R&CO WEBINAR SERIES FOR AUTO DEALERS

LIVE WEBINAR

You Bought the Store, Now What?

A Roadmap for Post-Acquisition Success

MORGAN AUTOMOTIVE GROUP

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Morgan Automotive Group Post-Acquisition Approach

Brett Morgan

MORGAN
AUTOMOTIVE GROUP

Morgan Auto Acquisitional Summary

- Founded in **2005**
- Took Morgan Auto Group (MAG) **10 years to reach 10 dealerships**
- In **20-years MAG** has conducted **42 unique transactions** including **16 multi-rooftop transactions** ***(which includes two 7-store and two 5-store acquisitions)***
- **78 dealership acquisitions in total and 4 open points rewarded**
- MAG currently has **77 dealerships** with **28 unique brands** represented

MORGAN AUTOMOTIVE GROUP
MAKE IT MORGAN, WE MAKE IT HAPPEN

Tampa Bay Times

Precision Toyota gets new owners

By **KRIS HUNDLEY**

Published Sept. 3, 2005 | Updated Oct. 24, 2005

Two partners in a fledgling automotive group have bought longtime area business leader Frank Mor-sani's last car dealership in Tampa.

Dealership #1 Toyota of Tampa Bay

Our Specific Approach

What Changes Day One

- If software, a pay plan or vendor is *going to change eventually*, it **changes day one**.
    - DMS (Reynolds)
    - F&I (DocuPad) / DG Warranty
    - CRM (Drive Centric)
    - All new pay plans dated and signed
    - New website / New Tracking Numbers
- General MAG Pack Structure
- Internal Reconditioning Markup
- Internal and Retail Labor Rates
- Specific F&I & Accounting Processes

Where we are Flexible

- Dealership DBA (store name)
    - Only one store that uses “Morgan”
- MAG caters to the GM’s preferences in many cases:
    - Advertising Agency of Record (GM may have existing relationship)
    - Marketing Spend
    - Peripheral Vendors
    - Desking Processes
    - BDC Operations
    - Store Uniforms

CE
assifieds

The Gainesville Sun | Gainesville

Sports Entertainment Lifestyle Guardian Advertise Obituaries eNewspaper Legals

NEWS

Raulerson sells both dealerships

ANTHONY CLARK Sun business editor

March 9, 2007, 11:01 p.m. ET

After 31 years in business, Wade Raulerson has sold his Gainesville autom

Morga
Wade
writte
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Honda of Gainesville was a part of Morgan's 3rd acquisition

What Experience has Taught Us

- Every acquisition is **unique**
- Be **prepared** but also be prepared to be **flexible**
- **Allow a 90 day "ramp" into pro-forma run rate.** *This considers the potential for one-time write offs, inventory purchased above market and transaction related expenses (training/legal) to factor into your statement.*
- Have a **detailed acquisition checklist**, and **communicate** with your acquisition team weekly
- We begin weekly meetings two months prior to close; move to bi-weekly inside of three weeks
- Be prepared to bring **IT, high level vendor partners (DMS) & seller's leaders** into the conversation at the right time

Prior to the Close

- **Be Proactive**: Ask for **pre-close access** to key team members (don't become a distraction)
- **Ensure due diligence requests** go far beyond standard OEM reports (SEI / Retention), such as current traffic management (CRM), google analytics and detailed ad spend
- Understand current labor rates (retail and internal), parts markup policies and all major fixed KPIs
- Get copies of **all pay plans** (if possible) and don't overlook any PACK variances in variable

Push for the ability to address all employees well in advance of close

Automotive News

Morgan Auto buys Reeves Import Motorcars, gaining 7 stores in Tampa, Fla.

By **Jack Walsworth**

October 06, 2021 03:18 PM EDT

Expanding Morgan Auto Group of Tampa, Fla., has purchased a collection of seven luxury and import dealerships in Tampa, marking its largest acquisition yet

Store Meeting

-Tell them **what to expect** (be honest)

-Address **tenure** recognition and **benefits**

-**Preview the "pre-boarding" process** with team members---

-Promote your **organizational culture and strengths**

-Distribute the best **ways for Old Co employees to communicate** with you

Three Pillars of The First 100 Days of an Acquisition

Informed People - Verified Data - Optimized Tech / Functioning Engagement Channels

We've all heard, **"It's People, Process and Pay Plans."** But success at the outset of an acquisition is much more **fundamental!**

People: Re-trained team members will execute their job, under clearly defined expectations, transparent data share and well communicated benchmarks

