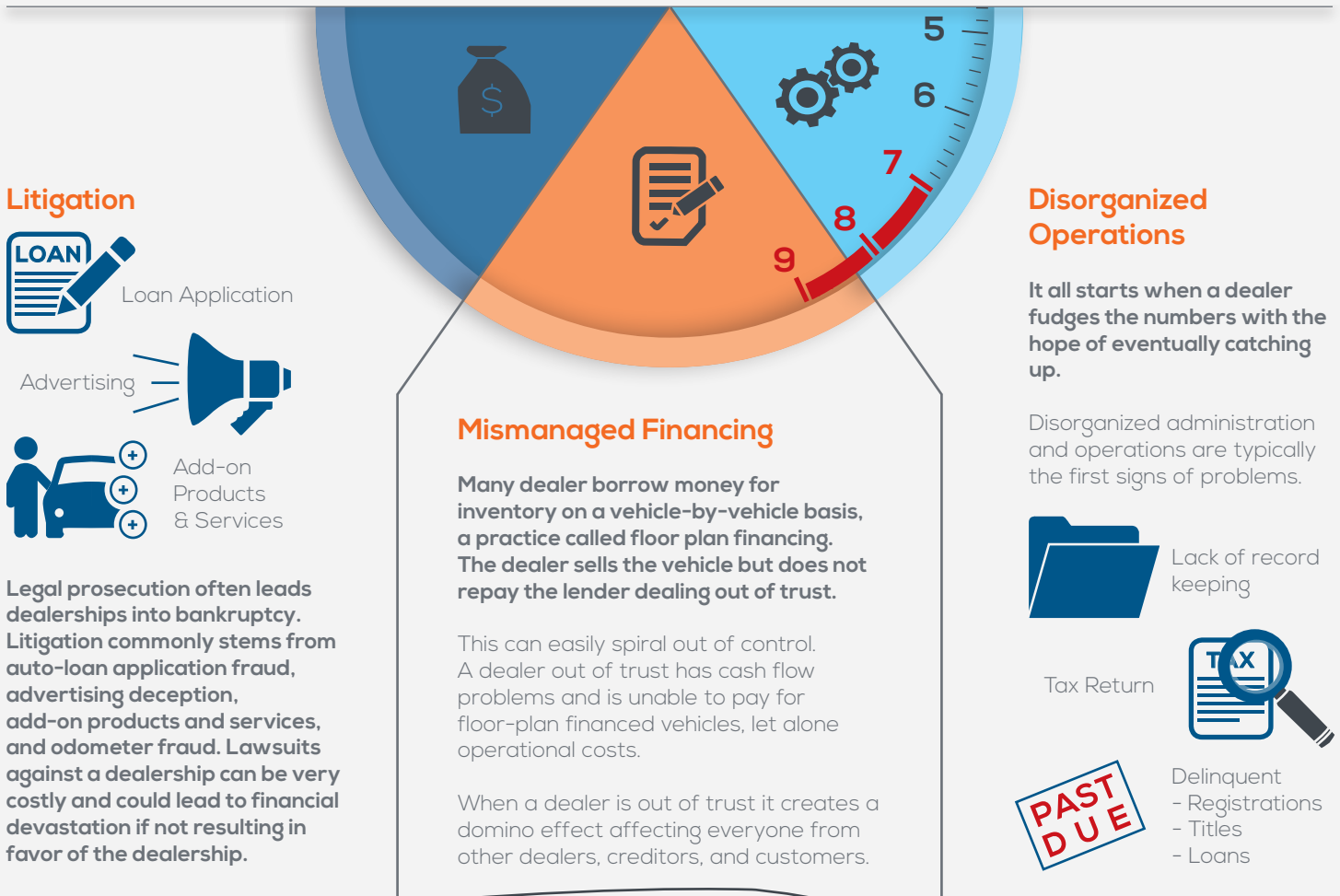


AUTOMOTIVE DEALERSHIPS

The cyclical automotive dealership industry thrived briefly as a result of improving economic conditions post-recession; however the U.S. auto industry faced a slight decline in sales over the past year and industry experts are forecasting a decline for this year as well. Despite this decline, nearly 100 new dealerships opened their doors in 2017, increasing the total number of new-car dealerships to 16,802 nationwide. Dealerships are often challenged by the everchanging marketplace in addition to overcoming operational hurdles. Operating an automotive dealership is a delicate struggle and some dealers find themselves engaged in risky business in order to stay afloat. Common ways that dealerships hurt their business include, **litigation, mismanaged financing and disorganized operations.**



Litigation



Loan Application

Advertising



Add-on Products & Services

Legal prosecution often leads dealerships into bankruptcy. Litigation commonly stems from auto-loan application fraud, advertising deception, add-on products and services, and odometer fraud. Lawsuits against a dealership can be very costly and could lead to financial devastation if not resulting in favor of the dealership.

Mismanaged Financing

Many dealer borrow money for inventory on a vehicle-by-vehicle basis, a practice called floor plan financing. The dealer sells the vehicle but does not repay the lender dealing out of trust.

This can easily spiral out of control. A dealer out of trust has cash flow problems and is unable to pay for floor-plan financed vehicles, let alone operational costs.

When a dealer is out of trust it creates a domino effect affecting everyone from other dealers, creditors, and customers.

Disorganized Operations

It all starts when a dealer fudges the numbers with the hope of eventually catching up.

Disorganized administration and operations are typically the first signs of problems.



Lack of record keeping

Tax Return



Delinquent
- Registrations
- Titles
- Loans

Resolution

Taking a proactive approach to the dealership's financial health can be a beneficial factor in a dealership's survival. Resolute offers experience and a track record of success in situations such as these, helping resolve issues through financial advisory before or after a dealership enters litigation.

Financial Advisory Services

- Proper Inventory Management
- Financial Management Consulting
- Distressed Asset Consulting
- Financial Review & Oversight

Legal Services

- Acquisitions and Sales
- Successor Dealer Planning
- Negotiate Franchise Agreements
- Buy/Sell Agreements for Stakeholders

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SOURCES

1. The National Automobile Dealership Association, NADA DATA 2017, <https://www.nada.org/2017NADAdata/>