



**Aiding the Automobile Industry
In Successfully Managing The Realities
Of Both Present and Future**





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Thank you.

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Introduction

InnovAuto Group, LLC provides solutions to the auto industry at large, including Manufacturer Distribution Organizations and their Field Representatives; Dealerships and their Suppliers; Financial, Accounting, and Law Firms; and to Municipal, State, and Federal Government Agencies.

We are individuals of vastly varying expertise who have come together to offer a new, unique entity to the automotive sector. And we are flexible to expand. Our team consists of practitioners representing the full breadth of auto industry operations: OEM product, marketing, and distribution executives; owners and managers of retail automotive operations; dealership CFOs, CPAs and attorneys; government relations specialists; and experts in supporting dealership facility, technology, marketing communication, human resource management, and business operations.

Each of our members has decades of industry experience, enabling InnovAuto Group LLC to effectively advise and address challenges arising when the economy puts manufacturers, dealerships, financial institutions, and the public interest at risk. We work with industry and public constituencies to create a common value system guiding decisions and problem-solving, meeting the needs and expectations of various automotive entities, and building an atmosphere of trust.



At this critical time we are focused on:

- **Dealers going out** due to bankruptcy, cancellation by manufacturers, or because of direct bankruptcy or exit
- **Dealers going forward along with their manufacturers**, who together face marketplace uncertainty as never before
- **Manufacturers that have filed for bankruptcy**, have severe restrictions, are operationally challenged, or who have branding, marketing, or customer issues
- **Manufacturers and dealers not affected by bankruptcy**, but who have concerns
- **Communities** that may be affected by eyesore closed dealership properties and tax base loss
- **Banks and financial institutions supporting the industry**—particularly with working capital and inventory financing—who need improved understanding and sound processes in order to maintain sound operations

Organization



InnovAuto Group, LLC is a partnership lead by a Board of Directors representing the broad industry experience of InnovAuto's membership. Each Practice Area (Automobile Manufacturers, Retail Automotive, and Allied Industry) has developed and offers information, strategy, and implementation solutions for the most pressing challenges of the day. The Board of Directors and Key Practice Areas are counseled by an Advisory Board consisting of independent automotive manufacturing, dealership, financial services, and legal professionals.

Automobile Manufacturer Services

Anyone reading this page knows the auto industry is in the midst of its worst crisis in 75 years. Nevertheless, this situation presents opportunities for significant change in what has been an extremely traditional industry that learned its main strategic and operational lessons from Alfred P. Sloan in the 1920s and '30s. Organizational, legal, and paradigm barriers are falling, and InnovAuto encourages all auto manufacturers—regardless of current situation—to consider innovative approaches to profitably meeting consumer transportation needs. To that end InnovAuto offers a variety of interdependent services specifically for automakers selling and servicing vehicles in North America:



NOTE: InnovAuto does not engage in product design, development, engineering, manufacturing, or quality research, analysis, or consulting.



Optimizing Understanding of the New Automotive Marketplace

InnovAuto's team of auto industry experts brings all critical aspects of the marketplace-- marketing, retailing, customer interaction, and government affairs—into a single forum of review, analysis, understanding, and innovative problem solving. Enhanced marketplace understanding is provided by InnovAuto in the following forms:

- Marketplace research and analysis, voice of the customer
- Specific ADI brand marketing, and retailing research and analysis
- Strategic planning, facilitation, and implementation of dealer initiatives for those who face marketplace uncertainties as a result of wind-down or going forward
- Bringing together key stakeholders to work through the challenges faced by manufacturers, dealers, lenders, and others as a result of recent reorganizations and their impact on financial, operational, brand, marketing, and trust issues



Optimizing the Wholesale-Retail Interface

It is no secret that while auto manufacturers do splendid work in automotive design, manufacturing, and marketing, they rarely interact with customers and as such have limited understanding of front-line realities. The automobile dealership is the most complex of retail operations, built on as many as seven or eight profit centers and operating at razor-thin margins. At the same time, auto manufacturers also operate on razor-thin margins, generating the majority of their revenue from maximizing plant utilization and by financing the sale of as many of these same vehicles as possible.