Verified Data Flow: If your transaction data flow (accounting setups) are firing incorrectly you will be sailing in a storm with a **broken compass**

Functioning Technology Integrations: The faster you install and optimize effective technology integrations, to drive customer engagement, the faster you can gauge the **true talent** of your existing team members

The First 100 Days: "It's All People" | Redundant Onboarding

- **Clearly and consistently** communicate your specific **expectations**
- Review the organization's **proprietary reporting**, how it is **accessed** and your internal benchmarks
- Ensure that all associates **understand** their **pay plan**, their **pay schedule** and related HR benefits
- Review **frequently asked questions** (and where associates can go when questions arise)
- **Celebrate small** initial **wins**; **praise** those that **embrace change**; take note of those that push back
- Inspect & Audit Daily | "Rinse & Repeat"

MORGAN
AUTO GROUP'S HELPING HAND FUND

The Helping Hand Fund is Morgan's own United Way

The First 100 Days: Verify Financial Data and Correct Flow of all Setups

1) **Prioritize stocking in all purchased inventory immediately**

2) **Have your GM verify** that inventory cost for new & used cars is correct in the DMS; reflective of any/all packs

3) Book your closing entries as soon as possible; communicate closing statements to the OEM

4) Confirm that **all pay plans have been approved, signed and properly uploaded** into your HRIS system

5) **Review initial repair orders** produced; confirm proper setups for shop supplies, disclaimer, tax etc.

6) Once there are several transactions (RO's / Deals) delivered in the DMS, attempt to confirm that all setups are working properly and **data flow is as expected** by producing a **preliminary factory financial statement**

7) **Verify that historical customer data** has converted (exported properly) into your DMS

8) EOM: **The GM should audit, review and reconcile all payables (line x line) with their Controller:** You are likely to have received bills that are Old Co's responsibility, bills issued on contracts previously terminated and new vendor statements too

9) Use this exercise to address any variances in expense reflected in budget/pro-forma. Communicate any major findings to the executive team and CFO **immediately!**

The First 100 Days: Test All Customer Engagement Paths

1) **Test form lead submissions for all major lead sources** (dealer site, OEM, major 3rd party syndicators etc.)
2) **Verify all published dealership phone numbers on dealer website, directory sites, reputation and social media sites** (ensure proper tracking numbers posted if utilizing a Car Wars/Call Revu type system)
3) **Test call all dealership phone numbers,** confirm in departmental routing and distribute all new tracking numbers (with specific uses) to management
4) **Keep "Eyes & Ears" open, as loyal customers "test" new ownership** (review social media chatter, conversations relayed via employees, reputation management reviews and phone transcripts)
5) **Once the DMS is functioning fully in service**: Have a New Co team member bring their personal vehicle into the service drive (15 minutes after service opens) and have them film their write up experience (meta glasses ideal) and then review with the broader management team.
6) By the end of the first week, begin to **audit all F&I manager presentations** and paperwork processes
7) Communicate to all customer facing teammates how all **negative customer situations** will be handled including how **F&I cancellations for Old Co** customers are to be assisted. Revisit your own internal process on cancellations and further promote the **priority of correcting any upset customer's experience**.

The First 100 Days: Integrations, Common Issues and Solutions

Reputation / Directory sites have **incorrect URL / phone info:** Have Old Co admin change domain/phone information **before** transferring account ownership (as account may lock during ownership transfer or require further verification)

OEM leads are still going to into the old CRM (this will continue until your new dealer # is produced) | Try to Keep Old Co. CRM contract current for 30 days passed the close

This also reduces leakage/loss of current store prospects, as they're rarely exported into new CRM

Inventory feeds not integrating from DMS: Don't wait for the DMS to have inventory data, utilize a 3rd party (Homenet) or **manually** push feeds to your website and 3rd party marketplaces

Store traffic has been trending downward prior to close (common tale as owner may have slashed spend prior to close): Have a **bridge marketing plan prepared** that includes saturation mail, search, social marketing & email ready to drop immediately

Old Co's previous Search Marketing is still firing, driving up spend and confusing prospects online: Proactively confirm old vendor termination and new vendor launch on day 1 or if you "like" their current vendor agree to stay with them for a period (will provide smother transition)

First 100 Days: Additional Acquisition Hacks in our Experience

You cannot rely **100%** on a **vendor's capacity for training:** We have learned to create internal "power users" and subject matter experts for all systems inside of our management company

For additional DMS support we pull employees from neighboring stores for up to 2 weeks

We insist that **our IT team has access to the store weeks before close** and has open communication with seller's IT team. In advance they audit hardware, existing printers, review their existing network, as well as current WIFI range and access points. All physical or cyber **security concerns** are brought to the executive team.

