,000,000	\$ 187,500,000	\$ 312,500,000
SMBC Nikko Securities America, Inc.....	300,000,000	250,000,000	450,000,000	250,000,000	200,000,000	340,000,000	150,000,000	250,000,000
BofA Securities, Inc. ....	97,500,000	81,250,000	146,250,000	81,250,000	65,000,000	110,500,000	48,750,000	81,250,000
Citigroup Global Markets Inc.....	97,500,000	81,250,000	146,250,000	81,250,000	65,000,000	110,500,000	48,750,000	81,250,000
J.P. Morgan Securities LLC ...	97,500,000	81,250,000	146,250,000	81,250,000	65,000,000	110,500,000	48,750,000	81,250,000
Mizuho Securities USA LLC.....	97,500,000	81,250,000	146,250,000	81,250,000	65,000,000	110,500,000	48,750,000	81,250,000
MUFG Securities Americas Inc. ....	97,500,000	81,250,000	146,250,000	81,250,000	65,000,000	110,500,000	48,750,000	81,250,000
Nomura Securities International, Inc. ....	97,500,000	81,250,000	146,250,000	81,250,000	65,000,000	110,500,000	48,750,000	81,250,000
Scotia Capital (USA) Inc. ....	97,500,000	81,250,000	146,250,000	81,250,000	65,000,000	110,500,000	48,750,000	81,250,000
Wells Fargo Securities, LLC...	97,500,000	81,250,000	146,250,000	81,250,000	65,000,000	110,500,000	48,750,000	81,250,000
U.S. Bancorp Investments, Inc. ....	45,000,000	37,500,000	67,500,000	37,500,000	30,000,000	51,000,000	22,500,000	37,500,000
Total.....	<u>\$1,500,000,000</u>	<u>\$1,250,000,000</u>	<u>\$2,250,000,000</u>	<u>\$1,250,000,000</u>	<u>\$1,000,000,000</u>	<u>\$1,700,000,000</u>	<u>\$750,000,000</u>	<u>\$1,250,000,000</u>

The purchase agreement will provide that the initial purchasers are obligated to purchase all of the notes if any of such notes are purchased. The purchase agreement will also provide that if an initial purchaser defaults, the purchase commitments of non-defaulting initial purchasers may be increased or the offering may be terminated.

The initial purchasers propose to offer the notes initially at the offering prices on the cover page of this offering circular. After the initial offering, the offering price may be changed. Certain initial purchasers have informed us that they may resell the notes to or through one or more of their affiliates or registered broker dealers or selling agents.

The notes have not been registered under the Securities Act and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act. Each of the initial purchasers has agreed that, except as permitted by the purchase agreement, it will not offer, sell or deliver the notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the U.S. or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the U.S. or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under “Transfer Restrictions.”

In addition, until 40 days after the commencement of the offering, an offer or sale of notes within the U.S. by a broker/dealer (whether or not it is participating in such offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

We will agree to indemnify the initial purchasers against liabilities or to contribute to payments which they may be required to make in that respect.

### ***New Issue of Notes***

Each series of notes is a new issue of securities for which there currently is no market. The initial purchasers have advised us that they intend to make a market in each series of notes as permitted by applicable law. They are not obligated, however, to make a market in the notes of any series and any market-making may be discontinued at any time at their sole discretion. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

### ***Extended Settlement***

We expect that delivery of the notes will be made against payment therefore on or about the closing date specified on the cover page of this offering circular, which will be the tenth business day following the date of pricing of the notes (this settlement cycle being referred to as “T+10”). Under Rule 15c6-1 of the SEC under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing or the next seven succeeding business days will be required, by virtue of the fact that the notes initially will settle in T+10, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing or the next seven succeeding business days should consult their own advisor.

### ***Price Stabilization and Penalty Bids***

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

### ***Other Relationships***

In the ordinary course of their respective businesses, the initial purchasers and certain of their respective affiliates have in the past and may in the future engage in investment banking or other transactions of a financial nature with us and our respective affiliates, for which they have received customary compensation. Certain of the initial purchasers and/or their respective affiliates act as dealers and agents under the Commercial Paper Facility, for which they have received, and will continue to receive, customary fees in connection therewith. In addition, certain of the initial purchasers and/or their respective affiliates have acted as financial advisors to us in connection with the Acquisition and will receive customary fees in connection therewith. Certain affiliates of the



initial purchasers act as lenders and agents under the Delayed Draw Term Loan Facilities and the Revolving Credit Facility, for which they have received, and will continue to receive, customary fees in connection. Certain of the initial purchasers and/or their respective affiliates have also agreed to provide interim financing to us to fund the Acquisition under certain circumstances (and subject to customary conditions) in the event this offering is not consummated, for which these initial purchasers and/or their respective affiliates will be paid customary fees. These interim financing commitments will be reduced by the aggregate principal amount of notes issued in this offering upon the closing of this offering. The decision of these initial purchasers to distribute the notes was made independent of the lenders with which they are affiliated, which lenders have no involvement in determining whether or when to distribute the notes under this offering or the terms of the offering. Furthermore, J.P. Morgan Securities LLC and/or certain of its affiliates acted as independent financial advisor to the Speedway transaction committee of MPC's board of directors in connection with MPC's sale of the Speedway Business.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates have a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### ***Selling Restrictions***

#### ***Notice to Prospective Investors in the European Economic Area***

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### ***Notice to Prospective Investors in the United Kingdom***

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified

investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

### ***Canada***

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts (NI 33-105)*, the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Hong Kong***

The notes may not be offered or sold in Hong Kong by means of any document other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “**SFO**”) and any rules made thereunder or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong) (the “**CO**”) or which do not constitute an offer to the public within the meaning of that the CO and (ii) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

### ***Singapore***

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA; (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A), or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivative Contracts) Regulations 2018.

Singapore SFA Product Classification—Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### ***Switzerland***

The notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the “*FinSA*”), and no application has or will be made to admit the notes to trading on any venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the notes (i) constitutes a prospectus pursuant to FinSA or (ii) has been filed with or approved by a Swiss review body pursuant to article 52 FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

### ***Japan***

The notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly none of the notes nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at relevant time.

### ***Taiwan***

The notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and the notes may not be sold, issued or offered within Taiwan through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan requiring registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the notes in Taiwan.

### *South Korea*

The notes have not been and will not be registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the notes have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and its Enforcement Decree) or to others for re-offering or resale, except as otherwise permitted by applicable Korean laws and regulations. In addition, within one year following the issuance of the notes, the notes may not be transferred to any resident of Korea other than a qualified institutional buyer (as such term is defined in the regulation on issuance, public disclosure, etc. of securities of Korea, a “*Korean QIB*”) registered with the Korea Financial Investment Association (the “*KOFIA*”) as a Korean QIB and subject to the requirement of monthly reports with the KOFIA of its holding of Korean QIB bonds as defined in the Regulation on Issuance, Public Disclosure, etc. of notes of Korea, provided that (a) the notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean won, (b) the amount of the securities acquired by such Korean QIBs in the primary market is limited to less than 20 per cent. of the aggregate issue amount of the notes, (c) the notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the securities in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of securities to a Korean resident other than a Korean QIB is expressly stated in the securities, the relevant purchase agreement, subscription agreement, and the offering circular and (e) we and the initial purchasers shall individually or collectively keep the evidence of fulfillment of conditions (a) through (d) above after having taken necessary actions therefor.

## TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act. Accordingly, the notes are being offered and sold only (1) to persons reasonably believed to be “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) (“*QIBs*”) in compliance with Rule 144A and (2) outside the U.S. to persons other than U.S. persons in reliance upon Regulation S under the Securities Act.

Each purchaser of notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the notes for its own account or for the account of a QIB over which it exercises sole investment discretion or (B) is not a U.S. person, is outside the U.S., and is purchasing the notes in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that the notes are being offered in a transaction not involving any public offering in the U.S. within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the notes, such notes may not be offered, resold, pledged or otherwise transferred prior to (x) the date which is one year, in the case of notes issued pursuant to Rule 144A, or (y) 40 days, in the case of notes issued pursuant to Regulation S, after the later of the date of the original issue date of such Notes and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to the Issuer or any subsidiary thereof, (ii) pursuant to an effective registration statement under the Securities Act, (iii) inside the U.S. to a person whom the seller reasonably believes to be a QIB in compliance with Rule 144A, (iv) outside the U.S. in compliance with Rule 904 under the Securities Act, (v) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (vi) in accordance with another available exemption from registration under the Securities Act, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the notes from it of the resale restrictions referred to in (A) above.

(3) The purchaser understands that the notes will, until the expiration of the applicable holding period with respect to the notes set forth in Rule 144 or Regulation S of the Securities Act, unless otherwise agreed by 7-Eleven, Inc. and the holder thereof, bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT

(A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, OR

(B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND

(2) AGREES FOR THE BENEFIT OF 7-ELEVEN, INC. (THE “*ISSUER*”) THAT IT WILL NOT WITHIN [ONE YEAR FOR NOTES ISSUED PURSUANT TO RULE 144A] [40 DAYS—FOR NOTES ISSUED IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S] AFTER THE LATER OF THE DATE OF THE ORIGINAL ISSUANCE OF THIS NOTE AND THE DATE ON WHICH THE

ISSUER OR ANY OF ITS AFFILIATES OWNED THIS NOTE (OR ANY PREDECESSOR NOTE) OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY

(A) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER,

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT,

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT,

(D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT,

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE),

(F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

(3) REPRESENTS THAT EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A PLAN (WHICH TERM INCLUDES (I) EMPLOYEE BENEFIT PLANS THAT ARE SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“*ERISA*”), (II) PLANS, INDIVIDUAL RETIREMENT ACCOUNTS AND OTHER ARRANGEMENTS THAT ARE SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “*CODE*”), OR TO PROVISIONS UNDER APPLICABLE FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (“*SIMILAR LAWS*”) AND (III) ENTITIES THE UNDERLYING ASSETS OF WHICH ARE CONSIDERED TO INCLUDE “PLAN ASSETS” OF SUCH PLANS, ACCOUNTS AND ARRANGEMENTS) AND IT IS NOT PURCHASING THE NOTES ON BEHALF OF, OR WITH “PLAN ASSETS” OF, ANY PLAN; OR (B) ITS PURCHASE AND HOLDING OF SUCH SECURITIES SHALL NOT CONSTITUTE OR RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR VIOLATE ANY PROVISION OF SIMILAR LAW.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(C) ABOVE OR (2)(D) ABOVE, A DULY COMPLETED AND SIGNED CERTIFICATE (THE FORM OF WHICH MAY BE OBTAINED FROM THE TRUSTEE) MUST BE DELIVERED TO THE TRUSTEE. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) OR (2)(F) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

(4) The purchaser acknowledges that prior to any proposed transfer of notes in certificated form or of beneficial interests in a Global Note (in each case other than pursuant to an effective registration statement) the holder of notes or the holder of beneficial interests in a Global Note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the applicable Indenture.

(5) Either: (A) the purchaser is not, and is not acting on behalf of, a Plan (which term includes (i) employee benefit plans that are subject to Title I of ERISA, (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, or to provisions under applicable Similar

Laws and (iii) entities the underlying assets of which are considered to include “plan assets” of such plans, accounts and arrangements) and it is not purchasing the notes on behalf of, or with “plan assets” of, any Plan; or (B) its purchase and holding of such securities shall not constitute or result in a nonexempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or violate any provision of Similar Law.

### **LEGAL MATTERS**

The validity of the notes offered hereby and certain other legal matters in connection with the issuance of the notes will be passed upon for us by Akin Gump Strauss Hauer & Feld LLP. The initial purchasers have been represented by Davis Polk & Wardwell LLP, New York, New York.

### **INDEPENDENT AUDITORS**

The consolidated financial statements of 7-Eleven, Inc. as of December 31, 2019 and 2018 and for each of the years in the three-year period ended December 31, 2019, included in this offering circular, have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein. The audit report covering the December 31, 2019 consolidated financial statements refers to a change in accounting for revenue.

### **INDEPENDENT ACCOUNTANTS**

The financial statements of the Speedway Business of Marathon Petroleum Corporation as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this offering circular, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

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## Independent Auditors' Report

The Board of Directors  
Shareholder of 7-Eleven, Inc.:

We have audited the accompanying consolidated financial statements of 7-Eleven, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of earnings, comprehensive earnings, shareholder's equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of 7-Eleven, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2019 in accordance with U.S. generally accepted accounting principles.

### *Emphasis of Matter*

As discussed in Note 2 to the consolidated financial statements, in the year ended December 31, 2019, 7-Eleven, Inc. adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

/s/ KPMG LLP

Dallas, Texas  
March 3, 2020

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2019 and 2018**  
**(Dollars in thousands, except share data)**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 405,722	\$ 584,423
Accounts receivable, net .....	774,742	664,579
Inventories .....	481,730	475,575
Other current assets .....	222,727	296,215
Total current assets .....	1,884,921	2,020,792
Property and equipment, net .....	6,724,107	6,189,830
Goodwill .....	4,932,786	4,779,157
Other intangible assets, net .....	561,700	567,425
Other assets, net .....	398,687	379,925
Total assets .....	<u>\$14,502,201</u>	<u>\$13,937,129</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade accounts payable .....	\$ 559,490	\$ 649,443
Accrued expenses and other current liabilities .....	1,123,007	1,153,754
Debt due within one year .....	194,551	370,084
Total current liabilities .....	1,877,048	2,173,281
Long-term debt .....	2,989,999	3,134,140
Deferred credits and other liabilities .....	2,312,091	1,682,064
Commitments and contingencies (Note 16)		
Equity:		
Common stock, par value \$.0001 per share; 1,000,000,000 shares authorized; 130,313,449 shares issued and outstanding .....	13	13
Paid-in capital .....	3,056,921	3,057,550
Retained earnings .....	4,350,354	4,007,408
Accumulated other comprehensive loss .....	(84,225)	(117,327)
Total equity .....	7,323,063	6,947,644
Total liabilities and equity .....	<u>\$14,502,201</u>	<u>\$13,937,129</u>

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
(Dollars in thousands, except per-share data)

	Years Ended December 31		
	2019	2018	2017
<b>REVENUES:</b>			
Merchandise sales .....	\$ 4,136,227	\$ 4,124,411	\$ 2,606,496
Fuel sales .....	18,301,797	18,810,373	12,598,161
Net sales .....	22,438,024	22,934,784	15,204,657
Franchise and licensing revenues .....	2,659,882	2,580,063	2,433,736
Other income .....	35,012	26,880	30,210
Total revenues .....	25,132,918	25,541,727	17,668,603
<b>COSTS AND EXPENSES:</b>			
Merchandise cost of goods sold .....	2,848,630	2,905,065	1,887,078
Fuel cost of goods sold .....	16,631,844	17,249,610	11,407,537
Total cost of goods sold .....	19,480,474	20,154,675	13,294,615
Operating, selling, general and administrative expenses .....	4,600,369	4,429,667	3,588,006
Interest expense, net .....	99,089	98,526	37,456
Total costs and expenses .....	24,179,932	24,682,868	16,920,077
<b>EARNINGS BEFORE INCOME TAX</b> .....	952,986	858,859	748,526
<b>INCOME TAX EXPENSE</b> .....	225,504	189,433	92,680
<b>NET EARNINGS</b> .....	727,482	669,426	655,846
<b>Earnings per share:</b>			
<b>BASIC</b>			
Net earnings .....	\$ 5.58	\$ 5.14	\$ 5.03

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**  
(Dollars in thousands)

	Years Ended December 31		
	2019	2018	2017
<b>NET EARNINGS</b> .....	\$727,482	\$669,426	\$655,846
<b>OTHER COMPREHENSIVE EARNINGS, NET OF TAX</b>			
Foreign currency translation .....	44,254	(73,701)	57,421
Unrealized gain (loss) on available for sale debt securities (net of tax effect of \$(68), \$31 and \$56) .....	203	(93)	(92)
Unrealized loss on interest rate swap activities (net of tax effect of \$661, \$70 and \$0) .....	(1,979)	(212)	—
Changes in postretirement benefits (Note 15):			
Actuarial (loss) gain for the period (net of tax effect of \$2,522, \$(631) and \$1,829) .....	(7,587)	1,898	(2,954)
Amortization of actuarial loss included in net income (net of tax effect of \$(444), \$(654) and \$(838)) .....	1,335	1,968	1,354
Change due to adoption of ASU 2018-02 .....	(3,124)	—	—
Total other comprehensive gain (loss) .....	33,102	(70,140)	55,729
<b>COMPREHENSIVE EARNINGS</b> .....	<u>\$760,584</u>	<u>\$599,286</u>	<u>\$711,575</u>

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY**  
(Dollars and shares in thousands)

	Common Stock			Accumulated Earnings	Accumulated Other Comprehensive (Losses) Earnings		
	Shares	Par Value	Additional Paid-in Capital		Foreign Currency Translation	Other	Shareholder's Equity
<b>Balance at December 31, 2016</b> .....	<b>130,313</b>	<b>13</b>	<b>3,058,473</b>	<b>2,682,136</b>	<b>(90,593)</b>	<b>(12,323)</b>	<b>\$5,637,706</b>
Net earnings .....				655,846			655,846
Other comprehensive earnings:							
Foreign currency translation .....					57,421		57,421
Unrealized loss on available for sale debt securities (net of \$56 deferred taxes) .....						(92)	(92)
Adjustment for postretirement benefits (Note 15) (net of \$991 deferred taxes) .....						(1,600)	(1,600)
Total other comprehensive earnings .....							55,729
Comprehensive earnings .....							711,575
Capital contribution from SEJ for sale of 7-Eleven trademark in Japan-tax adjustment .....			1,326				1,326
<b>Balance at December 31, 2017</b> .....	<b>130,313</b>	<b>13</b>	<b>3,059,799</b>	<b>3,337,982</b>	<b>(33,172)</b>	<b>(14,015)</b>	<b>6,350,607</b>
Net earnings .....				669,426			669,426
Other comprehensive earnings:							
Foreign currency translation .....					(73,701)		(73,701)
Unrealized loss on available for sale debt securities (net of \$31 deferred taxes) .....						(93)	(93)
Unrealized loss on interest rate swap activities (net of \$70 deferred taxes) .....						(212)	(212)
Adjustment for postretirement benefits (Note 15) (net of \$(1,285) deferred taxes) .....						3,866	3,866
Total other comprehensive loss .....							(70,140)
Comprehensive earnings .....							599,286
Reduction to capital contribution from SAM for repurchase of stores .....			(2,249)				(2,249)

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY—(Continued)**  
(Dollars and shares in thousands)

	Common Stock			Accumulated Earnings	Accumulated Other Comprehensive (Losses) Earnings		Shareholder's Equity
	Shares	Par Value	Additional Paid-in Capital		Foreign Currency Translation	Other	
<b>Balance at December 31, 2018.</b> . . . . .	<b>130,313</b>	<b>13</b>	<b>3,057,550</b>	<b>4,007,408</b>	<b>(106,873)</b>	<b>(10,454)</b>	<b>\$6,947,644</b>
Net earnings. . . . .				727,482			727,482
Other comprehensive earnings:							
Foreign currency translation . . . . .					44,254		44,254
Unrealized gain on available for sale debt securities (net of \$(68) deferred taxes) . . . . .						203	203
Unrealized loss on interest rate swap activities (net of \$661 deferred taxes) . . . . .						(1,979)	(1,979)
Adjustment for postretirement benefits (Note 15) (net of \$2,078 deferred taxes) . . . . .						(6,252)	(6,252)
Adoption of ASU 2018-02 . . . . .						(3,124)	(3,124)
Total other comprehensive earnings. . . . .							33,102
Comprehensive earnings. . . . .							760,584
Adoption of ASU 2014-09 . . . . .				(394,548)			(394,548)
Adoption of ASU 2016-01 . . . . .				6,888			6,888
Adoption of ASU 2018-02 . . . . .				3,124			3,124
Reduction to capital contribution from SAM for repurchase of store . . . . .				(629)			(629)
<b>Balance at December 31, 2019.</b> . . . . .	<b>130,313</b>	<b>13</b>	<b>3,056,921</b>	<b>4,350,354</b>	<b>(62,619)</b>	<b>(21,606)</b>	<b>\$7,323,063</b>

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings .....	\$ 727,482	\$ 669,426	\$ 655,846
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment .....	700,657	671,332	599,357
Other amortization .....	2,905	12,510	14,701
Recognition of deferred revenue from customers .....	(92,039)	—	—
Deferred income tax expense (benefit) .....	299,324	89,426	(102,617)
Net loss (gain) on disposal of property and equipment .....	16,429	21,325	(1,904)
Other credits .....	(55,796)	(94,822)	(21,038)
Increase in accounts receivable .....	(102,634)	(25,478)	(124,002)
Decrease (increase) in inventories .....	1,203	19,341	(29,822)
Increase in other assets .....	(29,968)	(64,325)	(20,239)
(Decrease) increase in trade accounts payable and other liabilities .....	(71,274)	149,370	31,056
Net cash provided by operating activities .....	<u>1,396,289</u>	<u>1,448,105</u>	<u>1,001,338</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of property and equipment .....	(1,191,778)	(945,438)	(817,550)
Proceeds from sale of property and equipment .....	95,695	979,420	103,910
Other investments .....	(4,916)	21,481	(7,133)
Escrow funding related to future acquisition .....	(149)	—	—
Acquisition of business, net of working capital .....	(188,162)	(3,147,545)	(64,000)
Net working capital acquired from acquisition .....	(3,912)	(130,935)	(1,149)
Net cash used in investing activities .....	<u>(1,293,222)</u>	<u>(3,223,017)</u>	<u>(785,922)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from commercial paper and revolving credit facilities ....	—	20,999	—
Payments under commercial paper and revolving credit facilities ...	—	(20,999)	—
Proceeds from issuance of short-term debt .....	—	2,400,000	—
Principal payments towards short-term debt .....	(350,000)	(2,400,000)	(77,540)
Proceeds from issuance of long-term debt .....	—	900,000	50,000
Proceeds from issuance of long-term debt from SAM .....	50,000	970,000	—
Principal payments towards long-term debt .....	(20,840)	(20,457)	(69,012)
Other financing activity .....	3,300	2,571	1,153
Increase (decrease) in outstanding checks in excess of cash in bank .....	35,950	(10,213)	(34,832)
Net cash (used in) provided by financing activities .....	<u>(281,590)</u>	<u>1,841,901</u>	<u>(130,231)</u>
Effect of exchange rate changes on cash .....	2,491	(3,325)	1,671
<b>NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH .....</b>	<b>(176,032)</b>	<b>63,664</b>	<b>86,856</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR .....</b>	<b>648,558</b>	<b>584,894</b>	<b>498,038</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD .....</b>	<b><u>\$ 472,526</u></b>	<b><u>\$ 648,558</u></b>	<b><u>\$ 584,894</u></b>

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)**  
**(Dollars in thousands)**

	<u>Years Ended December 31</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>RELATED DISCLOSURES FOR CASH FLOW REPORTING</b>			
Interest paid (net of amounts capitalized) . . . . .	\$(101,673)	\$ (92,166)	\$ (47,100)
Income taxes paid (net of refunds) . . . . .	\$ 39,116	\$ (81,141)	\$(271,284)
Assets obtained by entering into capital leases . . . . .	\$ 1,243	\$ —	\$ —
<b>RECONCILIATION</b>			
Cash and cash equivalents . . . . .	\$ 405,722	\$584,423	\$ 580,170
Restricted cash included in other current assets . . . . .	4,893	8,781	1,989
Restricted cash included in other non-current assets . . . . .	61,911	55,354	2,735
Total cash, cash equivalents and restricted cash . . . . .	<u>\$ 472,526</u>	<u>\$648,558</u>	<u>\$ 584,894</u>

See accompanying notes to consolidated financial statements.



## 7-ELEVEN, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019, 2018, and 2017

#### **NOTE 1: ACCOUNTING POLICIES**

**(a) General**—7-Eleven, Inc. and its subsidiaries (collectively, SEI, the Company) is 100% owned by SEJ Asset Management & Investment Company (SAM). SAM is a United States (U.S.) based company and is wholly-owned by Seven-Eleven Japan Co., Ltd. (SEJ), which is wholly-owned by Seven & i Holdings Co. Ltd., a publicly traded corporation in Japan. See Note 21 for further discussion regarding the Company's related party transactions.

Approximately 70,200 convenience stores in 17 countries worldwide are operated under the 7-Eleven trademark. As of December 31, 2019, there were 2,303 company-operated stores in the U.S. and Canada, and 7,379 franchisee-operated stores in the U.S. In addition, the Company's domestic and international area licensees and master franchisees operated 39,537 stores worldwide. SEJ independently operated 20,988 stores, all of which were in Japan.

**(b) Principles of Consolidation**—The consolidated financial statements include the accounts of the Company. Intercompany transactions and account balances have been eliminated in consolidation. Investments in which the Company has 50% or less voting interest and the ability to exercise significant influence over operating and financial policies of an investee are accounted for using the equity method.

**(c) Estimates**—The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. The results of these estimates form the basis of the Company's judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**(d) Classification**—Certain prior-period amounts have been reclassified to conform to the current-year presentation.

**(e) Operating Segment**—The Company operates in the convenience store industry and manages its business as two operating segments, retail and wholesale. The retail segment operates, franchises, and licenses convenience stores that sell fresh foods, snacks, beverages, merchandise, motor fuel, and offer a variety of services, primarily under the 7-ELEVEN® name. The wholesale segment, which consists of the Company's fuel supply and wholesale fuels businesses, purchases fuel from a number of refiners and suppliers and supplies it to our retail stores, to dealer sites and consignment sites under both short and long-term supply agreements, and to other third parties. The Company's reporting units are equivalent to its operating segments.

**(f) Concentration Vulnerability**—The Company does not rely on any major customer as a source of revenue. Excluding area license royalties, which are included in franchise and licensing revenues, the Company's operations are concentrated in the U.S. and Canada. Net sales from Canadian operations were 9.5%, 10.0%, and 13.4% of the Company's total net sales for the years ended December 31, 2019, 2018, and 2017, respectively. As of December 31, 2019 and 2018, approximately 7.3% and 6.9% of the Company's total assets were located in Canada.

**(g) Revenues**—The Company's revenues primarily consist of merchandise sales at company-operated stores, retail motor fuel sales at company and franchisee-operated stores, wholesale fuel sales, and royalties and

fees from stores operated by U.S. franchisees and world-wide 7-Eleven area licensees and master franchisees. Merchandise sales from stores operated by franchisees or licensees are not included in the Company's sales. See Note 2 for further discussion regarding the Company's revenues.

**(h) Cost of Goods Sold**—Merchandise cost of goods sold includes the costs of products sold (net of discounts or allowances earned), delivery charges, warehouse and distribution expenses, merchandise write-offs, and product shortages. Fuel cost of goods sold includes the cost of fuel sold (net of discounts or allowances earned), customer drive-offs, product shortages, and the impact from commodity-based futures contracts (Note 19).

**(i) Operating, Selling, General and Administrative Expenses (OSG&A)**—OSG&A primarily consists of occupancy and related expenses, compensation expenses, and other OSG&A expenses, which includes credit card fees, data processing, store supplies, licenses and permits, professional fees, legal services, environmental costs, travel and meeting expenses, bank service charges, and other corporate expenses. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**(j) Interest Expense**—Interest expense is net of interest income and capitalized interest, and is recorded on an accrual basis. Interest income was \$1.6 million, \$9.3 million, and \$9.2 million, and capitalized interest was \$9.9 million, \$7.3 million, and \$4.5 million for the years ended December 31, 2019, 2018, and 2017, respectively. See Note 2 for further discussion regarding interest income from franchisee notes receivable presentation change due to the transition of Accounting Standards Codification (ASC) 606, *Revenue From Contracts with Customers*.

**(k) Income Taxes**—Income taxes are determined using the asset and liability method, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date (Note 17). Deferred tax assets include tax carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the benefit of a tax position only when it is more likely than not, based on the position's technical merits, that the position would be sustained upon examination by the appropriate taxing authorities. The tax benefit is measured as the largest benefit that is more than 50% likely of being realized upon final settlement with the taxing authorities (Note 17).

Interest expense related to tax matters is recorded in income tax expense in the consolidated statements of earnings (Note 17). It is the Company's policy to classify accrued interest and penalties in the provision for income taxes.

**(l) Cash and Cash Equivalents**—The Company considers all highly liquid investment instruments purchased with original maturities of three months or less to be cash equivalents. The Company utilizes a cash-management system under which a book cash overdraft exists for the Company's primary disbursement accounts. These overdrafts represent outstanding checks and wire transfers in excess of cash balances in bank accounts at the end of the reporting period, with changes reflected as financing activities in the statements of cash flows. These bank accounts are automatically funded as needed to fund clearing checks and wires (Note 10).

**(m) Allowance for Doubtful Accounts**—The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of third parties to make required payments. These amounts are primarily generated from accounts related to franchisee receivables, vendor receivables, rent receivables, and notes receivable. Management analyzes the collectability of accounts receivable balances and records an

allowance when it is probable that all amounts due may not be collected. Historically, such losses, in the aggregate, have not materially exceeded the Company's estimated allowance. Account balances are charged against the allowance when the Company believes that the receivable will not be recovered (Note 3).

**(n) Inventories**—Merchandise inventory cost, using the retail method at store level, is generally determined by the first-in first-out (FIFO) method. Under the retail method, retail values are converted to a cost basis by applying average cost factors to groupings of merchandise. Inherent in the retail inventory method calculations are certain management judgments and estimates, which could impact the ending inventory valuation. Fuel inventories are stated at the lower of cost or net realizable value. Retail, supply, and wholesale fuel inventory costs are determined by the weighted-average cost (WAC) method (Note 4).

**(o) Allowances and Credits from Vendors**—The Company receives various types of allowances and credits from vendors that primarily include cigarette buy-downs, display allowances, and scanback and billback allowances. These allowances are recorded in the period in which they are earned as a reduction to merchandise cost of goods sold. Additionally, the Company receives vendor cooperative advertising allowances, which are offset against advertising expense in OSG&A as incurred. Cooperative advertising allowances recorded were \$11.5 million, \$14.2 million, and \$18.4 million for the years ended December 31, 2019, 2018, and 2017, respectively.

The Company also receives fuel branding incentives related to our fuel supply contracts. Historically, volume-based fuel branding incentives were deferred until retention was deemed probable, which was generally in accordance with the contract's de-branding repayment schedule. Once probable, the incentives were recorded as a reduction to fuel cost of goods sold. During the fourth quarter of 2019, the Company concluded it had sufficient historical experience to reassess the probability of retention and concluded volume-based fuel incentives were probable of retention as the Company purchases fuel. The revised estimate was implemented to better match the Company's cost of goods sold with fuel sales. For the year ended December 31, 2019, the change in estimate resulted in a reduction of cost of goods sold of approximately \$12.7 million.

**(p) Restricted Cash**—Cash and cash equivalents that are restricted as to withdrawal or usage are recorded as restricted cash in other current assets (Note 5) and other assets (Note 9). Restrictions may result from legally restricted deposits for contracts entered into with others, collateral for derivative instruments, Company statements of intention with regard to particular deposits, or money market funds held primarily by the Executive Protection Plan (EPP) trust.

**(q) Available-for-Sale Debt Securities**—The Company classifies its investments held in a trust for its Deferred Compensation Plan (DCP) as available-for-sale debt securities (Note 15), which are carried at fair value (Note 13). Unrealized gains and losses deemed to be temporary on available-for-sale debt securities are reported as part of other comprehensive earnings (OCE). Realized gains and losses and declines in value deemed to be other than temporary (if any) on available-for-sale debt securities are included as a reduction of, or increase, to OSG&A in the consolidated statements of earnings. Fair value of the securities is based upon quoted market prices in active markets or estimated fair value if quoted market prices are not available. The cost basis for realized gains and losses on available-for-sale debt securities is determined on a specific-identification basis. The Company classifies its available-for-sale debt securities as short or long-term based upon management's expectation of plan distributions and payment of administrative expenses.

**(r) Property and Equipment, Net**—Property and equipment is stated at cost less accumulated depreciation. Depreciation of property and equipment is based on the estimated useful lives of these assets using the straight-line method. Amortization of both (i) capital lease assets and associated leasehold improvements and (ii) leasehold improvements on operating leases is based on the shorter of the estimated useful life or the related lease term. Routine repairs and maintenance are expensed when incurred. Major replacements and improvements are capitalized. Acquisition and development costs for significant internal-use software projects are capitalized and amortized on a straight-line basis. Subsequent additions, modifications, or upgrades to internal-use software

are capitalized only to the extent new functionality is achieved. Software maintenance and training costs are expensed in the period incurred. Included in depreciation and amortization of property and equipment in the consolidated statements of earnings is software amortization expense of \$40.6 million, \$36.8 million, and \$37.7 million for the years ended December 31, 2019, 2018, and 2017, respectively (Note 6).

The following table summarizes the years over which significant assets are depreciated or amortized:

	<u>Years</u>
Buildings .....	35
Leasehold improvements .....	3 to 35
Equipment .....	3 to 15
Software .....	3 to 7

During the fourth quarter of 2019, the Company revised the estimated useful life of its underground storage tanks, from 20 years to 30 years. For the year ended December 31, 2019, the change in estimate resulted in an insignificant reduction of depreciation expense.

**(s) Asset Impairment**—The Company’s long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company also conducts an annual impairment test of its goodwill and intangible assets with indefinite lives (Note 8). In accordance with the ASC 350, *Intangibles – Goodwill and other*, the Company’s goodwill impairment test includes consideration of qualitative factors to determine whether it is “more likely than not” that the Company’s fair value is less than its carrying value for each reporting unit. If after a qualitative assessment, the Company determines that it is “more likely than not” that each of the reporting unit’s fair values exceed its respective carrying amounts, the Company would not be required to perform any further testing. If the Company determines that it is “more likely than not” that a reporting unit’s fair value is less than its carrying value (or chooses to bypass the qualitative assessment), it will proceed to a two-step impairment test. Step one compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount exceeds the fair value, step two is required to measure the amount of impairment loss, if any. Step two compares the implied fair value of the reporting unit’s goodwill with the carrying amount of that goodwill. If the carrying amount is greater than the implied fair value of the goodwill, an impairment loss is recognized for the excess.

The Company conducts its annual impairment test for indefinite-lived intangibles in accordance with ASC 350. The guidance extends the optional qualitative assessment for goodwill impairment testing to other indefinite-lived intangibles. The guidance also provides entities the option to bypass the qualitative assessment for any indefinite-lived intangible asset and proceed directly to performing a quantitative assessment. See Note 8 for further discussion.

**(t) Exit and Disposal Activities**—The Company writes down property and equipment of stores it is closing, to the lower of its carrying amount or estimated fair value, less estimated costs to sell, at the time management commits to a plan to close such stores and begins to actively market the store. If the stores are leased, the Company accrues for related future estimated rent and other expenses at the time the stores cease operations if the expenses are expected to exceed estimated sublease rental income. The Company bases the estimated net realizable value of property and equipment on its experience in utilizing and/or disposing of similar assets and on estimates provided by its own and/or third-party real estate experts. The Company also uses its experience in subleasing similar property to estimate future sublease income. The Company’s results of operations include related write-downs of stores to estimated net realizable value and accruals for future estimated rent and other expenses in excess of estimated sublease rental income (recorded in OSG&A).

**(u) Assets Held for Sale**—A long-lived asset held for sale is recognized in the Company’s consolidated financial statements at the lower of its carrying amount or estimated fair value, less estimated costs to sell, and is not depreciated after being classified as held-for-sale. In order for a long-lived asset to be classified as

held-for-sale, management must approve and commit to a formal plan of sale; the sale must be expected to be completed during the ensuing year; and the asset must be actively marketed, be available for immediate sale, and meet certain other specified criteria. See Note 6.

**(v) Asset Sales**—The Company records gains or losses from asset sales based on asset carrying value and consideration received (Note 6). If the assets being sold meet the definition of a business under ASC Topic 805, *Business Combinations*, goodwill associated with that business (if any) is included in the carrying amount when determining the gain or loss on disposal. The amount of goodwill to be allocated to the carrying amount is based on the relative fair value of the business being sold and the portion of the reporting unit retained.

**(w) Leasehold Intangible**—Upon evaluation related to a business combination, the Company recognizes an intangible asset if the terms of an acquired operating lease are favorable relative to market terms and a deferred liability if the terms are unfavorable relative to market terms. Both the intangible asset and the deferred liability amounts are subsequently amortized over their useful lives, which are generally equal to the remaining terms of the underlying leases. Such amortization is included within OSG&A expense in the consolidated statements of earnings.

**(x) Lease Accounting**—The Company leases a portion of its convenience store properties under noncancelable leases, whose initial terms are typically 10 to 15 years, along with options that permit renewals for additional periods. The present value of future minimum lease payments for capital lease obligations is reflected in the consolidated balance sheets as debt due within one year and long-term debt, respectively. The amount representing imputed interest necessary to reduce net minimum lease payments to present value has been calculated generally at the Company's incremental borrowing rate at the inception of each lease.

Minimum lease payments include base rent plus step increases and escalation clauses, guarantees of residual value by the Company, and payments for failure to renew the lease. In the event the base rent is dependent upon an index or rate that can change over the term of the lease, the minimum lease payments are calculated using the rate or index in effect at the inception of the lease. The Company is typically responsible for payment of real estate taxes, maintenance expenses, and insurance, which are not included in minimum lease payments. Also included in minimum lease payments are facility lease commitments relating to third-party distribution centers, commissaries, and bakeries. The contractual arrangements identify specific facilities that are considered to be the Company's leases as it purchases or uses the majority of the output.

