



Advising Automobile Dealers LLC

a Texas Limited Liability Company

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Selling your Dealership

How we help clients sell their dealerships

Do not be lulled into a false sense of security, it takes skill and extensive preparation prior to and during the negotiating process and even more preparation at the closing, in order to create and close a successful sale.

From sports to war, the common elements of success are skill and preparation.

Dealers should concentrate on what dealers do best, which is operating their businesses, and let Advising Automobile Dealers LLC do what we do best, which is packaging dealerships for sale, structuring buy-sells and orchestrating escrow closing.

There is a reason the most knowledgeable dealers have liners and closers and do not personally negotiate with customers to sell a car. Is selling the entire dealership less important?

Dealers retain us because of our expertise in structuring transactions, our familiarity with the factories, lenders and the sales process, and because they do not want publicity about their stores.

We, at Advising Automobile Dealers LLC, will look out for your best interest even if it does not personally benefit us. We will energize you, educate you and motivate you to help you make the right decisions.

How do we accomplish that?

Advising Automobile Dealers LLC
We Could Make the Difference
www.advisingdealers.com



The Preparation

Before talking with prospective purchasers, we analyze the store, the community and the product, to include your: Franchise; location; facility and real property; history and potential; your operational efficiency; and the current national, state and local economies.

We study all aspects of the store's operations and history to determine why it is successful or not, and how it can be improved.

We are not "Dealership Brokers." We are not interested in taking as many listings as possible and hoping something matches. We are students of the industry. True consultants that use decades of knowledge and experience to determine how a buyer can obtain a maximum return on investment.

We then prepare a prospectus based upon (a) the dealer's goals, (b) our analysis of the store, (c) the sale problems we anticipate, and (d) our plan as to how to avoid them. (See our sample index.)

It is only after a careful and exhaustive analysis and consultation that we then proceed to begin marketing the store.

We need to thoroughly understand the dynamics of the transaction before we discuss its details with prospects. We need to anticipate a buyer's questions and have the answers to them before they are asked.

We do not want any surprises, whether in the form of questions from prospects, or unexpectedly discovering our client has a horrible computer lease, or an EPA problem with the real estate.

We do not want a client get to the closing only to discover some latent or contingent liability requires him or her to write a check in order to close. A number of times when helping our clients with buying dealerships, we have found sellers that were not prepared for all of the deductions from the sales price and who had to write a check for everything from vacation pay to loan prepayment penalties.

***"The dictionary is the only place that success comes before work. Hard work is the price we must pay for success. I think you can accomplish anything if you're willing to pay the price."* – Vince Lombardi**



The Marketing

Summary of the steps we use in every deal, even with people we know and with whom we have worked in the past.

After each step we evaluate whether or not the prospect is still interested in the deal and, if he or she is not, we stop and do not supply any more information.

The first six steps are as follows:

1. Candidates are selected by culling our list of prospects* and targeting our top 10 prospects for the deal and, as explained below, **we deal with only one candidate at a time.** (*At any given point in time we have a list of hundreds of prospects that are seeking dealerships.)

If one of the people on our team supplies the name of a prospect, I run it by our client to ascertain whether or not the client has a problem with the candidate.

Note: There are certain people I will not even give an NDA. In one case the prospect had his lawyer call me and ask if he, the lawyer, could sign it. I told him "no." We do not want to deal with the prospect under any circumstances. The prospect was known for suing dealers over concocted matters

We appreciate that our client may know a prospect, but the prospect needs to be vetted by me too. E.g., A factory referred one of their more prosperous dealers to our client, but when I researched him I found that at one time or another, he had sued everyone under the sun, including building contractors, his partner and even his own attorney.

We did not care that the prospect was buying and selling deals. We would not deal with him; and still won't. Another time we discovered the same guy was the money behind one of our prospects, so we dropped that prospect. Our world does not rise and set on a single prospect.

We follow Joe Putnam's theory: "If you don't want your hands to smell, then you don't pick up cow dung."

At the end of step one, if we and our client approve of the candidate, we will send an NDA to our number one candidate, without naming our store.

2. We obtain a signed NDA from everyone, on every deal. It is important not only to our client, but to us. We then forward our client an executed copy of the NDA to keep for his records in case a problem arises in the future. At any point in time, a client can tell us not to deal with a particular prospect.

Our system was created by addressing issues that have arisen over the past five decades and protecting against them ever arising again.