WARNING: **Detethering VOIP phone integrations can be tricky** (CDK for example)

Sometimes a **DBA/URL change** can be a benefit: Rather than replacing the current URL with new content, it can easily be forwarded to your new published site. This also means you can launch your new e-mail at anytime, on a domain you control, well ahead of close.

Review and **audit initial deal flow** and speed from the **Sales Desk → F&I → Accounting**

Schedule **an end of day call each day for a period two weeks** with all major acquisitional stakeholders (store leaders, executive team leaders, legal, IT, accounting)

If there was a book on Dealership Acquisitions, the best Chapter would be about ______________ .

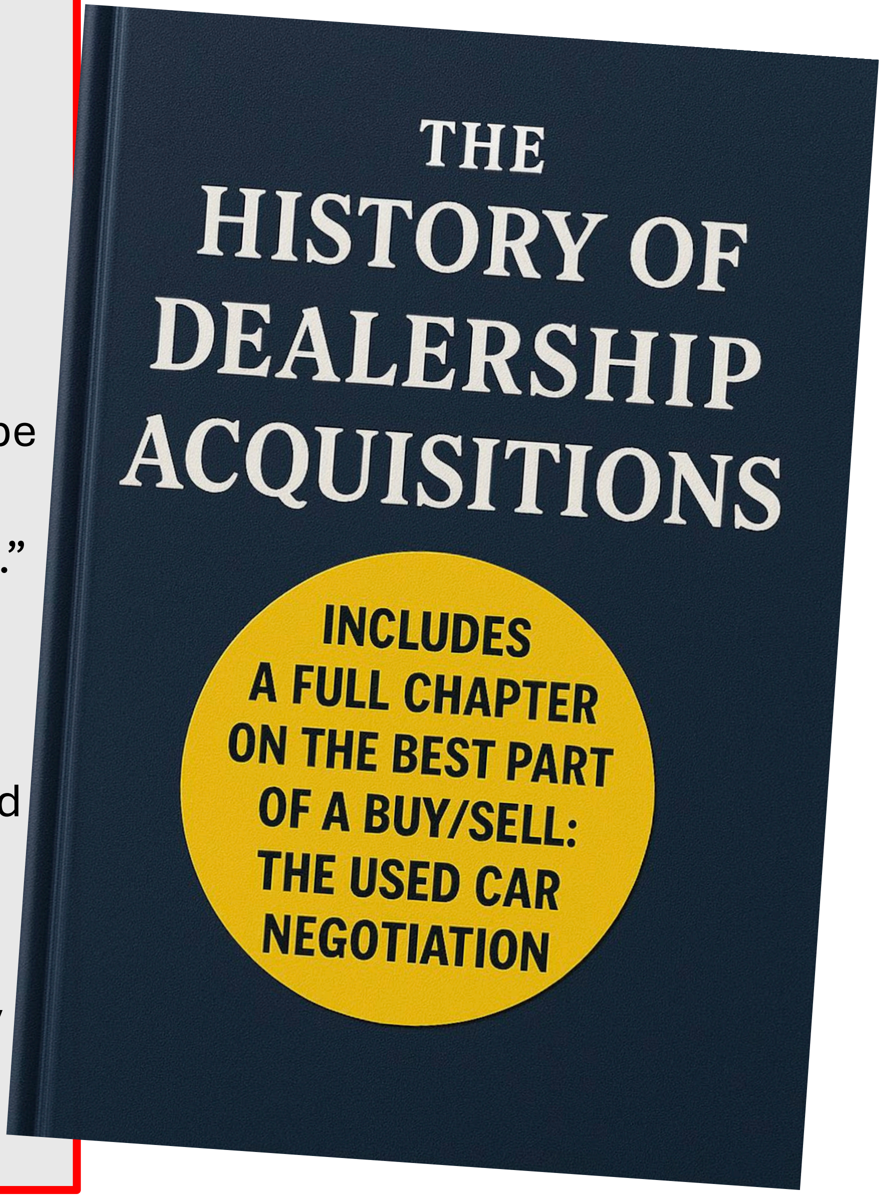
*A wise man once to sell a car, you need a car for sale, a salesperson and a customer. Walking into an acquisition, what is often true is **that the car is what you need the most.***

Issue: While the seller won't want to take dozens of cars to auction, they'll be trying to maximize the "true market value" price that you'll pay on reconditioned cars. Typically, the seller is considering the "accounting cost."

