

# Automotive News

A DREAM DIES: THE STATE OF BLACK DEALERSHIPS IN AMERICA

## BET founder: Private equity can help fund new dealers

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When Robert Johnson became a dealer almost four years ago, he had two things most other black dealers don't: ample funds and influence.

Now, the founder of Black Entertainment Television and majority partner of RLJ-McLarty-Landers Automotive in Little Rock, Ark., believes he can use those assets to help potential minority dealers. Johnson says he has the connections to seek outside capital from "high net worth" minority entertainers, professional athletes and businesspeople to invest in dealerships.

Potential investors "may like the car business but either don't have the time or the expertise to run the stores on a day-to-day basis," says Johnson who is a minority investor with former basketball superstar Michael Jordan in the Charlotte Bobcats NBA team.



Johnson: Sell shares to wealthy investors.

Photo credit:  
LONNIE MAJOR

RLJ-McLarty-Landers is the largest black-owned dealership group in the United States, according to *Black Enterprise*. Johnson's partners are Mack McLarty, a White House chief of staff under President Bill Clinton, and Steve Landers, a longtime Arkansas dealer. The group placed No. 29 on the *Automotive News* list of the Top 125 dealership groups in the United States ranked on 2010 new-vehicle retail sales.



Damon Lester, president of the National Association of Minority Automobile Dealers, says the association agrees with Johnson's idea. NAMAD has had conversations with actors, athletes, sports agents, former athletes and associations such as the NBA to seek investment in minority dealerships.

But most deals have fallen through, he says. The biggest hurdle is that private equity investors want returns on investment of 15 to 20 percent. The average dealership return on investment is 1 to 2 percent, Lester says. "The return on investment they want, in this environment, is very challenging," he says. "We need patient capital."

Lester: Deals fall through.

Here's how Johnson would entice investors to work with RLJ-McLarty-Landers:

-- Hire an investment banker to write a private placement prospectus that outlines a business strategy and management team.

-- Send the information to wealthy individuals who might buy share units at, say, \$500,000 or \$1 million each.

Johnson says such deals would be attractive to investors because they come with the proven expertise of RLJ-McLarty-Landers and the minority dealer/manager.

"If you can raise \$50 million of equity, you've probably got another \$40 million, on that ratio of equity to debt," he says. "You could go out and buy dealerships with the money."

When Johnson formed the company in October 2007, he said he wanted to recruit and train minority entrepreneurs to manage dealerships, putting them in a better position to raise capital to buy their own dealerships. The company has four minority managers, two of whom own equity stakes in the dealerships in which they work. Johnson says the poor economy has prevented any managers from buying their own stores.