

DEALERSHIP

A SERVICE OF

INSIDER

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10



HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

IT'S HERE!

Time To Get Going!

Yes, another year is here. Whether you are ready or not, time will keep going. It is time to figure out how you are going to use it to maximize your financial strengths and minimize your financial weaknesses. With these thoughts in mind, take a good look at your accounting and financial status. Your managers and other staff may be a good place to start. Ask them what they think your financial strengths and weaknesses are. If your accounting records aren't one of your strengths and can't tell you where you are at or where you have been, you are in trouble.

Ask yourself the following questions. Are your accounting and financial records in very good condition? Do you know where your cash is invested? Do you have too much invested in the wrong assets? Do you owe too much debt? What is your rate of return on your capital investment? Would you be better off selling and liquidating the business and investing your money somewhere else? What about the time it takes to run your own business? Do you have enough time and energy to fully devote the necessary time it will take to be profitable and manage your investment wisely? Do you really know enough about the business to manage it wisely? Do you have the right people in place to help you reach your goals?

You have to manage your cash. You can't manage your business from how much cash you have in the bank or the number of sales you can produce. There are dealers who have very little cash because they are growing and have reinvested all of their excess cash and profits back into the business, trying to grow sales as rapidly as possible. You can have the greatest increase in sales and gross profits and be out of business in a very short time because you have run out of cash. Why does this happen? It takes an enormous amount of cash to fund dealership operations successfully and most dealers are undercapitalized and/or have not

arranged for adequate lines of credit to fund the growth they want to achieve.

You have to manage your inventories and make those tough decisions when those units are too old and are using up all of your cash and lines of credit. Does it make sense to dump them and invest in fresh units that are worth the money you paid for them? Sometimes it does. Keeping old-age units around can actually decrease your potential sales volume and grosses and are a poor use of cash. Remember, this is normally one of your largest assets and where you should have some equity.

You need to review your liabilities. Are you able to pay your bills on time? Are you and your office manager always scrambling for cash to pay liens, pay your monthly parts bills and other expenses and still have enough left to make those payroll checks clear this week? Can you pay off your floor plan line of credit according to the loan terms? If you and your personnel are spending most of their time looking for cash and not selling and managing the business, you will not succeed in reaching your goals.

Look for equity in personal and other assets, go to the bank and get a new or increased line of credit or look for an investor/partner to help fund the cash shortage so you can get back to the real business of selling and servicing vehicles and making real money. Do not try to grow too quickly. Be consistent and focused instead.

Build your personnel at the same time you are building your sales volume. Train your people how to do things the right way, the first time. If you don't know how something should be done, find the answer from someone who does. Don't keep spinning your wheels in the mud.

Talk to your accountants. Pretty soon your accountants will be visiting you to complete your annual audit and federal

tax return. Talk to them and find out what they think your financial strengths and weaknesses are. They are probably very familiar with your business and know your financial history. Discuss a plan to increase your net worth and cash flow and minimize the cash shortages you are incurring. Usually you can get farther ahead with steady growth rather than the sales surges you may be fighting to obtain.

Financial weaknesses can hurt your business. If your accounting records are in a mess, you will normally encounter many surprises when they are finally reconciled to some semblance of reality. Most of these surprises are not welcome. Dealers can put their lines of credit and other loans in jeopardy if they suddenly find out they are not meeting their loan covenants and haven't been for months. It will take unnecessary negotiations and time to work through these problems with your financial institution, if they are even willing to do so. By the time things are reconciled, they may be frightened about your financial health to continue doing business with you. Then you really are in for a lot of extra work and stress to dig out of this ditch and also may be out of business since most dealerships can't exist without some kind of floor plan line of credit.

Take a look around. Are your financial records in order? Are they only in order at year end after your accountants have completed their work for the tax returns? Your accountants can tell you because they may be cleaning up the same accounting problems year after year. Poor accounting software, inexperienced or poorly trained dealership staff and/or lack of time to get the job done correctly can cause poor accounting records. If so, you should strive to achieve accurate and timely financial records every day and each month end. This will allow you, your accountant and other advisors to help you achieve your goals in the time you have allotted for them. Don't waste any more time. Find out where you are today, make the necessary changes, get additional help and training and don't stop until you get there!
16th Annual CFO/CEO Forum

NO SPEED LIMIT

The Pace Of Dealership Change

When it comes to the pace of change in the auto industry, there's no speed limit.

Auto Team America will hold its 16th Annual CEO/CFO Forum on Friday, February 12, 2010, preceding the start of the NADA convention in Orlando. The forum will take place from 3:00 pm - 6:00 pm at the Renaissance Orlando at Sea World. Immediately following the event will be a cocktail reception exclusively for the forum attendees.

The landscape of the auto industry has been radically

altered in the past few years. Consolidation, industry bailouts, dealership closings, and the shifting priorities of the American consumer during a time of unprecedented financial turmoil have left their mark on the industry. The big question: what's next for auto dealers? How can you prepare for the challenges and take advantage of the opportunities?