3. After we received the signed NDA, we tell the prospect only the brand and geographical location of the store (E.g., Ford in north Texas, or Honda in SoCal, etc.) Then, **if, and only if**, the location and brand is acceptable to them, we go to step 4.
4. We tell them the name of dealership. Then, **if, and only if**, they express their desire for the store, we go to step 5.
5. We give them a short, written synopsis of the business. The summary is dated because we keep changing it as we get more information and we want to keep track of who got what version. On a Toyota deal we are doing now, for example, I am on version 3 of the summary. Each version improves upon what we know, deletes anything we may have found to be in error and answers new questions that may have been raised along the way. Then, **if, and only if**, they are still interested in the store after reading the summary.
6. We provide them with the entire package on the deal (financial statements, etc.)

The system may appear tedious or time consuming, but it is neither. Steps 1-6 referred to above can all occur within a day or two.

Prospects appreciate the sophistication of our system and trust us with information they would not feel comfortable revealing to other people, even lawyers and accountants.

Also, ***they know that if they make an offer acceptable to our client, we are not going to shop it; but, if they pass, we will move to the second person on our prospect list and never return to them. Consequently, we know their final offer is their best offer.***

As a bonus to Advising Automobile Dealers, we get many referrals because our clients tell other people that nobody protects confidentiality more than us and buyers know that we will not shop their offers.

After the prospect has had an opportunity to digest our prospectus and get answers to basic questions we ask the prospect to submit a one-page, non-binding offer (on a form we provide) in order to be certain we are all in the same ballpark. This step usually weeds out the "bottom-fishers."

When everyone is in agreement upon the numbers, we provide a boiler-plate purchase agreement to clarify the major details. This agreement is never signed until the client and the prospect have had the opportunity to discuss the entire transaction with their attorneys and accountants. Each transaction has unique aspects that need to be addressed prior to signing an agreement.

After the agreements (asset purchase/stock, real estate) are signed, we then help facilitate the due diligence process and help keep the ball rolling with respect to factory and lender approval, transfer of leases, collection of documents for escrow, and so forth.



In a several instances we have even helped the buyer's lender's appraiser justify the purchase price of the facility.

We also shift into a closing mode, where we prepare draft closing statements for our client to share with his/her accountant that include not only the items contained in the purchase agreements, but supplementary items such as anticipated short-falls on vehicle sales, collection of company receivables, loan pay-offs and so forth.

At the closing, we provide closing books that contain not only the documents necessary to close, but checklists, exhibits to the contracts, lease transfers and so forth.

In accomplishing all of the above, there are usually several projects being addressed simultaneously. The process is akin to launching several missiles at different times and having them all land at once – the day of closing.

Summary

While these steps may appear to encompass an elaborate procedure, we have been helping dealers for five decades and the system has worked well.

Unless our client's business affairs have already been publicized in a court case, or as the subject of a newspaper article, or as an announcement from the dealer, the public generally does not know it was even available until a contract is signed, an escrow opened, a deposit is in place, and the buyer is completing due diligence.

For example, we helped a clients sell a number of prominent dealerships for millions of dollars and the General Managers did not even know the store was available until after a contract was signed, earnest money was placed in escrow and the prospective purchaser went with us to the dealerships to complete the final stages of his due diligence.

About Us

Although our people have a variety of licenses and experience, we do not practice law; and we will not act as your attorney, broker or accountant. We are true consultants and students of the automotive industry.

We are not interested in obtaining a gaggle of "Listings". We do not advertise pending transactions in either trade publications, or on Multiple Listing Services, (MLS) – nor do we believe it necessary to so do.



Ninety-Nine percent of our business consists of repeat clients and word of mouth referrals.

We have never advertised in Automotive News or any trade publications and we screen out curiosity seekers and prospects that do not have the particular automotive or financial qualifications necessary for a particular franchise or dealership.

For example, a successful Chevrolet dealer running a 50 car a month rural store would not necessarily be approved by the factory to manage a 500 car a month Chevrolet dealership in a metro area – even if he or she had the financial qualifications. That is not to say anything disparaging about the good rural dealer, but a student of the industry would understand that the experience requirements for a 500 car a month metro dealership and a 50 car a month rural dealership are different.

Some Important Items to Keep in Mind

- 1. Each store has a basic value**, based upon the return-on-investment (ROI) it will provide – ditto the real estate;
- 2. Each store has an intrinsic value** based upon a specific purchaser's unique needs and goals.
- 3. Every franchise has specific areas of the country where their flames burn high and low.** For example, domestic franchises in Marin County, California, or Honda franchises in Baytown, Texas are probably not good buys – even though they are good brands. Conversely, a Honda franchise in Marin County and a Ford franchise in Baytown would be desirable.
- 4. Past profits are not necessarily indicative of future profits.** We have seen certified financial statements of stores that have made millions and our analysis of the facts showed the new owners could not possibly attain the same profits; and, we have seen stores where the previous owners went broke, but our analysis showed (and time proved) that the new owners would be quite profitable.
- 5. Know the value of your store before you market it.**

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