

UnhappyFranchisee.Com

AN OPEN LETTER TO SNAP-ON CEO NICHOLAS PINCHUK

Mr. Nicholas T. Pinchuk
Chairman and Chief Executive Officer
Snap-On Incorporated
2801 80th Street
Kenosha, Wisconsin, 53143

October 19, 2021

VIA Email, Fax & Registered Mail

Dear Mr. Pinchuk:

The purpose of this public letter (and the related video letter) is two-fold:

- 1) To request that you investigate, consider and respond to the following complaints and issues regarding potentially predatory and/or deceptive recruitment and treatment of U.S. veterans by the Snap-On Tools franchise program, and
- 2) To respectfully urge you to investigate, explain and, where warranted, rectify the alleged targeting, willful neglect and uncompensated reacquisition of former Sergeant of Marines Kyle De Santis' California franchises.

As the publisher of UnhappyFranchisee.Com, a franchise industry watchdog site, I have received a number of complaints from Snap-On franchisees, including a number of complaints from *successful* Snap-On dealers who feel their franchises were targeted for reacquisition and seizure without compensation or consideration.

These complaints prompted me to analyze Snap-On's franchisee recruitment materials and methods, its representations to veterans, and what appears to be its alarmingly high franchisee turnover rates.

You routinely address tough questions regarding the global economy and issues that affect Snap-On (SNA) stock performance. I am hoping you are willing to address these tough questions about Snap-On's commitment to the veterans who invest in your franchise:

#1: Why Does Snap-On Deceive Veterans About the Nature of their Franchise?

Snap-On Tools targets U.S. veterans with a promise of *independence, control, self-determination* and *freedom* as owners of their own businesses. One typical Snap-On franchise promotion page includes the words "control," "freedom," "own," "owner," and "ownership" 20+ times.

Frequently, claims include:

“You are in control of your franchise business”

“You will be your own boss”

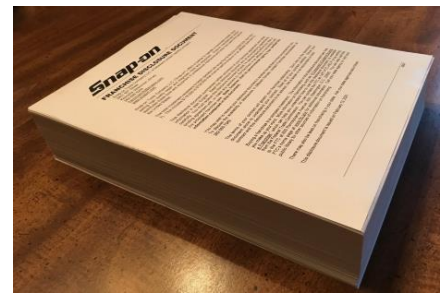
“You will have a new level of freedom and pride”

Does the 548-page Snap-on Franchise Agreement & Contract Give Franchisees – Or the Franchisor – Total Control?

The binding 548-page Franchise Agreement, FDD and related contracts appears to put *Snap-On Tools Inc.* in control of every aspect of the franchised business.

Snap-On Tools controls what the franchisee can sell, who they can sell to, where they are allowed to purchase inventory, and the prices they are required to pay.

Through non-disclosure agreements and clauses (NDAs) and mandatory mediation/arbitration (which hides the existence and details of franchisee disputes from prospective franchisees and the public), Snap-On Tools even controls franchisees’ ability to share their opinions & experiences or to air disputes with the franchisor in court.



One SBA attorney stated that Snap-On franchisees were not, in his opinion, true business owners since "the Franchisor appears to exercise too much control over the Franchisee... The franchisee does not have the right to profit commensurate with ownership."

Like the military, the Snap-On Tools franchise requires conformity & compliance, not complete freedom & total control. Why not be honest?

#2: Why Does Snap-On Promote Bogus & Misleading Awards & Rankings?

Snap-On Tools aggressively promotes its paid inclusion in “Best Franchises for Veterans” and “Vet-Friendly Franchises”-type programs such as VetFran as if they are anything other than paid-for awards and endorsements. The FTC requires that endorsements, awards and recognition requiring payment, either direct or indirect, should be clearly disclosed.

The International Franchise Association’s VetFran program, in particular, professes to help veterans find safe, vet-friendly franchise opportunities. Yet VetFran clearly serves the interests of franchise *sellers*, not the veteran franchise *buyers*.



In fact, VetFran endorses & promotes member franchises with 3-year turnover rates as high as 33% - 177%. Those statistics indicate a strong possibility that veterans will lose their investments & go deep in debt with many VetFran-endorsed franchises.

Snap-On Tools’ “5-Star” Rating as a Premium Member is misleading. The criteria for a Five-Star Rating includes a “continuity rate” of 80%. The use of “continuity rate” by VetFran & Snap-On rather than the standard “turnover rate” formula is especially misleading in the case of Snap-On, since it fails to reflect the number of franchisees who left the system through transfers and reacquisitions.