"No matter the language that sits on an APA, this continues to be the most interesting and potentially stressful portion of a close."

Result: You may very well overpay for the seller's used car inventory. And if you plan on selling more used cars than the store did prior, you may find yourself supplementing that inventory with high-cost auction purchases.

Outcome: You may need to adjust your short-term thinking and your 90-day pro-forma (Used PUVR) until you have had a chance to sell through this inventory.



Questions?


Key Legal Steps After the Deal Closes
Halbert (Bert) Rasmussen
SCALI
RASMUSSEN

Scope & Disclaimer

- Education, Not Legal Advice
- High-level timeline of post-closing legal steps.
- Not specific advice for any one deal or state.
- Details depend on transaction documents, state law, and manufacturer requirements.
- Always review your own deal documents and consult local counsel, especially in new states.

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Post-Closing Timeline

- **Immediate (Closing Day – Day 30):** verify assets, reconcile money, liabilities, people, and records.
- **Short Term (Month 2–12):** conduct audits; integrate OEM commitments, vendors, HR policies, and culture.
- **Long Term (Year 1–5+):** manage legacy risk and ongoing cooperation/records obligations.

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Immediate: Closing Day

Transfer & Control

- Verify delivery of all transfer documents (bills of sale, assignments, titles, MSOs).
- Confirm physical delivery of all inventory and assets (new/used, parts, tools, supplies, fixed assets).
- Take control of facilities, lots, off-site storage, and dealer plates.
- Confirm liens on acquired assets are being paid off and released as agreed.

Employment Changeover

- Seller terminates all employees at closing and pays earned compensation.
- You decide which employees to hire under your terms (typically at-will).
- Determine if and how seniority will carry over for benefits.
- Confirm headcount and timing to avoid WARN/mini-WARN issues.
- Have I-9s, offer letters, and payroll ready for day one.

Systems & Premises

- Flip the Switch on Day One
- Take physical control: keys, alarm codes, safes, bays, and storage areas.
- Take digital control: DMS, CRM, OEM and finance portals, websites, domains, email, phones.
- Reset passwords and assign appropriate user roles.
- Disable any unnecessary remote access.

Immediate: Days 1-14

Days 1–7: Verify Assets & Liabilities

- Did We Get What We Thought We Were Buying?
- Match asset lists to reality: new, used, demonstrator, loaner inventory, parts, tools, and fixed assets.
- Confirm boutique items, supplies, and work in process are present and properly listed.
- Map pre-closing vs. post-closing obligations: who owns which liabilities and warranties.
- Document missing or mis-described items immediately and escalate quickly.

Days 1–14: Runoff Deals & Work in Process

- Seller terminates all employees at closing and pays earned compensation.
- You decide which employees to hire under your terms (typically at-will).
- Determine if and how seniority will carry over for benefits.
- Confirm headcount and timing to avoid WARN/mini-WARN issues.
- Have I-9s, offer letters, and payroll ready for day one.

Immediate: Days 1–30

Cash, Credits & True-Ups

- Track and remit any seller pre-closing A/R you collect during the agreed period.
- Coordinate with the OEM to properly allocate incentives, debits, and credits.
- Prorate taxes, utilities, insurance, and leases as of closing.
- Re-prorate when final bills arrive and settle differences quickly.
- Maintain a True-Up Tracker with owner, amount, documentation, and resolution date.

Licensing & Regulatory Basics

- Confirm dealer license, sales tax permits, service/repair licenses, and DMV/tag registrations are in your name.
- Verify your entity's good standing with the state.
- In a new state, get a quick "dealer law checkup" on doc fees, advertising, titling, F&I processes.

Factory Relations

- Clarify facility/image requirements and deadlines from OEM communications.
- Understand performance expectations: CSI, sales effectiveness, warranty metrics, etc.
- Begin regular communication with OEM field staff. Confirm buy-sell allocation entitlement.
- Review early chargebacks or disputes to understand which period they belong to.

Immediate: Days 1-30

HR Onboarding & Policies

- Turning "Their Employees" Into "Your Employees"
- Onboard re-hired employees with new I-9s, tax forms, direct deposit, and offer letters.
- Get signed acknowledgments for your handbooks and any arbitration agreements you use.
- Implement your harassment/EEO policy and complaint procedure on day one.
- Implement your timekeeping, meal/rest break, overtime, and PTO rules for that state.