Minimum lease payments for operating leases are expensed on a straight-line basis over the term of the lease including renewal periods that are reasonably assured at the inception of the lease. In connection with the Company's operating leases, the Company records a straight-line rent accrual, which is intended to represent the recorded rent expense in excess of remitted cash payments (Note 11). In addition to minimum rental payments, certain leases require additional payments based on sales volume, which are recorded in rent expense when the contingent rent is probable. See Note 20 regarding the recently issued lease accounting standard.

The Company records tenant improvement allowances as a deferred rent liability in the consolidated balance sheets. This deferred rent is amortized on a straight-line basis over the term of the lease as a reduction of rent expense.

**(y) Advertising Costs**—Advertising costs, included in OSG&A, generally are expensed as incurred and are recorded net of cooperative advertising allowances (Note 1(o)). Net advertising costs were \$82.4 million, \$19.5 million, and \$6.2 million for the years ended December 31, 2019, 2018, and 2017, respectively, and for the years ended December 31, 2018 and 2017 were net of franchisee contributions of \$66.7 million, \$64.3 million, respectively. See Note 2 for further discussion regarding franchisee contributions presentation change due to the transition of ASC 606, *Revenue From Contracts with Customers*.

**(z) Self-Insurance**—The Company is primarily self-insured for costs associated with workers' compensation, general liability, automobile liability, environmental liability, physical loss to property and business interruption. We maintain insurance coverages at appropriate levels based on the Company's size and risk profile and as necessary to address risks required to be insured by law or contract. The majority of claims on both a volume and dollar basis have historically fallen within the applicable policy deductibles and retentions and have thus been absorbed by the Company. Provisions for projected losses under the Company's insurance programs are recorded on a non-discounted basis based on independent actuarial estimates of the aggregate liabilities for claims incurred (Notes 10 and 11).

The Company also has a variety of self-insured plans for employee healthcare. Projected equivalent rates and contributions for these self-insured plans are established annually by outside actuaries. The Company maintains stop-loss coverage to address claims over a certain limit, serving as a reimbursement mechanism for catastrophic claims exceeding predetermined levels.

**(aa) Environmental**—The Company accrues for the estimated future costs related to remediation activities at existing and previously operated fuel stores and other operating and non-operating properties where releases of regulated substances have been detected. Estimates of the anticipated future costs for remediation activities at such sites are based on the Company's prior experience with remediation sites and consideration of factors such as the condition and location of the contaminated site, as well as experience with contractors that perform environmental assessment and remediation work. Any potential liability is assessed on a site-by-site basis and is recorded when it is probable that corrective action will be taken and the cost of the remediation activities can be reasonably estimated. The accrual for environmental remediation liabilities is not measured on a discounted basis.

A portion of the environmental expenditures incurred for remediation activities is eligible for reimbursement under state trust funds and reimbursement programs. These reimbursement claims represent a firm and legally enforceable basis to recover remediation costs from the various state programs. A receivable is recorded for estimated probable refunds when the related liability is recorded. The amount of the receivable is based on the Company's historical collection experience with the specific state fund (or other state funds), the financial status of the state fund (including revenue sources), the state's sunset status of its fund, the existing claim backlog, the status of clean-up activity, and the Company's priority ranking for reimbursement from the state fund (Note 16).

**(bb) Fair Value Measurements**—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1—Quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2—Quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3—Unobservable inputs requiring the Company to develop its own assumptions.

See Note 13 for disclosure of the Company's fair value of financial instruments.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). See Note 6.

**(cc) Asset Retirement Obligations**—The Company reviews its legal arrangements for asset retirement obligations and records the fair value of the liability for asset retirement obligations in the period in which it is

incurred. Specifically, the Company records an estimated liability for the future cost to remove an underground fuel storage tank and recognizes the cost over its estimated useful life (Notes 10 and 11). A liability for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset is recorded at the time an underground fuel storage tank is installed. The liability is discounted at the Company's credit-adjusted risk-free interest rate at the time of recognition. The Company amortizes the amount added to property and equipment and recognizes accretion expense in connection with the discounted liability over the estimated remaining life of the respective underground fuel storage tank. Tanks are assigned a useful life based on factors at the time of acquisition or building of a new location including current lease term and life of tank. The standard category assets life is 30 years for new tanks. Revisions to the Company's asset retirement obligations can result from changes in tank removal cost estimates, changes in the estimated useful lives of the tanks, and revisions to federal and state regulatory requirements. See Note 11.

## NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company transitioned to ASC Topic 606, *Revenue From Contracts with Customers* ("ASC 606", the "New Standard"), from ASC Topic 605, *Revenue Recognition* and ASC Subtopic 952-605, *Franchisors—Revenue Recognition* (together, the "Previous Standards") on January 1, 2019. The New Standard was applied to all contracts that were not complete as of the date of adoption, using the modified retrospective transition method and resulted in a cumulative effect adjustment to the Company's beginning retained earnings. The transition to ASC 606 represents a change in accounting principle. The Company's consolidated financial statements reflect the adoption of ASC 606 beginning in 2019, while the Company's consolidated financial statements prior to 2019 were prepared under the guidance of Previous Standards. The cumulative effect of our transition between ASC 606 and Previous Standards is illustrated within the table below:

	Balance at December 31, 2018	ASC 606 Adjustments	Balance at January 1, 2019
	(Dollars in thousands)		
Contract liabilities—current <sup>(1)</sup> .....	\$ —	73,803	73,803
<b>Accrued expenses and other current liabilities</b> .....	1,153,754	73,803	1,227,557
Deferred income taxes .....	372,646	(131,165)	241,481
Contract liabilities—non-current <sup>(1)</sup> .....	—	451,910	451,910
<b>Deferred credits and other liabilities</b> .....	1,682,064	320,745	2,002,809
<b>Retained earnings</b> .....	\$4,007,408	(394,548)	3,612,860

(1) Includes \$418.4 million for initial franchise fees, \$63.4 million for customer consideration payable, \$37.8 million for franchise renewal fees, and \$6.1 million for initial area license fees.

### Sources of Revenue:

*Company-operated store merchandise sales.* Revenues from merchandise sales are comprised primarily of the sale of fresh and hot food offerings, beverages, beer/wine, candy/snacks, grocery items, cigarette and tobacco products, and service revenues, along with sales from company-operated quick service restaurants (QSRs). Service revenues include a) commissions on sale of lottery tickets, publications, prepaid calling cards, and gift cards, b) fees from automatic teller machines and money order services, c) revenues from car washes, and d) other ancillary service offerings. Merchandise sales are recognized at the point of sale, net of sales tax, which does not represent a change from Previous Standards.

The Company has recently enhanced its customer loyalty program, 7Rewards<sup>®</sup>, to include a spend-based program that rewards customers with points for eligible in-store purchases or purchases made through the Company's 7NOW<sup>®</sup> app. 7Rewards members can accumulate points and redeem from a menu of merchandise products. The Company also offers a "cups" program, where customers can accumulate punches for each

proprietary beverage cup purchased and can be redeemed for a free cup on a subsequent purchase (i.e. buy six cups and get the seventh free). For points/punches earned by customers at Company-operated stores, the Company records a deferred liability and a corresponding reduction to merchandise sales. At franchise-operated stores, the Company records a deferred liability and a corresponding reduction to franchise royalties for its respective share of the rewards obligation, which is determined by the store's merchandise gross profit split. The deferred liability is calculated using the estimated redemption value for which the points and cups are expected to be redeemed and considers historical redemption patterns. Revenue is recognized when the customer's points/punches are redeemed or expire. As of December 31, 2019 and 2018, the Company's deferred liability for points/punches rewards was \$12.9 million and \$7.6 million respectively, and was reflected in accrued expenses and other current liabilities. The adoption of ASC 606 did not impact the accounting for the Company's loyalty program.

The portion of gift cards sold to customers that are never redeemed is commonly referred to as gift card breakage. Under ASC 606, the Company recognizes gift card breakage on 7-Eleven-issued gift cards proportionately as gift cards are redeemed using an estimated breakage rate based on the Company's historical experience. Under the Previous Standards, the Company recognized gift card breakage for each gift card's remaining balance when redemption of that balance was deemed remote based on historic experience. The change in gift card breakage recognition was insignificant to the Company's financial statements.

*Retail Fuel sales.* In addition to fuel operations at its Company-operated stores, the Company also retains the fuel operation at most franchised stores. The Company owns the fuel inventory at these stores and pays the franchisee a fee based on gallons sold for facilitating the fuel sale. Revenues from retail fuel sales are recognized at the point of sale and are gross of fees paid to the franchisee, as the franchisee provides a distinct service to the Company. Amounts paid to franchisees are recorded as part of the Company's OSG&A expenses. The recognition of retail fuel sales is consistent under both standards.

*Wholesale Fuel sales.* Revenues from the Company's wholesale fuel operations primarily consist of fuel sales to independently-operated dealer sites where the Company supplies fuel under both short- and long-term contracts, as well as fuel sold on a consignment basis to retail customers where the Company pays a third-party commission marketer a fee for facilitating the fuel sale. Revenues from wholesale fuel sales to dealers are recognized at the point of sale. Revenues from wholesale fuel sales to retail customers are also recognized at the point of sale and are gross of fees paid to the commission marketer, as the commission marketer provides a distinct service to the Company. Amounts paid to commission marketers are recorded as part of the Company's OSG&A expenses. The recognition of wholesale fuel sales is consistent under both standards, except for presentation changes associated with certain fuel excise taxes on sales to dealers as well as incentives provided to dealers.

In relation to the Company's fuel sales, when the Company is the primary obligor, is subject to inventory risk, has latitude in establishing prices, has discretion as to how much of the tax is charged to the customer, and has credit risk, or has several but not all of these indicators, revenue is generally recorded on a gross basis (i.e. inclusive of excise taxes).

*Franchise and licensing revenues.* Revenues from franchising and licensing consist primarily of initial franchise and license fees, fees from renewal options, monthly royalties, and advertising fund contributions from franchisees.

A majority of the Company's franchise arrangements are structured under the Company's traditional franchise agreement, in which the Company franchises a turn-key 7-Eleven store. As part of this package, the Company provides: a) a franchise license, which provides the franchisee with the right to use the Company's brand and trademarks in connection with the operation of the store; b) pre-opening services, such as training and grand-opening activities, c) on-going services, such as management of the advertising fund and business counseling; and d) the land, building, and equipment for which the franchisee operates. Embedded as a



component of the franchise and licensing revenues is rental income from the land, building, and equipment provided to our traditional franchisees. This component is not impacted by the New Standard as such amounts are subject to the guidance in ASC 840, *Leases*. However, the component will be re-assessed as part of the Company's adoption of ASC 842, *Leases*.

The Company also provides an alternative franchise arrangement known as the "Business Conversion Program" (BCP). Under this arrangement, the Company provides the franchise license described above along with substantially all the same pre-opening and on-going services, however, does not provide the land, building, and certain equipment. As a result, the Company charges a reduced initial franchise fee and a lower monthly royalty. While various items are provided under both franchise arrangements, the Company concluded that such items are highly interrelated with the franchise license and are not separately distinct within the context of the franchise arrangement. Therefore, under ASC 606, the Company has a single performance obligation, which is satisfied consistently over the contractual term of each franchise agreement as it provides a continuous right to use the franchise license.

Initial franchise fees are generally based on store-specific factors such as recent or expected merchandise gross profit, fuel volume (if applicable), and store costs. Under Previous Standards, the Company recognized revenue when the initial services required by the franchise agreement were performed, which generally occurred upon the franchisee commencing store operations. Renewal fees were previously recognized upon the execution of a renewal agreement. Under the New Standard, the Company is required to defer initial and renewal fees and recognize as revenue over the period in which the franchisee receives and consumes benefits from the Company's on-going performance obligation to provide a franchise license. This pattern of recognition generally occurs on a straight-line basis (using a time-elapsed measure of progress) over the initial term of the related franchise agreement. Franchise royalties are calculated based on a percentage of merchandise gross profit generated by the respective franchise store and continue to be recognized as revenue in the same period in which the merchandise is sold (applying the sale-based royalties constraint). Incentives and cost support provided by the Company to its franchisees are recorded as a reduction to franchise and licensing revenues.

The Company's franchisees contribute to an advertising fund, in which the amount is dependent upon the merchandise gross profit results for the underlying store. The Company administers the fund, which is used for various forms of advertising for the general benefit of the 7-Eleven system. The New Standard requires advertising fund contributions received from franchisees and the associated expenditures to be reported on a gross basis in the consolidated statements of earnings. This change increased the Company's reported franchise and licensing revenues and OSG&A expenses; however, the amounts do not have a significant impact on the Company's reported net earnings. Advertising costs incurred by the Company outside of the advertising fund continue to be reported within OSG&A. Under the Previous Standards, advertising fund contributions from franchisees and related expenditures were reported net in the Company's balance sheet.

The Company grants international and domestic area licenses and master franchises to operators (collectively referred to as "licensees") for the exclusive rights to operate 7-Eleven stores in a geographic region in exchange for an initial license fee and a monthly royalty. In addition to the license right, the Company also provides limited pre-opening and on-going services. Similar to the Company's franchise agreements, the Company concluded under ASC 606 that the license right and support services represent a single performance obligation, which is satisfied over the contractual term of each license. As such, the Company is required to defer initial license fees and generally recognize as revenue on a straight-line basis (using a time-elapsed measure of progress) over the initial term. Royalties from licensees are based on a percentage of sales from the licensed stores and continue to be recognized as revenue in the same period in which the merchandise is sold.

## Disaggregation of Total Revenues:

The following table presents revenue disaggregated by revenue source:

	Years Ended December 31		
	2019	2018	2017
	(Dollars in thousands)		
<b>Merchandise sales</b> . . . . .	\$ 4,136,227	4,124,411	2,606,496
<u>Fuel sales:</u>			
Retail . . . . .	15,835,846	16,564,525	10,496,808
Wholesale . . . . .	2,465,951	2,245,848	2,101,353
<b>Total fuel sales</b> . . . . .	18,301,797	18,810,373	12,598,161
<u>Franchise and licensing revenues:</u>			
Royalties—franchised stores . . . . .	2,380,365	2,313,623	2,239,634
Royalties—licensed stores . . . . .	126,382	122,678	115,091
Initial franchise and licensing fees . . . . .	99,955	143,762	79,011
Ad fund contributions—franchised stores . . . . .	53,180	—	—
<b>Total franchise and licensing revenues</b> . . . . .	2,659,882	2,580,063	2,433,736
Other income . . . . .	35,012	26,880	30,210
<b>Total revenues</b> . . . . .	\$25,132,918	25,541,727	17,668,603

## Receivables from Franchisees:

As part of certain bookkeeping services the Company provides to franchisees, the Company establishes and maintains an open account for each of its franchisees. All purchases (including merchandise inventory purchases) and operating expenses paid by the Company on the franchisee's behalf are applied to the open account. A store's cash receipts along with any down payments or withdrawals made by the franchisee are also credited to the open account. The Company finances the unpaid balance in the franchisee's open account (if certain criteria are met) and holds a first lien on the available collateral, which is typically the store's merchandise inventory. As of December 31, 2019 and 2018, the Company recorded receivables of \$326.2 million and \$250.0 million, respectively (all within Accounts Receivable, net), which represented the unpaid open account balances with its franchisees.

The Company also has a program to finance a portion of the initial and renewal franchise fees for qualified prospective franchisees with repayment terms ranging between three to seven years. The Company is not contractually required to provide such financing. The total franchisee notes receivable was \$107.9 million and \$121.3 million (of which \$77.7 million and \$90.1 million were in Other Assets, net and the remainder in Accounts Receivable, net), as of December 31, 2019 and 2018, respectively.

Management analyzes the collectability of both the unpaid open account balances and notes receivable from its franchisees and records an allowance when it becomes probable that amounts due may not be collected. For the years ended December 31, 2019, 2018, and 2017, the Company recorded bad debt expense of \$7.8 million, \$4.8 million, and \$4.4 million, respectively, in association with these receivables.

## Contract Liabilities:

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise fees, initial licensing fees, as well as certain forms of consideration owed to our customers. The following table reflects the change in contract liabilities between the date of adoption, January 1, 2019 and December 31, 2019:

	<u>Contract Liabilities</u> (Dollars in thousands)
Balance at January 1, 2019.....	\$525,713
Revenue recognized during the period <sup>(1)</sup> .....	(92,039)
New deferrals due to cash received/receivable .....	92,311
Other.....	(8,285)
Balance at December 31, 2019 .....	<u>\$517,700</u>

(1) Includes \$85.6 million of revenue in the beginning contract liability balance.

The Company anticipates a substantial portion of the contract liabilities ending balance will be satisfied over the next 10 to 15 years as the Company completes its remaining performance obligations. Variable consideration in the form of monthly royalties are exempt from the table above. Periodically, the Company offers a new version of the franchise agreement which may become available to new and existing franchisees. In the event an existing franchisee executes the new version, the Company assesses the change in accordance with the contract modification guidance under the New Standard. Upon adopting ASC 606, the Company elected the contract modification practical expedient in assessing its historical contract modifications.

## Comparison to Amounts if Previous Standards Were in Effect:

The impact of adopting ASC 606 as compared to the previous revenue recognition guidance on the Company's consolidated balance sheet and statement of earnings is reflected in the table below:

	<u>As of December 31, 2019</u>		
	<u>Under Previous Guidance</u>	<u>Impact of ASC 606</u>	<u>As Reported Under ASC 606</u>
	(Dollars in thousands)		
<b>Balance Sheet</b>			
Accrued expenses and other current liabilities.....	\$1,045,360	77,647	1,123,007
Deferred credits and other liabilities .....	1,997,868	314,223	2,312,091
Retained Earnings .....	\$4,744,964	(394,610)	4,350,354
	<u>For the Year Ended December 31, 2019</u>		
	<u>Under Previous Guidance</u>	<u>Impact of ASC 606</u>	<u>As Reported Under ASC 606</u>
	(Dollars in thousands)		
<b>Statement of Earnings</b>			
Merchandise sales <sup>(1)</sup> .....	\$ 4,150,589	(14,362)	4,136,227
Fuel sales <sup>(2)</sup> .....	18,000,534	301,263	18,301,797
Net sales.....	22,151,123	286,901	22,438,024
Franchise and licensing revenues <sup>(3)</sup> .....	2,627,286	32,596	2,659,882
Other income.....	35,012	—	35,012
<b>Total Revenues</b> .....	<u>24,813,421</u>	<u>319,497</u>	<u>25,132,918</u>

	<b>For the Year Ended December 31, 2019</b>		
	<b>Under Previous Guidance</b>	<b>Impact of ASC 606</b>	<b>As Reported Under ASC 606</b>
	(Dollars in thousands)		
Merchandise cost of goods sold <sup>(4)</sup> . . . . .	\$ 2,887,413	(38,783)	2,848,630
Fuel cost of goods sold <sup>(5)</sup> . . . . .	16,327,572	304,272	16,631,844
Total costs of goods sold . . . . .	19,214,985	265,489	19,480,474
Operating, selling, general and administrative expenses <sup>(6)</sup> . . . . .	4,554,495	45,874	4,600,369
Interest expense, net . . . . .	90,874	8,215	99,089
<b>Total Costs and Expenses</b> . . . . .	<b>23,860,354</b>	<b>319,578</b>	<b>24,179,932</b>
<b>Earnings Before Income Tax</b> . . . . .	<b>953,067</b>	<b>(81)</b>	<b>952,986</b>
<b>Income Tax Expense</b> . . . . .	<b>225,523</b>	<b>(19)</b>	<b>225,504</b>
<b>Net Earnings</b> . . . . .	<b>\$ 727,544</b>	<b>(62)</b>	<b>727,482</b>

- (1) Net presentation of publication sales. SEI acts in an agent capacity in the sale of publications and earns a commission from the sale.
- (2) Inclusion of \$305.7 million in fuel excise taxes on sales to wholesale dealers, less customer incentives.
- (3) Reflects \$53.2 million in ad fund contributions and \$7.6 million net from franchise and licensing fees; less \$28.2 million in incentives provided to franchisees.
- (4) Incentives provided to franchisees, plus net presentation of publication cost of goods sold.
- (5) Inclusion of \$305.7 million in fuel excise taxes on cost of goods sold to wholesale dealers, less customer incentives.
- (6) Ad fund expenses of \$56.4 million, less incentives provided to franchisees and customers.

**NOTE 3: ACCOUNTS RECEIVABLE**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	(Dollars in thousands)	
Due from franchisees—Note 2 . . . . .	\$326,168	249,984
Vendor receivable . . . . .	177,729	177,223
Credit card receivable . . . . .	152,700	156,477
Trade receivable . . . . .	52,032	29,689
Notes receivable—current . . . . .	36,645	34,315
Income tax receivable . . . . .	16,601	487
License royalty receivable . . . . .	12,925	12,107
Environmental state reimbursements, net—Note 16 . . . . .	6,700	6,400
Due from parent and affiliates . . . . .	672	702
Other receivables . . . . .	10,319	9,746
	792,491	677,130
Less: Allowance for doubtful accounts—Note 1 . . . . .	(17,749)	(12,551)
Accounts receivable, net . . . . .	<u>\$774,742</u>	<u>664,579</u>

**NOTE 4: INVENTORIES**

	December 31	
	2019	2018
	(Dollars in thousands)	
Fuel .....	\$268,545	269,835
Merchandise .....	213,185	205,740
Total inventories—Note 1 .....	<u>\$481,730</u>	<u>475,575</u>

**NOTE 5: OTHER CURRENT ASSETS**

	December 31	
	2019	2018
	(Dollars in thousands)	
Prepaid expenses .....	\$167,719	250,118
Money order advances .....	34,641	25,608
Assets held for sale—Note 6 .....	13,985	8,498
Restricted cash—Note 1, Note 15 .....	4,893	10,561
Deposits and other .....	1,489	1,430
Total other current assets .....	<u>\$222,727</u>	<u>296,215</u>

**NOTE 6: PROPERTY AND EQUIPMENT AND RELATED ACTIVITY**

	December 31	
	2019	2018
	(Dollars in thousands)	
Land .....	\$ 1,799,737	1,789,726
Buildings .....	3,339,014	3,055,515
Leasehold improvements .....	2,406,514	2,165,516
Equipment .....	3,926,357	3,633,482
Software (includes \$771,927 and \$737,075 of software development) .....	847,316	811,114
Construction in process .....	845,312	707,663
Total property and equipment, cost .....	13,164,250	12,163,016
Accumulated depreciation and amortization (includes \$720,681 and \$680,735 related to software) .....	(6,440,143)	(5,973,186)
Total property and equipment, net .....	<u>\$ 6,724,107</u>	<u>6,189,830</u>

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2019, 2018, and 2017 was \$700.7 million, \$671.3 million, and \$599.4 million, respectively.

**Assets Held for Sale and Store Divestitures**

Included in other current assets in the accompanying consolidated balance sheets are \$14.0 million (consisting of approximately 15 store properties) and \$8.5 million (consisting of approximately 20 store properties) in assets held-for-sale as of December 31, 2019 and 2018, respectively.

During 2019, the Company sold real property and fuel equipment of 2 stores for \$32.0 million in cash and simultaneously leased back the store properties. The leases have an initial lease term of 2-5 years and are accounted for as operating leases. The gains recognized in association with the sale of real property and fuel

equipment were \$16.2 million for the year ended December 31, 2019, which are included in OSG&A in the accompanying consolidated statements of earnings. The sale resulted in no deferral of gains. Rent expense was insignificant from the date of sale through the period ended December 31, 2019.

During 2019, the Company sold the real estate associated with approximately 25 store properties to various third parties for total proceeds of \$18.3 million and recorded gains of \$8.0 million for the year ended December 31, 2019, which are included in OSG&A in the accompanying consolidated statements of earnings.

During 2019, the Company sold approximately 110 properties to franchisees in order to transition them to BCP operators for total proceeds of \$37.0 million and recorded gains of \$12.0 million for the year ended December 31, 2019, which are included in OSG&A in the accompanying consolidated statements of earnings.

During 2018, the Company sold real property and fuel equipment of 289 stores for \$888.1 million in cash and simultaneously leased back the store properties. The leases have an initial lease term of 3-18 years and are accounted for as operating leases. The gains recognized in association with the sale of real property and fuel equipment were \$26.3 million for the year ended December 31, 2018, which are included in OSG&A in the accompanying consolidated statements of earnings. The sale resulted in deferred gains of \$318.5 million (\$20.0 million current and \$298.5 million non-current), which will be recognized over the initial lease terms, also as a reduction to OSG&A. Rent expense for these properties was \$52.4 million and \$30.2 million for the year ended December 31, 2019 and December 31, 2018, respectively.

During 2018, the Company sold the real estate associated with approximately 60 store properties to various third parties for total proceeds of \$88.3 million and recorded gains of \$39.4 million for the year ended December 31, 2018, which are included in OSG&A in the accompanying consolidated statements of earnings.

In December 2017, the Company sold real property and fuel equipment of approximately 5 stores for \$92.2 million in cash and simultaneously leased back the store properties. The leases have an initial lease term of 2 years and are accounted for as operating leases. The gains recognized in association with the sale of real property and fuel equipment were \$46.0 million for the year ended December 31, 2017, which are included in OSG&A in the accompanying consolidated statements of earnings. The sale resulted in no deferral of gains. Rent expense for these properties was insignificant for the years ended December 31, 2019 and 2018 and from the date of sale through the period ended December 31, 2017.

During 2017, the Company sold the real estate associated with approximately 15 store properties to various third parties for total proceeds of \$7.0 million and recorded gains of \$1.8 million for the year ended December 31, 2017, which are included in OSG&A in the accompanying consolidated statements of earnings.

## **Asset Impairment**

The Company evaluates long-lived assets such as stores, property and equipment, and other corporate assets for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. For the purposes of the evaluation, the Company groups assets at the lowest level for which identifiable cash flows are largely independent from other assets, which results in market-level or store-level asset groups. Market-level groupings consist of a concentration of stores located in densely populated metropolitan areas with a relatively close proximity to one another in order to maximize efficiency and customer convenience. Such market-level groupings are considered to be economically interdependent and therefore, a single asset group for purposes of assessing impairment. Stores that are not located in a market-level grouping are evaluated for impairment at the store-level.

Factors considered important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results and significant changes in the manner of use of the assets or in the Company's overall business strategies. Potential impairment exists if the

estimated undiscounted cash flows expected to result from the use of the asset plus any net proceeds expected from disposition of the asset are less than the carrying value of the asset. The amount of the impairment loss represents the excess of the carrying value of the asset over its fair value. The Company generally bases fair value on either appraised value or projected discounted cash flows. An estimated fair value based on projected discounted cash flows uses a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model. Additional factors are taken into consideration, such as local market conditions, operating environment, store performance, and other trends. As a result, the Company recognized impairment losses of \$32.7 million, \$31.1 million, and \$30.5 million in 2019, 2018, and 2017, respectively. The impairment losses are included in OSG&A expense in the accompanying consolidated statements of earnings.

## NOTE 7: ACQUISITIONS

The assets acquired and liabilities assumed through acquisitions reflect estimated fair values on the respective acquisition dates. The Company determined the estimated fair values based on independent appraisals and estimates made by management. Goodwill recorded in conjunction with acquisitions is generally attributable to the synergies expected to flow to the Company primarily due to the store location, customer base, improvement in gross profit margins, and enhancement of our market concentration strategy.

### 2019 Acquisitions

During 2019, the Company invested \$192.1 million through multiple acquisitions, consisting of 31 retail stores, 27 wholesale consignment locations and 68 wholesale dealer accounts.

The following are the aggregate recorded amounts for acquisitions for the year ended December 31, 2019 (dollars in thousands):

Net working capital acquired, net of cash:	
Inventories . . . . .	\$ 3,912
Other tangible and intangible assets:	
Property and equipment . . . . .	43,128
Goodwill . . . . .	136,821
Other intangible assets . . . . .	<u>12,066</u>
Total other tangible and intangible assets . . . . .	192,015
Other liabilities assumed:	
Noncurrent liabilities . . . . .	<u>(3,853)</u>
Acquisition of businesses . . . . .	<u>\$192,074</u>

Goodwill associated with the 2019 acquisitions consists of \$117.3 million related to acquisitions in the U.S. and \$19.5 million related to acquisitions in Canada. Goodwill related to U.S. acquisitions will be deductible for income tax purposes over 15 years. The goodwill acquired from Canadian acquisitions will be deductible at an annual rate of 5% for income tax purposes.

The following table reflects intangible assets acquired during 2019 (dollars in thousands):

<u>Intangible assets subject to amortization</u>	<u>Acquired amount</u>	<u>Weighted average amortization period</u>
Wholesale supply contracts . . . . .	\$ 9,100	8-15 years
Favorable leasehold interests . . . . .	2,035	8-16 years
Non-compete agreements . . . . .	<u>931</u>	5 years
Total intangible assets acquired . . . . .	<u>\$12,066</u>	

## 2018 Acquisitions

During 2018, the Company invested \$3.3 billion through multiple acquisitions, consisting of 1,030 retail stores acquired from Sunoco LP, 22 single retail sites and 1 wholesale consignment location to support the Company's growth strategy in key geographic areas. Acquisition-related costs of \$36.2 million were expensed within OSG&A as incurred, although as the Sunoco acquisition closed on January 23, 2018, approximately \$34.0 million of acquisition costs were expensed in 2017.

The following are the aggregate recorded amounts for acquisitions for the year ended December 31, 2018 (dollars in thousands):

	<u>Sunoco Assets</u>	<u>Other 2018 Acquisitions</u>	<u>Total</u>
Net working capital acquired, net of cash:			
Inventories .....	\$ 128,025	602	128,627
Other current assets .....	2,705	—	2,705
Accrued expenses and other current liabilities .....	—	(4)	(4)
Total net working capital acquired, net of cash .....	<u>130,730</u>	<u>598</u>	<u>131,328</u>
Other tangible and intangible assets:			
Property and equipment .....	1,696,402	14,371	1,710,773
Goodwill .....	1,397,004	22,750	1,419,754
Other intangible assets .....	115,922	25	115,947
Capital lease assets .....	19,502	—	19,502
Total other tangible and intangible assets .....	<u>3,228,830</u>	<u>37,146</u>	<u>3,265,976</u>
Other liabilities assumed:			
Capital lease liabilities .....	(25,926)	—	(25,926)
Other noncurrent liabilities .....	(92,104)	(351)	(92,455)
Total other liabilities assumed .....	<u>(118,030)</u>	<u>(351)</u>	<u>(118,381)</u>
Total consideration transferred for 2018 acquisitions, net of cash acquired ..	3,241,530	37,393	3,278,923
Less: Escrow deposits paid in the prior year for 2018 acquisitions / refunds received .....	—	(50)	(50)
Non-cash consideration .....		(63)	(63)
Consideration to be paid to seller .....	—	(330)	(330)
Acquisition of businesses .....	<u>\$3,241,530</u>	<u>36,950</u>	<u>3,278,480</u>

Goodwill associated with the 2018 acquisitions consists of \$1.4 billion related to acquisitions in the U.S. and \$1.4 million related to acquisitions in Canada. Goodwill related to U.S. acquisitions will be deductible for income tax purposes over 15 years. The goodwill acquired from Canadian acquisitions will be deductible at an annual rate of 5% for income tax purposes.

The following table reflects intangible assets acquired during 2018 (dollars in thousands):

	<u>Sunoco acquired amount</u>	<u>Other acquired amount</u>	<u>Weighted average amortization period</u>
<b><u>Intangible assets subject to amortization</u></b>			
Favorable leasehold interests .....	\$ 54,022	—	20 years
<b><u>Intangible assets not subject to amortization</u></b>			
Trade name—Stripes .....	43,900	—	
Trade name—Laredo Taco .....	18,000	—	
Beer and wine license .....	—	25	
Total intangible assets acquired, not subject to amortization .....	<u>\$ 61,900</u>	<u>25</u>	
Total intangible assets acquired .....	<u>\$115,922</u>	<u>25</u>	



## NOTE 8: GOODWILL AND OTHER INTANGIBLE ASSETS

	December 31	
	2019	2018
	(Dollars in thousands)	
Goodwill .....	\$4,932,786	4,779,157
Other intangible assets, net:		
Subject to amortization:		
Favorable leasehold interests .....	\$ 64,396	71,541
Wholesale customer relationships .....	59,990	55,000
Franchise relationships .....	8,431	13,121
Reacquired rights .....	4,369	4,941
Trademarks .....	—	732
Other—subject to amortization .....	7,057	5,359
Total subject to amortization .....	144,243	150,694
Not subject to amortization:		
Trademarks .....	\$ 257,274	257,274
Other area licenses .....	120,837	120,837
Reacquired rights .....	29,200	29,200
SEJ area license .....	2,291	2,291
Other—not subject to amortization .....	7,855	7,129
Total not subject to amortization .....	417,457	416,731
Other intangible assets, net .....	\$ 561,700	567,425

Other intangible assets presented above are net of accumulated amortization of \$290.8 million and \$274.5 million, as of December 31, 2019 and 2018, respectively. See table below for detail of intangible assets subject to amortization.

The following table reflects goodwill balances and activity for the years ended December 31, 2019 and 2018:

	2019	2018
	(Dollars in thousands)	
Balance at beginning of year .....	\$4,779,157	3,409,527
Acquisitions .....	136,821	1,419,754
Disposal of businesses <sup>(1)</sup> .....	—	(26,459)
Other <sup>(2)</sup> .....	16,808	(23,665)
Balance at end of year .....	\$4,932,786	4,779,157

(1) See Note 20 for adoption of ASU 2017-01, *Clarifying the Definition of a Business*.

(2) Primarily related to translation of goodwill.

The Company tests goodwill for possible impairment on an annual basis during the third quarter and whenever impairment indicators arise. An impairment indicator represents an event or change in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount. For the purpose of the goodwill impairment test, the Company has two reporting units—retail and wholesale. The Company completed the annual impairment test of its goodwill as of July 31, 2019, and there was no evidence of impairment. Additionally, there have been no indicators of triggering events that would warrant further impairment testing as of December 31, 2019.

The 7-Eleven, Stripes and Laredo Taco trademarks, other area licenses, and certain other intangibles are not subject to amortization because their useful lives are considered to be indefinite. The Company conducts an annual impairment test of indefinite-lived intangible assets during the third quarter of each fiscal year and whenever impairment indicators arise. The Company completed the annual impairment test of its intangible assets with indefinite lives as of July 31, 2019, and there was no evidence of impairment. Additionally, there have been no indicators of triggering events that would warrant further impairment testing as of December 31, 2019.

Intangible assets subject to amortization primarily consist of favorable leasehold interests, wholesale customer relationships, and franchise relationships, all of which are amortized over the respective terms of the contracts or other relative terms. Intangible assets subject to amortization are reviewed for impairment when there is an indication that the carrying amount may not be recoverable. There was no evidence of impairment as of December 31, 2019.

See Note 7 for a discussion of intangibles acquired as a result of acquisitions during 2019 and 2018.

Details of intangible assets subject to amortization are as follows:

	December 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Favorable leasehold interests . . . . .	\$235,242	(170,846)	64,396	237,403	(165,862)	71,541
Wholesale customer relationships . . . . .	82,720	(22,730)	59,990	73,620	(18,620)	55,000
Franchise relationships . . . . .	73,083	(64,652)	8,431	73,083	(59,962)	13,121
Reacquired rights . . . . .	8,570	(4,201)	4,369	8,570	(3,629)	4,941
Trademarks . . . . .	7,720	(7,720)	—	7,720	(6,988)	732
Other <sup>(1)</sup> . . . . .	27,672	(20,615)	7,057	24,846	(19,487)	5,359
Total intangible assets subject to amortization . . . . .	<u>\$435,007</u>	<u>(290,764)</u>	<u>144,243</u>	<u>425,242</u>	<u>(274,548)</u>	<u>150,694</u>

(1) Primarily includes non-compete arrangements, fractional interests in aircrafts, beer and wine licenses, and other lease intangible assets.

Amortization expense for the years ended December 31, 2019, 2018, and 2017 was \$19.8 million, \$21.5 million, and \$19.6 million, respectively.

Expected amortization expenses for intangible assets recorded as of December 31, 2019 are as follows (dollars in thousands):

2020 . . . . .	\$17,415
2021 . . . . .	13,002
2022 . . . . .	12,138
2023 . . . . .	11,591
2024 . . . . .	10,945
Thereafter . . . . .	79,152

The preceding expected amortization expenses are estimates. Actual amortization expenses may differ from the estimated amounts due to potential acquisitions, impairment of intangible assets, accelerated amortization of intangible assets, and other events (which may include accounting pronouncements that have yet to be adopted by the Company).

## NOTE 9: OTHER ASSETS

	December 31	
	2019	2018
	(Dollars in thousands)	
Notes receivable	\$ 78,827	96,496
Restricted cash—Note 1, Note 15	61,911	55,354
Investment in foreign subsidiaries <sup>(1)</sup>	58,075	51,909
Environmental state receivables, net—Note 16	54,553	57,403
Deferred charges	30,565	25,650
DCP investments—Note 15	22,821	20,280
Other investments	20,630	8,790
Income tax receivable	18,252	22,517
Prepaid expenses	13,593	9,374
Insurance receivable	13,399	10,932
Deferred tax assets—Note 17	11,906	7,685
Advance payments	5,549	5,449
Cash surrender life insurance	5,119	5,204
Other	3,487	2,882
Total other assets	<u>\$398,687</u>	<u>379,925</u>

(1) Reflects the Company's equity method investment in foreign subsidiaries. See Note 1 for the Company's policy on the principles of consolidation.

