



PETROLEUM FACTS

Frequently Asked Questions for petroleum marketers, C-stores and franchisee operators

Frequently Asked Questions

Q: How do you determine if you do a loan SBA, conventional or on some other basis?

A: That decision is usually based on the cash flow of the business, since it is easier to qualify for SBA financing with less cash flow than with conventional financing. If a loan needs to close quickly because a borrower is about to lose a deposit or a site has been purchased at auction and needs a quick closing, we will frequently use bridge or short term financing programs.

Q: What are the rates:

A: Our rates will be very competitive and are based on Prime, Treasuries, LIBOR and on the contract structure and credit risk.

Q. What is your turnaround time?

A: Our target is to have loans approved and closed within 45 -60 days. On the short term/bridge and stated income programs, it usually takes a week to obtain a commitment letter. On SBA and conventional loans, normally around fourteen business days, *but this is only after receipt of all requested information.* The clock does not start simply because we have issued a Letter Of Interest. **Again, commitment letters will not come prior to receiving all requested information.**

Q: Do you require Phase 1 or Phase 2 Environmental reports?

A: If Phase 1 Site Assessments and Phase II Subsurface Investigations have been previously prepared, they are reviewed by the lender's environmental staff. A Phase I or Phase II is usually valid for six months according to industry standards. If the report is older than six months, it is usually required that the company update the report.

Q: Will PetroMAC do financing for properties with known environmental problems?

A: Yes, assuming all information required by the lender's environmental staff is provided and all standards are met. Most environmental "issues" are not issues per se. Refusing to consider properties with supposed "issues" usually represent a lender's reluctance to lend to the industry in general because other asset classes such as multifamily, office buildings, storage facilities pose less risk to the lender.

Q: How much does an environmental report cost?

A: A Phase I environmental report normally costs approximately \$2,000. It normally takes 1-2 weeks to have a Phase I environmental completed. The cost of a Phase II depends on the recommendations an environmental company has made.

Q: The site I am purchasing has been remediated and is currently being monitored, but I do not have a "No Further Action" letter. Can I obtain financing?

A: Depending on if an indemnification agreement is available and who the indemnification agreement is from (i.e. from oil company, jobber or dealer) will dictate what type of financing that is available.

Q: The station I am looking to buy has old steel tanks. Can we obtain financing?

A: Yes, however, the site most likely will need to have the tanks replaced with fiberglass tanks in the upcoming years due to new EPA regulations that will take place in 2009.

Q: Does PetroMAC only do financing for gas stations and convenience stores?

A: No, we do financing convenience stores, service stations, truck stops, car washes, oil and lube centers, and related concepts. The list is always expanding, and we are open to exploring new areas.

Q: What if we do not have enough money for our down payment. Do we have any options?

A: Yes, frequently we arrange for petroleum suppliers (jobbers) to provide equity infusions. This will necessitate a long term fuel agreement (usually ten years) and possible re-branding/re-imaging. Jobbers normally do this arrangement for locations that pump at least 750,000 gallons per year at a minimum. PetroMAC also has at its disposal Joint Venture partnerships for "A" transactions.

Q: The station I am purchasing is an independent. Can I obtain financing?

A: Yes, but we typically would make sure the individual has significant experience. It would also depend on if the borrower had a long term fuel supply agreement or if the borrower were purchasing spot.

Q: What is the most difficult loan to do?

A: A business only acquisition is typically the most difficult loan to close because of the lack of available collateral. Individuals without significant management experience and capital typically will have a difficult time obtaining financing from lenders.

Q: What are the main reasons loans are declined?

A: Lending activities tend to go in cycles and certain asset classes fall in and out of favor with lenders frequently. The main reason loans are declined in with C & G (convenience and gas) loans is because lack of verifiable cash flow. Most of our activities are in acquisition financing and frequently sellers have not declared all of their income which makes verifying all of their revenue problematic. Frequently we run out of time because the borrowers have gone to other lenders prior to PetroMAC leaving a short time frame to close their loan. Many borrowers have very poor documentation to present which takes loan officers and processors an inordinate amount of time to present a loan in the best possible light to an underwriter. In the past few years, many more loans have been declined due to the borrower lacking direct industry experience and borrowing funds for their equity infusions. A percentage of loans are also declined due to environmental issues.

Q: Who does PetroMAC use for appraisals?

A: We only use companies that specialize in the C & G industry. These companies have significant experience appraising gas stations, convenience stores and truck stops. Some properties do not cash flow what the actual real estate value of the property is worth, and some cash flow significantly more than what the actual asset is worth, so we use companies that can distinguish value based on cash flow.

Q: How much does an appraisal cost for a gas station or convenience store?

A: It normally costs \$2,500 - \$3,000 for an appraisal on a gas station or convenience store. Appraisals for large truck stops and travel centers cost more.

Q: How long does it take to do an appraisal on a gas station or convenience store?

A: It normally takes three to four weeks for an appraisal. Borrowers can pay an additional fee to have an appraisal done on an expedited basis.

Q: I'm a New American and I still do not have permanent resident alien status. Can I obtain financing?

A: Yes, but you would not be eligible for SBA financing and most conventional programs. You would be eligible for financing under the bridge loan program, which can extend a loan for up to five years.

Q: Does PetroMAC operate from a centralized location?

A: No. Our processors operate from a centralized location but loan officers and underwriters operate all over the country from the comfort of their own home, much as Account Executives and Business Development Officers do for SBA lenders and many banks.

Q: Is PetroMAC aware of sites that are for sale?

A: Yes. Many oil companies send us their surplus lists as well as many banks send their REO (Real Estate Owned) lists of distressed properties they are trying to dispose of.

Q: Do you do construction financing?

A: Yes

Q: Can PetroMAC assist me in other areas of my business?

A: Yes. Part of the services we offer is to assist the operator or dealer in negotiating fuel supply agreements, vendor agreements and consulting services.

Q: Is PetroMAC a direct lender?

A: No. PetroMAC has corresponding relationships on a conventional basis and brokers SBA transactions. **Most brokers and borrowers can not approach our sources directly.** Borrowers will normally not see a commission fee agreement from PetroMAC, as normally would be present in a loan originated by a broker. We function as a retail outlet for some well known banks, lenders and hedge funds. You do not pay more for your loan by dealing with PetroMAC.

