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Buy/Sell basics: The three ways ownership transfer can occur

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If you are thinking of buying or selling a dealership and reading through the myriad of articles on the subject you may be wondering “where do I begin?” Getting back to the basics is the best way to answer that question. There are three different ways to buy or sell a dealership. They are: 1) asset transfer, 2) stock transfer, or 3) transfer over time.

This article is the first in a series of five articles. It will briefly describe each type of transfer and the circumstances under which each type of transfer is typically used. Subsequent articles will go into detail about basics of each of the three types of transfers and a final article will describe how the dealership’s real estate figures into each transaction.

Asset transfers are the most common way in which auto dealerships are bought and sold. In an asset transfer, the buyer enters into an agreement to buy substantially all of the assets. The assets that are purchased typically include fixed assets (furniture, fixtures and equipment), parts and accessories inventory, new vehicle inventory, used vehicle inventory, work-in-process, some select vendor contracts and goodwill. Sometimes leasehold improvements are also included.

Also included are things that will keep the buyer in touch with customers, like phone numbers, e-mail addresses, websites, social media accounts, customer lists and customer records. Excluded are things like cash, accounts receivable, and liabilities, except specific liabilities a buyer may agree to assume such as certain equipment leases. This form of transfer is most preferred by buyers because it limits the buyer’s exposure to obligations incurred by seller. The seller is responsible after closing for paying all the dealership’s obligations and closing its books.

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