



"We lead you through the profitability maze".

CONDEVCO LLC / CONVENIENCE DEVELOPMENT CORP

THE "METER" NEWSLETTER

WELCOME TO "THE METER"

Dear friends, associates and interested parties,

Welcome to the inaugural issue of "The Meter" which will be an e-mail newsletter put out by Condevco LLC on a semi-regular basis. We named it "The Meter" because that's what keeps track of the fuel flow in the pumps, and we're going to try to give you a sense of the "Flow" of the business. Hopefully, you will find this a valuable resource and sounding board for your own thoughts.

This newsletter will not be taking a point of view as it relates to anything but good customer service, convenience retailing and petroleum marketing, and anything that supports that. We will also delve into real estate related issues as it pertains to retail sites and development.

We seem to be in a time of unprecedented upheaval in our business. As it relates to retail, there is cost inflation in CPG with no inclination on the consumer's part to absorb higher prices, volatility in fuel pricing that seems to be more about speculation than the actual value of the fuel, and regardless of which way consumer sentiment is flowing, the credit card companies making more money in processing fees than the entire industry profited at retail last year. As in all times of market turbulence, some will profit and grow, and some will wither and die.

On the Distribution and Real estate side, the big Oilcos are "shedding" their retail sites en masse, but that opens up an opportunity that wasn't available before on the distribution side of the business. Good store operators have continued to grow store count and expand their offerings, but until the credit markets get straightened out, that continued growth is in jeopardy.

Here in Florida, the combination of no or tough credit and the Double-Walled tank deadline have a lot of site owners who haven't "re-tanked" sweating it out. There is going to be a period of opportunity for picking up assets that are "Fixer Uppers" at excellent prices, and some of that is starting to hit the markets now. Tank Insurance on Single-wall installations is going to disappear by the end of the year in the state, it seems pretty clear.

"Consolidation" is a word being bandied about the industry right now, and while it looks like there is a consolidation of ownership occurring, remember

that there is a large supply of Oilco sites coming into the market, and so far, being absorbed by distributors with decent store count already. There are still lots of properties and groups of properties that fit the "Smaller" range that will need to be moved and re-branded and freshened up.

Whenever there is disruption to the market equilibrium, which is occurring in 1) the consumer market, both with credit tightening and increased fuel prices, 2) the fuel retailing and distribution market, and 3) the credit markets, both for operating and real estate acquisition, opportunities present themselves to those who know where to look.

As we move forward through this time, in mostly uncharted waters, we need to remember that an automobile is still either the first or second most valuable asset most people own, and the lifestyle most consumers lead and the infrastructure they use were predicated on relatively inexpensive and plentiful motor fuels.

This is why the fuel volumes didn't drop as much during the price spike as most people would think. But the consumer feels hostile and wary of the oil business right now, and no matter how much people rationally know the guy who owns the Exxon or Chevron at the corner didn't make the \$40-50 Billion last year, you're the one they can be upset at.

So give them service, give them clean, give them a smile and remember you're still the "Corner market". We can help provide solutions to your most pressing needs, and everyone can use a set of "Fresh Eyes" to look at the issues we're all concerned about.

Looking forward to a long and productive dialogue between all of us.

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Questions or comments? E-mail us at rsanticola@condevco.com or call Ron at 561-274-4261

VOL. 1, ISSUE 1, OCT 6



*Competitive Street Pricing
in Florida—October 4, 2007
"The Good Old Days?"*

ABOUT CONDEVCO LLC AND RON & DARCEE SANTICOLA

RON SANTICOLA HAS BEEN IN THE CONVENIENCE STORE BUSINESS FOR 14+ YEARS HERE IN FLORIDA AND INTERNATIONALLY, AS A "C" LEVEL EXECUTIVE AND CONSULTANT. AWARD-WINNING AND RESPECTED INDUSTRY LEADER. DARCEE SANTICOLA IS AN AWARD-WINNING STORE DESIGNER AND SPACE PLANNER. WE MERCHANDISE LOCATIONS AND LAY OUT SELECTION, MIX AND PROMOTIONAL CALENDARS.

RON IS ALSO A FL LICENSED REAL ESTATE BROKER, SPECIALIZING IN PETROLEUM RETAILING PROPERTIES AND PETROLEUM DISTRIBUTION.

WE SPECIALIZE IN:

- ◆ SITE AND CHAIN ACQUISITION
- ◆ BRANDING AND FUEL SUPPLY
- ◆ STORE DESIGN—NEW & REFURBISHMENT / REBRANDING
- ◆ MERCHANDISING & PROMOTIONS
- ◆ FINANCIAL MODELING—ACQUISITION AND OPERATING
- ◆ CUSTOMER SERVICE TRAINING
- ◆ MYSTERY SHOPPING
- ◆ MANAGEMENT CONSULTING
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- ◆ FUEL PRICING USING THE:
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