Manufacturer investment in new product development and production is so great that when vehicles leave final assembly auto companies work very aggressively to have their retailers buy them, regardless of local demand for specific vehicles, configurations, colors, or financing programs. This “push” approach has over decades expanded to marketing, training, customer satisfaction performance, equipment, tools, and a host of other support activities mandated by manufacturers and paid for by retailers.



Optimizing the Wholesale-Retail Interface

This “push” approach has bred “push-back” from dealership owners, managers, and employees, resulting in wide-scale gaps in trust, productivity, and profitability. Without trust there is no communication. And without communication there can be no effective collaboration in achieving mutual goals. InnovAuto has therefore developed an effective system for rebuilding this trust between automaker and retailer. It consists of three parts:

1. Facilitating mutual understanding of values, goals, priorities, needs, and obstacles to achieving business, brand, and personal objectives
2. Facilitating a redefinition of the roles of retailers in OEM decision-making affecting dealership capability to optimize product sales and high-quality consumer experiences
3. Supplementing auto company field organizations with experts in dealership sales, marketing, financial, process, and human resource management both capable and credible in achieving actual increases in sales, profitability, and customer loyalty and advocacy

Optimizing Dealership Capability to Maximize Sales and Profitability

One of the key shared goals of both auto makers and dealership owners is to sell product. InnovAuto believes the industry has entered a new period in which pitting same-brand dealers against one another will not only produce lower per-store sales and profitability, but will most certainly threaten the survivability of the manufacturers. (We now know that top-10 global companies are never too big to fail.)



Optimizing Dealership Capability to Maximize Sales and Profitability

As such, InnovAuto recommends a process by which national and regional auto company representatives and dealership owners and managers work together to improve retail and manufacturer sales and profitability. This is accomplished through collaboration and cost-sharing in the assessment, planning, and implementation of regionally-based:

- Marketing Communication, including advertising, special promotions, grassroots events, and orphan owner re-assignment

- E-Commerce, including New, Used, Finance, Service, and Parts Marketing, Business Development, and Customer Relationship Management (using modern technologies such as social networking and mobile marketing)

- Promotion of traditionally under-emphasized lines of business such as vehicle accessories (at purchase and throughout ownership), wholesale parts, fleet and commercial vehicle sales, and mobile service and vehicle detailing

- Employee selection, training, development, mentoring, and motivation

- Shared purchasing of tools, equipment, supplies, and professional services



Optimizing Dealership Capability to Provide Exceptional Customer Retail Experiences

The stress, complexity, and challenges of staffing, managing, and profitably operating the half dozen or so profit centers in a North American automobile dealership are certainly well known. But, as noted earlier, InnovAuto encourages automakers to act on the current, once-in-a-lifetime opportunity to take the steps needed to give buyers of \$15 thousand-, \$25 thousand-, or \$75 thousand-dollar products the kinds of buying and ownership experiences they deserve. Certainly, the elements of exceptional customer buying and ownership experiences are known:

- Give customers what they want—quality, convenience, communication, and value—when and how they want it. Quality, convenience, communication, and value are the key attributes sought by automobile shoppers and owners whether considering facilities, products, services, or the people who represent them.
- Recognize that every person is different, that what works well with customer A will not work well with customer B, and that as such each customer must be treated as an individual
- Staff dealerships with knowledgeable and skillful “people people” reflecting the age, sex, and backgrounds of the local customer base
- Encourage teamwork, provide competitive compensation, and the rewarding of desired behaviors
- Provide employees clear leadership capable of demonstrating and coaching desired performance

Successfully implementing these few steps provides consumers the kinds of dealership experiences that sell more vehicles, service, and parts. So InnovAuto Group LLC offers manufacturers (and dealer groups and trade associations) the education, tools, methods, and on-site expertise to install these systems on a market by market basis.

Retail Services

InnovAuto Group offers a variety of services to help retailers contend with the more common challenges we see today:





Improving Dealership Sales and Profitability

As noted in the “Manufacturer Services” section of this brochure InnovAuto is capable of improving same-brand sales and profitability on a market or regional basis by improving the efficiency, productivity, and cost levels of retail Marketing Communication, E-Commerce, Supplemental Product and Service Sales, Human Resource Selection and Development, and Purchasing of Tools, Equipment, Supplies, and Professional Services. In short, we help dealers offer more products, communicate with prospects and customers more effectively both on-line and through traditional media, staff the dealership with more effective managers and employees, and reduce the amounts dealers are paying for current goods and services.