## NOTE 10: ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31	
	2019	2018
	(Dollars in thousands)	
Payroll and other taxes	\$160,266	135,691
Compensation	153,396	179,542
Other accounts payable	141,025	165,267
Book overdraft payable—Note 1	95,737	59,787
Lottery and other tickets	92,296	182,211
Contract liabilities—Note 2	74,379	—
Deferred income	68,460	58,391
Due to franchisees	46,059	51,410
Insurance—Note 1	39,189	37,844
Due to parent—Note 17, Note 21	38,958	36,677
Environmental state clean-up costs—Note 16	26,062	26,040
Stored value cards	23,847	23,527
Interest	19,292	20,652
Utilities	17,575	18,563
Employee and retirement benefits—Note 15	16,993	14,846
Deferred vendor credits	16,127	13,738
Advertising	13,997	31,273
Common area maintenance	9,402	8,458
Underground fuel storage tanks—Note 1, Note 11	8,614	7,049
Closed store reserve	7,239	8,832
Security deposits	6,080	4,745
Credit card	4,354	4,474

	December 31	
	2019	2018
	(Dollars in thousands)	
Income taxes—Note 17 .....	\$ —	10,714
Other current liabilities .....	43,660	54,023
Total accrued expenses and other current liabilities .....	<u>\$1,123,007</u>	<u>1,153,754</u>

#### NOTE 11: DEFERRED CREDITS AND OTHER LIABILITIES

	December 31	
	2019	2018
	(Dollars in thousands)	
Deferred income taxes—Note 17 .....	\$ 541,877	372,646
Deferred income .....	448,817	487,609
Contract Liabilities—Note 2 .....	443,321	—
Underground fuel storage tanks—Note 1 .....	231,517	174,262
Due to parent—Note 17, Note 21 .....	133,929	136,350
Straight-line rent accrual—Note 1 .....	110,247	107,663
Unfavorable leasehold interests—Note 1 .....	95,423	107,328
Postemployment benefits—Note 15 .....	82,595	71,469
Deferred compensation .....	77,880	80,165
Insurance—Note 1 .....	61,226	62,758
Deferred rent-landlord incentives .....	35,562	27,915
Environmental state clean-up costs—Note 16 .....	9,175	11,998
Uncertain tax positions—Note 17 .....	7,830	8,543
Other .....	32,692	33,358
Total deferred credits and other liabilities .....	<u>\$2,312,091</u>	<u>1,682,064</u>

A reconciliation of the Company's liability for the removal of its underground fuel storage tanks is as follows:

	Years Ended December 31	
	2019	2018
	(Dollars in thousands)	
Balance at beginning of year .....	\$181,311	145,793
Liabilities incurred .....	12,866	47,996
Liabilities settled .....	(7,639)	(16,900)
Accretion expense .....	5,289	5,542
Revisions in estimated liabilities <sup>(1)</sup> .....	47,647	—
Translation .....	657	(1,120)
Balance at end of year .....	<u>\$240,131</u>	<u>181,311</u>

(1) Primarily due to change in estimated costs to pull and replace tanks.

As of December 31, 2019 and 2018, the Company had asset retirement obligations of \$231.5 million and \$174.3 million recorded in deferred credits and other liabilities and \$8.6 million and \$7.0 million recorded in accrued expenses and other current liabilities in the accompanying consolidated balance sheets, for each respective year.

**NOTE 12: DEBT**

	December 31	
	2019	2018
	(Dollars in thousands)	
Revolving credit facility . . . . .	\$ —	—
Commercial paper . . . . .	—	—
Term loans . . . . .	2,000,000	2,350,000
Term loans, related party (SAM) . . . . .	1,020,000	970,000
Capital lease obligations—Note 14 . . . . .	105,550	121,294
Acquisition financing obligation . . . . .	59,717	63,759
Mortgages and notes . . . . .	51	102
Unamortized debt issuance costs . . . . .	(768)	(931)
Total debt . . . . .	<u>3,184,550</u>	<u>3,504,224</u>
Less: Debt due within one year . . . . .	<u>(194,551)</u>	<u>(370,084)</u>
Total long-term debt . . . . .	<u>\$2,989,999</u>	<u>3,134,140</u>

**Revolving Credit Facility**—In October 2017, the Company renewed its existing revolving credit facility (Credit Agreement) with a group of lenders, increasing the aggregate unsecured commitment from \$200 million to \$500 million. The Company is permitted to use the entire Credit Agreement for general corporate purposes and to support the issuance of letters of credit up to a maximum of \$75 million. The Credit Agreement expires in October 2022. Outstanding letters of credit under the Credit Agreement totaled \$1.4 million as of December 31, 2019 and 2018, respectively. There were no borrowings under the Credit Agreement in either year.

Under the Credit Agreement, a facility fee is charged on the aggregate amount committed at a rate determined by the Company’s credit ratings for senior long-term indebtedness. As of December 31, 2019, the facility fee rate was 0.05% per year. Borrowings under the Credit Agreement for base rate loans bear interest at a variable rate equal to the highest of (i) the base rate of Citibank (4.75% as of December 31, 2019), (ii) the sum of (a) 0.50% per year plus (b) the federal funds rate in effect from time to time during such period (1.55% as of December 31, 2019) or (iii) the sum of the Eurocurrency rate for the applicable period, plus 1.0% per annum.

The Credit Agreement contains various financial and operating covenants customary for facilities of this nature that require, among other things, the maintenance of certain financial ratios including interest and rent coverage and leverage ratios. In the event of default under these covenants, the unpaid principal of all amounts owed under the Credit Agreement could be declared immediately due and payable along with any and all accrued interest. The obligations of the senior lenders to make loans or participate in the Company’s letter of credit facility also could be immediately terminated. In certain events, the Company could be required to deposit with the administrative agent, cash or cash equivalents in an amount equal to 103% of the maximum amount available under all outstanding letters of credit.

The Credit Agreement also contains certain cross-default provisions. If the Company fails to make any payment due on indebtedness (excluding borrowings under the Company’s commercial paper facility) or certain other specified potential obligations (if the amount due is \$125 million or more), the Company could be in default under these provisions. The Company was in compliance with all of the financial and operating covenants in the Credit Agreement as of December 31, 2019.

The Company previously entered into a reimbursement agreement with a lender for the purpose of issuing letters of credit. As of December 31, 2019 and 2018, outstanding letters of credit under the reimbursement agreement totaled \$22.4 million and \$23.1 million, respectively. Additional amounts of letters of credit can be issued upon lender’s approval.

**Commercial Paper**—The availability of borrowings under the Company’s commercial paper facility is \$650 million. As of December 31, 2019 and 2018, no commercial paper balance was outstanding. The Company’s commercial paper facility is secured by SEJ under an indemnity and reimbursement agreement. Under the terms of the agreement, SEJ will guarantee all commercial paper and automatically renew its guarantee for successive one-year terms unless terminated by either party at least one year and one day prior to any scheduled expiration date. The Company pays SEJ a guarantee fee of 0.125% per year (accruing on a daily basis) on the average outstanding commercial paper balance.

While it is not anticipated that SEJ would be required to perform under its commercial paper guarantee, in the event SEJ makes any payments under the guarantee, the Company is required to reimburse SEJ.

### Term Loans

In September 2019, the Company received proceeds for an intercompany loan from SAM of \$50.0 million which matures in January 2028. The proceeds were used for general corporate purposes.

In October 2019, the Company repaid \$350.0 million of its term loans.

The following table reflects the Company’s term loan obligations outstanding as of December 31, 2019 and 2018:

		<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
		(Dollars in thousands)	
<u>Term loans due in:</u>	<u>Weighted average effective interest rates</u>		
October 2019 .....	2.0%	\$ —	350,000
September 2020 <sup>(1)</sup> .....	3.1%	100,000	100,000
September 2020 <sup>(1)</sup> .....	LIBOR plus 0.70%	75,000	75,000
June 2021 .....	2.1%	200,000	200,000
September 2021 .....	2.0%	100,000	100,000
January 2022 .....	2.4%	200,000	200,000
March 2023 .....	3.5%	100,000	100,000
March 2023 .....	LIBOR plus 0.85%	75,000	75,000
June 2023 .....	2.5%	100,000	100,000
September 2023 .....	2.3%	150,000	150,000
January 2024 .....	2.6%	150,000	150,000
February 2025 .....	4.0%	375,000	375,000
February 2026 .....	4.2%	175,000	175,000
September 2026 .....	2.7%	200,000	200,000
January 2028 .....	2.7%	1,020,000	970,000
Total term loans <sup>(2)</sup> .....		<u>\$3,020,000</u>	<u>3,320,000</u>

(1) Included in debt due within one year.

(2) Total weighted average effective interest rate of 2.9% with a weighted average term of 5.2 years.

Interest payments for all the term loans are due either on a monthly, quarterly or semi-annual basis. The loan agreements contain various covenants customary for facilities of this nature. The estimated total fair value of the term loans is approximately \$3.0 billion and \$3.2 billion as of December 31, 2019 and 2018, respectively (Note 13).

**Acquisition Financing Obligation**—In conjunction with the Company’s acquisitions in 2012, the Company entered into a new master lease agreement to lease the real estate for certain store locations from the seller. The portion of the lease payments in excess of the market rent were considered to be purchase price installment payments and treated as a financing obligation. The financing obligation represents the present value of the purchase price installment payments discounted at 4%, which was the Company’s incremental borrowing rate at the time of acquisition. The acquisition financing obligation outstanding was \$59.7 million and \$63.8 million as of December 31, 2019 and 2018, respectively.

**Maturities**—As of December 31, 2019, the outstanding debt maturities, which include capital lease obligations, are as follows (dollars in thousands):

2020 .....	\$ 194,392
2021 .....	319,095
2022 .....	219,228
2023 .....	443,417
2024 .....	167,474
Thereafter .....	1,840,944
	<u>\$3,184,550</u>

**NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value of financial instruments has been determined by utilizing available market information and generally accepted valuation techniques as discussed below and in accordance with the valuation hierarchy described in Note 1.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and other current assets and liabilities approximate fair value primarily due to the short-term nature of these items.

The interest rate swap agreements are measured at fair value on a recurring basis. See Note 19 for more information regarding the fair value of this financial liability.

The carrying amounts and estimated fair values of other significant financial instruments are as follows:

	December 31, 2019		December 31, 2018	
	(Dollars in thousands)			
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Assets</u>				
U.S. government money market fund (Executive Protection Plan (EPP) trust) .....	\$ 61,466	61,466	60,328	60,328
U.S. Treasury and government agency securities (Deferred Compensation Plan (DCP) trust) .....	22,821	22,821	22,060	22,060
Environmental receivable—California .....	49,065	49,065	52,473	52,473
<u>Liabilities</u>				
Term loans & related party term loans (SAM) .....	\$3,020,000	3,022,807	3,320,000	3,206,750

The methods and assumptions used in estimating the fair value for each of the financial instruments presented in the table above are as follows:

- The EPP Trust’s assets are currently invested in a U.S. government money market fund, which invests in high-quality short-term money market instruments (Level 1 input). The EPP Trust assets are classified as restricted cash and included in other current assets and other assets in the accompanying consolidated balance sheets (Note 15).

- The DCP Trust’s assets are invested in U.S. Treasury and government agency securities with strong credit quality and low expense ratios and are carried at fair value. The fair value of the Trust assets is based on Level 1 inputs as the value is determined from quoted market prices for identical assets, in active markets. The DCP Trust assets are included in other assets in the accompanying consolidated balance sheets (Note 15).
- The Company’s California environmental reimbursement receivable approximates fair value based on third-party source information as it becomes available. The fair value measurement is based on Level 3 inputs as there are no markets or quoted prices for this asset or similar type assets. The California environmental reimbursement receivable is included in other assets in the accompanying consolidated balance sheets (Notes 9 and 16).
- The fair value of the third party term loans and the related party term loans are estimated by calculating the present value of the future principal and interest payments using quoted interest rates for similar loans under current market conditions (Level 2 input). The term loans and related party term loans are included in debt due within one year and long-term debt in the accompanying consolidated balance sheets (Note 12).

#### NOTE 14: LEASES

Certain assets used in the Company’s business are subject to lease arrangements. Generally, real estate leases have initial terms of 10 to 15 years with options to renew for additional periods.

The composition of capital leases reflected as property and equipment in the consolidated balance sheets is as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Dollars in thousands)</b>	
Buildings.....	\$ 166,951	178,286
Less: Accumulated amortization .....	(103,646)	(102,630)
Total capital lease assets, net. ....	<u>\$ 63,305</u>	<u>75,656</u>

As of December 31, 2019, future minimum lease payments for the years ending December 31 are as follows:

	<b>Capital Leases</b>	<b>Operating Leases</b>
	<b>(Dollars in thousands)</b>	
2020.....	\$ 23,859	740,913
2021.....	21,441	690,153
2022.....	19,634	619,023
2023.....	17,464	541,136
2024.....	15,384	474,029
Thereafter .....	46,572	2,338,155
Future minimum lease rentals .....	144,354	<u>5,403,409</u>
Less: Imputed interest .....	(38,804)	
Present value of future minimum lease payments .....	<u>\$105,550</u>	

Minimum non-cancelable sublease rental income to be received in the future, which is not included above as an offset to future payments, totals \$7.1 million for capital leases and \$63.1 million for operating leases as of December 31, 2019.



Net operating lease expense for the years ended December 31, 2019, 2018, and 2017 totaled \$723.7 million, \$670.0 million, and \$578.9 million, respectively, and included contingent rent expense of \$22.0 million, \$17.8 million, and \$7.9 million, and was reduced by sublease rent income of \$20.1 million, \$17.9 million, and \$16.4 million, for the respective years.

See Note 6 for discussion regarding third-party sale-leaseback transactions, Note 20 for discussion regarding the new lease standard (disclosure above does not reflect the impact of ASU 2016-02), and Note 21 for discussion regarding related-party leases.

## **NOTE 15: BENEFIT PLANS**

### **Retirement Plans**

The Company maintains the 7-Eleven, Inc. Profit Sharing/401(k) Plan for its U.S. employees and the 7-Eleven Canada, Inc. Retirement Savings Plan for its Canadian employees. The Profit Sharing/401(k) Plan is a defined contribution plan where contributions are made by both the participant and the Company. The Company's contributions are discretionary and are based on a percentage of participant contributions. The Retirement Savings Plan is comprised of a Group Registered Retirement Savings Plan for required and voluntary participant contributions and a Deferred Profit Sharing Plan for discretionary Company contributions based on a percentage of required participant contributions.

Total Company contribution expenses for these plans for the years ended December 31, 2019, 2018, and 2017 were \$7.2 million, \$7.2 million, and \$6.3 million, respectively. Contribution expenses are included in OSG&A within the Company's consolidated statements of earnings.

### **Executive Protection Plan**

The Company maintains the Executive Protection Plan (EPP), a nonqualified pension plan, for certain key employees of the Company. In addition to the disability and life insurance coverage available to all full-time employees of the Company, the EPP participants are eligible for supplemental disability benefits and life insurance coverage before they retire. After they retire, they are eligible for postretirement income benefits.

The Company established a "Rabbi" Trust (the Trust) to help provide for its obligations under the EPP. As a Rabbi Trust, the Trust is subject to general creditors of the Company and participants do not have security interests in its asset; therefore, the Trust's assets are not considered plan assets and do not impact the funded position of the plan. As of December 31, 2019 and 2018, the Trust's assets were \$61.5 million and \$60.3 million, respectively. Of those amounts, \$56.6 million and \$53.4 million were included in the Company's other assets and the remainder is included in other current assets as of December 31, 2019 and 2018, respectively. The Trust's assets are currently invested in a U.S. government money market fund which invests in high-quality short-term money market instruments that consist of U.S. government obligations and repurchase agreements collateralized by U.S. government obligations. Capital gains and losses are recorded within OSG&A and were insignificant for the years ended December 31, 2019 and 2018. The carrying value of the Trust's assets approximate fair value due to their short-term nature (Note 13).

The Company recognizes the unfunded position of its EPP as a liability in the accompanying consolidated balance sheets within accrued expenses and other current liabilities and deferred credits and other liabilities as of December 31, 2019 and 2018. The Company recognizes at year end, as a component of other comprehensive

earnings, the actuarial gain or loss that occurred during the year, net of amortization from previous years' actuarial gains and losses. The following information on the Company's EPP is provided:

	Years Ended December 31	
	2019	2018
	(Dollars in thousands)	
<u>Change in Projected Benefit Obligation</u>		
Net benefit obligation at beginning of year .....	\$66,035	67,871
Service cost .....	2,199	2,199
Interest cost .....	2,810	2,456
Actuarial loss (gain) <sup>(1)</sup> .....	10,109	(2,529)
Gross benefits paid .....	(4,342)	(5,462)
Other .....	—	1,500
Net benefit obligation at end of year .....	<u>\$76,811</u>	<u>66,035</u>
Accumulated benefit obligation at end of year .....	<u>\$71,686</u>	<u>61,832</u>
Weighted-average assumptions used to determine the benefit obligation at end of year:		
Discount rate .....	3.40%	4.40%
Rate of compensation increase .....	3.00%	3.00%

(1) Attributable primarily to the discount rate change and new Level 1 participants.

The Company's annual measurement date for the EPP's liabilities is December 31, which is also the date used for the related annual measurement assumptions. The discount rate reflects the current rate at which the associated liabilities could be effectively settled at the end of the year. The Company sets its rate to reflect the yield of a portfolio of high quality, fixed-income debt instruments that would produce cash flows sufficient in timing and amount to settle expected benefit payments. The hypothetical portfolio was created by choosing from over 500 corporate bonds that met the following criteria: 1) Aa graded, 2) U.S. currency, 3) be fixed or zero coupon, 4) minimum BVAL score of 2, and 5) non-callable / non-puttable (unless the bond has a make-whole provision). Using this methodology, the Company determined a discount rate of 3.40% to be appropriate as of December 31, 2019, which is a decrease from the 4.40% rate used as of December 31, 2018.

	December 31	
	2019	2018
	(Dollars in thousands)	
<u>Change in Plan Assets</u>		
Fair value of plan assets at beginning of year .....	\$ —	—
Employer contributions .....	4,342	5,462
Gross benefits paid .....	(4,342)	(5,462)
Fair value of plan assets at end of year .....	<u>\$ —</u>	<u>—</u>
<u>Funded Status at End of Year</u>		
Fair value of plan assets .....	\$ —	—
Benefit obligations .....	76,811	66,035
Unfunded status .....	<u>\$(76,811)</u>	<u>(66,035)</u>
<u>Amounts Recognized in the Consolidated Balance Sheets</u>		
Current liability .....	\$ (4,893)	(4,367)
Noncurrent liability .....	(71,918)	(61,668)
Total benefit obligations .....	<u>\$(76,811)</u>	<u>(66,035)</u>

	December 31		
	2019	2018	
(Dollars in thousands)			
<u>Amounts Recognized in Accumulated Other Comprehensive Earnings</u>			
Net actuarial loss .....	\$25,551	17,221	
<u>Accumulated Benefit Obligation in Excess of Plan Assets</u>			
Accumulated benefit obligation at end of year .....	\$71,686	61,832	
	<u>Years Ended December 31</u>		
	2019	2018	2017
(Dollars in thousands)			
<u>Components of Net Periodic Benefit Cost</u>			
Service cost .....	\$ 2,199	2,199	2,058
Interest cost .....	2,810	2,456	2,603
Amortization of actuarial loss .....	1,779	2,622	2,192
Total net periodic benefit cost .....	6,788	7,277	6,853
Other .....	—	1,500	—
Total benefit cost .....	\$ 6,788	8,777	6,853
<u>Other Changes in Benefit Obligations Recognized in Other Comprehensive Earnings</u>			
Current year actuarial loss (gain) .....	\$10,109	(2,529)	4,783
Amortization of actuarial loss .....	(1,779)	(2,622)	(2,192)
Total recognized in other comprehensive earnings .....	8,330	(5,151)	2,591
Total recognized in net periodic benefit cost and other comprehensive earnings .....	\$15,118	3,626	9,444
<u>Weighted-average assumptions used to determine net periodic cost:</u>			
Discount rate .....	4.40%	3.80%	4.30%
Rate of compensation increase .....	3.00%	3.00%	3.00%

Expected Cash Flows (dollars in thousands):

Expected employer contributions to the plan:	
2020 <sup>(1)</sup> .....	\$ 4,893

(1) Expected contributions reflect expected benefit payments for the unfunded plan.

Expected benefit payments:	
2020 .....	\$ 4,893
2021 .....	9,665
2022 .....	7,722
2023 .....	6,676
2024 .....	6,200
2025-2029 .....	34,523

**Deferred Compensation Plan**—The Company has a Deferred Compensation Plan (DCP) maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees (participants). The DCP is a nonqualified employee benefit plan. The Company established a grantor or “Rabbi” Trust (the Trust) to help provide for its obligations under the DCP. As a Rabbi Trust, the Trust is subject to general creditors of the Company, and participants do not have security interests in its assets. The Trust’s assets were \$22.8 million as of December 31, 2019 and \$22.1 million as of December 31, 2018, and included in the Company’s other assets, respectively. The Trust’s assets are invested in U.S. Treasury and government agency securities with strong credit quality, low expense ratios, and the flexibility of making

distributions as necessary. These assets are recorded at fair value based on quoted market prices (Note 13). The Company's DCP obligations were \$32.4 million as of December 31, 2019 and \$21.8 million as of December 31, 2018, of which \$29.0 million and \$19.6 million were included in the Company's deferred credits and other liabilities, respectively.

Earnings are allocated based upon the returns of notional or hypothetical investment options chosen by participants, from a limited portfolio. As such, participants assume various levels of risk associated with the gains and losses of their selected investment options over time. Since the investment options are notional or hypothetical, the Trust is not required to invest in those options, and instead, may choose other investments to satisfy the DCP's obligation to pay the corresponding participant earnings.

The Trust's assets are classified as available-for-sale debt securities. The Company sells portions of the assets when needed to pay administrative expenses, with any resulting realized gains and losses recorded within OSG&A. The Company records unrealized gains and losses from the assets in the Trust in other comprehensive earnings. Both realized and unrealized gains and losses for the years ended December 31, 2019, 2018, and 2017 were insignificant.

#### **NOTE 16: COMMITMENTS AND CONTINGENCIES**

**Distribution Services**—There are two major distribution channels managed by the Company's Demand Chain and Logistics function.

The first is a wholesale distribution channel. In July 2016, the Company renewed its contract for five years with its existing national wholesale distributor to provide distribution services to 7-Eleven stores and to other designated distribution centers in the U.S. In October 2016, the Company entered into a new contract with another wholesaler for five years to provide similar products to a few geographic areas in which the Company operates and to designated distribution centers. The Company's cost of purchases under these agreements is variable based on the volume of products purchased.

The second is a fresh food daily delivery channel through combined distribution centers (CDC). The Company has fixed and variable contracts with its combined distribution center operators where the expenses of the combined distribution centers are paid by the Company and are generally reflected as on-going merchandise cost of goods sold. The Company's cost of purchases under the agreements is variable based upon the achievement of certain metrics within the agreements.

**Information Technology**—The Company is party to various information technology service contracts whereby it is required to purchase a minimum of approximately \$28.6 million of services over the next year. The Company has historically exceeded these thresholds for information technology expenditures and expects to fully utilize the required minimum level of services in the future.

**Product Commitments**—The Company has various contracts for product purchases that require it to purchase a minimum amount of products annually. The Company has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in termination of the contracts, changes in pricing of the products, or payments to the applicable provider(s) of a predetermined percentage of the commitment(s).

**Fuel Commitments**—The Company has various long-term contracts that require it to purchase fuel from several major suppliers and/or refiners. If the Company elected to terminate one of these fuel purchase contracts prior to the expiration date, the Company would be required to compensate the supplier/refiner for contractually unsold volume. The amount of compensation is dependent upon historical fuel sales volumes at the respective stores under contract, remaining contract length, and a predetermined cents-per-gallon fee. The Company does not anticipate early termination of these fuel purchase contracts within the foreseeable future.

In connection with the asset purchase agreement completed with Sunoco LP in January 2018, the Company entered into a 15 year Distribution Motor Fuel Agreement (Supply Agreement) with Sunoco LP. The Company is obligated to pay Sunoco LP at least 97.5% of the expected annual supply margin (“guaranteed minimum payment”) for a contract year. The contract year is from April 1<sup>st</sup> to March 31<sup>st</sup> of the following year. The guaranteed minimum payments are \$115.3 million and \$118.3 million for years two and three, respectively, and \$121.3 million per year thereafter. Since inception, the Company has substantially met the guaranteed minimum payment requirement for each year.

**Litigation and Tax Assessments**—The Company is a party to various claims and matters of litigation and tax assessments incidental to the normal course of its business. Management believes that the final resolution of these matters will not have a material adverse effect on the Company’s consolidated financial position, results of operations, or cash flows.

**Service Commitment**—The Company has entered into an agreement with an affiliate of Seven & i Holdings Co. Ltd., FCTI, Inc., to provide on-going placement of ATM’s within U.S. 7-Eleven stores. The agreement was effective upon the expiration of the Company’s previous ATM placement contract with Cardtronics (July 2017) and does not include a commitment to maintain ATM’s in a minimum number of store locations. As of December 31, 2019 and 2018, the Company recorded deferred income of \$36.5 million and \$44.4 million as a result of up-front incentive payments received from FCTI, respectively, of which \$28.5 million and \$36.5 million is included in deferred credits and other liabilities (Note 11) and the remainder is included in accrued expenses and other current liabilities (Note 10). This amount will be recognized over the contract term. The Company recognized \$8.0 million, \$8.5 million and \$2.8 million of deferred income in merchandise sales and franchise and licensing revenues within the accompanying consolidated statement of earnings, for the years ended December 31, 2019, 2018 and 2017, respectively.

**Advertising**—The Company is party to an advertising purchasing agreement whereby it is required to purchase a minimum of \$6.5 million of advertising and media services during the three year term of the agreement unless the commitment is fulfilled before the end of the term. The Company has historically exceeded these thresholds for advertising expenditures and expects to fully utilize the required minimum level of services in the future.

**Environmental**—The Company accrues for the anticipated future costs and the related probable state reimbursements for remediation activities at its existing and previously operated fuel stores where releases of regulated substances have been detected. As of December 31, 2019 and 2018, the Company’s estimated undiscounted liability for these stores was \$35.3 million and \$38.0 million, respectively, of which \$9.2 million and \$12.0 million are included in deferred credits and other liabilities (Note 11) and the remainder is included in accrued expenses and other current liabilities (Note 10). The Company anticipates that substantially all of the future remediation costs for detected releases at these stores will be incurred within the next five years.

Under certain state reimbursement programs, the Company is eligible to receive reimbursement for a portion of accrued remediation costs, as well as a portion of remediation costs previously paid. The reimbursement claims represent a firm and legally enforceable basis to recover remediation costs from the various state programs. Accordingly, as of December 31, 2019 and 2018, the Company has recorded net receivables of \$61.3 million and \$63.8 million, respectively. Of the total net receivables, \$54.6 million and \$57.4 million are included in other assets (Note 9), and the remainder is included in accounts receivable (Note 3) as of December 31, 2019 and 2018, respectively. In assessing the probability of collection of state reimbursements, the Company takes into consideration each state’s fund balance, revenue sources, existing claim backlog, status of clean-up activity, the sunset status of each state’s fund, and claim ranking, as well as communications received from the state’s program.

One of the Company’s largest state reimbursement receivables is from the state of California, which accounts for \$49.1 million and \$52.5 million of the Company’s total net receivable and is net of allowances of

\$2.6 million and \$2.8 million as of December 31, 2019 and 2018, respectively. The Company continuously assesses the probability of collection of its state reimbursements based on the factors described above, which can result in periodic adjustments to its allowance for reimbursement receivables.

While there is no assurance of the timing of the receipt of state reimbursement funds, based on the Company's experience, the Company expects to receive the majority of state reimbursement funds within one to three years after payment of eligible remediation expenses, assuming that the state administrative procedures for processing such reimbursements follow historic payment practices.

As of December 31, 2019 and 2018, the Company's environmental receivables were as follows (dollars in thousands):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Gross receivable—CA .....	\$51,647	55,235
Gross receivable—Other states .....	12,188	12,094
<b>Total gross receivable</b> .....	<b>63,835</b>	<b>67,329</b>
Allowance—CA .....	(2,582)	(2,762)
Net receivable, before discount .....	61,253	64,567
Discount—Other states .....	—	(764)
<b>Net receivable, after allowance &amp; discount</b> .....	<b><u>\$61,253</u></b>	<b><u>63,803</u></b>

The Company recognized remediation expenses of \$13.6 million, remediation credits of \$30.1 million, and remediation expenses of \$10.5 million, net of estimated recoveries, for the years ended December 31, 2019, 2018, and 2017, respectively. In 2019 and 2018, the Company recorded a \$0.9 million and \$43.0 million decrease in its California allowance, respectively, due to changes in estimate based on letters of commitment and payments received from California's Underground Storage Tank Clean-up Fund and the revision of allowance estimate for increased probability of collection. The estimated future remediation expenditures and related state reimbursements, which are reflected in OSG&A in the accompanying consolidated statements of earnings, may change within the near future as government regulations and state reimbursement programs continue to be revised. Such revisions could have a significant impact on the Company's operations and financial position.

#### NOTE 17: INCOME TAXES

On December 22, 2017, the President of the United States signed and enacted comprehensive tax legislation into law H.R. 1, commonly referred to as the Tax Act. Except for certain provisions, the Tax Act is effective for tax years beginning on or after January 1, 2018. The tax rate for the year ended 2019 and future years was reduced from 35% to 21% in 2018.

Income tax expenses and effective tax rates are calculated based on pretax earnings and the Company's statutory tax rate.

The components of earnings before income tax expense are as follows:

	<u>Years Ended December 31</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
	(Dollars in thousands)		
Domestic .....	\$807,599	690,346	558,587
Foreign (including royalties of \$135,327, \$128,163, and \$111,143, from area license agreements in foreign countries) .....	145,387	168,513	189,939
Earnings before income tax expense .....	<u>\$952,986</u>	<u>858,859</u>	<u>748,526</u>

The provision for income tax expense on earnings in the consolidated statements of earnings consists of the following:

	Years Ended December 31		
	2019	2018	2017
	(Dollars in thousands)		
Current tax (benefit) expense			
Federal .....	\$(101,758)	69,661	149,600
Foreign .....	(3,199)	(5,387)	17,380
State .....	31,137	35,733	28,317
Subtotal .....	(73,820)	100,007	195,297
Deferred tax expense (benefit) .....	299,324	89,426	(102,617)
Income tax expense on earnings .....	<u>\$ 225,504</u>	<u>189,433</u>	<u>92,680</u>

Reconciliations of income tax expense on earnings at the federal statutory rate to the Company's actual income tax expense provided are as follows:

	Years Ended December 31					
	2019		2018		2017	
	(Dollars in thousands)					
Tax expense at federal statutory rate .....	\$200,127	21.0%	180,361	21.0%	261,984	35.0%
State income tax expense, net of federal income tax benefit .....	37,046	3.9%	37,269	4.3%	10,593	1.4%
Foreign tax rate difference .....	(6,385)	-0.7%	(5,223)	-0.6%	(11,455)	-1.5%
Uncertain tax positions .....	(9)	0.0%	26	0.0%	18	0.0%
Federal benefit related to prior year tax filings .....	—	0.0%	(1,302)	-0.1%	—	0.0%
Remeasurement of deferred tax assets and liabilities due to change in federal statutory rate .....	—	0.0%	(17,435)	-2.0%	(171,101)	-22.9%
Deemed repatriation tax on foreign earnings .....	—	0.0%	—	0.0%	12,000	1.6%
Other .....	(5,275)	-0.5%	(4,263)	-0.5%	(9,359)	-1.2%
Income tax expense on earnings .....	<u>\$225,504</u>	<u>23.7%</u>	<u>189,433</u>	<u>22.1%</u>	<u>92,680</u>	<u>12.4%</u>

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31	
	2019	2018
	(Dollars in thousands)	
Deferred tax assets:		
Accrued liabilities .....	\$172,793	174,361
Deferred revenue from contract liabilities .....	129,166	—
Compensation and benefits .....	58,979	61,145
Asset retirement obligation .....	46,038	32,603
Accrued insurance .....	18,248	19,264
Acquisition financing obligation (Note 12) .....	14,899	15,908
Foreign net operating loss .....	6,518	—
Other .....	4,162	2,814
Subtotal .....	<u>450,803</u>	<u>306,095</u>

	December 31	
	2019	2018
	(Dollars in thousands)	
Deferred tax liabilities:		
Property and equipment . . . . .	\$(680,229)	(430,210)
Intangible assets and other . . . . .	(269,825)	(210,126)
Area license agreements . . . . .	(30,720)	(30,720)
Subtotal . . . . .	<u>(980,774)</u>	<u>(671,056)</u>
Net deferred tax liability . . . . .	<u>\$(529,971)</u>	<u>(364,961)</u>

Deferred taxes consist of the following:

	December 31	
	2019	2018
	(Dollars in thousands)	
Noncurrent deferred tax assets—Foreign (Note 9) . . . . .	\$ 11,906	7,685
Noncurrent deferred tax liabilities—Domestic (Note 11) . . . . .	<u>(541,877)</u>	<u>(372,646)</u>
Net deferred tax liability . . . . .	<u>\$(529,971)</u>	<u>(364,961)</u>

As of December 31, 2019, the Company had foreign net operating loss carryforwards of \$6.5 million. As of December 31, 2018, the Company did not have any foreign net operating loss carryforwards.

The Company records a valuation allowance to reduce its deferred tax assets if it is more likely than not that some portion or all of the deferred assets will not be realized. The Company did not recognize or carry a valuation allowance during 2019 or 2018, since the Company expects to fully utilize the deferred tax assets. The Company has considered future taxable income and ongoing prudent and feasible tax strategies, including the sale of appreciated assets, in assessing the need for the valuation allowance. If these estimates and assumptions change in the future, the Company may be required to record a valuation allowance. This could result in a charge to income in the period such determination is made.

The Company's estimated liability for unrecognized tax benefits was \$7.8 million and \$8.5 million as of December 31, 2019 and 2018, respectively. It is anticipated that any change in the balance would affect the Company's effective tax rate if recognized in its financial statements. These balances include insignificant amounts of accrued interest and penalties from unrecognized tax benefits. The Company does not anticipate any significant changes to the amount of gross unrecognized tax benefits in the next 12 months. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 31	
	2019	2018
	(Dollars in thousands)	
Balance at beginning of year . . . . .	\$8,543	8,509
Additions for tax positions of the prior year . . . . .	717	34
Reductions for tax positions of the prior year . . . . .	(565)	—
Reductions relating to settlements with tax authorities . . . . .	(135)	—
Expiration of statute of limitations . . . . .	<u>(730)</u>	<u>—</u>
Ending balance as of December 31 (Note 11) . . . . .	<u>\$7,830</u>	<u>8,543</u>

The Company is generally subject to examination for tax years 2014 – 2018 by the U.S. and various state and foreign jurisdictions. The ultimate outcome of Internal Revenue Service and other examinations and discussions, as well as an estimate of any related change to amounts recorded for uncertain tax positions, cannot



be presently determined. The Company files income tax returns in the U.S. and Canada, most U.S. states, five Canadian provinces, and various local jurisdictions. Various federal, state, and local income tax returns are currently under examination by taxing authorities. The Company does not believe that the outcome of these examinations will have a material impact on its consolidated financial statements.

The Company received income tax assessments from the Canadian Revenue Agency (CRA) with respect to tax years 2010 through 2015 relating to an intercompany royalty paid by the Company's Canadian subsidiary, 7-Eleven Canada, Inc. (SEC) to SEI. The royalty was paid for the right to license certain intellectual property owned by SEI. In its assessment, the CRA asserts the amount of the royalty SEC paid to SEI was not reflective of an arms-length transaction. The Company strongly disagrees with the CRA's proposed adjustments and filed two notices of objection with the CRA. The Company paid the tax assessments of \$11.3 million to stop future interest from accruing.

In addition, in 2017, the Company sought competent authority resolution through a bilateral advance pricing agreement (BAPA) with the Internal Revenue Service (IRS) and CRA. This agreement would provide prospective assurance on specified intercompany transactions and the avoidance of double taxation. The BAPA would apply retroactively from the start of tax year 2010. In 2018, the Company filed the BAPA submission with the IRS and CRA. As of December 31, 2019, there has been no change in the progress or resolution of the BAPA process. The Company anticipates the process to resume in early 2020 and will continue to monitor the BAPA progress and analyze any new evidence, when available. The Company does not anticipate any adjustments resulting from a successful BAPA resolution would have a material effect on its consolidated financial statements.

As of December 31, 2017, the Company's accumulated undistributed earnings generated by our foreign subsidiaries and foreign corporate joint venture had been taxed in the U.S. as a result of the Tax Act. The Tax Act allows for a dividend received deduction for future repatriation of earnings. The Company's intent is to continue to reinvest the remaining undistributed earnings and future earnings of our foreign subsidiaries indefinitely.

### **Related-Party Tax Matters**

As a result of the transfer of all common shares of SEI to SAM in October 2012, the Company and SAM became members of an affiliated group under Section 1504(a) of the Internal Revenue Code, of which SAM became the common parent corporation. As a result of this affiliation, the Company files a consolidated tax return under the common parent corporation, SAM. For purposes of these financial statements, the Company has allocated income tax expense using the separate return method. As a result of the Company filing consolidated federal and state tax returns on behalf of SAM, the Company was in a \$9.9 million and \$9.2 million receivable position from SAM as of December 31, 2019 and 2018, respectively.

