

California Service
Station &
Automotive Repair
Association

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CSSARA
AUTO\$ENSE

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**CONOCOPHILLIPS STARTS ANNOUNCED
DIVESTITURE**

ConocoPhillips' U.S. Marketing President Clayton Reasor has notified its "76" West Coast dealers that the company will begin its divestiture of some 830 company-operated and dealer-leased stations. The divestiture will begin in the Pacific Northwest and move down the coast. Town Hall meetings will be held to discuss aspects of the station sales such as supply agreements and how these will vary among dealers because of leases and supply considerations. ConocoPhillips also stated that the environmental indemnity will be site specific and will also vary. Prices for the company-owned dealer sites will be based on independent third-party appraisals.

If the retailer decides not to accept the initial offer the site will be offered on the open market. Once a bonafide offer has been received, the existing dealer will have the right to match this offer, as provided by the Petroleum Marketing Practices Act. ConocoPhillips will not provide any financial assistance to its dealers who are hoping to buy their station. They will provide a list of lenders.

Of course, there are some pitfalls. In order to make a wise business decision, a dealer must fully understand the financial considerations for each site. There have been past instances where a leasee dealer has done nothing more than purchase a job for him or herself. Even though you may have an emotional tie to the site, having been the marketer there for many years, it may not be a good business decision to pay the price asked. Look at this in an entrepreneurial way. If you can see long-term return it may well be worth the investment. If you need help in this area please do not hesitate to call CSSARA's Executive Director Dennis DeCota who will be happy to work with you on the purchase of your property.

There are also important issues regarding your first right of refusal and taking the initial offering versus waiting to see if a bonafide offer comes in which you can try to match. As an example, there have been situations where the oil company offered

its franchisee a station at \$2 million. The dealer felt this was excessive and did not exercise his option to purchase. The oil company then put the site up to bid. The bid came in on the open market at a little over \$4 million. The dealer lost his business value in the location and his ability to purchase his station at half of the going price.

The process of purchasing your real estate can be frightening. So it is imperative that you think this through and get proper advice and use such professionals as those who are CSSARA endorsed. Just a few examples are CJ Lynden, commercial lending specialist at 510-758-6800; Kevin Lally, attorney at law at 925-866-1000; Pangea, environment and engineering services at 510-435-8664. Do not hesitate to make these calls so that you can make an informed decision.

TEST-ONLY CHALLENGES BAR

The California Emissions Testing Industries Association (CETIA), which represents some of the state's test-only shops, wrote to BAR Chief Mehl on April 17, 2007, informing her of its intent to pursue legal remedies to protect the interests of the test-only industry. The letter states their opposition to and threatens litigation regarding the proposed regulation that allows Gold Shield stations to have parity with test-ONLYs. CETIA requests that BAR divide the proposed regulation into two separate proposals. They are in favor of implementing the low pressure fuel evap system testing and opposed to the Gold Shield initial testing.

The test and repair industry needs to be prepared for a fight, which will include financial commitment for legal and lobbying expertise. We need to stand up and be heard on this issue. One legislator recently stated, "There are many groups that come to the Capitol to be heard, and if your group is not here then I guarantee you will not be heard." We cannot be apathetic on this important issue. Your participation will be the key to winning this battle.