Records & Privacy

- Organize the Paper and the Data From the Start
- Centralize deal jackets, repair orders, HR files, and key contracts using your retention schedule.
- Treat all transferred customer information as subject to GLBA and state privacy rules.
- Restrict access to legacy files and DMS history to those who truly need it.
- Set a formal process for seller access to pre-closing records and log all such requests.
- Track when any contractual record-access obligations expire.

Short Term: Months 2–4

Months 2–3: Launch a Post-Closing Audit

- Move from stabilization to structured review.
- You still have the benefit of survival periods and indemnity/escrow protections.
- Consider a self audit that covers financial/OEM, compliance, and HR issues.
- Aim to find seller-period problems early enough to act on them.
- Decide what to treat as a claim issue versus a forward-fix issue.

Months 2–4: Financial & Contract Audit

- Analyze warranty and goodwill patterns and chargebacks pre- vs. post-closing.
- Review contracts and leases you have taken on for pricing and key terms.
- Identify any contracts that appear to have been in default before closing.
- Reality-check asset categories like older/obsolete parts and aged used vehicles.

Short Term: Months 2–9

Months 2–6: Compliance & HR Audit

- Examine sample sales and F&I deals for disclosures, signatures, adverse action notices, and rate compliance.
- Review advertising for prices, fees, disclaimers, and state compliance.
- Verify titling, registration timing, and associated fees.
- Check timekeeping, pay, overtime, breaks, and pay plans for HR compliance.
- Flag misclassified exempt employees and questionable contractor relationships.

Months 3–6: OEM & Vendor Integration

- Bringing the Store Into Your Standard Operating Model
- Review any assumed DMS, CRM, digital marketing, and other vendor contracts for consolidation or changes.
- Identify auto-renew and termination dates to avoid unwanted long-term commitments.

Months 6–9: Revisit Reps & Warranties

- Revisit transaction documents with audit findings in hand.
- Focus on representations regarding compliance, environmental matters, taxes, HR, and contracts.
- Identify issues that conflict with the seller’s representations.
- Check the survival period for each category of representation.
- Decide whether to reserve rights or provide early notice while survival periods are open.

Short Term: Months 6-12

Notices, Indemnity & Escrow

- Don’t overlook potential seller liability for losses…
- Understand any deductibles/baskets before indemnity applies.
- Know any caps on total recovery and how much is available in escrow or holdback.
- Follow notice requirements for third-party claims so seller can participate or defend.
- Send written notice of direct claims before survival periods expire.
- Maintain a claims log and review it before each escrow or holdback release date.

Second-Pass Legal Checkup

- Are We Now Truly Compliant in This Market?
- Have local counsel review F&I forms and processes as actually used post-closing.
- Review advertising templates and approval processes for state compliance.
- Confirm HR policies are being followed in practice, not just on paper.
- Identify any special rules needed for this store or state beyond your standard playbook.
- Keep privacy/GLB/cybe safeguard state of the art

Long Term: Years 1–5+

Years 1–3+: Managing Legacy Risk

- What Can Still Come Back From the Seller's Period
- Watch for environmental issues like tanks, waste handling, and historical spills.
- Track product claims arising from pre-closing sales or repairs.
- Monitor employee claims based on pre-closing employment practices.
- Maintain a legacy issues file per acquired store with key documents and correspondence.

Years 1–5+: Ongoing Cooperation & Records

- Expect ongoing obligations to provide copies or access to pre-closing records for several years.
- Provide limited DMS or accounting access for the seller's wind-down, within agreed limits.
- Use a single internal gatekeeper to manage all record requests.
- Log each request, what was provided, and when obligations end.
- Maintain privacy and data-security compliance when sharing records, even years later.

Years 1–5+: Exiting the Deal & Lessons Learned

- Confirm all escrow releases are processed, and open disputes are resolved or reserved.
- Adjust retention of seller-period records per legal advice and company policy.
- Document major legacy issues and their resolution.
- Note which post-closing steps worked well for future standard practice.
- Record surprises to update pre- and post-closing checklists.

Key Takeaways

What Dealers Should Remember

- **Immediate** (Day 0–30): secure control of assets, staff, systems, and premises; reconcile money, runoff business, liabilities, records, and licenses.

- **Short Term** (Month 2–12): consider post-closing audits; integrate OEM commitments, vendors, HR; use reps, warranties, and indemnity before rights expire.

- **Long Term** (Year 1–5+): manage legacy tax, environmental, product, and HR risk; fulfill cooperation and record-access duties.

Questions?

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Thank you!

Connect with Us!

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