Historically, SEI has conducted certain sale-leaseback transactions with SAM (Note 21). As a result of these transactions, SEI recorded a due to parent liability associated with the taxes on the sale of the properties. As of December 31, 2019 and 2018, the Company's total due to parent liability related to taxes on these related-party transactions was \$173.0 million, of which \$134.0 million and \$136.4 million, respectively, were included within deferred credits and other liabilities (Note 11) and the remainder included within accrued expenses and other current liabilities (Note 10).

**NOTE 18: QUARTERLY FINANCIAL DATA (Unaudited)**

	Quarters Ended 2019			
	March 31	June 30	September 30	December 31
	(Dollars in thousands except per share data)			
<b>Revenues:</b>				
Merchandise sales . . . . .	\$ 946,042	1,092,543	1,106,814	990,828
Fuel sales . . . . .	4,078,414	4,973,835	4,790,866	4,458,682
Net sales . . . . .	5,024,456	6,066,378	5,897,680	5,449,510
Franchise and licensing revenues . . . . .	606,717	686,384	719,789	646,992
Other income . . . . .	8,323	10,040	7,544	9,105
<b>Total revenues</b> . . . . .	<u>5,639,496</u>	<u>6,762,802</u>	<u>6,625,013</u>	<u>6,105,607</u>
<b>Costs and Expenses:</b>				
Merchandise cost of goods sold . . . . .	654,141	747,246	756,663	690,580
Fuel cost of goods sold . . . . .	3,731,269	4,571,058	4,325,376	4,004,141
Total cost of goods sold . . . . .	4,385,410	5,318,304	5,082,039	4,694,721
Operating, selling, general and administrative expenses . . . . .	1,110,463	1,157,438	1,209,453	1,123,015
Interest expense, net . . . . .	26,036	25,054	24,198	23,801
<b>Total costs and expenses</b> . . . . .	<u>5,521,909</u>	<u>6,500,796</u>	<u>6,315,690</u>	<u>5,841,537</u>
<b>Earnings before income tax</b> . . . . .	117,587	262,006	309,323	264,070
<b>Income tax expense</b> . . . . .	28,328	62,027	76,570	58,579
<b>Net earnings</b> . . . . .	<u>\$ 89,259</u>	<u>199,979</u>	<u>232,753</u>	<u>205,491</u>
<b>Earnings per share:</b>				
Basic . . . . .	\$ 0.68	1.53	1.79	1.58

The sum of quarterly financial data may not agree to annual amounts due to rounding.

**NOTE 18: QUARTERLY FINANCIAL DATA (Unaudited)**

	Quarters Ended 2018			
	March 31	June 30	September 30	December 31
	(Dollars in thousands except per share data)			
<b>Revenues:</b>				
Merchandise sales . . . . .	\$ 881,196	1,106,668	1,119,848	1,016,699
Fuel sales . . . . .	4,181,873	5,101,740	5,061,031	4,465,729
Net sales . . . . .	5,063,069	6,208,408	6,180,879	5,482,428
Franchise and licensed stores royalties and fees . . . . .	558,970	650,589	685,367	685,137
Other income . . . . .	1,713	8,664	9,321	7,182
<b>Total revenues</b> . . . . .	<u>5,623,752</u>	<u>6,867,661</u>	<u>6,875,567</u>	<u>6,174,747</u>
<b>Costs and Expenses:</b>				
Merchandise cost of goods sold . . . . .	625,917	772,133	783,146	723,869
Fuel cost of goods sold . . . . .	3,865,399	4,716,857	4,659,930	4,007,424
Total cost of goods sold . . . . .	4,491,316	5,488,990	5,443,076	4,731,293
Operating, selling, general and administrative expenses . . . . .	1,019,672	1,083,472	1,131,990	1,194,533
Interest expense, net . . . . .	23,497	29,406	24,377	21,246
<b>Total costs and expenses</b> . . . . .	<u>5,534,485</u>	<u>6,601,868</u>	<u>6,599,443</u>	<u>5,947,072</u>

	Quarters Ended 2018			
	March 31	June 30	September 30	December 31
	(Dollars in thousands except per share data)			
<b>Earnings before income tax</b> .....	\$89,267	265,793	276,124	227,675
<b>Income tax expense</b> .....	23,711	66,267	66,186	33,269
<b>Net earnings</b> .....	<u>\$65,556</u>	<u>199,526</u>	<u>209,938</u>	<u>194,406</u>
<b>Earnings per share:</b>				
Basic .....	\$ 0.50	1.53	1.61	1.49

The sum of quarterly financial data may not agree to annual amounts due to rounding.

## NOTE 19: DERIVATIVE INSTRUMENTS

The Company periodically enters into derivative contracts to manage its exposure to certain interest rate, foreign currency and fuel prices risks. The Company records all derivatives at their mark-to-market value at the end of each reporting period. The Company has elected to net derivative receivables and payables (with the same underlying hedge objective), and to separately net the related cash collateral received and paid, under a master netting arrangement. To mitigate counterparty credit risk, the Company only enters into contracts with large financial institutions based upon their financial strength, and continually assesses the creditworthiness of its counterparties. To date, all counterparties have performed in accordance with their contractual obligations.

### Interest Rate Swap Agreements

The Company is exposed to interest rate risk related to its floating rate indebtedness. To manage this risk, the Company enters into interest rate swap agreements. As cash flow hedges, unrealized gains are recognized as assets while unrealized losses are recognized as liabilities. The interest rate swap agreements are highly correlated with the changes in interest rates to which the Company is exposed. The Company has elected hedge accounting for these swaps. As a result, unrealized gains and losses are recorded as a component of accumulated other comprehensive earnings. Realized gains and losses in connection with each required interest payment are reclassified from accumulated other comprehensive earnings to interest expense.

In March 2018, the Company entered into two interest rate swap agreements. The interest rate swap agreements covered notional amounts of \$150 million, which was comprised of two tranches. The first tranche covers a notional amount of \$75 million from March 2018 to September 2020, and carries a fixed rate of 3.1%. The second tranche covers a notional amount of \$75 million from March 2018 to March 2023, and carries a fixed rate of 3.4%. In return, the Company will receive variable rate payments using one month LIBOR plus the applicable margin.

The fair values of the interest rate swap agreements are estimated using industry standard valuation models using market-based observable inputs, including interest rate curves (Level 2). Liabilities for interest rate swaps, included in deferred credits and other liabilities in the Company's consolidated balance sheets, were \$2.9 million as of December 31, 2019 and were insignificant as of December 31, 2018. Gains and losses recorded for interest rate swaps, recognized in the consolidated statements of earnings, for the years ended December 31, 2019 and 2018 were insignificant.

### Foreign Currency Derivatives

The Company is exposed to foreign currency risk with respect to certain monetary assets denominated in nonfunctional currency. This primarily includes exposure to exchange rate fluctuations in the Canadian dollar. To manage the identified foreign currency risk, the Company enters into foreign currency forward contracts. The Company has not elected hedge accounting for its foreign currency forward contracts. Thus all gains and losses from foreign currency forward contracts, realized and unrealized, have been recognized in the consolidated statements of earnings.

As of December 31, 2019 and 2018, the total notional value of outstanding foreign currency forward contracts related to these monetary assets denominated in nonfunctional currency was \$6.8 million and \$10.0 million, respectively. As these forward contracts are typically settled on a monthly basis, the fair value of the outstanding derivative instruments was insignificant as of December 31, 2019 and 2018. The net gain or loss recorded from the settlement of these contracts is recognized in OSG&A in the consolidated statements of earnings. For the year ended December 31, 2019, the Company recorded an insignificant net loss related to the settlement of these contracts, offset by an insignificant asset remeasurement gain. The Company recorded a net gain of \$1.1 million for the year ended December 31, 2018 and a net loss of \$2.4 million for the year ended December 31, 2017 related to the settlement of these contracts. These amounts were offset by an asset remeasurement loss of \$1.0 million for the year ended December 31, 2018 and an asset remeasurement gain of \$2.5 million for the year ended December 31, 2017.

#### Fuel Derivatives

The Company is exposed to potential price risk associated with holding bulk inventory positions at certain fuel terminals and due to the timing of the transportation of fuel via pipeline or waterborne vessel to its respective fuel terminals. The Company enters into commodity-based futures contracts on a limited basis to manage exposure to fluctuations in fuel prices. These futures contracts are closely matched to the quantity and anticipated delivery date of fuel transported to or held at its supply terminals.

The Company had no open fuel derivative contracts or related cash collateral as of December 31, 2019 and 2018. The Company recorded net gains of \$3.2 million related to its fuel derivative contracts for the year ended December 31, 2018. These net gains were recorded within fuel cost of goods sold in the consolidated statements of earnings. No net gains or losses were recorded in 2019 and 2017 as the Company did not enter into any derivative contracts during 2019 and 2017.

### **NOTE 20: RECENTLY ISSUED ACCOUNTING STANDARDS**

#### **Recently Adopted Standards**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides a new five-step comprehensive revenue recognition model requiring a company to recognize revenue to depict the transfer of promised goods or services to a customer at an amount reflecting the consideration it expects to be entitled to in exchange for those goods or services. The ASU supersedes industry-specific revenue recognition guidance that has historically existed in U.S. GAAP. The new standard is effective for public companies for annual periods beginning after December 15, 2017 and for all other entities for annual periods beginning after December 15, 2018. The standard shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company adopted the standard effective in first quarter of 2019, using a modified retrospective approach. As a result, the Company recorded a cumulative-effect adjustment of \$394.5 million (net of tax) to the Company's opening retained earnings. See Note 2 for more details regarding the adoption of the ASU.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)*. The amendments within the standard address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Included within the amendments is an update that generally requires equity investments to be measured at fair value with changes in fair value recognized in net earnings. The update is effective for annual reporting periods beginning after December 15, 2017 for public companies and December 15, 2018 for all other entities. A reporting entity shall apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. In the first quarter of 2019, the Company adopted the standard resulting in a cumulative-effect adjustment of \$6.9 million to the Company's opening retained earnings.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This standard addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. These eight cash flow issues include 1) Debt prepayment or debt extinguishment costs, 2) Settlement of zero-coupon bonds, 3) Contingent consideration payments made after a business combination, 4) Proceeds from the settlement of insurance claims, 5) Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, 6) Distributions received from equity method investees, 7) Beneficial interests in securitization transactions, and 8) Separately identifiable cash flows and application of the predominance principle. Current U.S. GAAP is either unclear or does not include specific guidance on the eight cash flow classification issues. The amendments are effective for public companies for annual periods beginning after December 15, 2017 and December 15, 2018 for all other entities. The amendments are applied retrospectively to all periods presented. In the first quarter of 2019, the Company adopted the standard with no material impact to its cash flow statement.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity transfers of Assets other than Inventory*. This standard improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. Prior GAAP did not allow for the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset was sold to an outside party. With this update, an entity recognizes the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs (at the transaction date). The amendments are effective for annual periods beginning after December 15, 2017 for public companies and December 15, 2018 for all other entities. The amendments are applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings. In the first quarter of 2019, the Company adopted the standard resulting in no significant impact on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash flows (Topic 230): Restricted Cash*. The amendments in the update indicate that a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash, (i.e. restricted cash is included with cash and cash equivalents when reconciling the beginning and ending totals shown on the statement of cash flows). The update also requires entities to disclose 1) the nature of the restrictions on cash and 2) the amounts and line items in which these amounts are reported within the statement of financial position. The amendments are effective for public companies for annual periods beginning after December 15, 2017 and December 15, 2018 for all other companies, and are applied retrospectively to all periods presented. In the first quarter of 2019, the Company adopted the standard, which resulted in a presentation change to the statements of cash flows (including amounts reported in prior periods) as the Company currently has restricted cash designated for various activities.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The standard provides a framework to assist entities in determining if a business is present within an acquisition (or disposal), with the goal of providing more clarity and consistent application. First, an entity determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single (or group of similar) identifiable asset, which is referred to as the screening test. If the circumstances meet the test requirements, the asset set is not considered a business. If an entity determines that substantially all of the fair value of the gross assets acquired is not concentrated, an entity then analyzes the asset set to determine whether there is an input and a substantive process that together significantly contribute to the ability to create an output. If both are present, the asset set would be deemed to meet the definition of a business. The effective date is for annual periods beginning after December 15, 2017 for public companies and December 15, 2018 for all other entities. The amendments are to be applied prospectively on or after the effective date. In the first quarter of 2019, the Company adopted the standard, which generally prevented single-site acquisitions and disposals from qualifying as a business. Under previous guidance, the Company generally considered a single-site acquisition to be a business combination.

In February 2017, the FASB issued ASU 2017-05, *Other income—Gains and Losses from the Derecognition of Nonfinancial Assets (Topic 610-20)*. Under this standard, an entity is required to identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of the asset. The amendments in this update also require an entity to derecognize a distinct nonfinancial asset or in substance nonfinancial asset in a partial sale when it does not have a controlling financial interest in the legal entity that holds the asset and when it transfers control of the asset. Entities are required to adopt the guidance retrospectively to each period presented (full retrospective) or using a modified retrospective approach, with a cumulative-effect adjustment to retained earnings. The effective date is for annual periods beginning after December 15, 2017 for public entities and December 15, 2018 for all other entities (concurrent with the new revenue standard). With the adoption of the new definition of a business standard, this standard applies to the Company's disposal of single sites and respective real estate when such assets are evaluated to constitute a non-financial asset disposal as opposed to a business. In the first quarter of 2019, the Company adopted the standard resulting in no significant impact on the consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715)*. The standard requires employers that offer defined benefit pension plans, other postretirement benefit plans, or other benefits to 1) separate their net periodic pension cost and net periodic postretirement benefit cost into a service cost component and other components, 2) present the service cost component in the same line item as other compensation costs arising from services rendered by the pertinent employees, and 3) report in the statement of earnings other components separately from the service cost component and outside a subtotal of income from operations (if presented), with an appropriate description. The amendments are effective for periods beginning after December 15, 2017 for public companies and December 15, 2018 for other entities. In the first quarter of 2019, the Company adopted the standard with no significant impact to the consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The standard addresses tax effects stranded in other comprehensive income resulting from the enactment of the Tax Act. The amendments allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects and require certain disclosures about stranded tax effects. The amendments are effective for annual periods beginning after December 15, 2018 for all entities. The amendments are applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. In the first quarter of 2019, the Company adopted the standard resulting in a cumulative-effect adjustment of \$3.1 million to the Company's opening retained earnings.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans*. The standard modifies disclosure requirements for employers that sponsor defined benefit pension or other post retirement plans. The amendments remove disclosures that are no longer considered cost beneficial and add disclosure requirements identified as relevant. The amendments are effective for annual periods beginning after December 15, 2020 for public companies and December 15, 2021 for all other entities. Early adoption is permitted. In the fourth quarter of 2019, the Company early adopted the standard, which resulted in enhanced disclosures around the Company's Executive Protection Plan (Note 15).

### **Recently Issued Standards Not Yet Adopted**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* and subsequently issued ASU 2018-11, *Targeted Improvements*, in July 2018 and ASU 2018-20, *Narrow-Scope Improvements for Lessors*, in December 2018. The core principle of the new standard requires a lessee to recognize the lease assets and lease liabilities for those leases classified as operating or financing. As such, a lessee will recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The

update is effective for annual reporting periods beginning after December 15, 2018 for public companies. In November 2019, the FASB issued ASU 2019-10, *Effective Dates*, which amended the effective date for calendar year end non-public companies. The revised effective date is January 1, 2021. A reporting entity may apply the standard using either the comparative method or the effective date method, which would recognize and measure leases as of the earliest period presented or as of the effective adoption date, respectively. The Company is currently evaluating the significant impact the standard will have on its consolidated balance sheets. As of December 31, 2019, the Company held leases on approximately 6,500 of the Company and franchisee operated stores, most of which were classified as operating leases. Additionally, the Company provides its traditional franchisees with a turn-key store, which constitutes multiple leases and will require further evaluation. The Company anticipates adopting the standard effective for its annual period beginning on January 1, 2021, using the effective date transition method.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this update introduce a new model (current expected credit losses or CECL), which requires management to recognize lifetime expected credit losses upfront rather than as losses are incurred (today’s model). This new standard affects loans, debt securities, trade receivables, and other financial assets that have the contractual right to receive cash. In November 2019, the FASB issued ASU 2019-10, *Effective Dates*, which amended the effective date for non-public entities. The standard is effective for public business entities in annual and interim reporting periods beginning after December 15, 2019 and annual periods beginning after December 15, 2022 for all other entities. Early adoption is generally permitted, beginning after December 15, 2018. Entities should apply the amendments through a modified retrospective approach. The Company does not expect a significant impact on the consolidated financial statements; however, further evaluation is necessary to determine potential acceleration of credit losses associated with certain receivables. The Company anticipates adopting the standard effective for its annual period beginning on January 1, 2023.

In January 2017, the FASB issued ASU 2017-04: *Accounting for Goodwill Impairment (Topic 350)*. This standard eliminates Step 2 from the goodwill impairment test, which includes determining the implied fair value of goodwill (hypothetical purchase price allocation) and comparing it with the carrying amount of goodwill. The update applies to all entities with goodwill except for private companies that have elected the private company alternative for goodwill impairment. In November 2019, the FASB issued ASU 2019-10, *Effective Dates*, which amended the effective date for non-public entities. The standard is effective for public business entities in annual and interim reporting periods beginning after December 15, 2019 and annual periods beginning after December 15, 2022 for all other entities. Early adoption would be permitted. The Company performs an annual impairment test on its goodwill. This update would potentially simplify the determination of the amount of goodwill impairment by eliminating the implied fair value of goodwill computation (in the event Step 2 was reached).

## **NOTE 21: RELATED PARTIES AND TRANSACTIONS**

SEI is 100% owned by SEJ Asset Management & Investment Company (SAM). SAM is a U.S. based company and is wholly-owned by Seven-Eleven Japan Co., Ltd. (SEJ), which is wholly-owned by Seven & i Holdings Co. Ltd., a publicly traded corporation in Japan (Note 1).

### **Asset Sales to Related Parties**

During 2019, SEI repurchased real property and fuel equipment consisting of 1 store from SAM, for \$1.1 million in cash and divested the store to a franchisee. As the transaction occurred between entities under common control, the difference between the sales proceeds, SAM’s carrying value of the property, and the taxes associated with the purchase of the property resulted in an insignificant reduction to capital contribution from SAM.

During 2018, SEI repurchased real property and fuel equipment consisting of 2 stores from SAM, for \$4.6 million in cash and divested the stores to Sunoco to satisfy federal trade commission requirements related to the Company's acquisition of 1,030 stores from Sunoco LP in January 2018. As the transaction occurred between entities under common control, the difference between the sales proceeds, SAM's carrying value of the properties, and the taxes associated with the purchase of these properties resulted in a reduction to capital contribution from SAM of \$2.2 million.

As a result of sale-leaseback transactions conducted between SEI and SAM in past years, SEI incurred rent expense of \$26.9 million, \$27.0 million, and \$27.2 million, for the years ended December 31, 2019, 2018, and 2017, respectively.

### **Other Transactions**

Other significant related-party transactions such as the Company's commercial paper facility (Note 12), certain loans (Note 12), ATM agreement (Note 16), and consolidated tax return (Note 17) are discussed within the Company's notes.

### **NOTE 22: SUBSEQUENT EVENTS**

The Company has evaluated all events and transactions occurring after December 31, 2019 and through March 3, 2020, which is the issuance date of the Company's financial statements.

On March 1, 2020, the Company acquired a convenience store business consisting of 108 retail sites located in Oklahoma through an equity purchase transaction for approximately \$393 million. The purchase price was primarily funded through a new \$300 million term loan arrangement. The loan bears interest at a floating rate based on LIBOR plus an applicable margin and matures in February 2021.



**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands, except share data)

	<u>(Unaudited)</u> <u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 560,090	\$ 405,722
Accounts receivable, net .....	724,907	774,742
Inventories .....	471,600	481,730
Other current assets .....	254,809	222,727
Total current assets .....	<u>2,011,406</u>	<u>1,884,921</u>
Property and equipment, net .....	7,211,840	6,724,107
Goodwill .....	5,267,498	4,932,786
Other intangible assets, net .....	558,524	561,700
Other assets, net .....	405,792	398,687
Total assets .....	<u>\$15,455,060</u>	<u>\$14,502,201</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade accounts payable .....	\$ 597,999	\$ 559,490
Accrued expenses and other current liabilities .....	1,297,781	1,123,007
Debt due within one year .....	318,409	194,551
Total current liabilities .....	<u>2,214,189</u>	<u>1,877,048</u>
Long-term debt .....	3,582,603	2,989,999
Deferred credits and other liabilities .....	2,189,090	2,312,091
Equity:		
Common stock, par value \$.0001 per share .....	13	13
Paid-in capital .....	3,055,649	3,056,921
Retained earnings .....	4,526,778	4,350,354
Accumulated other comprehensive loss .....	(113,262)	(84,225)
Total equity .....	<u>7,469,178</u>	<u>7,323,063</u>
Total liabilities and equity .....	<u>\$15,455,060</u>	<u>\$14,502,201</u>

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
(Dollars in thousands, except per-share data)  
(UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
<b>REVENUES:</b>				
Merchandise sales . . . . .	\$1,185,860	\$1,106,814	\$ 3,257,124	\$ 3,145,399
Fuel sales . . . . .	3,625,754	4,790,866	10,053,243	13,843,115
Net sales . . . . .	4,811,614	5,897,680	13,310,367	16,988,514
Franchise and licensing revenues . . . . .	710,447	719,789	1,919,107	2,012,890
Other income . . . . .	8,929	7,544	21,805	25,907
Total revenues . . . . .	5,530,990	6,625,013	15,251,279	19,027,311
<b>COSTS AND EXPENSES:</b>				
Merchandise cost of goods sold . . . . .	840,686	756,663	2,306,389	2,158,050
Fuel cost of goods sold . . . . .	3,061,964	4,325,376	8,554,837	12,627,703
Total cost of goods sold . . . . .	3,902,650	5,082,039	10,861,226	14,785,753
Operating, selling, general and administrative expenses . . . . .	1,280,550	1,209,453	3,627,783	3,477,354
Interest expense, net . . . . .	31,366	24,198	80,484	75,288
Total costs and expenses . . . . .	5,214,566	6,315,690	14,569,493	18,338,395
<b>EARNINGS BEFORE INCOME TAX . . . . .</b>	<b>316,424</b>	<b>309,323</b>	<b>681,786</b>	<b>688,916</b>
<b>INCOME TAX EXPENSE . . . . .</b>	<b>76,987</b>	<b>76,570</b>	<b>141,788</b>	<b>166,925</b>
<b>NET EARNINGS . . . . .</b>	<b>\$ 239,437</b>	<b>\$ 232,753</b>	<b>\$ 539,998</b>	<b>\$ 521,991</b>
<b>Earnings per share:</b>				
<b>BASIC</b>				
Net earnings . . . . .	\$ 1.84	\$ 1.79	\$ 4.14	\$ 4.01

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**  
(Dollars in thousands)  
(UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
<b>NET EARNINGS</b> .....	\$239,437	\$232,753	\$539,998	\$521,991
<b>OTHER COMPREHENSIVE EARNINGS, NET OF TAX</b>				
Foreign currency translation .....	17,336	(11,474)	(29,848)	25,168
Unrealized gain on available for sale debt securities (net of tax effect of \$0, \$(5), \$(136) and \$(76)) .....	—	16	411	227
Unrealized gain (loss) on interest rate swaps (Note 11) (net of tax effect of \$(192), \$90, \$406 and \$822) .....	577	(261)	(1,222)	(2,463)
Changes in postretirement benefits (Note 4):				
Amortization of actuarial loss included in net income (net of tax effect of \$(179), \$(111), \$(539) and \$(333)) .....	541	333	1,622	1,001
Change due to adoption of ASU 2018-02 .....	—	—	—	(3,124)
Total other comprehensive earnings (loss) .....	18,454	(11,386)	(29,037)	20,809
<b>COMPREHENSIVE EARNINGS</b> .....	<u>\$257,891</u>	<u>\$221,367</u>	<u>\$510,961</u>	<u>\$542,800</u>

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY**  
(Dollars and shares in thousands)  
(UNAUDITED)

	Common Stock			Accumulated Earnings	Accumulated Other Comprehensive (Loss) Earnings		Shareholder's Equity
	Shares	Par Value	Additional Paid-in Capital		Foreign Currency Translation	Other	
<b>Balance at December 31,</b>							
<b>2019</b> .....	<b>130,313</b>	<b>13</b>	<b>3,056,921</b>	<b>4,350,354</b>	<b>(62,619)</b>	<b>(21,606)</b>	<b>\$7,323,063</b>
Net earnings .....				539,998			539,998
Other comprehensive loss:							
Foreign currency							
translation .....					(29,848)		(29,848)
Unrealized gain on available							
for sale debt securities (net							
of \$(136) deferred							
taxes) .....						411	411
Unrealized loss on interest							
rate swaps (Note 11) (net							
of \$406 deferred taxes) ...						(1,222)	(1,222)
Adjustment for							
postretirement benefits							
(Note 4) (net of \$(539)							
deferred taxes) .....						1,622	<u>1,622</u>
Total other comprehensive							
loss .....							<u>(29,037)</u>
Comprehensive earnings .....							510,961
Cash dividend declared, \$2.79							
per share .....				(363,574)			(363,574)
Reduction of capital							
contribution from SAM for							
repurchase of store .....			(1,272)				(1,272)
<b>Balance at September 30,</b>							
<b>2020</b> .....	<b><u>130,313</u></b>	<b><u>13</u></b>	<b><u>3,055,649</u></b>	<b><u>4,526,778</u></b>	<b><u>(92,467)</u></b>	<b><u>(20,795)</u></b>	<b><u>\$7,469,178</u></b>

7-ELEVEN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY—(Continued)  
(Dollars and shares in thousands)  
(UNAUDITED)

	Common Stock			Accumulated Earnings	Accumulated Other Comprehensive (Loss) Earnings		Shareholder's Equity
	Shares	Par Value	Additional Paid-in Capital		Foreign Currency Translation	Other	
<b>Balance at December 31,</b>							
<b>2018</b> .....	<b>130,313</b>	<b>13</b>	<b>3,057,550</b>	<b>4,007,408</b>	<b>(106,873)</b>	<b>(10,454)</b>	<b>\$6,947,644</b>
Net earnings.....				521,991			521,991
Other comprehensive earnings:							
Foreign currency translation.....					25,168		25,168
Unrealized gain on available for sale debt securities (net of \$(76) deferred taxes)...						227	227
Unrealized loss on interest rate swaps (net of \$822 deferred taxes).....						(2,463)	(2,463)
Adjustment for postretirement benefits (Note 4) (net of \$(333) deferred taxes).....						1,001	1,001
Adoption of ASU 2018-02 ..						(3,124)	(3,124)
Total other comprehensive earnings.....							20,809
Comprehensive earnings.....							542,800
Adoption of ASU 2014-09 ....				(394,548)			(394,548)
Adoption of ASU 2016-01 ....				6,888			6,888
Adoption of ASU 2018-02 ....				3,124			3,124
Reduction of capital contribution from SAM for repurchase of store.....			(629)				(629)
<b>Balance at September 30,</b>							
<b>2019</b> .....	<b>130,313</b>	<b>13</b>	<b>3,056,921</b>	<b>4,144,863</b>	<b>(81,705)</b>	<b>(14,813)</b>	<b>\$7,105,279</b>

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)  
(UNAUDITED)

	Nine Months Ended September 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings .....	\$ 539,998	\$ 521,991
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of property and equipment .....	563,634	519,712
Other amortization .....	1,286	2,738
Recognition of deferred revenue from customers .....	(65,493)	(63,662)
Deferred income tax (benefit) expense .....	(134,112)	226,922
Net loss on property and equipment .....	43,549	37,082
Other credits .....	(18,635)	(31,424)
Changes in operating assets and liabilities:		
Accounts receivable, net .....	92,126	(202,610)
Inventories .....	26,184	(22,977)
Other assets .....	(15,893)	(420)
Trade accounts payable and other liabilities .....	233,357	79,284
Net cash provided by operating activities .....	1,266,001	1,066,636
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchase of property and equipment .....	(867,531)	(779,971)
Proceeds from sale of property and equipment .....	23,216	31,234
Other investments .....	(7,184)	(1,173)
Escrow funding related to future acquisitions .....	—	(149)
Acquisition of businesses, net of working capital .....	(511,616)	(125,849)
Net working capital acquired from acquisitions .....	5,583	(2,934)
Net cash used in investing activities .....	(1,357,532)	(878,842)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from commercial paper and revolving credit facilities .....	2,664,576	—
Payments under commercial paper and revolving credit facilities .....	(2,664,576)	—
Proceeds from issuance of short-term debt .....	300,000	—
Principal payments towards short-term debt .....	(475,000)	—
Proceeds from issuance of long-term debt .....	900,000	—
Proceeds from issuance of long-term debt from SAM .....	—	50,000
Principal payments towards long-term debt .....	(15,155)	(15,587)
Payments for debt issuance costs .....	(33,956)	—
Other financing activities .....	2,510	2,470
Decrease in outstanding payments in excess of cash in bank .....	(67,956)	(29,276)
Dividend paid .....	(363,574)	—
Net cash provided by financing activities .....	246,869	7,607
Effect of exchange rate changes on cash .....	118	1,028
<b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH .....</b>		
<b>CASH .....</b>	<b>155,456</b>	<b>196,429</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR .....</b>	<b>472,526</b>	<b>648,558</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD .....</b>	<b>\$ 627,982</b>	<b>\$ 844,987</b>

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)**  
**(Dollars in thousands)**  
**(UNAUDITED)**

	Nine Months Ended September 30	
	2020	2019
<b>RELATED DISCLOSURES FOR CASH FLOW REPORTING</b>		
Interest paid (net of amounts capitalized) . . . . .	\$ (79,477)	\$ (82,813)
Income taxes paid (net of refunds) . . . . .	\$(155,547)	\$ (38,964)
Assets obtained by entering into capital leases . . . . .	\$ 3,989	\$ 1,243
<b>RECONCILIATION:</b>		
Cash and cash equivalents . . . . .	\$ 560,090	\$781,582
Restricted cash in other current assets . . . . .	9,665	8,581
Restricted cash included in other assets, net . . . . .	58,227	54,824
Total cash, cash equivalents, and restricted cash . . . . .	\$ 627,982	\$844,987

See accompanying notes to consolidated financial statements.

**7-ELEVEN, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 1: BASIS OF PRESENTATION**

The interim consolidated financial statements of 7-Eleven, Inc. and its subsidiaries (collectively, SEI, the Company) and accompanying notes included in this offering circular are unaudited. The Company has prepared these financial statements in conformity with U.S. generally accepted accounting principles (GAAP) and do not contain certain information included in the Company's audited financial statements included elsewhere within this offering circular the year ended December 31, 2019. Therefore, these financial statements should be read in conjunction with the Company's audited financial statements included elsewhere in this offering circular.

SEI is 100% owned by SEJ Asset Management & Investment Company (SAM). SAM is a United States (U.S.) based company and is wholly-owned by Seven-Eleven Japan Co., Ltd. (SEJ), which is wholly-owned by Seven & i Holdings Co. Ltd., a publicly traded corporation in Japan.

All adjustments necessary for a fair presentation of quarterly operating results are reflected herein and are of normal, recurring nature. Intercompany transactions and account balances have been eliminated. Due to the seasonal nature of our business, the results of operations for the interim periods are not necessarily indicative of the operating results for the full year.

The consolidated statements of earnings include the operating results of the convenience stores that are company-operated in the U.S. and Canada, along with royalty and fee revenues from U.S. franchisees and world-wide 7-Eleven licensees. The results of motor fuel operations at our company and most franchisee-operated stores, as well as our fuel supply and wholesale operations are also included in the consolidated statements of earnings.

**COVID-19 Update**

In March 2020, the World Health Organization declared the outbreak of a coronavirus disease (COVID-19) as a global pandemic, which has since spread throughout the United States. As a result, some of our company and franchisee-operated stores were impacted by reduced store hours and temporary closures. Many of our foreign licensees have experienced similar impacts, which has negatively impacted our royalties from licensed stores. While the Company has since resumed full-time operations at substantially all of our U.S. and Canadian stores, we continue to see reduced consumer traffic and are faced with uncertainty around future disruptions.

For the three and nine months ended September 30, 2020, the Company has incurred approximately \$6.4 million and \$93.7 million, respectively, of expenses and one-time credits provided to our franchisees and to our corporate stores, related to COVID-19. Of these amounts, \$0.8 million and \$39.7 million was included as a reduction to our franchise and licensing revenues for the three and nine months ended September 30, 2020, respectively and the remainder was included in our OSG&A expense in the accompanying consolidated statements of earnings.

The Company has recognized \$19.3 million and \$29.0 million in government relief in Canada through the Canadian Emergency Wage Subsidy program for the three and nine months ended September 30, 2020, respectively. The amounts were recognized as a reduction to the Company's OSG&A expenses.



## NOTE 2: REVENUE FROM CONTRACTS WITH CUSTOMERS

### Sources of Revenue:

*Company-operated store merchandise sales.* Revenues from merchandise sales are comprised primarily of the sale of fresh and hot food offerings, beverages, beer/wine, candy/snacks, grocery items, cigarette and tobacco products, and service revenues, along with sales from company-operated quick service restaurants. Merchandise sales are recognized at the point of sale, net of sales tax.

*Retail Fuel sales.* In addition to fuel operations at its Company-operated stores, the Company also retains the fuel operation at most franchised stores. The Company owns the fuel inventory at these stores and pays the franchisee a fee based on gallons sold for facilitating the fuel sale. Revenues from retail fuel sales are recognized at the point of sale and are gross of fees paid to the franchisee, as the franchisee provides a distinct service to the Company.

*Wholesale Fuel sales.* Revenues from the Company's wholesale fuel operations primarily consist of fuel sales to independently-operated dealer sites where the Company supplies fuel under both short- and long-term contracts, as well as fuel sold on a consignment basis to retail customers where the Company pays a third-party commission marketer a fee for facilitating the fuel sale. Revenues from wholesale fuel sales to dealers are recognized at the point of sale. Revenues from wholesale fuel sales to retail customers are also recognized at the point of sale and are gross of fees paid to the commission marketer, as the commission marketer provides a distinct service to the Company.

*Franchise and licensing revenues.* Revenues from franchising and licensing consist primarily of initial franchise and license fees, fees from renewal options, monthly royalties, and advertising fund contributions from franchisees.

A majority of the Company's franchise arrangements are structured under the Company's traditional franchise agreement, in which the Company franchises a turn-key 7-Eleven store. As part of this package, the Company provides: a) a franchise license, which provides the franchisee with the right to use the Company's brand and trademarks in connection with the operation of the store; b) pre-opening services, such as training and grand-opening activities; c) on-going services, such as management of the advertising fund and business counseling; and d) the land, building, and equipment for which the franchisee operates. Embedded as a component of the franchise and licensing revenues is rental income from the land, building, and equipment provided to our traditional franchisees and is currently subject to the guidance under ASC 840, *Leases*. However, the component will be re-assessed as part of the Company's adoption of ASC 842, *Leases*.

The Company also provides an alternative franchise arrangement known as the "Business Conversion Program" (BCP). Under this arrangement, the Company provides the franchise license along with substantially all the same pre-opening and on-going services, however, does not provide the land, building, and certain equipment. As a result, the Company charges a reduced initial franchise fee and a lower monthly royalty. While various items are provided under both franchise arrangements, each item is highly interrelated with the franchise license and is not separately distinct within the context of the franchise arrangement. Therefore, the Company has a single performance obligation, which is satisfied consistently over the contractual term of each franchise agreement as it provides a continuous right to use the franchise license.

The Company is required to defer initial and renewal fees and recognize as revenue over the period in which the franchisee receives and consumes benefits from the Company's on-going performance obligation to provide a franchise license. This pattern of recognition generally occurs on a straight-line basis (using a time-elapsed measure of progress) over the initial term of the related franchise agreement. Franchise royalties are calculated based on a percentage of merchandise gross profit generated by the respective franchise store and are recognized as revenue in the same period in which the merchandise is sold (applying the sale-based royalties constraint). Incentives and cost support provided by the Company to its franchisees are recorded as a reduction to franchise and licensing revenues.

The Company's franchisees contribute to an advertising fund, in which the amount is dependent upon the merchandise gross profit results for the underlying store. The Company administers the fund, which is used for various forms of advertising for the general benefit of the 7-Eleven system. Advertising fund contributions received from franchisees are reported as part of the Company's franchise and licensing revenues, and the associated expenditures are reported as part of the Company's OSG&A expenses.

The Company grants international and domestic area licenses and master franchises to operators (collectively referred to as "licensees") for the exclusive rights to operate 7-Eleven stores in a geographic region in exchange for an initial license fee and a monthly royalty. In addition to the license right, the Company also provides limited pre-opening and on-going services. The license right and support services represent a single performance obligation, which is satisfied over the contractual term of each license. As such, the Company is required to defer initial license fees and generally recognize as revenue on a straight-line basis (using a time-elapsed measure of progress) over the initial term. Royalties from licensees are based on a percentage of sales from the licensed stores and are recognized as revenue in the same period in which the merchandise is sold.