Improving the Customer Experience

Also noted in the “Manufacturer Services” section are the education, tools, methods, and on-site consulting InnovAuto can provide dealerships wishing to give their prospects and customers exceptional buying and service experiences. Leadership, Staffing, Process, Facilities, and Technology are addressed in all dealership departments to improve interaction quality, communication, convenience and value. And these improvements produce incremental sales and customer retention while lowering marketing costs.

Improving Dealership Cash Flow and Financial Management

Dealership owners and managers have historically managed for profitability rather than for cash flow. Combining this tendency with the traditional retail belief that a dealership can “sell its way out of trouble,” dealership management often—and needlessly—intensify their own financial problems with every additional unit sold.



Improving Dealership Cash Flow and Financial Management

So InnovAuto offers Cash Flow and Operations Improvement Services focused on preventing dealerships from going out of trust while teaching dealership owners and managers to properly maintain adequate capitalization. To address this fundamental gap in dealership financial management InnovAuto offers a short-term consultancy that includes:

- Identifying cash requirements and prioritizing payables and cash outlays
- Teaching dealership management (owner, GM, department heads, office management) how to manage the dealership's cash position
- Preparing a strategic plan for dealership owners and managers to transform their financial management from a profit orientation to a cash flow orientation
- Establishing appropriate systems, processes, and controls to ensure that cash flow is managed properly and with minimum effort after the InnovAuto consultant departs

Facilitating Dealership Restructuring or Wind-Downs

In cases of involuntary or economically-driven business closures or consolidations, InnovAuto's Dealership Restructuring Services provide dealership owners and senior management on-site assistance in evaluating options and developing plans to preserve assets, protect reputations, and minimize legal exposure.



Facilitating Dealership Restructuring or Wind-Downs

InnovAuto's team of automotive experts offers hands-on experience in dealership restructuring issues, providing both on-site and remote counsel and support on:

- Business and real estate strategies
- Receivables, payables, and cash flow management
- Inventory and asset liquidation
- Human resource issues
- Records management
- Legal risk mitigation
- Local government and public relations

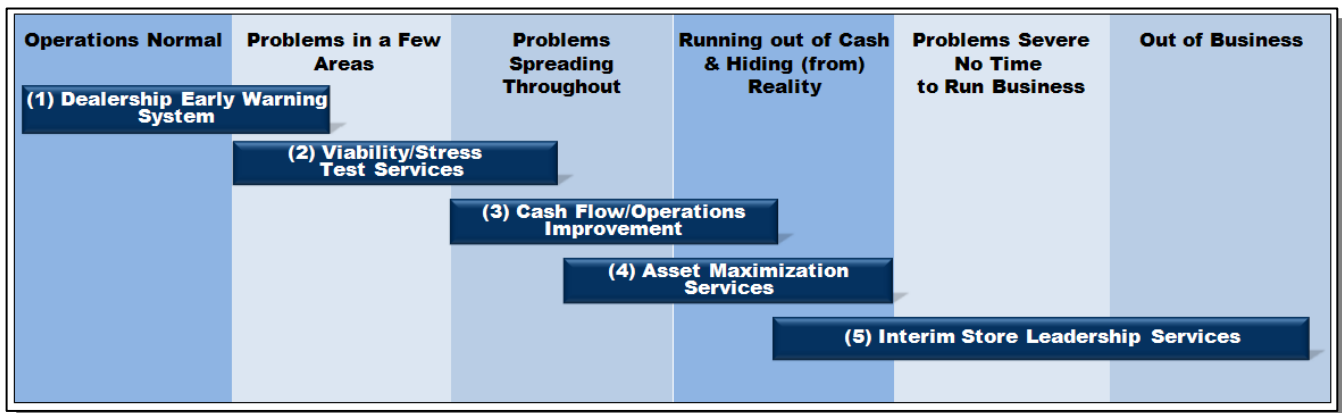
As with all InnovAuto services, the effort will be lead and coordinated by an expert with personal experience in dealership restructurings and wind-downs

Allied Auto Industry Services

Lender Services

The complexity of problems facing Lenders today is greater than ever. Dealerships have consolidated into groups – small and large. Strategy and planning, management, information, customer relations, marketing communication, and finance have all been centralized. This consolidation, current economic and credit crises, and domestic auto company bankruptcies have caused complex problems to emerge as multi-brand, cross-collateralized dealership organizations struggle to weather the storm.

