



Information for Sellers

There are a number of questions you need to answer as you embark on the process of selling a dealership. We've provided the "**top 10**" here, along with some brief answers, to demonstrate our brokering expertise. When you work with CalPro Brokers, we'll make sure you have all the questions regarding your specific situation as answered in a way that makes you confident about moving forward.

1. **How am I going to find a buyer?** It is a real problem to market a dealership yourself, akin to selling your own home. Sure, you can do it, but you'll never be sure if you got the right price or marketed it to the right audience.
2. **How much will I pay in income taxes?** An analysis must be done to estimate the tax that will be paid on the sale, which could be as low as 15 percent federal tax and 9.3 percent state tax on capital gain from the sale of stock. There are huge differences if you are S-Corp or if you are on LIFO. If the income tax considerations are overly burdensome, strong negotiations should occur with the buyer for a stock sale with adequate indemnification provisions.
3. **What do I do with the real estate?** Most dealers own the real estate outside the corporation, which allows for some flexibility: 1) remain the landlord and secure a good lease from the buyer; 2) sell the property and benefit from the lower capital gain rates; or 3) sell the property and buy other investment real estate, paying no tax under the provisions of IRC section 1031.
4. **Are your books ready?** Have a CPA specializing in the auto business perform a "mini-audit" of your books in advance of the sale. Areas such as finance reserves, factory incentives, parts statements, receivables and even cash in the bank are problematic in many dealerships; tens and even hundreds of thousands of dollars can vanish for equity after a review of the books. In an asset sale, you keep the assets, so if there are misstatements, you end up with a lot less cash than you forecasted. If it's a stock sale, the buyer will certainly perform a due diligence audit to see if the

accounts are properly stated.

5. **What do you do after you sell?** This is an area requiring a lot of thought and reflection for many dealers. The thought of selling is scary, particularly for dealers who have invested their blood, sweat and tears for many years. We suggest you make a list of things that you've wanted to do, but never have had the time to do them. Properly planned, the life you live after selling will be full of rewards and enjoyment.
6. **If I use a broker, whom can I trust?** Make sure the broker you use is licensed, understands the business and can fully explain all aspects of the transaction to you. Because selling a dealership is a complex transaction involving proper marketing, negotiating, legal analysis, and financial and accounting analysis, you need an honest and trustworthy broker to guide you through each step of the process. This is your last "deal"...so you want to do it right.
7. **Why pay a broker to sell my dealership?** This same question arises when you want to sell your home, yet most people use a Realtor to ensure they don't leave any money on the table and take advantage of maximum marketing exposure. A good dealership broker will offer the same value to you as you sell your dealership.
8. **What are the negotiation points in a buy/sell?** There are several areas in a buy/sell that create a large range in the top and bottom selling prices. These include "blue sky," interest and advertising assistance, parts pricing, fixed assets, used vehicles, and demonstrators. The legal wording of indemnity clauses also often becomes a negotiation area.
9. **What about my employees?** Most buys/sells don't contain safety provisions for employees. Getting to know the buyer and understanding what his plans are for your valued employees are how this is normally handled. You should be prepared for dealing with employees who learn of your plans to sell, and if you are a union shop, read the contract to be sure you give proper notice.
10. **Why should I sell anyway?** This is the million-dollar question each dealer must face and decide alone or with family, since it involves your own life and how you want to spend your time on earth. The best advice we can give is that once you've made your final decision to sell, consider all of the above items and make sure you do that last deal right.

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