### Disaggregation of Total Revenues:

The following table presents revenue disaggregated by revenue source:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
	(Dollars in thousands)			
<b>Merchandise sales</b> . . . . .	\$1,185,860	1,106,814	3,257,124	3,145,399
<u>Fuel sales:</u>				
Retail . . . . .	3,090,047	4,135,446	8,646,197	12,010,221
Wholesale . . . . .	535,707	655,420	1,407,046	1,832,894
<b>Total fuel sales</b> . . . . .	<u>3,625,754</u>	<u>4,790,866</u>	<u>10,053,243</u>	<u>13,843,115</u>
<u>Franchise and licensing revenues:</u>				
Royalties-franchised stores . . . . .	639,062	649,210	1,719,339	1,808,981
Royalties-licensed stores . . . . .	31,112	31,927	87,988	93,892
Initial franchise and licensing fees . . . . .	24,327	24,205	71,800	69,578
Ad fund and other franchised store contributions . . . . .	15,946	14,447	39,980	40,439
<b>Total franchise and licensing revenues</b> . . . . .	<u>710,447</u>	<u>719,789</u>	<u>1,919,107</u>	<u>2,012,890</u>
Other income . . . . .	8,929	7,544	21,805	25,907
<b>Total revenues</b> . . . . .	<u>\$5,530,990</u>	<u>6,625,013</u>	<u>15,251,279</u>	<u>19,027,311</u>

### Receivables from Franchisees:

As part of certain bookkeeping services the Company provides to franchisees, the Company establishes and maintains an open account for each of its franchisees. All purchases (including merchandise inventory purchases) and operating expenses paid by the Company on the franchisee's behalf are applied to the open account. A store's cash receipts along with any down payments or withdrawals made by the franchisee are credited to the open account. The Company finances the unpaid balance in the franchisee's open account (if certain criteria are met) and holds a first lien on the available collateral, which is typically the store's merchandise inventory. As of September 30, 2020 and December 31, 2019, the Company recorded receivables of \$249.8 million and \$326.2 million (all within Accounts Receivable, net), respectively, which represented the unpaid open account balances with its franchisees.

The Company also has a program to finance a portion of the initial and renewal franchise fees for qualified franchisees with repayment terms ranging between three to seven years. The Company is not contractually required to provide such financing. The total franchisee notes receivable was \$96.9 million and \$107.9 million (of which \$66.7 million and \$77.7 million were in Other Assets, net and the remainder in Accounts Receivable, net), as of September 30, 2020 and December 31, 2019, respectively.

Management analyzes the collectability of both the unpaid open account balances and notes receivable from its franchisees and records an allowance when it becomes probable that amounts due may not be collected. Bad debt expense associated with our franchisee receivables for both the three months ended September 30, 2020 and 2019 was \$2.9 million and for the nine months ended September 30, 2020 and 2019 was \$7.8 million and \$5.8 million, respectively.

**Contract Liabilities:**

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise fees, initial licensing fees, as well as certain forms of consideration owed to our customers. The following table reflects the change in contract liabilities since December 31, 2019:

	<u>Contract Liabilities</u> <u>(Dollars in thousands)</u>
Balance at December 31, 2019 .....	\$517,700
Revenue recognized during the period <sup>(1)</sup> .....	(65,493)
New deferrals due to cash received/receivable .....	53,056
Other .....	<u>(5,628)</u>
Balance at September 30, 2020 .....	<u>\$499,635</u>

(1) Includes \$64.0 million of revenue in the beginning contract liability balance.

The Company anticipates a substantial portion of the contract liabilities ending balance will be satisfied over the next 10 to 15 years as the Company completes its remaining performance obligations. Variable consideration in the form of monthly royalties are exempt from the table above.

**NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value of financial instruments has been determined by utilizing available market information and generally accepted valuation techniques as discussed below.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and other current assets and liabilities approximate fair value due to the short-term nature of these items.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1—Quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2—Quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3—Unobservable inputs requiring the Company to develop its own assumptions.

The carrying amount and estimated fair value of other significant financial instruments are as follows:

	September 30, 2020		December 31, 2019	
	(Dollars in thousands)			
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Assets</u>				
U.S. government money market fund (Executive Protection Plan (EPP) trust) . . . . .	\$ 61,727	61,727	61,466	61,466
Environmental receivable—California. . . . .	45,452	45,452	49,065	49,065
U.S. Treasury and government agency securities (Deferred Compensation Plan (DCP) trust) . . . . .	23,601	23,601	22,821	22,821
<u>Liabilities</u>				
Term loans & related party term loans (SAM) . . . . .	\$3,745,000	3,900,442	3,020,000	3,022,807
Interest rate swap agreements . . . . .	4,560	4,560	2,928	2,928

The methods and assumptions used in estimating the fair value for each of the financial instruments presented in the table above are as follows:

- The EPP Trust’s assets are currently invested in a U.S. government money market fund, which invests in high-quality, short-term money market instruments (Level 1 input). The EPP Trust’s assets are classified as restricted cash and included in other current assets and other assets, net in the accompanying consolidated balance sheets (Note 4).
- The Company’s California environmental reimbursement receivable approximates fair value based on third-party source information as it becomes available. The fair value measurement is based on Level 3 inputs as there are no markets or quoted prices for this asset or similar type assets. The California environmental reimbursement receivable is included in other assets, net in the accompanying consolidated balance sheets (Note 9).
- The DCP Trust’s assets are invested in U.S. Treasury and government agency securities with strong credit quality and low expense ratios and are carried at fair value. The fair value of the DCP Trust’s assets is based on Level 1 inputs as the value is determined from quoted market prices for identical assets, in active markets. The DCP Trust’s assets are included in other assets, net in the accompanying consolidated balance sheets.
- The fair value of the third-party term loans and the related party term loans are estimated by calculating the present value of the future principal and interest payments using quoted interest rates for similar loans under current market conditions (Level 2 input). The term loans and related party term loans are included in debt due within one year and long-term debt in the accompanying consolidated balance sheets (Note 8).
- The fair value of the interest rate swap agreements is estimated using industry standard valuation models using market-based observable inputs, including interest rate curves (Level 2 input). Liabilities for interest rate swaps are included in deferred credits and other liabilities in the Company’s consolidated balance sheets (Note 11).

#### NOTE 4: BENEFIT PLANS

**Executive Protection Plan**—The Company maintains the Executive Protection Plan (EPP), a nonqualified pension plan, for certain key employees of the Company. In addition to the disability and life insurance coverage available to all full-time Company employees, the EPP participants are eligible for supplemental disability benefits and life insurance coverage before they retire. After they retire, they are eligible for postretirement income benefits.

The Company established a “Rabbi” Trust (the Trust) to help provide for its obligations under the EPP. As a Rabbi Trust, the Trust is subject to general creditors of the Company and participants do not have security interests in its asset; therefore, the Trust’s assets are not considered plan assets and do not impact the funded position of the plan. As of September 30, 2020 and December 31, 2019, the Trust’s assets were \$61.7 million and \$61.5 million, respectively. Of those amounts, \$52.1 million and \$56.6 million were included in the Company’s other assets, net and the remainder was included in other current assets as of September 30, 2020 and December 31, 2019, respectively. The Trust’s assets are currently invested in a U.S. government money market fund which invests in high-quality, short-term money market instruments that consist of U.S. government obligations and repurchase agreements collateralized by U.S. government obligations. Capital gains and losses are recorded within OSG&A and were insignificant for the three and nine months ended September 30, 2020 and 2019. The carrying value of the Trust’s assets approximate fair value due to their short-term nature (Note 3).

As of September 30, 2020 and December 31, 2019, the Company’s unfunded position of its EPP liability was \$76.1 million and \$76.8 million, respectively. Of those amounts, \$66.4 million and \$71.9 million were recorded within deferred credits and other liabilities and the remainder was included in accrued expenses and other current liabilities, as of September 30, 2020 and December 31, 2019, respectively. The Company recognizes at year end, as a component of other comprehensive earnings, the actuarial gain or loss that occurred during the year, net of amortization from previous years’ actuarial gains and losses. The table below reflects the total EPP benefit cost recognized by the Company in the consolidated statements of earnings:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	(Dollars in thousands)			
<u>Components of Net Periodic Benefit Cost</u>				
Service cost .....	\$ 732	550	2,196	1,649
Interest cost .....	636	702	1,908	2,108
Amortization of actuarial loss .....	720	444	2,161	1,334
Total net periodic benefit cost .....	<u>\$2,088</u>	<u>1,696</u>	<u>6,265</u>	<u>5,091</u>

**NOTE 5: PROPERTY AND EQUIPMENT AND RELATED ACTIVITY**

	September 30, 2020	December 31, 2019
	(Dollars in thousands)	
Land .....	\$ 1,860,171	1,799,737
Buildings .....	3,570,868	3,339,014
Leasehold improvements .....	2,556,504	2,406,514
Equipment .....	4,190,509	3,926,357
Software .....	878,743	847,316
Construction in process .....	1,047,935	845,312
Total property and equipment, cost .....	<u>14,104,730</u>	<u>13,164,250</u>
Accumulated depreciation and amortization .....	<u>(6,892,890)</u>	<u>(6,440,143)</u>
Total property and equipment, net .....	<u>\$ 7,211,840</u>	<u>6,724,107</u>

Depreciation and amortization expense related to property and equipment for the three months ended September 30, 2020 and 2019 was \$191.3 million and \$176.4 million, and for the nine months ended September 30, 2020 and 2019 was \$563.6 million and \$519.7 million, respectively.

## **Assets Held for Sale and Store Divestitures**

Included in other current assets in the accompanying consolidated balance sheets are \$11.9 million (consisting of approximately 15 store properties) and \$14.0 million (consisting of approximately 15 store properties) in assets held-for-sale as of September 30, 2020 and December 31, 2019, respectively.

For the three months ended September 30, 2020, the Company sold the real estate associated with approximately five store properties to various third parties for total proceeds of \$2.1 million and recorded insignificant gains. For the nine months ended September 30, 2020, the Company sold the real estate associated with approximately 15 store properties to various third parties for total proceeds of \$8.8 million and recorded gains of \$2.1 million, which are included in OSG&A in the accompanying consolidated statement of earnings.

For the three and nine months ended September 30, 2020, the Company also sold the real estate and/or certain store equipment associated with approximately five and 10 store properties, respectively, to franchisees in order to transition them to BCP operators. Total proceeds were \$6.5 million and \$8.4 million, with insignificant gains and \$2.2 million in gains recorded for the three and nine months ended September 30, 2020, respectively.

For the three months ended September 30, 2019, the Company sold the real estate associated with approximately 10 store properties to various third parties for total proceeds of \$6.0 million and recorded gains of \$2.9 million. For the nine months ended September 30, 2019, the Company sold the real estate associated with approximately 20 store properties to various third parties for total proceeds of \$15.2 million and recorded gains of \$6.5 million, which are included in OSG&A in the accompanying consolidated statement of earnings.

For the three and nine months ended September 30, 2019, the Company also sold the real estate and/or certain store equipment associated with approximately 50 and 55 store properties, respectively, to franchisees in order to transition them to BCP operators. Total proceeds were \$8.3 million and \$11.8 million, with insignificant gains and \$2.2 million in gains recorded for the three and nine months ended September 30, 2019, respectively.

## **Asset Impairment**

The Company evaluates long-lived assets such as stores, property and equipment, and other corporate assets for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. For the purposes of the evaluation, the Company groups assets at the lowest level for which identifiable cash flows are largely independent from other assets, which results in market-level or store-level asset groups.

Factors considered important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results and significant changes in the manner of use of the assets or in the Company's overall business strategies. Potential impairment exists if the estimated undiscounted cash flows expected to result from the use of the asset plus any net proceeds expected from disposition of the asset are less than the carrying value of the asset. The amount of the impairment loss represents the excess of the carrying value of the asset over its fair value. The Company generally bases fair value on either appraised value or projected discounted cash flows. An estimated fair value based on projected discounted cash flows uses a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model. Additional factors are taken into consideration, such as local market conditions, operating environment, store performance, and other trends. As a result, the Company recognized impairment losses of \$36.7 million and \$27.1 million for the three months ended September 30, 2020 and 2019 respectively. The Company recognized impairment losses of \$38.7 million and \$29.7 million for the nine months ended September 30, 2020 and 2019 respectively. The impairment losses are included in OSG&A expense in the accompanying consolidated statements of earnings.

## NOTE 6: ACQUISITIONS

### 2020 Acquisitions

During the nine months ended September 30, 2020, the Company invested \$506.0 million through acquisitions of multiple convenience store businesses consisting of 162 retail stores, 18 wholesale consignment locations, and 40 wholesale dealer accounts.

The assets acquired and liabilities assumed through acquisitions reflect estimated fair values as of the respective acquisition dates. The Company determined the estimated fair values based on independent appraisals and estimates made by management. The measurement periods for purchase price allocations end as soon as information on the facts and circumstances becomes available, but do not exceed 12 months. The Company will continue to evaluate the appropriateness of fair value as of the acquisition date throughout the measurement period. The following are the aggregate recorded amounts for acquisitions during the nine months ended September 30, 2020 (dollars in thousands):

Net working capital acquired, net of cash:	
Accounts receivable .....	\$ 11,637
Inventories .....	17,553
Other current assets .....	418
Trade accounts payable .....	(16,344)
Accrued expenses and liabilities .....	(18,847)
Total net working capital acquired, net of cash .....	(5,583)
Other tangible and intangible assets:	
Property and equipment .....	204,062
Capital lease assets .....	3,989
Goodwill .....	342,449
Other intangible assets .....	7,560
Total other tangible and intangible assets .....	558,060
Other liabilities assumed:	
Capital lease liabilities .....	(4,676)
Deferred credits and other liabilities .....	(14,661)
Deferred tax liability .....	(27,098)
Total other liabilities assumed .....	(46,435)
Total consideration for acquisition of businesses .....	506,042
Less: Consideration to be paid .....	(9)
Acquisition of businesses .....	<u>\$506,033</u>

Goodwill recorded in conjunction with these acquisitions is generally attributable to the synergies expected to flow to the Company primarily due to the store location, customer base, improvement in gross profit margins, and enhancement of our market concentration strategy. The goodwill is all related to acquisitions in the U.S. of which, \$315.4 million will be deductible for income tax purposes over 15 years.

The following table reflects intangible assets acquired during the nine months ended September 30, 2020 (dollars in thousands):

<u>Intangible assets subject to amortization</u>	<u>Acquired amount</u>	<u>Weighted average amortization period</u>
Non-compete agreements .....	\$4,000	4-5 years
Wholesale supply contracts .....	2,000	7 years
Favorable leasehold interests .....	1,560	22 years
Total intangible assets acquired, subject to amortization .....	<u>\$7,560</u>	

In August 2020, the Company entered into an agreement with Marathon Petroleum Corporation (Marathon) to acquire Marathon's retail convenience store chain known as Speedway for \$21 billion in cash. Speedway consists of approximately 3,900 stores spanning 35 states within the U.S., with concentrations in the Midwest and East Coast. The acquisition is expected to be funded by a combination of third-party debt (Note 8) and an equity contribution from Seven & i Holdings Co. Ltd., and is anticipated to close during the first quarter of 2021, subject to standard closing conditions. For the three and nine months ended September 30, 2020, the Company has incurred \$14.5 million and \$19.8 million of acquisition-related costs, respectively, which are included within OSG&A.

#### NOTE 7: GOODWILL AND OTHER INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019
	(Dollars in thousands)	
Goodwill	\$5,267,498	4,932,786
Other intangible assets, net:		
Subject to amortization:		
Favorable leasehold interests	\$ 59,108	64,396
Wholesale customer relationships	58,677	59,990
Franchise relationships	4,913	8,431
Reacquired rights	3,939	4,369
Other—subject to amortization	13,170	7,057
Total subject to amortization	139,807	144,243
Not subject to amortization:		
Trademarks	\$ 257,274	257,274
Other area licenses	120,837	120,837
Reacquired rights	29,200	29,200
SEJ area license	2,291	2,291
Other—not subject to amortization	9,115	7,855
Total not subject to amortization	418,717	417,457
Other intangible assets, net	\$ 558,524	561,700

Other intangible assets presented above are net of accumulated amortization of \$165.8 million and \$290.8 million, as of September 30, 2020 and December 31, 2019, respectively. Amortization expense for the three months ended September 30, 2020 and 2019 was \$4.8 million and \$5.1 million, and for the nine months ended September 30, 2020 and 2019 was \$13.7 million and \$15.0 million, respectively.

The following table reflects goodwill balances and activity for the nine months ended September 30, 2020 (dollars in thousands):

Balance at beginning of year	\$4,932,786
Acquisitions	342,449
Disposal of businesses	—
Other <sup>(1)</sup>	(7,737)
Balance as of September 30, 2020	\$5,267,498

(1) Primarily related to translation of Canadian goodwill.



The Company tests goodwill for possible impairment on an annual basis during the third quarter and whenever impairment indicators arise. An impairment indicator represents an event or change in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount. For the purpose of the goodwill impairment test, the Company has two reporting units – retail and wholesale. The Company completed the annual impairment test of its goodwill as of July 1, 2020, and there was no evidence of impairment. The Company changed its testing date from July 31<sup>st</sup> to July 1<sup>st</sup> to better utilize second quarter reporting with no impact to testing results. The Company also considered COVID-19 as a potential triggering event but concluded it was not a triggering event as of September 30, 2020 given the Company has maintained full-time operations at substantially all of our U.S. and Canadian stores and qualitative factors remain positive. The Company will continue to monitor the impacts from COVID-19, which may result in subsequent triggering event analysis.

The 7-Eleven, Stripes, and Laredo Taco trademarks, other area licenses, and certain other intangibles are not subject to amortization because their useful lives are considered to be indefinite. The Company conducts an annual impairment test of indefinite-lived intangible assets during the third quarter of each fiscal year and whenever impairment indicators arise. The Company completed the annual impairment test of its intangible assets with indefinite lives as of July 1, 2020, and there was no evidence of impairment. Additionally, there have been no indicators of triggering events that would warrant further impairment testing as of September 30, 2020. As discussed above, the Company determined COVID-19 was not a triggering event as of September 30, 2020 but will continue to monitor the impacts which may result in subsequent triggering event analysis.

Intangible assets subject to amortization primarily consist of favorable leasehold interests, wholesale customer relationships, and franchise relationships, all of which are amortized over the respective terms of the contracts or other relative terms. Intangible assets subject to amortization are reviewed for impairment when there is an indication that the carrying amount may not be recoverable. There was no evidence of impairment as of September 30, 2020.

**NOTE 8: DEBT**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>(Dollars in thousands)</b>	
Term loans . . . . .	\$2,725,000	2,000,000
Term loans, related party (SAM) . . . . .	1,020,000	1,020,000
Capital lease obligations . . . . .	100,087	105,550
Acquisition financing obligation . . . . .	56,571	59,717
Mortgages and notes . . . . .	—	51
Revolving credit facility . . . . .	—	—
Commercial paper . . . . .	—	—
Unamortized debt issuance costs . . . . .	(646)	(768)
<b>Total debt . . . . .</b>	<b>3,901,012</b>	<b>3,184,550</b>
Less: Debt due within one year <sup>(1)</sup> . . . . .	(318,409)	(194,551)
<b>Total long-term debt . . . . .</b>	<b>\$3,582,603</b>	<b>2,989,999</b>

(1) Includes \$300.0 million of term loan debt.

**Term Loans**

In February 2020, the Company received proceeds from a term loan in the amount of \$300.0 million. The loan’s interest rate was floating based on LIBOR plus an applicable margin with a maturity date of February 2021. The proceeds from the loan were used to finance the acquisition of 108 retail stores completed in March 2020. This loan was repaid in July 2020.

In April 2020, the Company received proceeds for five term loans, totaling \$600.0 million from three different lenders, with maturity dates in 2024, 2025, and 2027. The loans bear interest at different fixed rates ranging between 1.90% and 2.90%. The proceeds from the new term loans were used for general corporate purposes and will fund future acquisitions.

In July 2020, the Company received proceeds for three term loans, totaling \$300.0 million from three different lenders, with maturity dates in 2024, 2025, and 2027. The loans bear interest at different fixed rates ranging between 1.70% and 2.40%. The proceeds from the new term loans will be used for general corporate purposes and to fund future acquisitions.

In September 2020, the Company repaid \$175.0 million of its previously existing term loans.

Interest payments for all term loans are due either on a monthly, quarterly, or semi-annual basis. The loan agreements contain various covenants customary for facilities of this nature. The total estimated fair value of the third-party term loans and the related party term loans is approximately \$3.9 billion and \$3.0 billion as of September 30, 2020 and December 31, 2019, respectively (Note 3).

### **Revolving Credit Facility**

The Company had an existing revolving credit facility with a group of lenders, containing an aggregate unsecured commitment of \$500.0 million. In March 2020, the Company borrowed \$200.0 million against the credit facility for general corporate use which was repaid as of August 2020.

### **Financing Activities Related to the Anticipated Speedway Acquisition**

On August 2, 2020, the Company entered into a commitment letter for an unsecured bridge loan facility agreement for a commitment of \$13.2 billion, with a group of lenders, that may be drawn in a single drawing on the closing date of the acquisition. No amounts have been drawn as of September 30, 2020. Any amounts issued under the facility will mature 364 days after the funding date. The loan will bear interest at a floating rate based on either adjusted LIBOR plus an applicable margin or a base rate plus an applicable margin. The Company paid \$26.4 million in upfront structuring and commitment fees, which were deferred and are included in the Company's other current assets as of September 30, 2020. The fees will be amortized over the life of the bridge loan commitment. The amortization expense, which is recorded within interest expense, net in the consolidated statements of earnings, was \$2.6 million for the three and nine months ended September 30, 2020, respectively.

On August 27, 2020, the Company replaced its existing revolving credit facility with a new credit facility (Credit Agreement). The facility has interim availability of \$500.0 million, which will increase to \$1.5 billion upon the consummation of the Speedway acquisition, subject to the satisfaction of certain conditions precedent. No amounts have been drawn as of September 30, 2020. The Credit Agreement expires in August 2023 and will automatically be extended to a date to be determined, which will be three years from the Speedway acquisition date. The Company paid \$3.8 million in upfront fees in connection with the new Credit Agreement, which were deferred and are included in the Company's other assets, net as of September 30, 2020. The fees will amortize over the life of the Credit Agreement. The amortization expense recognized for the three and nine months ended September 30, 2020 was insignificant.

On August 27, 2020, the Company entered into a delayed draw term loan facility agreement for a commitment of \$1.25 billion, with a group of lenders. No amounts have been drawn as of September 30, 2020. The term loan, if drawn, will fund immediately prior to the Speedway acquisition date and will mature three years thereafter. The loan bears interest at a floating rate based on either the base rate plus the applicable margin or LIBOR plus the applicable margin. The Company paid \$3.8 million in upfront fees in connection with the term loan facility, which were deferred and are included in the Company's other assets, net as of September 30, 2020. The fees will be amortized over the life of the term loan.

The lender commitments pursuant to the unsecured bridge loan facility entered into on August 2, 2020 were reduced by \$1.3 billion to \$12.0 billion immediately following execution of the August 27, 2020 delayed draw term loan facility agreement. The Company subsequently entered into an additional delayed draw term loan facility agreement for a commitment of \$1.0 billion in October, which further reduced the lender commitments to \$10.95 billion. See Note 13 for additional details.

## NOTE 9: COMMITMENTS AND CONTINGENCIES

**Environmental**—The Company accrues for the anticipated future costs and the related probable state reimbursements for remediation activities at its existing and previously operated fuel stores where releases of regulated substances have been detected. As of September 30, 2020 and December 31, 2019, the Company’s estimated undiscounted liability for these stores was \$34.7 million and \$35.3 million, respectively, of which \$9.1 million and \$9.2 million were included in deferred credits and other liabilities and the remainder was included in accrued expenses and other current liabilities. The Company anticipates that substantially all future remediation costs for detected releases at these stores will be incurred within the next five years.

Under certain state reimbursement programs, the Company is eligible to receive reimbursement for a portion of the accrued remediation costs, as well as a portion of remediation costs previously paid. The reimbursement claims represent a firm and legally enforceable basis to recover remediation costs from the various state programs. Accordingly, as of September 30, 2020 and December 31, 2019, the Company has recorded net receivables of \$56.8 million and \$61.3 million, respectively. Of the total receivables, \$50.1 million and \$54.6 million were included in other assets, net, and the remainder was included in accounts receivable, net as of September 30, 2020 and December 31, 2019, respectively. In assessing the probability of collection of state reimbursements, the Company takes into consideration each state’s fund balance, revenue sources, existing claim backlog, status of clean-up activity, the sunset status of each state’s fund, and claim ranking, as well as communications received from the state’s program. Changes in these factors could result in periodic adjustments to the Company’s reimbursement receivables.

While there is no assurance of the timing of the receipt of state reimbursement funds, based on the Company’s experience, the Company expects to receive the majority of state reimbursement funds within one to three years after payment of eligible remediation expenses, assuming that the state administrative procedures for processing such reimbursements follow historic payment practices.

As of September 30, 2020 and December 31, 2019, the Company’s environmental receivables were as follows (dollars in thousands):

	September 30, 2020	December 31, 2019
Gross receivable—CA .....	\$47,844	51,647
Gross receivable—Other states .....	11,307	12,188
<b>Total gross receivable</b> .....	<b>59,151</b>	<b>63,835</b>
Allowance—CA .....	(2,392)	(2,582)
<b>Net receivable, after allowance</b> .....	<b>\$56,759</b>	<b>61,253</b>

The Company recognized remediation expenses of \$5.8 million and \$5.0 million, net of estimated recoveries, for the three months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, the Company recognized remediation expenses of \$14.9 million and \$10.7 million, respectively, net of estimated recoveries. The estimated future remediation expenditures and related state reimbursements, which are reflected in OSG&A in the accompanying consolidated statements of earnings, may change within the near future as government regulations and state reimbursement programs continue to be revised. Such revisions could have a significant impact on the Company’s operations and financial position.

**Asset Retirement Obligation**—The Company records an estimated liability for the future cost to remove an underground fuel storage tank and recognizes the cost over its estimated useful life. The estimated liability for the removal of these tanks is based on the Company’s historical experience in tank removal, the estimated useful lives of the tanks, external estimates as to the cost to remove the tanks in the future, and federal and state regulatory requirements. Changes in these factors could lead to a revision of the liability.

As of September 30, 2020, and December 31, 2019, the Company had asset retirement obligations of \$264.2 million and \$240.1 million, of which \$255.6 million and \$231.5 million were recorded in deferred credits and other liabilities, with the remainder recorded in accrued expenses and other current liabilities, in the Company’s consolidated balance sheets for each respective period.

**NOTE 10: INCOME TAXES**

The Company’s estimated liability for gross unrecognized tax benefits was \$10.0 million and \$7.8 million as of September 30, 2020 and December 31, 2019, respectively. The Company does not anticipate significant changes to the amount of unrecognized tax benefits in the next 12 months.

The Company’s earnings before income tax, income tax expense, and effective tax rate for the three and nine months ended September 30, 2020 and 2019 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	(Dollars in thousands)			
Earnings before income tax .....	\$316,424	309,323	681,786	688,916
Income tax expense .....	76,987	76,570	141,788	166,925
Effective tax rate .....	24.33%	24.75%	20.80%	24.23%

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), an economic stimulus package in response to the COVID-19 global pandemic. The CARES Act contains several corporate income tax provisions, including making remaining AMT credits immediately refundable; providing a five-year carryback of NOL’s generated in tax years 2018, 2019, and 2020, and removing the 80% taxable income limitation on utilization of those NOL’s if carried back to prior tax years or utilized in tax years beginning before 2021; and temporarily liberalizing the interest deductibility rules under Section 163(j) of the 2017 Tax Act, by raising the adjusted taxable income limitation from 30% to 50% for tax years 2019 and 2020 and giving taxpayers the election of using 2019 adjusted taxable income for purposes of computing 2020 interest deductibility. In June 2020, the Company carried back its 2018 net operating loss to tax year 2013, recorded a tax receivable of \$53.7 million to recuperate the previously paid taxes and recorded a discrete tax benefit of \$21.5 million related to the difference in the federal corporate tax rate between periods. The Company continues to evaluate the impacts to the 2020 tax year.

In September 2020, the Company recorded an estimated \$150.0 million return to provision (reclassification between current and deferred tax expense) in advance of filing its 2019 U.S. federal income tax return, primarily due to the tax method change associated with uniform capitalization of inventory and self-constructed assets and the election out of bonus depreciation on certain properties.

**NOTE 11: DERIVATIVE INSTRUMENTS**

The Company periodically enters into derivative contracts to manage its exposure to certain interest rate and foreign currency risks. The Company records all derivatives at their mark-to-market value at the end of each reporting period. The Company has elected to net derivative receivables and payables (with the same underlying hedge objective), and to separately net the related cash collateral received and paid, under a master netting

arrangement. To mitigate counterparty credit risk, the Company only enters into contracts with large financial institutions based upon their financial strength, and continually assesses the creditworthiness of its counterparties. To date, all counterparties have performed in accordance with their contractual obligations.

#### Interest Rate Swaps:

The Company is exposed to interest rate risk related to its floating rate indebtedness. To manage this risk, the Company enters into interest rate swap agreements. As cash flow hedges, unrealized gains are recognized as assets while unrealized losses are recognized as liabilities. The interest rate swap agreements are highly correlated with the changes in interest rates to which the Company is exposed. The Company has elected hedge accounting for these swaps. As a result, unrealized gains and losses are recorded as a component of accumulated other comprehensive earnings. Realized gains and losses in connection with each required interest payment are reclassified from accumulated other comprehensive earnings to interest expense.

In March 2018, the Company entered into two interest rate swap agreements. The interest rate swap agreements covered a total notional amount of \$150.0 million, which was comprised of two tranches. The first tranche covered a notional amount of \$75.0 million from March 2018 to September 2020 and carried a fixed rate of 3.1%. This tranche was settled in September 2020, as the Company paid off the underlying \$75.0 million term loan as of its scheduled maturity date. The second tranche covers a notional amount of \$75.0 million from March 2018 to March 2023 and carries a fixed rate of 3.4%. In return, the Company will receive variable rate payments using one-month LIBOR plus the applicable margin.

The fair values of the interest rate swap agreements are estimated using industry standard valuation models using market-based observable inputs, including interest rate curves (Level 2). Liabilities for interest rate swaps, included in deferred credits and other liabilities in the Company's consolidated balance sheets, were \$4.6 million and \$2.9 million as of September 30, 2020 and December 31, 2019, respectively. Realized losses recorded for the interest rate swaps, and recognized in the consolidated statements of earnings, were insignificant and \$2.0 million for the three and nine months ended September 30, 2020, respectively. Realized losses for the interest rate swaps for the three and nine months ended September 30, 2019 were insignificant.

#### Foreign Currency Derivatives:

The Company is exposed to foreign currency risk with respect to certain monetary assets denominated in nonfunctional currency. This primarily includes exposure to exchange rate fluctuations in the Canadian dollar. To manage the identified foreign currency risk, the Company enters into foreign currency forward contracts. The Company has not elected hedge accounting for its foreign currency forward contracts. Thus, all gains and losses from foreign currency forward contracts, realized and unrealized, are recognized in the consolidated statements of earnings.

The total notional value of outstanding foreign currency forward contracts related to these monetary assets denominated in nonfunctional currency was \$3.9 million and \$6.8 million as of September 30, 2020 and December 31, 2019, respectively. As these forward contracts are typically settled on a monthly basis, the respective fair values were insignificant as of September 30, 2020 and December 31, 2019. The gains and losses recorded from the settlement of these contracts, which are recognized in OSG&A in the consolidated statements of earnings, were insignificant for the three and nine months ended September 30, 2020 and 2019.

## **NOTE 12: RECENTLY ISSUED ACCOUNTING STANDARDS**

### **Recently Issued Standards Not Yet Adopted**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) and has subsequently issued various clarifying amendments to the standard. The core principle of the new standard requires a lessee to recognize the

lease assets and lease liabilities for those leases classified as operating or financing. As such, a lessee will recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The update is effective for annual reporting periods beginning after December 15, 2018 for public companies. In response to COVID-19, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* in June 2020. The standard delays the effective date by an additional year, for non-public entities that have not yet adopted the initial standard (effective for annual reporting periods beginning after December 15, 2021). A reporting entity may apply the standard using either the comparative method or the effective date method, which would recognize and measure leases as of the earliest period presented or as of the effective adoption date, respectively. The Company is currently evaluating the significant impact the standard will have on its consolidated balance sheets. As of September 30, 2020, the Company held leases on approximately 6,700 Company and franchisee operated stores, most of which were classified as operating leases. Additionally, the Company provides its traditional franchisees with a turn-key store, which constitutes multiple leases and will require further evaluation. The Company anticipates adopting the standard effective for its annual period beginning on January 1, 2021, using the effective date transition method.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this update introduce a new model (current expected credit losses or “CECL”), which requires management to recognize lifetime expected credit losses upfront rather than as losses are incurred (today’s model). This new standard affects loans, debt securities, trade receivables, and other financial assets that have the contractual right to receive cash. In November 2019, the FASB issued ASU 2019-10, *Effective Dates*, which amended the effective date for non-public entities. The standard is effective for public business entities in annual and interim reporting periods beginning after December 15, 2019 and annual periods beginning after December 15, 2022 for all other entities. Early adoption is generally permitted, beginning after December 15, 2018. Entities should apply the amendments through a modified retrospective approach. The Company does not expect a significant impact on the consolidated financial statements; however, further evaluation is necessary to determine potential acceleration of credit losses associated with certain receivables. The Company anticipates adopting the standard effective for its annual period beginning on January 1, 2023.

In January 2017, the FASB issued ASU 2017-04: *Accounting for Goodwill Impairment (Topic 350)*. This standard eliminates Step 2 from the goodwill impairment test, which includes determining the implied fair value of goodwill (hypothetical purchase price allocation) and comparing it with the carrying amount of goodwill. The update applies to all entities with goodwill except for private companies that have elected the private company alternative for goodwill impairment. In November 2019, the FASB issued ASU 2019-10, *Effective Dates*, which amended the effective date for non-public entities. The standard is effective for public business entities in annual and interim reporting periods beginning after December 15, 2019 and annual periods beginning after December 15, 2022 for all other entities. Early adoption would be permitted. The Company performs an annual impairment test on its goodwill. This update would potentially simplify the determination of the amount of goodwill impairment by eliminating the implied fair value of goodwill computation (in the event Step 2 was reached).

### **NOTE 13: SUBSEQUENT EVENTS**

The Company has evaluated all events and transactions occurring between the balance sheet date and the date of issuance of the financial statements.

In October 2020, the Company acquired a wholesale fuel business from an unrelated party. The business is primarily located in North Carolina, South Carolina, and Georgia. The acquisition has a total purchase price of approximately \$30 million. The Company will obtain an independent valuation to assist management with certain fair value estimates of the acquired assets and liabilities assumed. The Company anticipates that this acquisition will qualify as a business combination.

The Company signed two purchase agreements to acquire retail sites from unrelated parties in October 2020. The sites are primarily located in Florida and Texas. The acquisitions have a total purchase price of approximately \$51 million and are expected to close in the fourth quarter of 2020, subject to standard closing conditions. The Company anticipates that these acquisitions will qualify as business combinations.

In October 2020, the Company entered into an additional delayed draw term loan facility agreement for a commitment of \$1.0 billion, with a group of lenders. The term loan, if drawn, will fund immediately prior to the Speedway acquisition date and will mature three years thereafter. The loan bears interest at a floating rate based on either the base rate plus the applicable margin or LIBOR plus the applicable margin. The Company paid \$2.0 million in upfront fees in connection with the term loan facility, which will be deferred and amortized over the life of the term loan. The lender commitments pursuant to the unsecured bridge loan facility were reduced by \$1.0 billion to \$10.95 billion immediately following execution of this delayed draw term loan facility agreement. See Note 8 for details regarding the unsecured bridge loan facility.

In November, the Company entered into forward-starting interest rate swaps with multiple counterparties, associated with future interest payments over periods ranging from seven to thirty years. The transactions involve \$2.3 billion in notional amounts. The swap transactions were entered into as a cash flow hedge in advance of a forecasted debt offering that will be used to fund a portion of the anticipated Speedway acquisition. The swap transactions are expected to mitigate risk of an increase in interest rates occurring prior to the forecasted debt offering. Under the swaps, the Company will receive variable payments and will pay fixed rates. The Company anticipates electing hedge accounting for these swaps.

## **Report of Independent Auditors**

To the Board of Directors and Stockholders of Marathon Petroleum Corporation

We have audited the accompanying combined financial statements of the Speedway Business of Marathon Petroleum Corporation, which comprise the combined balance sheets as of December 31, 2019 and 2018, and the related combined statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019.