InnovAuto Group, LLC offers Lenders a series of five services to successfully identify and address a range of adverse performance situations requiring Lender intervention:





Lender Services

Dealership Early Warning System (DEWS)

DEWS consists of automated data capture, analysis, and alert capabilities providing lenders a reliable, low-cost, and unobtrusive method of spotting unreliable financial reporting and conditions that could lead to serious out-of-trust situations. DEWS provides an economical “first line of defense” against deteriorating dealership financial conditions that may require costly remediation if allowed to continue unabated.

A Lender may also wish to install DEWS after an out of trust situation has been alleviated and keeper tasks complete. DEWS then functions as a low-cost, “virtual keeper.”

Dealership Viability/Stress Test Services

We also offer Lenders an assessment of how individual dealerships currently perform on a benchmark financial continuum, and where they can be expected to perform based on anticipated economic, competitive, local market, and OEM realities. This viability service provides Lenders an objective analysis of which Dealer investments are solid, which need a tune-up, and which require more extensive intervention.

InnovAuto Dealership Viability/Stress Test Services include three levels of analysis:

1. Lender Portfolio Analysis
2. Individual Dealership Analysis – Remote
3. In-Depth Individual Dealership Analysis – On-Site



Lender Services

Dealership Cash Flow and Operations Improvement Services

As noted in the "Retail Services" section, dealership owners and managers have historically managed for profitability rather than for cash flow. Combining this tendency with the traditional retail belief that a dealership can "sell its way out of trouble," dealership management often—and needlessly—intensify their own financial problems with every additional unit sold. So InnovAuto offers Cash Flow and Operations Improvement Services focused on preventing dealerships from going out of trust, while teaching dealership owners and managers to properly maintain adequate capitalization.

Asset Maximization Services

InnovAuto Group, LLC can provide professional asset management services when the store is in or thought to be entering out of trust conditions. These services include the basic activities of a keeper, but go beyond traditional monitoring activities to include installing systems and controls ensuring that dealership capitalization and cash positions are recognized, stabilized and maintained at adequate levels so the store avoids falling into a "doom cycle" of being out of trust, paying off Lender obligations, and then becoming SOT again.

Interim Store Leadership Services

For situations in which a dealership's financial performance has declined to a critical or near-critical state, InnovAuto Group, LLC provides professional Interim Store Leadership Services to operate the dealership for maximum value during its slump, turnaround, bankruptcy, and/or buy-sell. These services can be implemented by InnovAuto immediately upon a lending institution identifying a dealership as nearing trouble, already out of trust, or scheduled for a buy-sell. InnovAuto's interim leadership team will be there to safeguard the Lender's collateral, turn around the operation where possible, and/or prepare the dealership for sale. Our bottom-line goal is putting the store in optimal operating condition so the lender can generate maximum returns and/or get the highest possible acquisition price from the best possible purchase candidates.



Litigation Support Services

Sadly, the credit crisis, economy, and bankruptcy of Chrysler and General Motors have caused catastrophic losses in the U.S. dealership community. Thousands of dealerships are expected to close in the coming years. As a consequence law firms and courts are suddenly drawn in to complex dealership operational and ownership situations to dissolve partnerships and agreements, mitigate disputes, and process bankruptcies, InnovAuto Group LLC offers three types of services depending on the nature of the legal situation:

Expert Witness

InnovAuto Group professionals have experience in all facets of dealership operations from manufacturer, dealer, and vendor perspectives. We are able to provide support for all phases of the litigation process and expert testimony in court. From assisting in refining the issues, to case evaluation and strategizing and assistance in trial preparation we provide the industry knowledge and technical expertise attorneys need to win complex litigation cases. If we do not have the appropriate expert on our team we will help you locate and select one or more persons best qualified to assist in achieving a successful result.

