

Due Diligence For Buying an Operating Gas Station with Land

Establish Client's Objective

1. Buy & flip via double escrows;
2. Buy, hold, build up the existing business and sell it for a profit within 1-2 years;
3. Buy, hold, add profit center(s), build up business and sell it for a profit within 2-3 years;
4. Any combination of # 2 and # 3 above but hold it long term as an income stream; or
5. Other _____
_____.

Depending upon the nature of the client's objective, some or all of the below-listed due diligence items may require attention. In certain cases, more items will require scrutiny.

Real estate & location related concerns to be addressed

1. Verify ownership with title company;
2. Verify zoning with jurisdictional authority;
3. Size;
4. Shape;
5. Topography;
6. Easements;
7. Setbacks;
8. Covenants, Conditions & Restrictions flowing with title;
9. Ingress & egress;
10. Visibility;
11. Fee acquisition vs. ground lease;
12. Jurisdictional approvals needed for work to be done;
13. Existing competition;
14. Future competition;

15. Traffic generators;
16. Traffic counts;
17. Demographics;
18. Economic growth;
19. Planned new profit centers justified by existing local conditions; and
20. Ability to expand existing profit centers.

Existing business related concerns to be addressed

1. EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization)
2. State Board of Equalization Schedule "G"
3. Onsite observation period;
4. Existing contracts;
5. Legal review to identify obligations / options / costs;
6. Accountant's review to assess tax implications;
7. Inventory controls;
8. Strong supplier relationships;
9. Specifics of what is included / excluded in the sale;
10. Modern facilities & costs to upgrade;
11. Hours of operation;
12. Past pricing practices;
13. Identity signage;
14. Delayed maintenance items;
15. Regulatory compliance;
16. USTs;
17. Proforma forecasting future expectations; and
18. Professional escrow services.

Financing related concerns to be addressed

1. All cash transaction;
2. Assumption of existing debt;
3. Adding new debt; and
4. Seller Carry back financing.

Alternatives to making this acquisition

1. Keep looking for another gas station;
2. Find land and build gas station from scratch;
3. Look for another type of existing business with land; and
4. Find land and build another type of business.

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