### ***Management's Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Speedway Business of Marathon Petroleum Corporation as of December 31, 2019 and 2018 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Toledo, Ohio

June 11, 2020, except for the effects of the revision discussed in Note 1 to the combined financial statements, as to which the date is January 25, 2021



## Speedway Business of Marathon Petroleum Corporation

### Combined Statements of Income

(Millions of dollars)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Sales <sup>(a)</sup> .....	\$26,557	\$21,946	\$19,036
Equity method investment income .....	82	74	69
Diesel branding agreement income .....	28	—	—
Total sales and other operating income .....	<u>26,667</u>	<u>22,020</u>	<u>19,105</u>
Cost of sales <sup>(a)(b)</sup> .....	22,484	18,862	16,389
Operating, general and administrative expenses <sup>(c)</sup> .....	2,809	2,090	1,775
Depreciation and amortization .....	414	321	274
Income from operations .....	960	747	667
Other income, net .....	38	23	27
Interest expense, net .....	7	1	1
Interest expense, net—related party .....	111	116	112
Income before income taxes .....	880	653	581
Income tax expense .....	221	170	44
Net income .....	<u>\$ 659</u>	<u>\$ 483</u>	<u>\$ 537</u>

- (a) The 2019 and 2018 periods reflect an election to present certain taxes on a net basis concurrent with our adoption of Accounting Standard Update (“ASU”) 2014-09, Revenue—Revenue from Contracts with Customers. See Note 3 for further information. Sales in 2019, 2018 and 2017 include excise taxes of \$3,383, \$2,829 and \$2,893, respectively.
- (b) Cost of sales includes related party purchases. See Note 6 for further information. Cost of sales excludes depreciation and amortization, which are reflected in a separate line item.
- (c) Operating, general and administrative expenses exclude depreciation and amortization, which are reflected in a separate line item.

See accompanying notes to combined financial statements.

**Speedway Business of Marathon Petroleum Corporation**

Combined Statements of Comprehensive Income

*(Millions of dollars)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net income</b> .....	\$659	\$483	\$537
<b>Other comprehensive income (loss):</b>			
Change in pension and other postretirement defined benefit plans, net of tax benefit (expense) of (\$2), \$2 and \$1, respectively .....	4	(6)	(3)
Other, net of tax benefit (expense) of \$1, (\$1) and \$1, respectively .....	<u>(1)</u>	<u>5</u>	<u>(1)</u>
Other comprehensive income (loss) .....	<u>\$ 3</u>	<u>\$ (1)</u>	<u>\$ (4)</u>
<b>Comprehensive income</b> .....	<u>\$662</u>	<u>\$482</u>	<u>\$533</u>

See accompanying notes to combined financial statements.

## Speedway Business of Marathon Petroleum Corporation

### Combined Balance Sheets

	December 31,	
	2019	2018
<i>(Millions of dollars)</i>		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 165	\$ 212
Receivables, net . . . . .	246	235
Inventories, net . . . . .	443	441
Other current assets . . . . .	28	62
<b>Total current assets</b> . . . . .	<u>882</u>	<u>950</u>
Equity method investments . . . . .	330	341
Property, plant and equipment, net . . . . .	4,720	4,557
Goodwill . . . . .	4,448	4,362
Operating lease assets <sup>(a)</sup> . . . . .	653	—
Intangible assets, net of amortization . . . . .	145	285
Other noncurrent assets . . . . .	25	29
<b>Total assets</b> . . . . .	<u>\$11,203</u>	<u>\$10,524</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable . . . . .	\$ 428	\$ 407
Accounts payable—related parties . . . . .	35	19
Accrued interest—related party . . . . .	28	28
Notes payable, current portion—related party . . . . .	—	387
Operating lease liabilities <sup>(a)</sup> . . . . .	91	—
Other current liabilities . . . . .	458	430
<b>Total current liabilities</b> . . . . .	<u>1,040</u>	<u>1,271</u>
Long-term finance lease liabilities . . . . .	98	89
Notes payable—related party . . . . .	1,750	1,750
Deferred income taxes . . . . .	519	461
Long-term operating lease liabilities <sup>(a)</sup> . . . . .	575	—
Other long-term liabilities . . . . .	136	231
<b>Total liabilities</b> . . . . .	<u>4,118</u>	<u>3,802</u>
<i>Commitments and contingencies (see Note 17)</i>		
Equity:		
Parent company investment . . . . .	7,084	6,724
Accumulated other comprehensive income / (loss) . . . . .	1	(2)
<b>Total equity</b> . . . . .	<u>7,085</u>	<u>6,722</u>
<b>Total liabilities and equity</b> . . . . .	<u>\$11,203</u>	<u>\$10,524</u>

(a) We adopted Accounting Standard Update (“ASU”) No. 2016-02, Leases as of January 1, 2019. See Note 3 for further information.

See accompanying notes to combined financial statements.

## Speedway Business of Marathon Petroleum Corporation

### Combined Statements of Changes in Equity

<i>(Millions of dollars)</i>	<u>Parent Company Investment</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Equity</u>
<b>Balance, December 2016</b> .....	\$2,017	\$ 3	\$2,020
Net income .....	537	—	537
Other comprehensive income (loss), net .....	—	(4)	(4)
Transfers (to) from Parent:			
Settlement of notes payable to Parent .....	25	—	25
Other transfers (to) from Parent, net .....	(315)	—	(315)
Net transfers (to) from Parent .....	(290)	—	(290)
<b>Balance, December 2017</b> .....	\$2,264	\$ (1)	\$2,263
Net income .....	483	—	483
Other comprehensive income (loss), net .....	—	(1)	(1)
Transfers (to) from Parent:			
Settlement of notes payable to Parent .....	50	—	50
Acquisitions funded by Parent .....	4,428	—	4,428
Other transfers (to) from Parent, net .....	(501)	—	(501)
Net transfers (to) from Parent .....	3,977	—	3,977
<b>Balance, December 2018</b> .....	\$6,724	\$ (2)	\$6,722
Net income .....	659	—	659
Other comprehensive income (loss), net .....	—	3	3
Transfers (to) from Parent:			
Settlement of notes payable to Parent .....	387	—	387
Acquisitions funded by Parent .....	86	—	86
Other transfers (to) from Parent, net .....	(772)	—	(772)
Net transfers (to) from Parent .....	(299)	—	(299)
<b>Balance, December 2019</b> .....	\$7,084	\$ 1	\$7,085

See accompanying notes to combined financial statements.

## Speedway Business of Marathon Petroleum Corporation

### Combined Statements of Cash Flows

(Millions of dollars)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>			
Net income . . . . .	\$ 659	\$ 483	\$ 537
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization . . . . .	414	321	274
(Gain) / loss on disposal of assets . . . . .	(29)	(17)	(14)
Deferred income taxes . . . . .	67	110	(106)
(Income) loss from equity method investments . . . . .	(82)	(74)	(69)
Distributions from equity method investments . . . . .	94	61	40
Stock-based compensation . . . . .	8	7	5
Others, net . . . . .	6	(10)	8
Changes in operating assets and liabilities net of effects of businesses acquired:			
Receivables . . . . .	(11)	82	24
Inventories . . . . .	2	(41)	(6)
Accounts payable and accrued expenses . . . . .	22	23	22
Accounts payable and accrued expenses—related party . . . . .	16	(11)	—
Right of use assets and operating lease liabilities, net . . . . .	9	—	—
Other, net . . . . .	(1)	10	(3)
Net cash provided by operating activities . . . . .	<u>1,174</u>	<u>944</u>	<u>712</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment . . . . .	(544)	(389)	(384)
Proceeds from sales of property, plant and equipment . . . . .	80	32	43
Contribution to equity method investee . . . . .	—	—	(16)
Net cash used in investing activities . . . . .	<u>(464)</u>	<u>(357)</u>	<u>(357)</u>
<b>Cash flows from financing activities</b>			
Payments of finance leases . . . . .	(6)	(2)	—
Transfers (to)/from Parent, net . . . . .	(781)	(509)	(320)
Net cash (used in) provided by financing activities . . . . .	<u>(787)</u>	<u>(511)</u>	<u>(320)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(77)	76	35
Cash, cash equivalents and restricted cash at beginning of year . . . . .	242	166	131
<b>Cash, cash equivalents and restricted cash at end of year</b> . . . . .	<u>\$ 165</u>	<u>\$ 242</u>	<u>\$ 166</u>
Less: Restricted cash . . . . .	<u>—</u>	<u>30</u>	<u>—</u>
<b>Cash and cash equivalents at end</b> . . . . .	<u>\$ 165</u>	<u>\$ 212</u>	<u>\$ 166</u>
<b>Supplemental cash flow disclosures</b>			
Interest paid . . . . .	111	116	112

See accompanying notes to combined financial statements.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

#### *Description of Business*

The accompanying combined financial statements and notes present the combined statements of income, financial position, and cash flows of the Speedway business (“Speedway”, “the Company”, “we”, “us”, “our”) of Marathon Petroleum Corporation (“MPC” or “Parent”).

Speedway owns and operates a chain of convenience stores across the United States, with approximately 3,900 locations. Our convenience stores sell transportation fuels and a wide variety of food and merchandise for our “on-the-go” customers, including beverages, snacks, prepared and pre-packaged foods, health and beauty products, tobacco products and general convenience items. Speedway also owns a 29 percent interest in PFJ Southeast LLC (“PFJ Southeast”), a joint venture between Speedway and Pilot Travel Centers LLC (“PTC”) with 125 travel center locations primarily in the Southeast United States. Additionally, Speedway and PTC entered into a diesel fuel branding agreement effective October 1, 2019 in which PTC agreed to supply, price and sell diesel fuel at certain Speedway and PTC locations with both companies agreeing to share in the diesel fuel margins. At December 31, 2019, this agreement included approximately 330 Speedway and PTC fueling locations across 13 states, including approximately 180 Speedway commercial fueling locations.

On October 31, 2019, MPC announced its intention to separate its retail store operations (primarily operated under the Speedway brand), excluding MPC’s direct-dealer retail locations, from the remainder of its businesses.

#### *Basis of Presentation*

These combined financial statements have been derived from the Consolidated Financial Statements and accounting records of MPC. These combined financial statements reflect the combined historical results of operations, financial position and cash flows of the Company for the periods presented as historically managed within MPC in conformity with generally accepted accounting principles in the United States (“GAAP”). The combined financial statements may not be indicative of the Company’s future performance and do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as an independent company during the periods presented.

These combined financial statements were issued on June 11, 2020 and we have since revised our 2019 and 2018 related party fuel purchases and cash settled related party fuel purchases disclosure balances presented in Note 6. The revisions reflect additional related party purchases and cash settled related party purchases that were identified by management. The revisions increased the related party purchases balances by \$1.82 billion and \$405 million and increased the cash settled related party purchases balances by \$122 million and \$30 million for the periods ending December 31, 2019 and 2018, respectively. We believe these adjustments are not material to any individual year presented.

Speedway has one reportable operating segment, which includes its consolidated convenience store operations as well as diesel branding agreement income. Speedway’s equity method investment in PFJ Southeast is a separate operating segment with results reported as equity investment income, described in further detail in Note 8. All intracompany transactions have been eliminated. All significant intercompany transactions between us and Parent have been included in these combined financial statements. Intercompany transactions between us and Parent are deemed to have settled immediately through Parent company investment, other than those transactions which have been historically settled in cash and which are reflected in the combined balance sheets as Accounts payable—related parties, Accrued interest—related party and Notes payable—related party. The net effect of deemed settled transactions is reflected in the combined statements of cash flows as a financing activity and in the combined balance sheets as Parent company investment. Refer to Note 6 for additional information.

Historically, MPC provided certain corporate functions to the Company and costs associated with these functions were allocated to the Company. These functions include, but are not limited to, executive management, legal, human resources, treasury, investor relations, finance, accounting, internal audit, information technology, and the related benefit costs associated with such functions, such as stock-based compensation. The costs of such services were allocated to the Company based on direct usage when identifiable, with the remainder allocated on a pro rata basis of income from operations, total assets and headcount of the Company and MPC. The charges for these functions are deemed settled in cash by Speedway to MPC in the period in which the costs were recorded within Operating, general and administrative expenses in the combined statements of income. The Company believes the bases on which the expenses have been allocated are a reasonable reflection of the utilization of services provided to, or the benefit received by, Speedway during the periods presented; however, they may not be indicative of the actual expense that would have been incurred had Speedway been operating as an independent company for the periods presented. Actual costs that may have been incurred if the Company had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. Going forward, the Company may perform these functions using its own resources or outsourced services. For an interim period, however, some of these functions will continue to be provided between MPC and the Company under a transition services agreement following the separation.

Current and deferred income taxes have been determined based on the stand-alone results of Speedway. However, because the Company filed as part of MPC's tax group in certain jurisdictions, the Company's actual tax balances may differ from those reported.

MPC utilizes a centralized treasury management function for financing its operations, with cash from MPC's operating companies, including Speedway, swept to shared MPC cash pooling accounts. The cash and cash equivalents held by MPC at the corporate level are not specifically identifiable to the Company and therefore have not been reflected in the Company's combined balance sheets. Cash transfers between MPC and the Company are accounted for through Parent company investment. Cash and cash equivalents in the combined balance sheets represent cash and cash equivalents directly identifiable to the Company and its operations.

The combined financial statements include certain liabilities that have historically been held at the MPC corporate level but are specifically identifiable or otherwise attributable to the Company. MPC's third-party long-term debt and the related interest expense have not been allocated to the Company for any of the periods presented as the Company was not the legal obligor of such debt and the MPC borrowings were not directly attributable to the Company.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenues and expenses during the respective reporting periods.

### **Parent Company Investment**

Parent company investment reflected in the combined balance sheets represents MPC's historical investment in the Company, the accumulated net earnings after taxes and the net effect of the allocations to/from and transactions with MPC. Refer to Note 6 for additional information.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and cash on deposit. Cash equivalents consist of liquid instruments and investments with maturities of three months or less when purchased. The recorded amounts

approximate fair value. The majority of cash on hand is cash held at Speedway store locations to which the Company does not have immediate access. Cash on deposit is generally transferred to our Parent on a daily basis.

### **Restricted Cash**

Restricted cash consists of proceeds from an asset disposition that was designated a like-kind exchange under Section 1031 of the Internal Revenue Code, which requires the cash to be reinvested in a like kind asset within a specified period of time to avoid adverse tax consequences. As of December 31, 2018, \$30 million of restricted cash was included in Other current assets. Restricted cash was immaterial as of December 31, 2019.

### **Receivables and Allowance for Doubtful Accounts**

Our receivables primarily consist of amounts due from credit card companies and certain vendors. Receivables are recorded at the invoiced amounts and generally do not bear interest. Allowances for doubtful accounts are generally recorded when it becomes probable the credit receivable will not be collected and are booked to bad debt expense. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses. We review past-due balances over 180 days individually for collectability. The allowance for doubtful accounts was immaterial for December 31, 2019 and December 31, 2018.

### **Inventories**

Inventories are carried at the lower of cost or market value. Costs for transportation fuel inventories are determined using the last-in, first-out “LIFO” method. Costs for transportation fuel inventories are aggregated on a consolidated basis for purposes of assessing if the LIFO cost basis of these inventories may have to be written down to market value.

Costs for food service products (including coffee, fountain beverages, and prepared foods) are determined using the item cost method. This method involves counting each item in inventory, assigning costs to each item based on the actual purchase costs and recording the cost of items sold. Costs for all other merchandise (including packaged foods, tobacco products, automotive products, beer and wine, and other pre-packaged merchandise) are determined using the LIFO method.

The company evaluates inventory shortages and records reductions to its inventory balance throughout the year based on actual physical counts in its facilities. Refer to Note 7 for additional information.

### **Equity Method Investments**

Investments in entities over which we have significant influence, but not control, are accounted for using the equity method of accounting. Income from equity method investments represents our proportionate share of net income generated by the equity method investees.

Differences in the basis of the investments and the separate net asset values of the investees, if any, are amortized into net income over the remaining useful lives of the underlying assets and liabilities, except for any excess related to goodwill. Equity method investments are evaluated for impairment whenever changes in the facts and circumstances indicate a loss in value has occurred. When the loss is deemed to be other than temporary, the carrying value of the equity method investment is written down to fair value.

### **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost or, in the case of assets acquired in a business combination, at fair value. Expenditures related to the implementation of software are capitalized and presented as part of property, plant and equipment. Depreciation expense is computed on a straight-line basis over the



estimated useful lives of the assets. The range of useful lives used to depreciate property, plant and equipment is as follows:

Buildings .....	15 to 25 years
Equipment .....	4 to 15 years
Software .....	5 years

When items of property, plant and equipment are sold or otherwise disposed of, any gains or losses are reported in net income. Gains on the disposal of property, plant and equipment are recognized when earned, which is generally at the time of closing. If a loss on disposal is expected, such losses are recognized when the assets are classified as held for sale. Refer to Note 9 for additional information.

### **Asset impairment and store closings**

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable (for example, when a store generates negative adjusted cash flows). If the sum of the expected undiscounted future cash flows from the use of the asset group and its eventual disposition is less than the carrying amount of the asset group, an impairment assessment is performed and the excess of the book value over the fair value of the asset group is recorded as an impairment loss.

In determining whether an asset is impaired, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets, which for the Company is generally on a store-by-store basis. The Company writes down property, plant and equipment of stores to be sold to an estimated net realizable value at the time management commits to a plan to close and begins active marketing of the stores. The Company bases the estimated net realizable value of property and equipment on its experience in utilizing and/or disposing of similar assets, on estimates provided by its own and/or third-party real estate experts, or a valid offer from a third party.

### **Goodwill and Intangible Assets**

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the acquisition of a business. Goodwill is not amortized, but rather is tested for impairment annually and when events or changes in circumstances indicate that the fair value of a reporting unit with goodwill has been reduced below carrying value. The Company has a single reporting unit for purposes of goodwill impairment testing. The fair value of the reporting unit is determined using an income and/or market approach which is compared to the carrying value of the reporting unit. The fair value under the income approach is calculated using the expected present value of future cash flows method. Significant assumptions used in the cash flow forecasts include future net operating margins, future volumes, discount rates and future capital requirements. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss would be recognized in an amount equal to that excess, limited to the total amount of goodwill. Refer to Note 10 for additional information.

Amortization of intangibles with definite lives is calculated using the straight-line method, which is reflective of the benefit pattern in which the estimated economic benefit is expected to be received over the estimated useful life of the intangible asset. Intangible assets such as brand rights, liquor licenses, and other intangible assets with finite useful lives are amortized on a straight-line basis over their estimated economic lives. The weighted-average useful lives approximate the following:

Brand Rights .....	6 to 20 years
Liquor Licenses .....	10 years
Other .....	2 to 20 years

Intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible may not be recoverable. If the sum of the expected undiscounted future cash flows related to the asset is less than the carrying amount of the asset, an impairment loss is recognized based on the fair value of the asset. Intangibles not subject to amortization are tested for impairment annually and when circumstances indicate that the fair value is less than the carrying amount of the intangible. If the fair value is less than the carrying value, an impairment is recorded for the difference. Refer to Note 11 for additional information.

### **Pensions and Other Postretirement Benefit Plans**

We recognize the funded status of Speedway-sponsored defined benefit plans on the combined balance sheets. Actuarial gains or losses and prior service costs or credits that have not yet been recognized as part of net periodic benefit cost are recorded as a component of Accumulated Other Comprehensive Income (“AOCI”).

The calculation of the obligation and expense for pension plans and other postretirement benefits sponsored by the Company is dependent on assumptions selected by actuaries and the Company. Those assumptions are described in Note 14 and include, among others, the discount rate, the expected long-term rate of return on plan assets, mortality and the rates of increase in compensation and health care costs. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in future periods. While the Company believes that the assumptions are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension and other postretirement obligations and future expense.

Certain employees of the Company participate in defined benefit plans sponsored by MPC (“Shared Plans”), which include participants from other MPC businesses. We account for our participation in the Shared Plans as multiemployer plans in these combined financial statements. Therefore, no plan assets or liabilities related to the Shared Plans have been included in the combined balance sheets. Speedway’s portion of pension and other postretirement expenses related to the Shared Plans is included in Operating, general and administrative expenses in the combined statements of income.

Employees of the Company participate in various qualified and unqualified defined contribution pension and other postretirement benefit plans. Our required contributions to such plans are expensed when contributed for funded plans, or over the service period for unfunded plans. Our contributions due but not yet paid for unfunded plans are recorded as a liability in the combined balance sheets. Refer to Note 14 for additional information regarding the Company’s pension and other postretirement benefit plans.

### **Asset Retirement Obligations**

The fair value of asset retirement obligations is recognized in the period in which the obligations are incurred if a reasonable estimate of fair value can be made. The majority of our recognized asset retirement liability relates to removal of underground storage tanks at our leased convenience stores. The fair values recorded for such obligations are based on the most probable current cost projections.

Asset retirement obligations have not been recognized for some assets because the fair value cannot be reasonably estimated since the settlement dates of the obligations are indeterminate. Such obligations will be recognized in the period when sufficient information becomes available to estimate a range of potential settlement dates. The asset retirement obligations principally include the hazardous material disposal and removal or dismantlement requirements associated with the closure of certain retail assets.

Our practice is to keep our assets in good operating condition through routine repair and maintenance of component parts in the ordinary course of business and by continuing to make improvements based on technological advances. As a result, we believe that generally these assets have no expected settlement date for purposes of estimating asset retirement obligations since the dates or ranges of dates upon which we would retire these assets cannot be reasonably estimated at this time.

## **Environmental Costs**

Environmental expenditures for additional equipment that mitigates or prevents future contamination or improves environmental safety or efficiency of the existing assets are capitalized. We recognize remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs can be reasonably estimated. The timing of remediation accruals coincides with completion of a feasibility study or the commitment to a formal plan of action. Remediation liabilities are accrued based on estimates of known environmental exposure. If recoveries of remediation costs from third parties are probable, a receivable is recorded. Remediation accruals and receivables are not discounted.

## **Revenue Recognition**

Revenue is recognized for retail sales of transportation fuels and merchandise at the time of the sale to the customer. Payments from customers are received at the time sales occur in cash or by credit or debit card. Speedway offers a loyalty rewards program to its customers. We defer a minor portion of revenue on sales to loyalty program participants until the participants redeem their rewards. We defer revenue associated with the sale of our prepaid gift cards until they are redeemed for transportation fuels or merchandise. Commissions on lottery tickets and sales of third-party prepaid gift cards are recorded on a net basis at the time of sale. As of January 1, 2018, we made an accounting policy election that all taxes assessed by a governmental authority that are both imposed on and concurrent with a revenue-producing transaction and collected from our customers will be recognized on a net basis within sales and other operating revenues.

Refer to Note 3 for additional information.

## **Cost of sales**

Cost of sales includes all costs incurred to acquire transportation fuel and merchandise inventories, including the purchase price, freight-in, transportation costs to stores, purchasing costs and shrink. Cost of sales does not include credit card processing fees or labor costs, as these amounts are included in Operating, general and administrative expense. Cost of sales does not include any depreciation of property, plant and equipment, as these amounts are included in depreciation and amortization.

## **Merchandise vendor allowances and rebates**

We receive payments for vendor allowances and volume rebates from various suppliers of convenience store merchandise. Purchase-based vendor allowances and rebates are recognized in inventory and subsequently cost of sales. Sales-based vendor allowances and rebates are recognized directly in cost of sales.

## **Self-insurance**

We are self-insured for workers' compensation, general liability, and automobile claims. We record a self-insurance claim liability for workers' compensation, determined actuarially at each year end based on claims filed and an estimate of claims incurred but not yet reported. The liability is discounted. Our self-insurance reserve totaled \$29 million and \$27 million as of December 31, 2019 and 2018, respectively.

## **Income Taxes**

Income taxes as presented in the combined financial statements attribute current and deferred income taxes of MPC to the Company's stand-alone financial statements in a manner that is systematic, rational and consistent with the asset and liability method prescribed by FASB ASC Topic 740: Income Taxes ("ASC 740"). Accordingly, Speedway's income tax provision was prepared following the separate return method. The separate return method applies ASC 740 to the stand-alone financial statements of each member of the consolidated group

as if the group members were a separate taxpayer and a stand-alone enterprise. The calculation of our income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. As a result, actual transactions included in the Consolidated Financial Statements of MPC may not be included in the separate combined financial statements of the Company. Similarly, the tax treatment of certain items reflected in the combined financial statements of the Company may not be reflected in the Consolidated Financial Statements and tax returns of MPC. Therefore, such items as net operating losses, credit carry-forwards and valuation allowances may exist in the stand-alone financial statements that may or may not exist in MPC's Consolidated Financial Statements. As such, the income taxes of the Company as presented in the combined financial statements may not be indicative of the income taxes that the Company will report in the future.

Certain operations of the Company have historically been included in a combined return with other MPC entities. Current obligations for taxes in certain jurisdictions, where the Company files a combined tax return with MPC, are deemed settled with MPC for purposes of the combined financial statements. Current obligations for tax in jurisdictions where the Company does not file a combined return with MPC, including certain U.S. states, are recorded within Accrued taxes on the combined balance sheets.

In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest expense has also been recognized. We recognize accrued interest related to unrecognized tax benefits in interest expense. Penalties, if incurred, would be recognized as a component of income tax expense. Refer to Note 16 for additional information.

### **Business Combinations**

We recognize and measure the assets acquired and liabilities assumed in a business combination based on their estimated fair values at the acquisition date. Any excess or surplus of the purchase consideration when compared to the fair value of the net assets acquired, if any, is recorded as goodwill or gain from a bargain purchase. For material acquisitions, management engages an independent valuation specialist to assist with the determination of fair value of the assets acquired, liabilities assumed noncontrolling interest, if any, and goodwill, based on recognized business valuation methodologies. An income, market or cost valuation method may be utilized to estimate the fair value of the assets acquired, liabilities assumed and noncontrolling interest, if any, in a business combination. The income valuation method represents the present value of future cash flows over the life of the asset using: (i) discrete financial forecasts, which rely on management's estimates of revenue and operating, general and administrative expenses; (ii) long-term growth rates; and (iii) appropriate discount rates. The market valuation method uses prices paid for a reasonably similar asset by other purchasers in the market, with adjustments relating to any differences between the assets. The cost valuation method is based on the replacement cost of a comparable asset at prices at the time of the acquisition reduced for depreciation of the asset. If the initial accounting for the business combination is incomplete by the end of the reporting period in which the acquisition occurs, an estimate will be recorded. Subsequent to the acquisition date, and not later than one year from the acquisition date, we will record any material adjustments to the initial estimate based on new information obtained that would have existed as of the date of the acquisition. Any adjustment that arises from information obtained that did not exist as of the date of the acquisition will be recorded in the period of the adjustment. Acquisition-related costs are expensed as incurred in connection with each business combination.

### **Concentration Risk**

MPC supplied substantially all of the motor fuel purchased by us for resale during all years presented. No customers are individually material to our operations.

## **NOTE 3. ACCOUNTING STANDARDS**

### **Recently Adopted Accounting Standards**

#### *ASU 2016-02, Leases*

We adopted ASU No. 2016-02, Leases (“ASC 842”), as of January 1, 2019, electing the transition method which permits entities to adopt the provisions of the standard using the modified retrospective approach without adjusting comparative periods. We also elected the package of practical expedients permitted under the transition guidance within ASC 842, which among other things, allowed us to grandfather the historical accounting conclusions until a reassessment event occurs. We have also elected the practical expedient to not recognize short-term leases on the balance sheet and the practical expedient to combine lease and non-lease components for the majority of our underlying classes of assets. In instances where the practical expedient was not elected, lease and non-lease consideration is allocated based on relative standalone selling price.

Right of use (“ROU”) assets represent our right to use an underlying asset for which we obtain substantially all of the economic benefits and the right to direct the use of the asset during the lease term. Lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We recognize ROU assets and lease liabilities on the balance sheet for leases with a lease term of greater than one year. Payments that are not fixed at the commencement of the lease are considered variable and are excluded from the ROU asset and lease liability calculations. In the measurement of our ROU assets and lease liabilities, the fixed lease payments in the agreement are discounted using a secured incremental borrowing rate for a term similar to the duration of the lease, as our leases do not have readily determinable implicit rates. Operating lease expense is recognized on a straight-line basis over the lease term.

Adoption of the new standard resulted in the recording of ROU assets and lease liabilities of approximately \$743 million and \$746 million, respectively, as of January 1, 2019. The standard did not materially impact our combined statements of income, cash flows or equity as a result of adoption.

#### *ASU 2017-04, Intangibles—Goodwill and Other—Simplifying the Test for Goodwill Impairment*

In connection with our annual goodwill impairment test, we adopted ASU 2017-04 prospectively during the fourth quarter of 2019. Under ASU 2017-04, the recognition of an impairment charge is calculated based on the amount by which the carrying amount exceeds the reporting unit’s fair value, which could be different from the amount calculated under the former method using the implied fair value of the goodwill; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The adoption did not have an impact on the combined financial statements.

#### *ASU 2014-09, Revenue—Revenue from Contracts with Customers (ASC 606)*

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“ASC 606”), which created a comprehensive, five-step model for revenue recognition that requires a company to recognize revenue to depict the transfer of promised goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. Under ASC 606, companies are required to use more judgment and make more estimates when considering contract terms as well as relevant facts and circumstances when identifying performance obligations, estimating the amount of variable consideration in the transaction price and allocating the transaction price to each separate performance obligation. The Company adopted ASC 606 on January 1, 2018 using the modified retrospective approach. Concurrent with our adoption of ASC 606, we made an accounting policy election that all taxes assessed by a governmental authority that are both imposed on and concurrent with a revenue-producing transaction and collected from our customers will be recognized on a net basis within Sales.

### *Impact of Adoption*

The adoption of ASC 606 did not materially change our revenue recognition patterns. The most significant impact of adopting ASC 606 for the year ended December 31, 2018 was a reduction of sales and other operating revenues of \$890 million due to our accounting policy election to present taxes incurred concurrently with revenue producing transactions and collected on behalf of our customers on a net basis.

### *Practical Expedients*

We elected the completed contract practical expedient and only applied ASC 606 to contracts that were not completed as of January 1, 2018.

### *ASU 2016-18, Statement of Cash Flows—Restricted Cash*

In November 2016, the FASB issued ASU No. 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash,” an update that requires restricted cash and restricted cash equivalents in the statement of cash flows to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statements of cash flow. The Company adopted this standard on January 1, 2018 which resulted in an impact to the combined financial statements of \$30 million.

We also adopted the following ASUs during 2019 and 2018, none of which had a material impact to our financial statements or financial statement disclosures:

<u>ASU</u>		<u>Effective Date</u>
2018-02...	Reporting Comprehensive Income—Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	January 1, 2019
2017-09...	Stock Compensation—Scope of Modification Accounting	January 1, 2018
2017-07...	Retirement Benefits—Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement cost	January 1, 2018
2017-05...	Gains and Losses from the Derecognition of Nonfinancial Assets—Clarifying the Scope of Asset Derecognition Guidance	January 1, 2018
2017-01...	Business Combinations—Clarifying the Definition of a Business	January 1, 2018
2016-16...	Income Taxes—Intra-Entity Transfers of Assets Other Than Inventory	January 1, 2018
2016-15...	Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments	January 1, 2018
2016-01...	Financial Instruments—Recognition and Measurement of Financial Assets and Liabilities	January 1, 2018

### **Accounting Standards Not Yet Adopted**

#### *ASU 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. Amendments include removal of certain exceptions to the general principles of ASC 740 and simplification in several other areas such as accounting for a franchise tax or similar tax that is partially based on income. The change is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. We do not expect the application of this ASU to have a material impact on our combined financial statements.

#### *ASU 2016-13, Credit Losses—Measurement of Credit Losses on Financial Instruments*

In June 2016, the FASB issued an ASU related to the accounting for credit losses on certain financial instruments. The guidance requires that for most financial assets, losses be based on an expected loss approach which includes estimates of losses over the life of exposure that considers historical, current and forecasted

information. Expanded disclosures related to the methods used to estimate the losses as well as a specific disaggregation of balances for financial assets are also required. The change is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The application of this ASU will not have a material impact on our combined financial statements.

#### NOTE 4. ACQUISITIONS

##### Acquisition of Andeavor

On October 1, 2018, MPC acquired Andeavor. Andeavor was an integrated oil and gas refining, logistics and marketing company. The subset of Andeavor’s operations consisting primarily of company-owned and operated convenience stores (“Andeavor Retail”) was integrated into Speedway, with the remainder integrated into other operations of MPC. The Company’s financial results reflect the results of Andeavor Retail from October 1, 2018, the date of the acquisition. Of the purchase consideration transferred by MPC, \$4.19 billion was attributable to Andeavor Retail.

We accounted for the Andeavor Retail acquisition using the acquisition method of accounting, which requires Andeavor Retail assets and liabilities to be recorded on our balance sheet at fair value as of the acquisition date. The size and the breadth of the Andeavor Retail acquisition necessitated the use of the one-year measurement period provided under ASC 805 to fully analyze all the factors used in establishing the asset and liability fair values as of the acquisition date. We completed a final determination of the fair value of certain assets and liabilities during the three months ended September 30, 2019 and recorded final adjustments to our preliminary purchase price allocation. These adjustments reflect the completion of valuation studies of the acquired property, plant and equipment in order to finalize assumptions used in their cost approach valuation methodology and finalization of specific valuation assumptions and data inputs for other individual asset valuation models. The fair value estimates of assets acquired and liabilities assumed as of the acquisition date which are attributable to Andeavor Retail are noted in the table below.

<i>(Millions of dollars)</i>	<b>As originally reported</b>	<b>Adjustments</b>	<b>As adjusted</b>
Cash and cash equivalents . . . . .	\$ 27	\$—	\$ 27
Receivables . . . . .	72	—	72
Inventories . . . . .	85	—	85
Other current assets . . . . .	8	—	8
Property, plant and equipment, net . . . . .	780	—	780
Intangible assets, net . . . . .	197	(40)	157
Other noncurrent assets <sup>(a)</sup> . . . . .	2	—	2
<b>Total assets acquired</b> . . . . .	<b>1,171</b>	<b>(40)</b>	<b>1,131</b>
Accounts payable . . . . .	83	—	83
Accounts payable—Related parties . . . . .	30	—	30
Payroll and benefits payable . . . . .	15	—	15
Accrued taxes . . . . .	45	—	45
Debt due within one year . . . . .	5	—	5
Other current liabilities . . . . .	7	—	7
Long-term debt . . . . .	100	—	100
Deferred income taxes . . . . .	44	(10)	34
Deferred credit and other liabilities . . . . .	64	—	64
<b>Total liabilities assumed</b> . . . . .	<b>393</b>	<b>(10)</b>	<b>383</b>
Net assets acquired excluding goodwill . . . . .	778	(30)	748
Goodwill . . . . .	3,413	30	3,443
<b>Net assets acquired</b> . . . . .	<b>\$4,191</b>	<b>\$—</b>	<b>\$4,191</b>

(a) Includes intangible assets.

Details of our valuation methodology and significant inputs for fair value measurements are included by asset class below. The fair value measurements for property, plant and equipment, intangible assets and long-term debt are based on significant inputs that are not observable in the market and, therefore, represent Level 3 measurements.

### ***Goodwill***

Speedway recognized \$3.44 billion of goodwill related to Andeavor Retail, of which \$48 million is tax deductible due to carryover tax basis from Andeavor. The recognized goodwill represents the value expected to be created by a nationwide retail platform and optimization of information systems and business processes.

### ***Inventory***

The fair value of inventory was determined by recognizing transportation fuels and merchandise inventory at market prices less selling costs and profit margin associated with the remaining sales process.

### ***Property, Plant and Equipment***

The fair value of property, plant and equipment was based primarily on the cost approach. Key assumptions in the cost approach included determining the replacement cost by evaluating recent purchases of similar assets or published data, and adjusting replacement cost for economic and functional obsolescence, location, normal useful lives, and capacity (if applicable).

### ***Acquired Intangible Assets***

The fair value of the acquired identifiable intangible assets is \$157 million, which represents the value of brand rights, tradenames, liquor licenses and other intangible assets. Brand rights and tradenames were valued by applying the relief of royalty method, which is an income approach. The intangible assets are all definite lived and will be amortized over 2 to 10 years.

### ***Acquisition Costs***

Speedway's allocated portion of acquisition costs was \$7 million. Additionally, we recognized various other transaction-related costs, including employee-related costs associated with the Andeavor acquisition. All of these costs are reflected in Operating, general and administrative expenses in the combined statements of income. The employee-related costs are primarily due to pre-existing Andeavor change-in-control and equity award agreements that create obligations and accelerated equity vesting upon the Company notifying employees of significant changes to or elimination of their responsibilities.

### ***Andeavor Revenues and Income from Operations***

Andeavor Retail's results have been included in Speedway's combined financial statements for the period subsequent to the date of the acquisition on October 1, 2018. Andeavor Retail contributed revenues of approximately \$1.74 billion for the period from October 1 through December 31, 2018. We do not believe it is practical to disclose Andeavor Retail's contribution to earnings for the period from October 1, 2018 through December 31, 2018 as our integration efforts have resulted in the elimination of Andeavor Retail stand-alone discrete financial information due mainly to our inclusion of Andeavor Retail inventory in our LIFO inventory pools, which does not allow us to objectively distinguish the cost of sales between the two historical reporting entities.



### ***Pro Forma Financial Information***

Supplemental pro forma financial information has not been included to give effect to the Andeavor Retail acquisition as of January 1, 2017, as it is impracticable to obtain such information without undue cost and effort due to the lack of availability of historical U.S. GAAP financial data for Andeavor Retail on a standalone basis.

#### **Acquisition of Express Mart**

During the fourth quarter of 2018, Speedway acquired 78 transportation fuel and convenience store locations from Petr-All Petroleum Consulting Corporation for total consideration of \$266 million. These stores are located primarily in the Syracuse, Rochester and Buffalo markets in New York and operated under the Express Mart brand.

Based on the final fair value estimates of assets acquired and liabilities assumed at the acquisition date, \$97 million of the purchase price was allocated to property, plant and equipment, \$9 million to inventory, \$2 million to intangibles, \$158 million to goodwill, \$1 million to other current assets, and \$1 million to other current liabilities. Goodwill is tax deductible and represents the value expected to be created by geographically expanding our retail platform and the assembled workforce.