VetFran/Snap-On's use of an 80%+ "continuity rate" & "5-star rating" in my opinion, is intended to give veterans a false sense of confidence. Why not communicate that Snap-On's 3-year franchisee turnover rate 32% and its 10-year turnover rate is 98%?

#3: Of the 3000+ Franchises Prematurely Terminated, Reacquired or Transferred in the past 10 years, how many lost most or all of their investment? How many were veterans?

Our analysis of Snap-On Franchise Disclosure Documents for the past ten years reveal these disturbing numbers:

From 2018-2020:

of Snap-On Franchises Prematurely Terminated or Reacquired: 1057

of Veteran-owned Snap-On Franchises Prematurely Terminated or Reacquired: ???

3-year Snap-On Franchisee Turnover Rate: 32%

From 2011-2020:

of Snap-On Franchises Prematurely Terminated or Reacquired: 3098

of Veteran-owned Snap-On Franchises Prematurely Terminated or Reacquired: ???

10-year Snap-On Franchisee Turnover Rate: 98%

Out of the 3098 premature exits, how many were veterans?

Do you feel that the number of veteran and non-veteran franchisees who leave each year having lost some or all of their investments is acceptable?

If not, what is Snap-On Tools Inc. doing – and/or willing to do - to address the problem?

#4: Why does Snap-On prohibit military veterans from hearing the experiences and opinions of former franchisees before they sign the 548-page agreement?

The Snap-On Inc. FDD states that prospective franchisees may contact current & former franchisees "to ask about their experiences."

However, it also states that some franchisees have signed confidentiality agreements preventing them from sharing their experiences and opinions:

In some instances, current and former franchisees sign agreements with provisions restricting their ability to speak openly about their experience with Snap-on. **You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.**

The mandatory mediation/arbitration provisions prohibit franchisees from sharing information regarding their disputes. The disclosed franchisee litigation settlements in FDD Item 3 are kept confidential and not available to the public or prospective franchisees.

If Snap-On Tools respects and values military veterans considering the Snap-On franchise opportunity, *shouldn't you provide them access to the views of ALL current and former franchisees... even if those views are negative?*

#5: Why are military veterans – who served to preserve OUR freedom of speech – deprived of their right to share their experiences and opinions?

The Snap-On franchise agreement does not explicitly forbid franchisees from sharing experiences and opinions. However, there is a great reluctance to share and very little public (perhaps from fear of blacklisting, *below*). And those with disputes are silenced through NDAs and confidentiality clauses.

Do you not agree that freedom of speech is a fundamental American right? Should veterans who become franchisees surrender their right to share their opinions and experiences as Snap-On franchisees?

One way Snap-On could thank veterans for their service is to ban all NDAs and agreements that go beyond protecting trade secrets – and assure franchisees and former franchisees that whistleblowers do not fear reprisals. Is Snap-On Inc. willing to do this?



Snap-On CEO & Army veteran Nick Pinchuk (right), Lacey De Santis (left) & Marine Corp veteran Kyle De Santis (ctr)

#6: Does Snap-On Sometimes Force Franchisees Out of the System to Either Silence Dissent or Acquire Valuable Routes Without Paying for Them... a practice some refer to as “Blacklisting”?

I have heard, on multiple occasions, that successful Snap-On franchisees felt that they were targeted by the Snap-On chain of command and forced out through a process unofficially called “blacklisting.” It’s not clear how high up the chain the directives came, but they report a markedly clear change in attitude, support and demeanor. Some have reported that Snap-On’s motivation appeared to be acquisition of their valuable routes for resale, while others claim they were targeted for expressing their views or objecting to what they believe are unfair practices?



The most recent case I’m aware of is that of Kyle De Santis, a former Marine who built a 5-truck fleet in Southern California’s Antelope Valley, outside Los Angeles. Kyle appears to have excelled both as a Marine and later as a Snap-On Tools franchisee. His awards include:

- ***Rookie of the Year 2015***
- ***Top 100 in 2016 (#32)***
- ***Rookie of the Year 2017 (Second Franchise)***
- ***Rookie of the Year 2018 (Third Franchise)***

Despite his adherence to the system, strong sales, growth record and status as a veteran, Kyle believes he was blacklisted after he objected to Snap-On’s continual force-shipping of products that overloaded his credit account by tens of thousands, if not hundreds of thousands, of dollars.

#7 Was Former Sergeant of Marines Kyle De Santis “blacklisted” for speaking out against Snap-On force-shipping and billing for inventory franchisees didn’t order & don’t want?