Research and Litigation Support

Our dealership experts are able to quickly and confidentially uncover high-impact insights into all aspects of automotive retailing. We work with your legal team to focus the issues and find the information necessary to build your case. These activities include collecting market data, customer information, competitive intelligence, and methods of operation. Our experts further provide advice and coaching on the context, meaning, and impact of relevant information.



Litigation Support Services

General Consulting

InnovAuto Group's team of highly experienced and reputable professionals come from all disciplines and points of view in the automotive industry and are available to provide attorneys translations and evaluations of the impact of industry-specific information to be used in a litigation strategy.

New Automotive Product, Service, and Business Support Services

InnovAuto provides new business start-up support services for entrepreneurs, venture capital firms, and private equity funds wishing to capitalize on the transformation taking place in the auto industry. InnovAuto puts its auto company, marketing, distribution, retailing, finance, technology, and management consulting expertise to work to help new business start-ups through any or all of the conceptualization, planning, launch, and operational stages. Services include:

- Due Diligence
- Market, Product, Distribution, and Brand Research
- Product and Service Requirements Definition
- Strategic and Business Plan Development
- Organizational and Information Systems Planning
- Obtaining Equity
- Providing New Business Governance and Management Mentors



The People of InnovAuto Group, LLC

Current InnovAuto leadership, partners, and advisory board members include:

Michael A. Anderson - Partner

Specialties: Retail Automotive General and Department Management, Dealership Transformation Consulting, Process and Performance Improvement
Experience: Variable Operations Director for Chrysler Auto Group, General Manager for GM Dealership Group and Performance Consultant for The Rikess Group

Bruce G. Barkis - Vice Chairman

Specialties: Retail Process and Performance Improvement, Retail Automotive New Business Ventures, Initiative Leadership
Experience: BGB Automotive Resources, LLC, Manager Dealer Communication - BMW NA and Marketing Communication Manager - Porsche Cars NA, and Co-Founder: Professional Association for Compliance and Ethics

Bradford G. Bowers, CPA - Partner

Specialties: Interim Dealership Management, Improving Dealer and Dealer Network Profitability, Dealership Buy-Sells, Developing and Implementing Network Strategies
Experience: Dealer Principal - Los Banos Motors, VP – CarOrder.com, VP – Volvo Cars, N.A. Franchise Development

Larry Cummings - Partner

Specialties: Automotive Marketing and Advertising Campaigns, Profitable Sales Techniques, Dealership Financial Oversight and Management, Budget Management and Oversight
Experience: General Motors Dealer Principal, President/CEO of Automotive Youth Educational Systems, Inc.

William Ewing - Partner

Specialties: New Business Start-Up, Private Equity, Business Strategy
Experience: Founding Partner, La Veta Group, Director Retail Development at AutoNation and Global Automotive Consulting Practice at ProQuest

James Hoostal - Partner

Specialties: Network Planning, Dealer Development, Dealership Facility Design, Digital/Process Integration, OEM Business Development
Experience: Director of Retail Development – Kia Motors America and Mazda North America

Barbara Jerich, JD - Board Member and General Counsel

Specialties: Strategic Planning, Operations Management, Financial and Legal Transactions, Government and Community Relations, Real Estate Management, Litigation Management, HR Workforce Diversity, Succession Planning, Management Development
Experience: EVP and General Counsel - Walser Automotive Group, Director Management Development and Diversity - Northwest Airlines, and Corporate Director of Workforce Diversity and Corporate Counsel - Honeywell, Inc.

