KEN SHRIBER *is managing director for Petroleum Equity Group Ltd., which provides consulting advice and financing to fuel jobbers and large, multistore franchisees. He can be reached at (917) 882-2702 or ks@petroleumequitygroup.com, or visit www.petroleumequitygroup.com.*

Show Me the Money

In my last column, I discussed the important, not-to-be-overlooked steps to take to ensure a successful and profitable retail acquisition by a fuels jobber. I share those same steps, which include suggestions on financing, in every initial meeting with every prospective client.

Yet even the best-laid planning and analysis can be derailed by lenders who do not make good on their non-binding letters of interest or commitments. Their "subject to" clause will always give them an out, despite their initial euphoria about your deal. While the public bid or private purchase plan and strategy is being set in motion, the distributor/buyer must work feverishly to secure the debt and equity needed at closing.

And, unless you are in the same category of entities that might be mentioned even in the same news article as World Fuel Services Corp. or Global Partners LP, you will need to raise substantial funds from multiple sources.

FIVE STEPS TO TAKE

I have had clients who begin the process of securing funds too late, only to lose the contract because they cannot perform. Here are some basic steps for avoiding financing mishaps:

1. Start Early: Buyers often make the mistake of deciding to acquire a retail gas portfolio without thinking about the financing structure. It's not 2007 anymore, and money is not as readily available as it used to be. Because this is not likely to change anytime soon, your lenders and investors will need the time to evaluate the opportunity, spread risk and present a solid financing plan. This cannot be done at the last minute when you are signing a binding purchase agreement that requires a "hard" deposit soon thereafter.

2. Cast a Wide Net: You will have to float your proposal and financials to many lenders to gain awareness and attention. Some may not be interested because they shun the asset class. On the other hand, some may have energy assets already and retail businesses can enhance their portfolio and mitigate risk.

> If an investor offers you a basic framework for a deal that sounds **too good to be true**, it probably is.

Also, I have found that many investors know others in the financial world who might have interest even if they do not. Talking to a large financial community Rolodex is key to finding the right partners.

3. Build Your Financial Network: Talk to everyone you know who may have a link to the financial community, and stay in touch. Better yet, hire a consultant who knows the space and who has immediate access to lenders and investors. This will save you time and money.

4. Trust Your Instincts: If an investor offers you a basic framework for a deal that sounds too good to be true, it probably is.

Any deal structure, be it a sale leaseback, private equity placement, MLP or some other hybrid, must in the end work for both parties. You are well advised to hire a specialist to help structure a deal with bona-fide investors/partners/banks who are truly interested in the retail gas sector, and can help analyze the terms of any financing opportunities. The business of financing multimillion-dollar deals is challenging, made more so by a lending environment that has not been favorable to small and mid-sized companies.

5. Get It in Writing: While it sounds trivial or even mildly academic, securing the proposal in writing, on letterhead with a signature (vs. an e-mail), lends more significance. It adds a layer of incremental validity to the offer. Lenders will take you more seriously with such a document, even when it is a nonbinding letter of interest. Remember that their reputation is on the line, and at the end of the day that is all they truly have.

The point of all this is that you must address financing like a downhill skier at the precipice of an Olympic run: with passion and unrelenting determination. Following these steps will help to keep you on soft powder and out of the woods! ■