The Company determined the Express Mart results of operations are not material. Therefore the pro forma information is not required. Additionally, transaction costs incurred were not considered significant.

#### **Acquisition of NOCO Express**

During the third quarter of 2019, MPC acquired an asphalt terminal and 33 NOCO Express retail stores in Buffalo, Syracuse and Rochester, New York, from NOCO Incorporated for total consideration of \$135 million. The 33 NOCO Express retail stores (“NOCO Retail”) were integrated into Speedway and are reflected in the Company’s financial results from July 2019, with close occurring over a two-week period from July 15 to July 25. Based on the final fair value estimates of assets acquired and liabilities assumed at the acquisition date, \$27 million of the purchase price was allocated to property, plant and equipment, \$3 million to inventory and \$56 million to goodwill attributable to NOCO Retail. Goodwill is tax deductible and represents the value expected to be created by geographically expanding our retail platform and the assembled workforce.

The Company determined the NOCO Retail results of operations are not material. Therefore the pro forma information is not required. Additionally, transaction costs incurred were not considered significant.

### **NOTE 5. REVENUE**

#### **Disaggregated Revenue**

*Net revenues* by major product line for the years ended December 31, 2019, 2018 and 2017 were as follows:

<i>(Millions of dollars)</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Fuel.....	\$20,240	\$16,681	\$13,834
Merchandise .....	6,284	5,231	5,170
Other <sup>(a)(b)</sup> .....	33	34	32
<b>Total</b> .....	<u>\$26,557</u>	<u>\$21,946</u>	<u>\$19,036</u>

(a) Includes related party fuel transportation income of \$14 million, \$10 million and \$9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

(b) Includes rental income of \$19 million, \$24 million and \$23 million for the years ended December 31, 2019, 2018 and 2017, respectively.

## Contract Balances

Performance obligations are generally satisfied at the time goods are sold to customers with cash collected at the time of sale or shortly thereafter for payments by credit card. Contract liabilities are recognized for sales of prepaid cards and in connection with Speedway's loyalty programs, with the related performance obligations satisfied at the time prepaid cards or loyalty points are redeemed and goods are transferred to the customer. The closing balances of contract liabilities arising from the prepaid card and loyalty programs as of December 31, 2019 and 2018 were as follows:

<i>(Millions of dollars)</i>	<u>2019</u>	<u>2018</u>
Contract liabilities .....	\$105	\$105

The beginning balance of contract liabilities after adoption of ASC 606 as of January 1, 2018 was \$85 million. There were no significant changes in the contract liability balance during the years ended December 31, 2019 and 2018. Revenue recognized that was included in the opening contract liabilities balance for the years ended December 31, 2019 and 2018 was \$86 and \$74, respectively. Contract assets are not material to the combined financial statements.

We do not disclose information on the future performance obligations for any contract with expected duration of one year or less at inception. As of December 31, 2019, we do not have future performance obligations that are material to future periods.

## NOTE 6. RELATED PARTY TRANSACTIONS AND PARENT COMPANY INVESTMENT

These combined financial statements have been derived from the Consolidated Financial Statements and accounting records of MPC. The following discussion summarizes activity between the Company and MPC (and its affiliates that are not part of the planned separation).

### Related Party Transactions with MPC:

#### *Allocation of General Corporate Expenses*

The combined statements of income include expenses for certain centralized functions and other programs provided and administered by MPC, as described in Note 1. The costs of these services allocated to the Company, which are included with operating, general and administrative expenses in the combined statements of income for the years ended December 31, 2019, 2018 and 2017, were \$86 million, \$61 million and \$54 million, respectively.

#### *Related Party Accounts Payable*

Certain intercompany transactions between Speedway and MPC related to cash pooling and general financing activities have been included within Parent company investment in the combined balance sheets in the historical periods presented when the intercompany transactions are not historically settled in cash.

Certain purchases of fuel inventory from MPC and its affiliate businesses have historically been settled in cash and, therefore, are reflected in the combined balance sheets as Accounts payable – related parties and amounted to \$35 million and \$19 million as of December 31, 2019 and 2018, respectively. Other fuel purchases not historically settled in cash are included within Parent company investment in the combined balance sheets.

#### *Related Party Purchases and Sales*

Speedway purchases fuel inventory from other MPC businesses. The Company purchased \$17.22 billion, \$14.24 billion and \$11.44 billion of fuel inventory from MPC during the years ended December 31, 2019, 2018

and 2017, respectively. Of these purchases, \$681 million, \$166 million, and \$0 million were cash settled during the years ended December 31, 2019, 2018 and 2017, respectively. Speedway's purchases of fuel inventory that were not historically settled in cash are presented as net transfers (to) from Parent in the combined statements of cash flows. Speedway also sells a small amount of fuel and fuel hauling services to other MPC businesses. Speedway sales to MPC amounted to \$17 million, \$9 million and \$7 million during the years ended December 31, 2019, 2018 and 2017, respectively.

### ***Related Party Debt and Interest***

In 2014, the Company entered into an intercompany loan agreement with a subsidiary of MPC for an aggregate amount of \$2.25 billion consisting of (i) a \$500 million Term Loan due September 30, 2019 with an interest rate of one-month USD LIBOR plus 2.25%, (ii) an \$875 million 5.25% Senior Note due September 15, 2022 and (iii) an \$875 million 5.5% Senior Note due September 15, 2024.

Accrued interest expense associated with these related party loans for the years ended December 31, 2019 and 2018 was \$28 million and \$28 million, respectively, and is reflected within Accrued interest—related party.

Interest expense associated with these related party loans for the years ended December 31, 2019, 2018 and 2017 was \$111 million, \$116 million and \$112 million, respectively, and is reflected within Interest expense, net—related party in the combined statements of income.

### ***Parent Company Investment***

The net transfers (to) from Parent are included within Parent company investment on the combined statements of changes in equity. The components of the net transfers (to) from Parent during the years ended December 31, 2019, 2018 and 2017 were as follows:

<i>(Millions of dollars)</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash pooling and general financing activities . . . . .	\$(15,914)	\$(14,433)	\$(11,849)
Settlement of notes payable to Parent company investment . . . . .	387	50	25
Acquisitions funded by Parent . . . . .	86	4,428	—
Sales to Parent . . . . .	(17)	(9)	(7)
Purchases from Parent . . . . .	14,844	13,703	11,438
Corporate allocations . . . . .	86	61	54
Stock compensation expense. . . . .	8	7	5
Income taxes . . . . .	221	170	44
<b>Total net transfers (to) from Parent . . . . .</b>	<u>\$ (299)</u>	<u>\$ 3,977</u>	<u>\$ (290)</u>

### **Transactions with Other Related Parties:**

#### ***Diesel Branding Agreement***

Speedway and PTC entered into a diesel fuel branding agreement effective October 1, 2019 in which PTC agreed to supply, price and sell diesel fuel at certain Speedway and PTC locations. At December 31, 2019, this agreement included approximately 330 Speedway and PTC fueling locations across 13 states, including approximately 180 Speedway commercial fueling locations. Under the terms of the agreement, both companies agreed to share the diesel fuel margins captured as a result of the sourcing efficiencies and logistical economies of scale. Diesel branding agreement income was \$28 million for the year ended December 31, 2019. We account for this agreement as a collaborative arrangement in scope of ASC 808, *Collaborative Arrangements*. Under ASC 808, we account for the income earned under this agreement as operating income reflected in the combined statements of income as Diesel branding agreement income.

**PFJ Southeast**

Speedway sells fuel-hauling services to PFJ Southeast. Related party revenue for fuel-hauling services sold to PFJ Southeast for the years ended December 31, 2019, 2018 and 2017 was \$9 million, \$8 million and \$8 million, respectively.

**NOTE 7. INVENTORIES**

<i>(Millions of dollars)</i>	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Transportation fuels . . . . .	193	194
Merchandise . . . . .	227	228
Materials and supplies . . . . .	23	19
<b>Total</b> . . . . .	<b>\$443</b>	<b>\$441</b>

The LIFO method accounted for 95 percent and 94 percent of total inventory value at December 31, 2019 and 2018, respectively. Current acquisition costs of inventories were estimated to exceed the LIFO inventory value at December 31, 2019 and December 31, 2018 by \$84 million and \$67 million, respectively. There were no material liquidations of LIFO inventories in 2019, 2018 and 2017.

**NOTE 8. EQUITY METHOD INVESTMENTS**

**Investments in Equity Method Affiliates**

<i>(Millions of dollars)</i>	<b>Ownership as of</b>	<b>Carrying value at</b>	
	<b>December 31,</b>	<b>December 31,</b>	
	<b>2019</b>	<b>2019</b>	<b>2018</b>
PFJ Southeast LLC . . . . .	29%	\$330	\$341

Summarized financial information for equity method investments was as follows:

<i>(Millions of dollars)</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Income statement data:</b>			
Revenues and other income . . . . .	\$4,168	\$4,574	\$3,954
Income from operations . . . . .	295	269	245
Net income <sup>(1)</sup> . . . . .	296	270	245
<b>Balance sheet data—December 31:</b>			
Current assets . . . . .	\$ 136	\$ 124	
Noncurrent assets . . . . .	853	886	
Current liabilities . . . . .	9	6	
Noncurrent liabilities . . . . .	3	3	

(1) Speedway’s proportionate share of PFJ Southeast’s net income differs from the amount recognized as equity investment income from the joint venture due to basis difference amortization, as noted in Note 2.

Dividends and partnership distributions received from equity method investees (excluding distributions that represented a return of capital previously contributed) were \$94 million, \$61 million and \$40 million in 2019, 2018 and 2017, respectively.

## NOTE 9. PROPERTY, PLANT AND EQUIPMENT

At December 31, the major classes of property, plant and equipment were as follows:

<i>(Millions of dollars)</i>	<b>2019</b>	<b>2018</b>
Land . . . . .	\$1,831	\$1,815
Buildings . . . . .	3,318	3,052
Equipment . . . . .	1,725	1,584
Software . . . . .	142	123
Property, plant and equipment, gross . . . . .	<u>7,016</u>	<u>6,574</u>
Accumulated depreciation . . . . .	<u>2,296</u>	<u>2,017</u>
<b>Property, plant and equipment, net . . . . .</b>	<b><u>\$4,720</u></b>	<b><u>\$4,557</u></b>

Property, plant and equipment includes gross assets acquired under finance leases of \$66 million and \$35 million at December 31, 2019 and 2018, respectively, with related amounts in accumulated depreciation of \$12 million and \$5 million at December 31, 2019 and 2018.

The combined statements of cash flows exclude changes to the combined balance sheets that did not affect cash. The following is a reconciliation of additions to property, plant and equipment to total capital expenditures:

<i>(Millions of dollars)</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Additions to property, plant and equipment per the combined statements of cash flows . . . .	\$544	\$389	\$384
Increase (decrease) in capital accruals . . . . .	25	47	(1)
<b>Total capital expenditures . . . . .</b>	<b><u>\$569</u></b>	<b><u>\$436</u></b>	<b><u>\$383</u></b>

Total impairment charges of \$22 million, \$1 million and \$1 million for the years ended December 31, 2019, 2018 and 2017, respectively, are included in Depreciation and amortization in the combined statements of income. Impairment charges in 2019 related primarily to stores held for sale, which were written down to estimated net realizable value at the time management committed to a plan to close the stores and began active marketing of the stores.

## NOTE 10. GOODWILL

The changes in the carrying amount of Goodwill are as follows:

<i>(Millions of dollars)</i>	
<b>Net balance as of December 31, 2017 . . . . .</b>	\$ 791
Acquisitions . . . . .	3,571
<b>Net balance as of December 31, 2018 . . . . .</b>	<b>\$4,362</b>
Acquisitions . . . . .	56
Measurement period adjustments . . . . .	30
<b>Net balance as of December 31, 2019 . . . . .</b>	<b>\$4,448</b>

The Company performs its annual goodwill impairment test during the fourth quarter of each year, or on an interim basis upon the occurrence of a triggering event or a change in circumstances that would more likely than not reduce the fair value of a reporting unit below its carrying value. The annual evaluation of goodwill was performed and did not result in impairment.

## NOTE 11. INTANGIBLE ASSETS

Our definite-lived intangible assets as of December 31, 2019 and 2018 were as follows:

<i>(Millions of dollars)</i>	December 31, 2019			December 31, 2018		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Brand rights .....	20	(4)	16	60	(2)	58
Liquor licenses.....	80	(10)	70	80	(2)	78
Favorable lease assets.....	—	—	—	100	(13)	87
Other .....	45	(33)	12	43	(28)	15
<b>Total</b> .....	<u>\$145</u>	<u>\$(47)</u>	<u>\$ 98</u>	<u>\$283</u>	<u>\$(45)</u>	<u>\$238</u>

Amortization expense for 2019, 2018 and 2017 was \$15 million, \$6 million and \$1 million, respectively. Estimated future amortization expense related to the intangible assets at December 31, 2019 is as follows:

<i>(Millions of dollars)</i>	
2020.....	\$17
2021.....	12
2022.....	12
2023.....	12
2024.....	11

At December 31, 2019 and 2018, we had indefinite-lived intangible assets of \$47 million and \$47 million, respectively, which are primarily tradenames and indefinite-lived liquor licenses. The annual evaluation of intangibles was performed and did not result in impairment.

## NOTE 12. OTHER CURRENT LIABILITIES

At December 31, other current liabilities were comprised of the following:

<i>(Millions of dollars)</i>	2019	2018
Contract liabilities, current portion (note 5).....	\$105	\$105
Payroll and benefits payable .....	138	123
Accrued taxes.....	175	164
Accrued liabilities—environmental, current portion (note 17).....	20	16
Other .....	20	22
<b>Total</b> .....	<u>\$458</u>	<u>\$430</u>

## NOTE 13. FAIR VALUE MEASUREMENTS

ASC 820, “Fair Value Measurement,” (ASC 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- *Level 1:* Observable inputs such as quoted prices in active markets;
- *Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3:* Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

We believe the carrying value of our other financial instruments, including cash and cash equivalents, receivables, accounts payable and certain accrued liabilities approximate fair value. Our fair value assessment incorporates a variety of considerations, including the short-term duration of the instruments and the expected insignificance of bad debt expense, which includes an evaluation of counterparty credit risk. We believe the carrying value of our long-term debt—related party approximates fair value, as the notes were determined to have interest rates that are close to “at-market.”

#### **NOTE 14. PENSIONS AND OTHER POSTRETIREMENT BENEFITS**

We have a noncontributory defined benefit pension plan covering substantially all employees. Benefits under this plan have been based primarily on age, years of service and final average pensionable earnings. The years of service component of this formula was frozen as of December 31, 2009. Benefits for service beginning January 1, 2010 are based on a cash balance formula with an annual percentage of eligible pay credited based upon age and years of service.

We have defined contribution plans under which eligible employees accrue benefits for service years beginning January 1, 2010.

We also have other postretirement benefits covering most employees, including health care benefits. Health care benefits are provided through comprehensive hospital, surgical and major medical benefit provisions subject to various cost-sharing features. Other postretirement benefits are not funded in advance.

In connection with the Andeavor Retail acquisition, we assumed a number of additional qualified and nonqualified noncontributory benefit pension plans, covering substantially all former Andeavor employees. Benefits under these plans are determined based on final average compensation and years of service through December 31, 2010 and a cash balance formula for service beginning January 1, 2011. These plans were frozen as of December 31, 2018. Further, as of December 31, 2019, the qualified plans were merged with our existing qualified plans in which the actuarial assumptions were materially the same between the plans. We also assumed a number of additional postretirement benefits covering eligible employees. These benefits were merged with our existing benefits beginning January 1, 2019.

The Speedway-dedicated defined benefit plan is summarized in the tables below.

#### **Obligations and Funded Status**

The accumulated benefit obligation for our defined benefit pension plan was \$233 million and \$194 million as of December 31, 2019 and 2018, respectively.

The following summarizes our defined benefit pension plan that has accumulated benefit obligations in excess of plan assets.

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<i>(Millions of dollars)</i>		
Projected benefit obligations . . . . .	\$234	\$194
Accumulated benefit obligations . . . . .	233	194
Fair value of plan assets . . . . .	208	169

The following summarizes the projected benefit obligations and funded status for our defined benefit pension and other postretirement plans:

<i>(Millions of dollars)</i>	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Change in benefit obligations:</b>				
Benefit obligations at January 1 .....	\$194	\$204	\$ 10	\$ 11
Service cost .....	16	12	—	—
Interest cost .....	7	7	—	—
Actuarial (gain) loss .....	22	(12)	2	—
Benefits paid .....	(14)	(17)	(1)	(1)
Plan amendments .....	—	—	1	—
Acquisitions .....	9	—	—	—
Benefit obligations at December 31 .....	<u>234</u>	<u>194</u>	<u>12</u>	<u>10</u>
<b>Change in plan assets:</b>				
Fair value of plan assets at January 1 .....	169	171	—	—
Actual return on plan assets .....	35	(10)	—	—
Employer contributions .....	6	25	1	1
Benefits paid from plan assets .....	(14)	(17)	(1)	(1)
Acquisitions .....	12	—	—	—
Fair value of plan assets at December 31 .....	<u>208</u>	<u>169</u>	<u>—</u>	<u>—</u>
<b>Funded status of plans at December 31 .....</b>	<u><b>\$ (26)</b></u>	<u><b>\$ (25)</b></u>	<u><b>\$ (12)</b></u>	<u><b>\$ (10)</b></u>
Amounts recognized in the combined balance sheets:				
Current liabilities .....	\$ (3)	\$ (2)	\$ (1)	\$ (1)
Noncurrent liabilities .....	(23)	(23)	(11)	(9)
Accrued benefit cost .....	<u>\$ (26)</u>	<u>\$ (25)</u>	<u>\$ (12)</u>	<u>\$ (10)</u>
<b>Pretax amounts recognized in accumulated other comprehensive loss:</b>				
Net actuarial loss .....	\$ 8	\$ 16	\$ (4)	\$ (7)
Prior service cost (credit) .....	—	—	1	—

### Components of Net Periodic Benefit Cost and Other Comprehensive Loss

The following summarizes the net periodic benefit costs and the amounts recognized as other comprehensive loss for our defined benefit pension and other postretirement plans.

<i>(Millions of dollars)</i>	<b>Pension Benefits</b>			<b>Other Benefits</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Components of net periodic benefit cost:</b>						
Service cost .....	\$ 16	\$ 12	\$ 11	\$—	\$—	\$—
Interest cost .....	7	7	7	—	—	—
Expected return on plan assets .....	(8)	(7)	(8)	—	—	—
Amortization—actuarial (gain) loss .....	—	—	—	(1)	(1)	(2)
<b>Net periodic benefit cost<sup>(a)</sup> .....</b>	<u><b>\$ 15</b></u>	<u><b>\$ 12</b></u>	<u><b>\$ 10</b></u>	<u><b>\$ (1)</b></u>	<u><b>\$ (1)</b></u>	<u><b>\$ (2)</b></u>



(Millions of dollars)	Pension Benefits			Other Benefits		
	2019	2018	2017	2019	2018	2017
<b>Other changes in plan assets and benefit obligations recognized in other comprehensive loss (pretax):</b>						
Actuarial (gain) loss . . . . .	\$ (8)	\$ 5	\$ 1	\$2	\$—	\$ 2
Prior service cost (credit) . . . . .	—	—	—	1	—	—
Amortization of actuarial gain (loss) . . . . .	—	—	—	1	1	2
<b>Total recognized in other comprehensive loss . . . . .</b>	<b>\$ (8)</b>	<b>\$ 5</b>	<b>\$ 1</b>	<b>\$4</b>	<b>\$ 1</b>	<b>\$ 4</b>
<b>Total recognized in net periodic benefit cost and other comprehensive loss . . . . .</b>	<b>\$ 7</b>	<b>\$ 17</b>	<b>\$ 11</b>	<b>\$3</b>	<b>\$—</b>	<b>\$ 2</b>

(a) Net periodic benefit cost reflects a calculated market-related value of plan assets which recognizes changes in fair value over three years.

Pension settlement losses were immaterial in 2019, 2018 and 2017.

The estimated net actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2020 for our defined benefit pension plans and other defined benefit postretirement plans is immaterial.

### Plan Assumptions

The following summarizes the assumptions used to determine the benefit obligations at December 31, and net periodic benefit cost for the defined benefit pension and other postretirement plans for 2019, 2018 and 2017.

	Pension Benefits			Other Benefits		
	2019	2018	2017	2019	2018	2017
Weighted-average assumptions used to determine benefit obligation:						
Discount rate . . . . .	2.85%	4.20%	3.55%	2.55%	4.30%	3.70%
Rate of compensation increase . . . . .	3.05%	4.00%	4.00%	3.05%	4.00%	4.00%
Weighted-average assumptions used to determine net periodic benefit cost:						
Discount rate . . . . .	4.06%	3.63%	3.87%	4.30%	3.70%	4.25%
Expected long-term return on plan assets . . . . .	4.50%	5.00%	5.00%	N/A	N/A	N/A
Rate of compensation increase . . . . .	3.05%	4.00%	4.00%	3.05%	4.00%	4.00%

### Expected Long-term Return on Plan Assets

The overall expected long-term return on plan assets assumption is determined based on an asset rate-of-return modeling tool developed by a third-party investment group. The tool utilizes underlying assumptions based on actual returns by asset category and inflation and takes into account our asset allocation to derive an expected long-term rate of return on those assets. Capital market assumptions reflect the long-term capital market outlook. The assumptions for equity and fixed income investments are developed using a building-block approach, reflecting observable inflation information and interest rate information available in the fixed income markets. Long-term assumptions for other asset categories are based on historical results, current market characteristics and the professional judgment of our internal and external investment teams.

## Assumed Health Care Cost Trend

The following summarizes the assumed health care cost trend rates.

	December 31,		
	2019	2018	2017
Health care cost trend rate assumed for the following year:			
Medical: Pre-65 .....	6.20%	6.80%	6.75%
Prescription drugs .....	8.10%	9.50%	8.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate):			
Medical: Pre-65 .....	4.50%	4.50%	4.50%
Prescription drugs .....	4.50%	4.50%	4.50%
Year that the rate reaches the ultimate trend rate:			
Medical: Pre-65 .....	2027	2027	2026
Prescription drugs .....	2027	2027	2026

Increases in the post-65 medical plan premium for the Marathon Petroleum Health Plan and the Marathon Petroleum Retiree Health Plan are the lower of the trend rate or four percent.

Assumed health care cost trend rates effect the amounts reported for defined benefit retiree health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

<i>(Millions of dollars)</i>	1-Percentage- Point Increase	1-Percentage- Point Decrease
Effect on total of service and interest cost components .....	\$0	\$ 0
Effect on other postretirement benefit obligations .....	1	(1)

## Plan Investment Policies and Strategies

The investment policies for our pension plan assets reflect the funded status of the plan and expectations regarding our future ability to make further contributions. Long-term investment goals are to: (1) manage the assets in accordance with the legal requirements of all applicable laws; (2) diversify plan investments across asset classes to achieve an optimal balance between risk and return and between income and growth of assets through capital appreciation; and (3) source benefit payments primarily through existing plan assets and anticipated future returns.

The investment goals are implemented to manage the plan's funded status volatility and minimize future cash contributions. The asset allocation strategy will change over time in response to changes primarily in funded status, which is dictated by current and anticipated market conditions, the independent actions of our investment committee, required cash flows to and from the plans and other factors deemed appropriate. Such changes in asset allocation are intended to allocate additional assets to the fixed income asset class should the funded status improve. The fixed income asset class shall be invested in such a manner that its interest rate sensitivity correlates highly with that of the plan's liabilities. Other asset classes are intended to provide additional return with associated higher levels of risk. Investment performance and risk is measured and monitored on an ongoing basis through quarterly investment meetings and periodic asset and liability studies. At December 31, 2019, the plan's targeted asset allocation was 14 percent return-seeking assets and 86 percent fixed income securities.

## Fair Value Measurements

Plan assets are measured at fair value. The following provides a description of the valuation techniques employed for each major plan asset category at December 31, 2019 and 2018.

**Cash and cash equivalents**—Cash and cash equivalents include a collective fund serving as the investment vehicle for the cash reserves and cash held by third-party investment managers. The collective fund is valued at net asset value (“NAV”) on a scheduled basis using a cost approach and is considered a Level 2 asset. Cash and cash equivalents held by third-party investment managers are valued using a cost approach and are considered Level 2.

**Equity**—Equity investments includes common stock, mutual and pooled funds. Common stock investments are valued using a market approach, which are priced daily in active markets and are considered Level 1. Mutual and pooled equity funds are well diversified portfolios, representing a mix of strategies in domestic, international and emerging market strategies. Mutual funds are publicly registered, valued at NAV on a daily basis using a market approach and are considered Level 1 assets. Pooled funds are valued at NAV using a market approach and are considered Level 2.

**Fixed Income**—Fixed income investments include corporate bonds, U.S. dollar treasury bonds and municipal bonds. These securities are priced on observable inputs using a combination of market, income and cost approaches. These securities are considered Level 2 assets. Fixed income also includes a well-diversified bond portfolio structured as a pooled fund. This fund is valued at NAV on a daily basis using a market approach and is considered Level 2. Other investments classified as Level 1 include mutual funds that are publicly registered, valued at NAV on a daily basis using a market approach.

**Alternative investments**—Alternative investments include private equity and real estate investments. Private equity investments include interests in limited partnerships which are valued using information provided by external managers for each individual investment held in the fund. Real estate investments consist of interests in limited partnerships which are either appraised or valued using the investment manager’s assessment of assets held. Alternative investments also include two limited liability companies (“LLCs”) with no public market. The LLCs were formed to acquire timberland in the northwest United States. These holdings are either appraised or valued using the investment manager’s assessment of assets held. These holdings are all considered Level 3. Alternative investments classified as Level 1 include publicly traded depository receipts.

The following tables present the fair values of our defined benefit pension plans’ assets, by level within the fair value hierarchy, as of December 31, 2019 and 2018.

<i>(Millions of dollars)</i>	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents.....	\$—	\$ 1	\$—	\$ 1
Equity:				
Common stocks.....	3	3	—	6
Pooled funds.....	—	14	—	14
Fixed income:				
Corporate.....	3	107	—	110
Government.....	2	67	—	69
Alternative investments.....	1	—	7	8
<b>Total investments, at fair value.....</b>	<b>\$ 9</b>	<b>\$192</b>	<b>\$ 7</b>	<b>\$208</b>

(Millions of dollars)	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents.....	\$—	\$ 2	\$—	\$ 2
Equity:				
Pooled funds.....	—	11	—	11
Fixed income:				
Corporate .....	—	90	—	90
Government .....	—	57	—	57
Alternative investments .....	—	—	9	9
<b>Total investments, at fair value .....</b>	<b>\$—</b>	<b>\$160</b>	<b>\$ 9</b>	<b>\$169</b>

The following is a reconciliation of the beginning and ending balances recorded for plan assets classified as Level 3 in the fair value hierarchy:

(Millions of dollars)	Alternative investments	
	2019	2018
<b>Beginning balance .....</b>	\$ 9	\$ 10
Actual return on plan assets:		
Realized .....	—	1
Unrealized .....	—	1
Purchases .....	—	—
Sales .....	(2)	(3)
<b>Ending balance .....</b>	<b>\$ 7</b>	<b>\$ 9</b>

## Cash Flows

**Contributions to defined benefit plans**—Our funding policy with respect to the funded pension plans is to contribute amounts necessary to satisfy minimum pension funding requirements, including requirements of the Pension Protection Act of 2006, plus such additional, discretionary, amounts from time to time as determined appropriate by management. In 2019, we made contributions totaling \$5 million to our funded pension plans. For 2020, we have an immaterial amount of required funding, but we may also make voluntary contributions to our funded pension plans at our discretion. Cash contributions to be paid from our general assets for the unfunded pension and postretirement plans are estimated to be approximately \$3 million and \$1 million, respectively, in 2020.

**Estimated future benefit payments**—The following gross benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated.

(Millions of dollars)	Pension Benefits	Other Benefits
2020.....	\$22	\$1
2021.....	21	1
2022.....	21	1
2023.....	20	1
2024.....	21	1
2025 through 2029 .....	92	5

**Contributions to defined contribution plans**—We also contribute to several defined contribution plans for eligible employees. Contributions to these plans totaled \$36 million, \$26 million and \$24 million in 2019, 2018 and 2017, respectively.

## Shared Plans

Shared Plans have been accounted for as multiemployer plans in these combined statements of income. Amounts recorded in the combined financial statements for multiemployer pension and other postretirement expenses for the years ended December 31, 2019, 2018 and 2017 were \$2 million, \$2 million and \$1 million, respectively.

## NOTE 15. SHARE-BASED COMPENSATION

Speedway currently does not have any stock or stock-based compensation plans. Instead, the Company's eligible employees participate in MPC's stock-based compensation plans.

The following disclosures of stock-based compensation expense recognized by the Company are based on the awards and terms previously granted to the Company's employees under MPC's stock-based compensation plans, as well as an allocation of Parent's corporate and shared functional employee expenses. Accordingly, the amounts presented are not necessarily indicative of future awards and do not necessarily reflect the results that the Company would have experienced as an independent company for the periods presented.

MPC accounts for stock-based compensation in accordance with ASC 718, "Compensation—Stock Compensation" (ASC 718), which requires a fair-value based method for measuring the value of stock-based compensation. Fair value is measured once at the date of grant and is not adjusted for subsequent changes. MPC's share-based compensation plans include awards of stock options, restricted stock, restricted stock units (RSUs) and performance units (which are settled partially in cash and partially in shares of MPC common stock). Total stock-based compensation expense for Speedway employees was \$8 million, \$7 million and \$5 million during the years ended December 31, 2019, 2018 and 2017, respectively.

## NOTE 16. INCOME TAXES

Speedway has historically been included in the consolidated federal and state income tax returns of MPC. Amounts presented in these combined financial statements related to income taxes are determined on a separate return basis. All current income tax liabilities are assumed to be immediately settled with Parent and are relieved through the Parent Company Investment account. The net effect of the settlement of these transactions is reflected in Net Transfers (to) from Parent as a financing activity in the combined statements of cash flows. Therefore, no current income taxes payable are presented in Speedway's financial statements, as separate state filings are not material.

Income tax provisions (benefits) were:

<i>(Millions of dollars)</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current:			
Federal . . . . .	\$117	\$ 38	\$ 126
State and local . . . . .	37	22	24
Total Current . . . . .	<u>154</u>	<u>60</u>	<u>150</u>
Deferred:			
Federal . . . . .	57	76	(116)
State and local . . . . .	10	34	10
Total Deferred . . . . .	<u>67</u>	<u>110</u>	<u>(106)</u>
<b>Income tax provision (benefit) . . . . .</b>	<b><u>\$221</u></b>	<b><u>\$170</u></b>	<b><u>\$ 44</u></b>

A reconciliation of the federal statutory income rate applied to income before income taxes to the provision for income taxes follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutory rate applied to income before income taxes .....	21%	21%	35%
State and local income taxes, net of federal income tax effects .....	4	7	4
TCJA legislation .....		—	(30)
Tax credit .....	(1)	(1)	(1)
Other .....	<u>1</u>	<u>—</u>	<u>—</u>
<b>Provision for income taxes</b> .....	<u>25%</u>	<u>26%</u>	<u>8%</u>

The Tax Cuts and Job Act (“TCJA”) was signed into law on December 22, 2017, providing several significant changes to U.S. tax law, including a reduction in the corporate tax rate from 35 percent to 21 percent effective in 2018. Because of the rate change, Speedway was required to calculate the effect of the TCJA on its deferred tax balances as of the enactment date, which was to reduce the net deferred tax liability by \$174 million in 2017. This was a significant driver for the rate reconciliation in 2017. The other significant rate reconciling items are related to state income taxes, which were 4 percent, 7 percent and 4 percent, net of federal benefit, for the years ended December 31, 2019, 2018 and 2017, respectively. The primary increase in state income taxes is attributable to the 2018 Andeavor acquisition, which resulted in a change in the Company’s overall state footprint.

Deferred tax assets and liabilities resulted from the following:

<i>(Millions of dollars)</i>	<b>December 31,</b>	
	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Employee benefits .....	\$ 36	\$ 34
Environmental remediation .....	5	5
Deferred revenue .....	1	13
Other .....	<u>28</u>	<u>39</u>
<b>Total deferred tax assets</b> .....	<u>70</u>	<u>91</u>
Deferred tax liabilities:		
Property, plant and equipment .....	(449)	(401)
Inventory .....	(9)	(9)
Investments in subsidiaries and affiliates .....	(39)	(40)
Intangibles .....	<u>(92)</u>	<u>(102)</u>
<b>Total deferred tax liabilities</b> .....	<u>(589)</u>	<u>(552)</u>
<b>Net deferred tax liabilities</b> .....	<u>\$ (519)</u>	<u>\$ (461)</u>

The Company considered the likelihood that the deferred tax assets presented herein would be realized under a more-likely-than-not standard and whether or not a valuation allowance was appropriate to accurately reflect the amounts presented. Given the nature of the deferred tax assets, the Company’s profitability and tax paying position, there is no material reason to anticipate that any deferred tax assets would not be realized in a reasonable amount of time, therefore, the Company determined that a valuation allowance is not necessary. The Company also has no significant loss carryforwards that could contribute to such a determination.

Total deferred tax liabilities of \$519 million and \$461 million were included in the noncurrent liabilities section of the combined balance sheets as of December 31, 2019 and December 31, 2018, respectively.

Speedway historically was included in MPC’s income tax returns, which are continuously undergoing examination by the Internal Revenue Service (“IRS”). Since 2012, MPC participated in the Compliance Assurance Process (“CAP”). MPC’s IRS audits are complete through the 2010 tax year. As of December 31, 2019, our income tax returns remain subject to examination in the following major tax jurisdictions for the tax years indicated:

United States Federal.....	2011 - 2018
State and Local (various) .....	2006 - 2018

As of December 31, 2019, 2018 and 2017, Speedway has not recorded any unrecognized tax benefits. The Company does not believe that its historical operations gave rise to any material tax exposures. The Company did not identify issues that did not meet the recognition threshold or would be impacted by the measurement provisions of the uncertain tax position guidance. Accordingly, there are no associated interest and penalties.

**NOTE 17. COMMITMENTS AND CONTINGENCIES**

The Company is involved in various litigations, claims and administrative proceedings, including those related to environmental and asset retirement matters. In accordance with ASC 450, “Contingencies” (ASC 450), the Company records accruals for loss contingencies when it is both probable that a liability will be incurred and the amount of the loss can be reasonably estimated. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

**Environmental Matters**

We are subject to federal, state, local and foreign laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites and certain other locations including presently or formerly owned or operated retail marketing sites. Penalties may be imposed for noncompliance.

At December 31, 2019 and 2018, accrued liabilities for remediation totaled \$37 million and \$40 million, respectively. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties if any that may be imposed. Receivables for recoverable costs from certain states, under programs to assist companies in clean-up efforts related to underground storage tanks at presently or formerly owned or operated retail marketing sites, were \$20 million and \$23 million at December 31, 2019 and 2018, respectively.

Governmental and other entities in various states have filed lawsuits against coal, gas, oil and petroleum companies, including the Company. The lawsuits allege damages as a result of climate change and the plaintiffs are seeking unspecified damages and abatement under various tort theories. Similar lawsuits may be filed in other jurisdictions. At this early stage, the ultimate outcome of these matters remains uncertain, and neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, can be determined.

We are involved in a number of environmental enforcement matters arising in the ordinary course of business. While the outcome and impact on us cannot be predicted with certainty, management believes the resolution of these environmental matters will not, individually or collectively, have a material adverse effect on our combined results of operations, financial position or cash flows.

## Asset Retirement Obligations

Our short-term asset retirement obligations were \$4 million and \$2 million at December 31, 2019 and 2018, respectively, which are included in other current liabilities in our combined balance sheets. Our long-term asset retirement obligations were \$22 million and \$23 million at December 31, 2019 and 2018, respectively, which are included in Other long-term liabilities in our combined balance sheets.

## Legal Matters

In May 2007, the Kentucky attorney general filed a lawsuit against MPC and Marathon Oil in state court in Franklin County, Kentucky for alleged violations of Kentucky's emergency pricing and consumer protection laws following Hurricanes Katrina and Rita in 2005. The lawsuit alleged that MPC overcharged customers by \$89 million during September and October 2005. The complaint sought disgorgement of these sums, as well as penalties, under Kentucky's emergency pricing and consumer protection laws. In May 2011, the Kentucky attorney general amended his complaint to include a request for immediate injunctive relief as well as unspecified damages and penalties related to MPC's wholesale gasoline pricing in April and May 2011 under statewide price controls that were activated by the Kentucky governor on April 26, 2011, and which have since expired. A settlement agreement was reached on July 25, 2019 in which MPC agreed to pay \$22 million. Speedway was allocated \$11 million which was included in Operating, general and administrative expenses in the combined financial statements.

We are also a party to a number of other lawsuits and other proceedings arising in the ordinary course of business. While the ultimate outcome and impact to us cannot be predicted with certainty, we believe that the resolution of these other lawsuits and proceedings will not have a material adverse effect on our combined financial position, results of operations or cash flows.

## Insurance

We are self-insured for workers' compensation, general liability, and automobile claims. Actual claim settlements and expenses incident thereto may differ from the provisions for loss.