Daniel Kerinuk - Partner

Specialties: Service Management, Outsource Contracting and Management, Financial Analysis and Modeling
Experience: Dealer Principal - Luxury Autos Online, GM - Hall Auto World and Director of Operations – Southland Corporation, Performance Consultant - The Rikess Group

John Kerinuk - Partner

Specialties: Corporate, Wholesale, and Retail Operations, Consulting, Performance Improvement, Sales, and Marketing for Single and Multi-Point Operations
Experience: NETEX, IBM, General Electric, General Motors



The People of InnovAuto Group, LLC

Glenn Mercer - Partner

Specialties: Private Equity Advisor
Experience: Partner and Automotive Practice Leader – McKinsey & Co., Retail Planning Leader - BP/Standard Oil

Mark Miller - Partner

Specialties: Organization Building, Strategic Planning, Technology Build, Operational Management, Financial Planning and Control, Profit/Loss Management, Business Acquisition Integration
Experience: COO - ZAG.com, SVP CarsDirect.com, and COO - Miller Auto Group

David Nathanson - Partner

Specialties: Retail Network Assessment Planning, Dealership Performance Evaluation, Field Operations Performance and Program Deployment, Litigation Support, Transaction Valuation, Due Diligence
Experience: Managing Director - QMA-AMI Management, Manager Director Global Retail Automotive Practice - Pricewaterhouse Coopers, LLP, President of the Zimbrick Automotive Group

Glenn D. Pincus - Board Member and Secretary

Specialties: Business Planning, Consulting, Education, and Project Management Methodologies; Retail Automotive Process and Management; Pacific Rim Automotive Consulting, Change Management and Training Design and Facilitation

Don E. Ray, CPA. CSP - Board Member and Treasurer

Specialties: Dealership Financial Management, Succession Planning, Dealership Buy-Sells
Experience: The Rawls Group, CFO and Sr. VP – DCH Auto Group, Managing Partner - George B. Jones & Co., and Co-Managing Partner of Dixon-Hughes Dealers Services Group

Mark Rikess - Founder and Chairman of the Board of Directors

Specialties: Implementation of Retail Performance Improvement, Dealership Accounting and Internal Controls, Operational/Viability Assessments
Experience: President of The Rikess Group, Dealer Principal Northview Chevrolet

Kevin T. Root - Partner

Specialties: E-Business, Consumer Trends Analysis, New Product Development and Launch, New Business Development
Experience: VP Product Strategy and Marketing - Dealix, VP Applications and Dealers Services - Cobalt, and Product Planner/Manager for Microsoft CarPoint

Sheldon Sandler - Partner

Specialties: Retail Auto Industry Financial Strategy, Buy-Sells, IPOs, Private Placements, Public Company Financials and Reporting
Experience: Founder and CEO – Bel Air Partners; Former Managing Director - Ladenburg Thalmann and Chief Examiner – SEC

Adam Simms - Partner

Specialties: Retail Automotive Strategy and Operations, New Business Start-Up and Financing, Retail Technology Integration
Experience: General Manager - Sunnyvale Toyota, VP – AutoNation, Founder and CEO – iMotors.com, Founder and Chairman -Leadlogix, VP Variable Operations - Hall Auto Group



The People of InnovAuto Group, LLC

Charlie Volgelheim - Partner

Specialties: Strategic Automotive Analyst, Advisor, and Commentator

Experience: VP Automotive Development - J.D. Power and Associates and Executive Editor - Kelley Blue Book

John Whitcomb - Partner

Specialties: Automotive Sales, Service, and Marketing Wholesale/Retail Processes and Technology, Strategy and Operations Planning and Implementation, Global Project Management and Delivery

Experience: Director of Global Retail Process and Technology – GM Corporation and Manager-Global Automotive Consulting Practice - Coopers & Lybrand, LLC

Scott Wilkerson - Partner

Specialties: Retail Automotive Operations, Achieving Profitability Through Customer and Employee Satisfaction

Experience: Owner - Lokey Motor Company, Owner – Carlisle Motors Group

Gary Williams – Partner

Specialties: Public Policy, including Franchise Relationships, Environmental Issues, Taxes and Fees Affecting Business, Transportation Funding and Infrastructure, Government Relations, Manufacturer-Dealer Relations, Auto Retailer Supplier Relationships

Experience: President Emeritus, Wisconsin Automobile & Truck Dealers Association

James Williams - Managing Director

Specialties: Business Start-Ups, Turnarounds, Purchasing, and Outsourcing

Experience: Vice President of Performance Management Group National Purchasing Services

Please visit us on the web at www.InnovAutoGroup.com.

NOTE: InnovAuto does not provide tax or legal counsel.