Our featured speakers include one of the leading authorities on automotive dealership management strategies, Dale Pollak of vAuto, and economist Erich J. Merkle of Autoconomy.com. Pollak's program is entitled "Rethinking the Auto Business in the Next Decade." Merkle will present an overview on what we can expect in the industry moving forward. Following their presentations, a panel of experts, moderated by Jay Ferriero, will share their perspectives on today's auto business. We are thrilled to welcome panelists including David P. Kelleher of David Auto Group, Richard N. Sox, Jr. of Myers & Fuller, P.A., and others to be named.

Attendees of the forum will include CEOs/CFOs of dealership groups, dealers and general managers, controllers and office managers, and related industry associates involved in dealership business management. This year, to support our automotive industry friends, we are offering this program at no cost to attendees. Attendees may register online and submit panel questions at autoteamamerica.com.

Not traveling to Orlando? You still have the opportunity to participate. Auto Team America is offering the session via a webinar for the low cost of \$49 per connection. For more information and to register, please visit http://www.autoteamamerica.com/cfo_forum.html.

TAX TIP: PLUG IN ELECTRIC VEHICLES

Congress created tax incentives for the purchase of plug-in electric vehicles in the Emergency Economic Stabilization Act of 2008 and revised them in the 2009 Recovery Act.

Under the Emergency Economic Stabilization Act of 2008, the amount of the credit was equal to the sum of \$2,500 plus \$417 for each kilowatt hour of traction battery capacity in excess of six kilowatt hours. The maximum credit can range from \$7,500 to \$15,000, depending on the gross vehicle weight rating of the vehicle. To qualify, the vehicle must be placed in service after December 31, 2008, and must be acquired by December 31, 2009. The vehicle must be acquired for use or lease and not for

resale. Additionally, the original use of the vehicle must commence with the taxpayer and the vehicle must be used predominantly in the United States

The American Recovery and Reinvestment Act of 2009 modified section 30D effective for plug-in vehicles acquired after December 31, 2009. The new credit for qualified vehicles is the sum of \$2,500 plus \$417 (in the case of a vehicle that draws propulsion energy from a battery with not less than 5 kilowatt hours of capacity), plus \$417 for each hour of battery capacity in excess of 5 kilowatt hours. The amount of the credit is limited to \$5,000. A qualifying vehicle must meet the following criterion: be treated as a vehicle for purposes of title II of the Clean Air Act; it must have a gross vehicle weight rating of less than 14,000 pounds; and it must be propelled to a significant extent by an electric motor that draws electricity from a battery that has a capacity of at least 4 kilowatt hours, and is capable of being recharged from an external source of electricity. The credit isn't subject to a termination date, but the credit phases out beginning in the calendar quarter after the manufacturer sells after 2009 its 200,000th plug-in electric drive motor vehicle for use in the U.S.

The American Recovery and Reinvestment Act of 2009 also created a new electric vehicle related credit. Under section 30, plug-in electric vehicles purchased after February 17, 2009 and before January 1, 2012, a new 10% nonrefundable personal credit was created for electric drive low-speed vehicles, motorcycles, and three-wheeled vehicles. The maximum credit is \$2,500. The vehicle must be acquired for use or lease and not for resale. Additionally, similar to the 2008 Act, the original use of the vehicle must commence with the taxpayer and the vehicle must be used predominantly in the United States.

A vehicle may qualify for both the credit under the 2008 Act or the 2009 Recovery Act; however, taxpayers can not claim both credits for the same vehicle. Credits for the plug-in electric vehicles may be claimed whether placed in service for business or personal use. If used in a trade or business, the amount of the credit is treated as a business credit. Otherwise, it is treated as a nonrefundable personal credit. In either case, the amount of the credit reduces the taxpayer's basis in the vehicle.

Finally, The American Recovery and Reinvestment Act of 2009 created a Plug-in electric vehicle conversion credit. For property placed in service after Feb. 17, 2009 and before Jan. 1, 2012, the Recovery Act also creates a new 10% credit, up to \$4,000, for the cost of converting any motor vehicle into a Code Sec. 30D qualified plug-in electric drive motor vehicle. (Code Sec. 30B(i), as amended by Act Sec. 1143) To be eligible for the

credit, a qualified plug-in traction battery module must have a capacity of at least 4 kilowatt-hours. The plug-in conversion credit is added to the credits that are components of the alternate motor vehicle credit. (Code Sec. 30B(a)(5))

In order to identify which vehicles qualify for these credits or if you have any additional questions consult your ATA representative.

EXPERIENCE NADA

Live In Your Dealership!

Auto Team America's CEO/CFO Forum is designed to offer dealers strategies and perspectives which can assist them in their day-to-day operations.

For the second year, Auto Team America brings the NADA experience direct to you. Attend the CEO/CFO Forum without leaving your dealership. Connect via web or phone conference to our forum, broadcasting

LIVE FROM ORLANDO.

February 12, 2009

3:00 – 6:00 PM EST

2:00 – 5:00 PM CST

15 Minute Break at 4:15 EST/3:15 CST

Cost: \$49.00

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