**Other guarantees**—We have entered into other guarantees with maximum potential undiscounted payments totaling \$10 million as of December 31, 2019, which consist primarily of a commitment to contribute cash to an equity method investee for certain catastrophic events in lieu of procuring insurance coverage and leases of assets containing general lease indemnities and guaranteed residual values.

**General guarantees associated with dispositions**—Over the years, we have sold various assets in the normal course of our business. Certain of the related agreements contain performance and general guarantees, including guarantees regarding inaccuracies in representations, warranties, covenants and agreements, and environmental and general indemnifications that require us to perform upon the occurrence of a triggering event or condition. These guarantees and indemnifications are part of the normal course of selling assets. We are typically not able to calculate the maximum potential amount of future payments that could be made under such contractual provisions because of the variability inherent in the guarantees and indemnities. Most often, the nature of the guarantees and indemnities is such that there is no appropriate method for quantifying the exposure because the underlying triggering event has little or no past experience upon which a reasonable prediction of the outcome can be based.

## Contractual Commitments and Contingencies

Our contractual commitments to acquire property, plant and equipment totaled \$13 million at December 31, 2019. There were no such commitments at December 31, 2018.



## NOTE 18. LEASES

We lease a portion of our properties under non-cancelable operating and finance leases. The lease term included in the measurement of right of use assets and lease liabilities includes options to extend or terminate our leases that we are reasonably certain to exercise. Operating lease expenses are recognized straight-line over the lease term and presented in Operating, general and administrative expenses. Finance lease expenses are front-loaded and consist of interest expense on the lease liability and amortization of the right-of-use asset, which is presented as part of Property, plant and equipment. Right-of-use assets and lease liabilities are recognized for all leases except those with lease terms less than 12 months after our adoption of ASC 842 as of January 1, 2019.

For further information regarding the adoption of ASC 842, including the method of adoption and practical expedients elected, see Note 3.

### Lessee

As a lessee, we have a wide variety of lease agreements covering many of our properties. Our remaining lease terms range from less than one year to 33 years. Most long-term leases include renewal options ranging from less than one year to 50 years and, in certain leases, also include purchase options. Options were included in the lease term primarily for retail store sites where we constructed property, plant and equipment on leased land that is expected to exist beyond the initial lease term.

Under ASC 842, the components of lease cost were as follows:

<i>(Millions of dollars)</i>	<u>2019</u>
Finance lease cost:	
Amortization of right of use assets .....	\$ 5
Interest on lease liabilities .....	6
Operating lease cost .....	133
Variable lease cost .....	26
Short-term lease cost .....	10
<b>Total lease cost</b> .....	<u>\$180</u>

Supplemental balance sheet data related to leases were as follows:

<i>(Millions of dollars)</i>	<u>December 31, 2019</u>
<b>Operating leases</b>	
Assets	
Right of use assets .....	\$653
Liabilities	
Operating lease liabilities .....	\$ 91
Long-term operating lease liabilities .....	<u>575</u>
Total operating lease liabilities .....	\$666
Weighted average remaining lease term (in years) .....	9.0
Weighted average discount rate .....	4.3%

<i>(Millions of dollars)</i>	<u>December 31, 2019</u>
<b>Finance leases</b>	
Assets	
Property, plant and equipment, gross .....	\$ 66
Accumulated depreciation .....	12
Property, plant and equipment, net.....	<u>\$ 54</u>
Liabilities	
Debt due within one year .....	\$ 7
Long-term debt .....	98
Total finance lease liabilities .....	<u>\$ 105</u>
Weighted average remaining lease term (in years) .....	13.7
Weighted average discount rate .....	5.8%

Assets and liabilities recognized for favorable and unfavorable leases acquired in business combinations are accounted for as part of right of use assets after adoption of ASC 842 (i.e., beginning January 1, 2019). Prior to adoption of ASC 842, such assets and liabilities were recognized separately in Other noncurrent assets and Other noncurrent liabilities, respectively. Speedway has historically operated as part of MPC and currently uses MPC's weighted average discount rate. This rate may differ when Speedway separates from MPC.

As of December 31, 2019, maturities of lease liabilities for operating lease obligations and finance lease obligations having initial or remaining non-cancellable lease terms in excess of one year are as follows:

<i>(Millions of dollars)</i>	<u>Operating</u>	<u>Finance</u>
2020 .....	\$118	\$ 12
2021 .....	114	11
2022 .....	95	11
2023 .....	84	12
2024 .....	79	12
2025 and thereafter .....	<u>322</u>	<u>93</u>
Gross lease payments .....	812	151
Less: imputed interest .....	<u>146</u>	<u>46</u>
<b>Total lease liabilities</b> .....	<u>\$666</u>	<u>\$105</u>

Presented in accordance with ASC 840, future minimum commitments as of December 31, 2018 for operating lease obligations and capital lease obligations having initial or remaining non-cancellable lease terms in excess of one year were as follows:

<i>(Millions of dollars)</i>	<u>Operating</u>	<u>Capital</u>
2019 .....	\$117	\$ 10
2020 .....	115	8
2021 .....	109	8
2022 .....	93	8
2023 .....	82	8
2024 and thereafter .....	<u>394</u>	<u>98</u>
<b>Total minimum lease payments</b> .....	<u>\$910</u>	<u>\$140</u>
Less: imputed interest costs .....		<u>45</u>
<b>Present value of net minimum lease payments</b> .....		<u>\$ 95</u>

There were no new capital leases entered into during periods ended 2018 and 2017 (except those acquired through business combination).

Supplemental cash flow disclosures for leases, including the adoption of ASC 842 were as follows:

<i>(Millions of dollars)</i>	<u>2019</u>
Net cash provided by operating activities included:	
Cash paid for amounts included in the measurement of lease liabilities	
Payments on operating leases <sup>(a)</sup> . . . . .	\$122
Interest payments under finance lease obligations <sup>(a)</sup> . . . . .	6
Net cash provided by financing activities included:	
Principal payments under finance lease obligations <sup>(a)</sup> . . . . .	7
<b>Non-cash investing and financing activities:</b>	
Right of use assets obtained in exchange for new operating lease obligations <sup>(a)</sup> . . . . .	28
Right of use assets obtained in exchange for new finance lease obligations <sup>(a)</sup> . . . . .	16

(a) Disclosure added in 2019 following the adoption of ASC 842

**NOTE 19. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events after the balance sheet date of December 31, 2019 through June 11, 2020, the date the combined financial statements were available to be issued. During this period, there were no subsequent events that required disclosure.

**NOTE 20. SUBSEQUENT EVENTS (UNAUDITED)**

In connection with the reissuance of the combined financial statements, the Company has evaluated subsequent events through January 25, 2021, the date the combined financial statements were available to be issued. During this period, the following subsequent events occurred:

- On August 2, 2020, MPC entered into an agreement to sell Speedway to Buyer for \$21 billion in cash, subject to certain adjustments based on the levels of cash, debt (as defined in the agreement) and working capital at closing and certain other items. This transaction is targeted to be completed by the first quarter of 2021, subject to market, regulatory and certain other customary conditions.
- During the fourth quarter of 2020, Pilot Travel Centers LLC exercised an option to purchase our 29 percent interest in PFJ Southeast LLC, subject to customary closing conditions and regulatory approvals. We expect the purchase to close in 2021 and to account for our equity method investment in PFJ Southeast LLC as an asset held for sale beginning in the fourth quarter of 2020.

## Speedway Business of Marathon Petroleum Corporation

### Condensed Combined Statements of Income (Unaudited)

	Nine Months Ended September 30,	
	2020	2019
<i>(Millions of dollars)</i>		
Sales .....	\$14,672	\$20,170
Equity method investment income .....	70	58
Diesel branding agreement income .....	110	—
Total sales and other operating income .....	<u>14,852</u>	<u>20,228</u>
Cost of sales <sup>(a)</sup> .....	11,502	17,120
Operating, general and administrative expenses <sup>(b)</sup> .....	1,969	2,093
Depreciation and amortization .....	<u>312</u>	<u>285</u>
Income from operations .....	1,069	730
Other income, net .....	15	6
Interest expense, net .....	5	4
Interest expense, net—related party .....	<u>70</u>	<u>87</u>
Income before income taxes .....	1,009	645
Income tax expense .....	<u>259</u>	<u>162</u>
Net income .....	<u>\$ 750</u>	<u>\$ 483</u>

(a) Cost of sales includes related party purchases. See Note 5 for further information. Cost of sales excludes depreciation and amortization, which are reflected in a separate line item.

(b) Operating, general and administrative expenses exclude depreciation and amortization, which are reflected in a separate line item.

See accompanying notes to condensed combined financial statements.

**Speedway Business of Marathon Petroleum Corporation**

Condensed Combined Statements of Comprehensive Income (Unaudited)

<i>(Millions of dollars)</i>	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net income</b> .....	\$750	\$483
<b>Other comprehensive income (loss):</b>		
Change in pension and other postretirement defined benefit plans, net of tax benefit (expense) of \$0 and \$1, respectively .....	1	(1)
Other, net of tax benefit (expense) of \$1 and \$0, respectively .....	(3)	(2)
Other comprehensive income (loss) .....	\$ (2)	\$ (3)
<b>Comprehensive income</b> .....	<u>\$748</u>	<u>\$480</u>

See accompanying notes to condensed combined financial statements.

## Speedway Business of Marathon Petroleum Corporation

Condensed Combined Balance Sheets (Unaudited)

<i>(Millions of dollars)</i>	September 30, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	\$ 111	\$ 165
Receivables, net .....	238	246
Inventories, net .....	414	443
Other current assets .....	35	28
Total current assets .....	798	882
Equity method investments .....	315	330
Property, plant and equipment, net of accumulated depreciation of \$2,541 and \$2,296 as of September 30, 2020 and December 31, 2019 respectively .....	4,620	4,720
Goodwill .....	4,448	4,448
Operating lease assets .....	699	653
Intangible assets, net of accumulated amortization of \$64 and \$47 as of September 30, 2020 and December 31, 2019 respectively .....	128	145
Other noncurrent assets .....	26	25
<b>Total assets</b> .....	<b>\$11,034</b>	<b>\$11,203</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable .....	\$ 314	\$ 428
Accounts payable—related parties .....	2	35
Accrued interest—related party .....	2	28
Operating lease liabilities .....	94	91
Other current liabilities .....	478	458
<b>Total current liabilities</b> .....	890	1,040
Long-term finance lease liabilities .....	104	98
Notes payable—related party .....	739	1,750
Deferred income taxes .....	570	519
Long-term operating lease liabilities .....	618	575
Other long-term liabilities .....	141	136
<b>Total liabilities</b> .....	<b>3,062</b>	<b>4,118</b>
<i>Commitments and contingencies (see Note 11)</i>		
Equity:		
Parent company investment .....	7,973	7,084
Accumulated other comprehensive income / (loss) .....	(1)	1
<b>Total equity</b> .....	7,972	7,085
<b>Total liabilities and equity</b> .....	<b>\$11,034</b>	<b>\$11,203</b>

See accompanying notes to condensed combined financial statements.

## Speedway Business of Marathon Petroleum Corporation

### Condensed Combined Statements of Changes in Equity (Unaudited)

<i>(Millions of dollars)</i>	<u>Parent Company Investment</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Equity</u>
<b>Balance, December 31, 2018</b> .....	\$6,724	\$ (2)	\$6,722
Net income .....	483	—	483
Other comprehensive income (loss), net .....	—	(3)	(3)
Transfers (to) from Parent:			
Settlement of notes payable to Parent .....	387	—	387
Acquisitions funded by Parent .....	86	—	86
Other transfers (to) from Parent, net .....	(515)	—	(515)
Net transfers (to) from Parent .....	<u>(42)</u>	<u>—</u>	<u>(42)</u>
<b>Balance, September 30, 2019</b> .....	<u>\$7,165</u>	<u>\$ (5)</u>	<u>\$7,160</u>
<b>Balance, December 31, 2019</b> .....	\$7,084	\$ 1	\$7,085
Net income .....	750	—	750
Other comprehensive income (loss), net .....	—	(2)	(2)
Transfers (to) from Parent:			
Settlement of notes payable to Parent .....	1,011	—	1,011
Other transfers (to) from Parent, net .....	(872)	—	(872)
Net transfers (to) from Parent .....	<u>139</u>	<u>—</u>	<u>139</u>
<b>Balance, September 30, 2020</b> .....	<u>\$7,973</u>	<u>\$ (1)</u>	<u>\$7,972</u>

See accompanying notes to condensed combined financial statements.

## Speedway Business of Marathon Petroleum Corporation

### Condensed Combined Statements of Cash Flows (Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
<i>(Millions of dollars)</i>		
<b>Cash flows from operating activities</b>		
Net income .....	\$ 750	\$ 483
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	312	285
Lower of cost or market inventory valuation adjustment .....	25	—
(Gain) / loss on disposal of assets .....	—	(2)
Deferred income taxes .....	51	31
(Income) loss from equity method investments .....	(70)	(58)
Distributions from equity method investments .....	85	70
Stock-based compensation .....	5	11
Others, net .....	7	4
Changes in operating assets and liabilities net of effects of businesses acquired:		
Receivables .....	7	(66)
Inventories .....	4	8
Accounts payable and accrued expenses .....	(23)	32
Accounts payable and accrued expenses—related party .....	(59)	32
Right of use assets and operating lease liabilities, net .....	—	6
Other, net .....	16	2
Net cash provided by operating activities .....	1,110	838
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment .....	(305)	(365)
Proceeds from sales of property, plant and equipment .....	23	14
Net cash used in investing activities .....	(282)	(351)
<b>Cash flows from financing activities</b>		
Payments of finance leases .....	(5)	(5)
Transfers (to)/from Parent, net .....	(877)	(526)
Net cash (used in) provided by financing activities .....	(882)	(531)
Net increase (decrease) in cash and cash equivalents .....	(54)	(44)
Cash and cash equivalents and restricted cash at beginning of period <sup>(a)</sup> .....	165	242
<b>Cash and cash equivalents and restricted cash at end of period<sup>(b)</sup></b> .....	<b>\$ 111</b>	<b>\$ 198</b>

(a) Includes restricted cash of \$0 and \$30 as of December 31, 2019 and December 31, 2018, respectively.

(b) Includes restricted cash of \$0 and \$0 as of September 30, 2020 and September 30, 2019, respectively.

See accompanying notes to condensed combined financial statements.



## NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

### NOTE 1. SEPARATION FROM MARATHON PETROLEUM CORPORATION AND BASIS OF PRESENTATION

#### *Background*

The accompanying unaudited combined financial statements and notes present the combined statements of income, financial position, and cash flows of the Speedway business (“Speedway”, “the Company”, “we”, “us”, “our”) of Marathon Petroleum Corporation (“MPC” or “Parent”).

On August 2, 2020, Marathon Petroleum Corporation (“MPC” or “Parent”) entered into an agreement to sell Speedway to 7-Eleven Inc. (“Buyer”) for \$21 billion in cash consideration, subject to certain adjustments based on the levels of cash, debt (as defined in the agreement) and working capital at closing and certain other items. This transaction is targeted to be completed by the first quarter of 2021, subject to market, regulatory and certain other customary conditions. Until the sale occurs, Speedway will be a wholly owned subsidiary of MPC.

MPC and Buyer will enter into several agreements to implement the legal and structural separation between MPC and Speedway; govern the relationship between MPC and Buyer after the completion of the separation; and allocate between MPC and Buyer various assets, liabilities, and obligations, including, among other things, employee benefits, environmental liabilities, intellectual property, and tax-related assets and liabilities.

#### *Basis of Presentation*

These condensed combined financial statements have been derived from the Consolidated Financial Statements and accounting records of MPC. These condensed combined financial statements reflect the combined historical results of operations, financial position and cash flows of the Company for the periods presented as historically managed within MPC. These condensed combined financial statements are unaudited; however, in the opinion of our management, these statements reflect all adjustments necessary for a fair statement of the results for the periods reported. All such adjustments are of a normal, recurring nature unless otherwise disclosed. The condensed combined financial statements may not be indicative of the Company’s future performance and do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as an independent company during the periods presented. These interim condensed combined financial statements, including the notes, have been prepared in accordance with the rules of the Securities and Exchange Commission (“SEC”) applicable to interim period financial statements and do not include all of the information and disclosures required by GAAP for complete financial statements. These interim condensed combined financial statements should be read in conjunction with the audited combined financial statements for the year ended December 31, 2019. The results of operations for the nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the full year.

Speedway has one reportable operating segment, which includes its consolidated convenience store operations as well as diesel branding agreement income. Speedway’s equity method investment in PFJ Southeast is a separate operating segment with results reported as equity investment income. All intracompany transactions have been eliminated. All significant intercompany transactions between us and Parent have been included in these condensed combined financial statements. Intercompany transactions between us and Parent are deemed to have settled immediately through Parent company investment, other than those transactions which have been historically settled in cash and which are reflected in the condensed combined balance sheets as Accounts payable—related parties, Accrued interest—related party and Notes payable—related party. The net effect of deemed settled transactions is reflected in the condensed combined statements of cash flows as a financing activity and in the condensed combined balance sheets as Parent company investment. Refer to Note 5 for additional information.

Historically, MPC provided certain corporate functions to the Company and costs associated with these functions were allocated to the Company. These functions include, but are not limited to, executive management, legal, human resources, treasury, investor relations, finance, accounting, internal audit, information technology, and the related benefit costs associated with such functions, such as stock-based compensation. The costs of such services were allocated to the Company based on direct usage when identifiable, with the remainder allocated on a pro rata basis of income from operations, total assets and headcount of the Company and MPC. The charges for these functions are deemed settled in cash by Speedway to MPC in the period in which the costs were recorded within Operating, general and administrative expenses in the combined statements of income. The Company believes the bases on which the expenses have been allocated are a reasonable reflection of the utilization of services provided to, or the benefit received by, Speedway during the periods presented; however, they may not be indicative of the actual expense that would have been incurred had Speedway been operating as an independent company for the periods presented. Actual costs that may have been incurred if the Company had been a standalone company would depend on a number of factors, including the organizational structure, whether functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. Going forward, the Company may perform these functions using its own resources, outsourced services or services from Buyer. For an interim period, however, some of these functions may continue to be provided between MPC and the Company under a transition services agreement following the separation.

Current and deferred income taxes have been determined based on the stand-alone results of Speedway. However, because the Company filed as part of MPC's tax group in certain jurisdictions, the Company's actual tax balances may differ from those reported.

MPC utilizes a centralized treasury management function for financing its operations, with cash from MPC's operating companies, including Speedway, swept to shared MPC cash pooling accounts. The cash and cash equivalents held by MPC at the corporate level are not specifically identifiable to the Company and therefore have not been reflected in the Company's combined balance sheets. Cash transfers between MPC and the Company are accounted for through Parent company investment. Cash and cash equivalents in the combined balance sheets represent cash and cash equivalents directly identifiable to the Company and its operations.

The condensed combined financial statements include certain liabilities that have historically been held at the MPC corporate level but are specifically identifiable or otherwise attributable to the Company. MPC's third-party long-term debt and the related interest expense have not been allocated to the Company for any of the periods presented as the Company was not the legal obligor of such debt and the MPC borrowings were not directly attributable to the Company.

## **NOTE 2. ACCOUNTING STANDARDS**

### **Recently Adopted Accounting Standards**

#### ***ASU 2016-13, Credit Losses—Measurement of Credit Losses on Financial Instruments***

Effective January 1, 2020, we adopted ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," using the modified retrospective transition method. The guidance requires that for most financial assets, losses be based on an expected loss approach which includes estimates of losses over the life of exposure that considers historical, current and forecasted information. Expanded disclosures related to the methods used to estimate the losses as well as a specific disaggregation of balances for financial assets are also required. The application of this ASU did not have a material impact on our condensed combined financial statements.

We also adopted the following ASUs during the first nine months of 2020, which also did not have a material impact to our condensed combined financial statements:

<u>ASU</u>	<u>Effective Date</u>
2018-13 . . . Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	January 1, 2020
2020-04 . . . Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	April 1, 2020

### Accounting Standards Not Yet Adopted

#### *ASU 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. Amendments include removal of certain exceptions to the general principles of ASC 740 and simplification in several other areas such as accounting for a franchise tax or similar tax that is partially based on income. The change is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. We do not expect the application of this ASU to have a material impact on our combined financial statements.

### NOTE 3. ACQUISITIONS

#### Acquisition of NOCO Express

During the third quarter of 2019, MPC acquired an asphalt terminal and 33 NOCO Express retail stores in Buffalo, Syracuse and Rochester, New York, from NOCO Incorporated for total consideration of \$135 million. The 33 NOCO Express retail stores (“NOCO Retail”) were integrated into Speedway and are reflected in the Company’s financial results from July 2019, with close occurring over a two-week period from July 15 to July 25. Based on the final fair value estimates of assets acquired and liabilities assumed at the acquisition date, \$27 million of the purchase price was allocated to property, plant and equipment, \$3 million to inventory and \$56 million to goodwill attributable to NOCO Retail. Goodwill is tax deductible and represents the value expected to be created by geographically expanding our retail platform and the assembled workforce.

The Company determined the NOCO Retail results of operations are not material. Therefore the pro forma information is not required. Additionally, transaction costs incurred were not considered significant.

### NOTE 4. REVENUE

#### Disaggregated Revenue

*Net revenues* by major product line for the nine months ended September 30, 2020 and 2019 were as follows:

<i>(Millions of dollars)</i>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Fuel . . . . .	\$ 9,852	\$15,417
Merchandise . . . . .	4,784	4,728
Other <sup>(a)(b)</sup> . . . . .	36	25
<b>Total</b> . . . . .	<u>\$14,672</u>	<u>\$20,170</u>

(a) Includes related party fuel transportation income of \$12 million and \$10 million for the nine months ended September 30, 2020 and 2019, respectively.

(b) Includes rental income of \$24 million and \$15 million for the nine months ended September 30, 2020 and 2019, respectively.

## **Contract Balances**

Performance obligations are generally satisfied at the time goods are sold to customers with cash collected at the time of sale or shortly thereafter for payments by credit card. Contract liabilities are recognized for sales of prepaid cards and in connection with Speedway's loyalty programs, with the related performance obligations satisfied at the time prepaid cards or loyalty points are redeemed and goods are transferred to the customer. The closing balances of contract liabilities arising from the prepaid card and loyalty programs as of September 30, 2020 and December 31, 2019 were \$98 million and \$105 million respectively.

Revenue recognized that was included in the opening contract liabilities balance for the nine months ended September 30, 2020 and September 30, 2019 was \$77 million and \$81 million, respectively. Contract assets are not material to the condensed combined financial statements.

We do not disclose information on the future performance obligations for any contract with expected duration of one year or less at inception. As of September 30, 2020, we do not have future performance obligations that are material to future periods.

## **NOTE 5. RELATED PARTY TRANSACTIONS AND PARENT COMPANY INVESTMENT**

These condensed combined financial statements have been derived from the Consolidated Financial Statements and accounting records of MPC. The following discussion summarizes activity between the Company and MPC (and its affiliates that are not part of the planned separation).

### **Related Party Transactions with MPC:**

#### *Allocation of General Corporate Expenses*

The combined statements of income include expenses for certain centralized functions and other programs provided and administered by MPC, as described in Note 1. The costs of these services allocated to the Company, which are included with operating, general and administrative expenses in the condensed combined statements of income for the nine months ended September 30, 2020 and 2019, were \$62 million and \$60 million, respectively.

#### *Related Party Accounts Payable*

Certain intercompany transactions between Speedway and MPC related to cash pooling and general financing activities have been included within Parent company investment in the combined balance sheets in the historical periods presented when the intercompany transactions are not historically settled in cash.

Certain purchases of fuel inventory from MPC and its affiliate businesses have historically been settled in cash and, therefore, are reflected in the condensed combined balance sheets as Accounts payable – related parties and amounted to \$2 million and \$35 million as of September 30, 2020 and December 31, 2019, respectively. The majority of fuel purchases were not historically settled in cash and are included within Parent company investment in the condensed combined balance sheets.

#### *Related Party Purchases and Sales*

The Company purchased \$7.60 billion and \$13.11 billion of fuel inventory from MPC during the nine months ended September 30, 2020 and 2019, respectively. Of these purchases, \$52 million and \$479 million were cash settled during the nine months ended September 30, 2020 and 2019, respectively. Speedway's purchases of fuel inventory that were not historically settled in cash are presented as net transfers (to) from Parent in the condensed combined statements of cash flows. Speedway also sells a small amount of fuel and fuel hauling services to other MPC businesses. Speedway sales to MPC amounted to \$6 million and \$12 million during the nine months ended September 30, 2020 and 2019, respectively.

### ***Related Party Debt and Interest***

In 2014, the Company entered into an intercompany loan agreement with a subsidiary of MPC for an aggregate amount of \$2.25 billion consisting of (i) a \$500 million Term Loan due September 30, 2019 with an interest rate of one-month USD LIBOR plus 2.25%, (ii) an \$875 million 5.25% Senior Note due September 15, 2022 and (iii) an \$875 million 5.5% Senior Note due September 15, 2024. The outstanding balance on the \$875 million 5.25% Senior Note due September 15, 2022 was settled during the quarter ended September 30, 2020, with the settlement reflected as a component of Transfers (to) / from Parent, net in the condensed combined statements of cash flows. The \$875 million 5.5% Senior Note due September 15, 2024 was partially settled during the quarter ended September 30, 2020 with a remaining balance of \$739 million as of September 30, 2020.

Accrued interest expense associated with these related party loans as of September 30, 2020 and December 31, 2019 was \$2 million and \$28 million, respectively, and is reflected within Accrued interest—related party.

Interest expense associated with these related party loans for the nine months ended September 30, 2020 and 2019 was \$70 million and \$87 million, respectively, and is reflected within Interest expense, net—related party in the condensed combined statements of income.

### ***Parent Company Investment***

The net transfers (to) from Parent are included within Parent company investment on the condensed combined statements of changes in equity. The components of the net transfers (to) from Parent during the nine months ended September 30, 2020 and 2019 were as follows:

<i>(Millions of dollars)</i>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Cash pooling and general financing activities .....	\$(7,907)	\$(12,112)
Settlement of notes payable to Parent company investment .....	1,011	387
Acquisitions funded by Parent .....	—	86
Sales to Parent .....	(6)	(12)
Purchases from Parent .....	6,715	11,376
Corporate allocations .....	62	60
Stock compensation expense .....	5	11
Income taxes .....	259	162
<b>Total net transfers (to) from Parent .....</b>	<b>\$ 139</b>	<b>\$ (42)</b>

### **Transactions with Other Related Parties:**

#### ***Diesel Branding Agreement***

Speedway and PTC entered into a diesel fuel branding agreement effective October 1, 2019 in which PTC agreed to supply, price and sell diesel fuel at certain Speedway and PTC locations. At September 30, 2020, this agreement included approximately 350 Speedway and PTC fueling locations across 15 states, including approximately 200 Speedway commercial fueling locations. Under the terms of the agreement, both companies agreed to share the diesel fuel margins captured as a result of the sourcing efficiencies and logistical economies of scale. Diesel branding agreement income was \$110 million for the nine months ended September 30, 2020. We account for this agreement as a collaborative arrangement in scope of ASC 808, *Collaborative Arrangements*. Under ASC 808, we account for the income earned under this agreement as operating income reflected in the condensed combined statements of income as Diesel branding agreement income.

### ***PFJ Southeast***

Speedway sells fuel-hauling services to PFJ Southeast. Related party revenue for fuel-hauling services sold to PFJ Southeast for the nine months ended September 30, 2020 and 2019 was \$7 million and \$7 million, respectively.

### **NOTE 6. INVENTORIES**

<i>(Millions of dollars)</i>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Transportation fuels .....	\$155	\$193
Merchandise .....	231	227
Materials and supplies .....	28	23
<b>Total</b> .....	<u>\$414</u>	<u>\$443</u>

Inventories are carried at the lower of cost or market value. At September 30, 2020, market values for transportation fuel inventories were lower than their cost basis, resulting in a reserve of \$25 million. No such reserve existed as of December 31, 2019. LCM inventory valuation reserve adjustments are reflected within Cost of Sales in the condensed combined statements of income. The cost of inventories of transportation fuels and merchandise is determined primarily under the LIFO method. There were no LIFO inventory liquidations recognized for the nine months ended September 30, 2020 and 2019.

### **NOTE 7. OTHER CURRENT LIABILITIES**

At September 30 2020 and December 31 2019, other current liabilities were comprised of the following:

<i>(Millions of dollars)</i>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Contract liabilities, current portion (note 4) .....	\$ 98	\$105
Payroll and benefits payable .....	129	138
Accrued taxes .....	181	175
Accrued liabilities—environmental, current portion (note 11) .....	20	20
Other .....	50	20
<b>Total</b> .....	<u>\$478</u>	<u>\$458</u>

### **NOTE 8. FAIR VALUE MEASUREMENTS**

ASC 820, “Fair Value Measurement,” (ASC 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- *Level 1:* Observable inputs such as quoted prices in active markets;
- *Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3:* Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

We believe the carrying value of our other financial instruments, including cash and cash equivalents, receivables, accounts payable and certain accrued liabilities approximate fair value. Our fair value assessment incorporates a variety of considerations, including the short-term duration of the instruments and the expected insignificance of bad debt expense, which includes an evaluation of counterparty credit risk. We believe the carrying value of our long-term debt—related party approximates fair value.

## NOTE 9. PENSIONS AND OTHER POSTRETIREMENT BENEFITS

### Components of Net Periodic Benefit Cost and Other Comprehensive Loss

The following summarizes the net periodic benefit costs for our defined benefit pension and other postretirement plans.

<i>(Millions of dollars)</i>	Pension Benefits		Other Benefits	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Components of net periodic benefit cost:</b>				
Service cost .....	\$15	\$ 12	\$—	\$—
Interest cost .....	5	5	1	—
Expected return on plan assets .....	(6)	(6)	—	—
Amortization—settlement loss .....	1	—	—	—
<b>Net periodic benefit cost<sup>(a)</sup></b> .....	<b>\$15</b>	<b>\$ 11</b>	<b>\$ 1</b>	<b>\$—</b>

(a) Net periodic benefit cost reflects a calculated market-related value of plan assets which recognizes changes in fair value over three years.

The components of net periodic benefit cost other than the service cost component are included in net interest and other financial costs on the Condensed Combined statements of income.

**Contributions to defined contribution plans**—Contributions to defined contribution plans totaled \$25 million and \$27 million in the nine months ended September 30, 2020 and 2019, respectively.

## NOTE 10. INCOME TAXES

For the nine months ended September 30, 2020, we recorded an income tax provision of \$259 million or 25.7% of income before income taxes compared to \$162 million or 25.1% during the prior period. For the nine months ended September 30, 2020 and 2019, the effective tax rate is more than the federal statutory rate of 21% due principally to state income taxes.

## NOTE 11. COMMITMENTS AND CONTINGENCIES

The Company is involved in various litigations, claims and administrative proceedings, including those related to environmental and asset retirement matters. In accordance with ASC 450, “Contingencies” (ASC 450), the Company records accruals for loss contingencies when it is both probable that a liability will be incurred and the amount of the loss can be reasonably estimated. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

## **Environmental Matters**

We are subject to federal, state, local and foreign laws and regulations relating to the environment. These laws generally provide for control of pollutants released into the environment and require responsible parties to undertake remediation of hazardous waste disposal sites and certain other locations including presently or formerly owned or operated retail marketing sites. Penalties may be imposed for noncompliance.

At September 30, 2020 and December 31, 2019, accrued liabilities for remediation totaled \$36 million and \$37 million, respectively. It is not presently possible to estimate the ultimate amount of all remediation costs that might be incurred or the penalties if any that may be imposed. Receivables for recoverable costs from certain states, under programs to assist companies in clean-up efforts related to underground storage tanks at presently or formerly owned or operated retail marketing sites, were \$20 million and \$20 million at September 30, 2020 and December 31, 2019, respectively.

Governmental and other entities in various states have filed lawsuits against coal, gas, oil and petroleum companies, including the Company. The lawsuits allege damages as a result of climate change and the plaintiffs are seeking unspecified damages and abatement under various tort theories. Similar lawsuits may be filed in other jurisdictions. At this early stage, the ultimate outcome of these matters remains uncertain, and neither the likelihood of an unfavorable outcome nor the ultimate liability, if any, can be determined.

We are involved in a number of environmental enforcement matters arising in the ordinary course of business. While the outcome and impact on us cannot be predicted with certainty, management believes the resolution of these environmental matters will not, individually or collectively, have a material adverse effect on our condensed combined results of operations, financial position or cash flows.

## **Asset Retirement Obligations**

Our short-term asset retirement obligations were \$4 million and \$4 million at September 30, 2020 and December 31, 2019, respectively, which are included in other current liabilities in our condensed combined balance sheets. Our long-term asset retirement obligations were \$22 million and \$22 million at September 30, 2020 and December 31, 2019, respectively, which are included in Other long-term liabilities in our condensed combined balance sheets.

## **Legal Matters**

In May 2007, the Kentucky attorney general filed a lawsuit against MPC and Marathon Oil in state court in Franklin County, Kentucky for alleged violations of Kentucky's emergency pricing and consumer protection laws following Hurricanes Katrina and Rita in 2005. The lawsuit alleged that MPC overcharged customers by \$89 million during September and October 2005. The complaint sought disgorgement of these sums, as well as penalties, under Kentucky's emergency pricing and consumer protection laws. In May 2011, the Kentucky attorney general amended his complaint to include a request for immediate injunctive relief as well as unspecified damages and penalties related to MPC's wholesale gasoline pricing in April and May 2011 under statewide price controls that were activated by the Kentucky governor on April 26, 2011, and which have since expired. A settlement agreement was reached on July 25, 2019 in which MPC agreed to pay \$22 million. Speedway was allocated \$11 million which was included in Operating, general and administrative expenses in the combined financial statements.

We are also party to a number of lawsuits and other proceedings arising in the ordinary course of business. While the ultimate outcome and impact to us cannot be predicted with certainty, we believe that the resolution of these lawsuits and proceedings will not have a material adverse effect on our condensed combined financial position, results of operations or cash flows.



## Insurance

We are self-insured for workers' compensation, general liability, and automobile claims. Actual claim settlements and expenses incident thereto may differ from the provisions for loss.

**Other guarantees**—We have entered into other guarantees with maximum potential undiscounted payments totaling \$11 million as of September 30, 2020, which consist primarily of a commitment to contribute cash to an equity method investee for certain catastrophic events in lieu of procuring insurance coverage and leases of assets containing general lease indemnities and guaranteed residual values.

**General guarantees associated with dispositions**—Over the years, we have sold various assets in the normal course of our business. Certain of the related agreements contain performance and general guarantees, including guarantees regarding inaccuracies in representations, warranties, covenants and agreements, and environmental and general indemnifications that require us to perform upon the occurrence of a triggering event or condition. These guarantees and indemnifications are part of the normal course of selling assets. We are typically not able to calculate the maximum potential amount of future payments that could be made under such contractual provisions because of the variability inherent in the guarantees and indemnities. Most often, the nature of the guarantees and indemnities is such that there is no appropriate method for quantifying the exposure because the underlying triggering event has little or no past experience upon which a reasonable prediction of the outcome can be based.

## Contractual Commitments and Contingencies

At September 30, 2020 and December 31, 2019, our contractual commitments to acquire property, plant and equipment totaled \$2 million and \$13 million, respectively. At September 30, 2020, our contractual commitments to purchase services and materials totaled \$29 million; there were no such commitments at December 31, 2019.

## NOTE 12. SUPPLEMENTAL CASH FLOW INFORMATION

Net cash provided by operating activities included interest paid of \$96 million and \$111 million during the nine months ended September 30, 2020 and 2019, respectively.

The unaudited condensed combined statements of cash flows exclude changes to the unaudited condensed combined balance sheets that did not affect cash. A reconciliation of additions to property, plant and equipment to total capital expenditures follows for the nine months ended September 30, 2020 and 2019.

	Nine months ended September 30,	
	2020	2019
(Millions of dollars)		
Additions to property, plant and equipment per condensed combined statements of cash flows .....	\$305	\$365
Increase (decrease) in capital accruals .....	(95)	(21)
<b>Total capital expenditures</b> .....	<u>\$210</u>	<u>\$344</u>

## NOTE 13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events after the balance sheet date of September 30, 2020 through January 25, 2021, the date the combined financial statements were available to be issued.

During the fourth quarter of 2020, Pilot Travel Centers LLC exercised an option to purchase our 29 percent interest in PFJ Southeast LLC, subject to customary closing conditions and regulatory approvals. We expect the purchase to close in 2021 and to account for our equity method investment in PFJ Southeast LLC as an asset held for sale beginning in the fourth quarter of 2020.

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\$10,950,000,000



**7-Eleven, Inc.**

\$1,500,000,000 Floating Rate Senior Notes due 2022  
\$1,250,000,000 0.625% Senior Notes due 2023  
\$2,250,000,000 0.800% Senior Notes due 2024  
\$1,250,000,000 0.950% Senior Notes due 2026  
\$1,000,000,000 1.300% Senior Notes due 2028  
\$1,700,000,000 1.800% Senior Notes due 2031  
\$750,000,000 2.500% Senior Notes due 2041  
\$1,250,000,000 2.800% Senior Notes due 2051

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Offering Circular  
January 27, 2021

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*Joint Book-Running Managers*

**Credit Suisse**  
**BofA Securities**  
Mizuho Securities  
Scotiabank

**Citigroup**  
MUFG

**SMBC Nikko**  
**J.P. Morgan**  
Nomura  
Wells Fargo Securities

*Co-Manager*

**US Bancorp**

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