After he was allegedly blacklisted, Kyle De Santis claims that his Snap-On Team did not help him face the onslaught of challenges that coincided with the Coronavirus pandemic.

He describes the feeling as similar to being in battle, radioing for air support and receiving no response or assistance. In a video statement, he describes his disappointment at realizing that Snap-On’s commitment to its franchisee veterans is just an empty marketing promise to sell franchises.

#8 Was Kyle forced by Snap-On to turn over customer accounts – without compensation - his support manager previously encouraged him to develop?

Kyle claims that prior to his blacklisting, he had been encouraged by his Snap-On supervisor to develop full routes of stops not on his List of Calls. He claims he was told to ignore the form-letter denial notices that would arrive intermittently in bulk.

After the point he suspects he was “blacklisted,” and while he was contending with doing business in a pandemic, Kyle says the same rep forced him to turn over all the customers he had worked to develop and service. Snap-On took these successful routes without providing any compensation or consideration, further damaging his business’ ability to survive.

#9 Did Snap-On refuse to assist Kyle when their approved vendor wouldn’t honor the \$40,000 warranty repair on a brand new truck?

Faced with the need to replace most of his trucks in order to comply with new California emissions standards, Kyle ordered a new state-of-the-art Snap-On truck from Snap-On’s approved supplier. The truck had engine trouble from the start and within months needed to be replaced.

The vendor refused to honor its warranty and pay for the \$40,000 replacement. Kyle, who was a trained and certified aircraft inspector while in the Marines, debunked their flawed claim and provided detailed proof to his Snap-On support team. However, his Snap-On franchise support team and Snap-On Tools Inc. home office remained silent and refused to advocate on Kyle’s behalf with their vendor on his behalf.

Another call for air support went unanswered...

#10 Did Snap-On-owned insurance provider Securecorp refuse to cover a \$100,000+ theft of inventory from Kyle’s disabled truck in a secure locked facility?

With multiple delays and backorders due to COVID, Kyle’s new truck remained out of service at the locked, secure repair facility where he had left it locked & with the alarm set. When he and his crew came up to retrieve the tool inventory, they discovered that the truck had been broken into and the \$100,000+ inventory had been stolen.

Since he became a franchisee, Kyle De Santis had paid Snap-On SecureCorp for the required inventory coverage insurance for just such a situation. Snap-On SecureCorp denied his claim, as they claimed the truck alarm was not set at the time of theft. The battery had been disconnected for the work to be performed (!), and though the truck was in a secure, locked facility, Snap-On’s own insurance program denied coverage on this ridiculous technicality.

Was this denial part of the alleged blacklisting effort to oust the Marine veteran? It seems curious that Snap-On would not pay the \$100,000+ claim for the theft of its franchisee’s Snap-On inventory... especially considering that the proceeds would have been used to purchase *more inventory from Snap-On*. I have received other complaints about Snap-On SecureCorp, usually with the word “scam” as a descriptor.

No one in Kyle’s Snap-On franchise support team advocated for him with Snap-On Securecorp, or demonstrated an effort to help this award-winning military veteran keep his franchises. He believes that Snap-On Tools withdrew or withheld support in order to force him out and take over his franchises without compensation.

In fact, Kyle De Santis and family never received a note of thanks, sympathy or assistance in recovering or moving on.

Just radio silence...

#11 Did Snap-On make an effort to keep military veteran Kyle De Santis in business & keep him from losing his \$1,000,000 investment?

Mr. Pinchuk, can you state that Snap-On made every effort to help Kyle De Santis overcome the barrage of challenges that threatened and ultimately weakened his business to the point that Snap-On is now, once again, in control of the routes he paid for?

Isn't that what Snap-On promises veterans in franchise advertising that states that your company is dedicated to our veterans, and that yours is a top franchise for veterans? Isn't it a fair assumption that a huge, "vet-friendly" corporation would deploy considerable resources to assist a veteran franchisee who has made a significant contribution both to our nation and to Snap-On Incorporated?

Perhaps I'm mistaken, but it appears to me that Snap-On Inc. has put much more effort into designing and implementing a system for silencing complaints and hiding negative outcomes rather than protecting the veterans it approved and supported from losing their businesses and their livelihoods.

While Kyle De Santis has lost his investment, 6 of his prime earning years and the years left on his franchise agreement(s), am I correct that Snap-On corporate has the right to keep his franchise fees and either sell the routes and customers he developed to new franchisees... or service them corporately?

Has Snap-On Inc. determined that it actually *increases* its profits by churning franchises like those of veteran Kyle De Santis?

Is that why the Snap-On 32% churn rate seems remarkably consistent from years-to-year?

#12 After veteran Kyle De Santis' lost everything, how did Snap-On thank him for his service? A condolence card? A fruit basket? Or just more demands for payment?

The contrast between Snap-On's flag-waving portrayal of its respect for military veterans and its appreciation for their service and the callous disregard for former Sergeant of Marines Kyle De Santis and his family couldn't be more stark and, to me, horrifying.

After six years of devotion to Snap-On Tools and the Snap-On brand, Kyle and Lacey De Santis reportedly received no offer of assistance, no expression of condolences, not even an email expressing thanks or best wishes.

No one from Snap-On has checked in to see how they are doing on a personal level, or offered so much as a kind word. *Thank You for Your Service* seems to be a sentiment that ends when the franchise agreement is signed.

The only contact has consisted of Snap-On representatives reportedly come and check in inventory that in its own sole discretion it will take back at a value it solely determines. Snap-On reportedly continues to bury the exiting franchisee with charges, with more bills, with added interest and with demands for payment.

Despite the fact that Snap-On now has full control of all his routes and he is without his business or income, the franchisor is heaping on significant payment demands.

Kyle De Santis says that the stress, PTSD and pressure he experienced from being a blacklisted Snap-On franchisee being a far exceeds anything he faced while deployed during Operation Iraqi Freedom (OIF).



In a *Chief Executive Officer* special report on veteran CEOs, you are quoted:

“I learned this is Vietnam: when the proverbial debris hits the fan, people in an organization worry, question & wonder – and they look to their leaders to express the confidence that the path they’ve chosen is correct.”

In my opinion, the proverbial debris hits the fan for too many Snap-On franchisees every year and it continues to hit this fan for the young Marine who invested his trust & family’s well-being in a Snap-On franchise based on your promises.

Snap-On’s financial & legal might certainly gives you the power to ignore this letter, ignore these issues, ignore the problem of veteran franchisee turnover, and ignore the plight of veteran Kyle De Santis.

I hope you will choose to discuss these issues in an interview with me, and hope you’ll take this opportunity to demonstrate Snap-On’s *true* commitment to its veteran and non-veteran franchisees.

Thank you,

Sean Kelly

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Note: UnhappyFranchisee.Com is an independent franchise watchdog website that believes in open and honest public discussion. We support but do not formally represent Mr. De Santis or any other franchisee, and we are not part of any legal action.

We are not attorneys nor a law firm. The Court of Public Opinion is our only court.

The opinions expressed here are that of the author. Though he believes all statements of fact are accurate and documented, he could be wrong. As always, readers should do their own research.

ATTACHMENT

Questions for Snap-On Inc. CEO Nicholas Pinchuk FranBest Veterans Initiative at UnhappyFranchisee.com

- 1) Why does Snap-On deceive veterans about the nature of their franchise?
- 2) Why does Snap-On promote bogus & misleading awards & rankings?
- 3) Of the 3000+ franchises prematurely terminated, reacquired or transferred in the past 10 years, how many lost most or all of their investment? How many were veterans?
- 4) Why does Snap-On prohibit military veterans from hearing the experiences and opinions of former franchisees before they sign the 548-page agreement?
- 5) Why are military veterans – who served to preserve OUR freedom of speech – deprived of their right to share their experiences and opinions?
- 6) Does Snap-On Sometimes Force Franchisees Out of the System to Either Silence Dissent or Acquire Valuable Routes Without Paying for Them... a practice some refer to as “Blacklisting”?
- 7) Was Former Sergeant of Marines Kyle De Santis “blacklisted” for speaking out against Snap-On force-shipping and billing for inventory franchisees didn’t order & don’t want?
- 8) Was Kyle forced by Snap-On to turn over customer accounts – without compensation - his support manager previously encouraged him to develop?
- 9) Did Snap-On refuse to assist Kyle when their approved vendor wouldn’t honor their \$40,000 warranty repair on a brand new truck?
- 10) Did Snap-On-owned insurance provider Securecorp refuse to cover a \$100,000+ theft of inventory from Kyle’s disabled truck in a secure locked facility?
- 11) Did Snap-On make every effort to keep military veteran Kyle De Santis in business & keep him from losing his \$1,000,000 investment?
- 12) After veteran Kyle De Santis’ lost everything, how did Snap-On thank him for his service? A condolence card? A fruit basket? Or just more demands for payment?

(Video) Does Snap -On Tools Exploit U.S. Military Veterans? An Open Letter to CEO Nick Pinchuk

Link: <https://youtu.be/Qi0hYNi6P7U>