NOW THAT YOU OWN IT

The Basics In Acquisition and Transitions.

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WHERE DO YOU START?

• The acquisition of a property or group of properties has a distinctly different challenges from the opening process for a new building or reopening following a renovation.

• Care must be taken to be aware that the entity was operating yesterday, is operating today, and will be operating tomorrow, so the changes to the guest need to be transparent.

• So what is the starting point?
PRE-ACQUISITION

1. A careful reading of the Purchase & Sale Agreement should be performed to identify critical items to be addressed at the closing.

2. A well considered checklist of items needed for all discipline’s prior to the date of transition is essential as Operations, Sales, Food & Beverage, Spa, Golf and other services will be affected as well as the Finance team. Some essential items for Finance to consider are:
   a) Entity ownership name and EIN.
   b) Banking requirements. How many accounts will be needed. Who is your credit card processor and middleware provider. Will the cash be controlled by a deposit account control agreement (DACA) and how will operating funding work? Depending on the lender & loan servicer, the timing of the opening of these accounts may not occur until the loan has closed and the acquisition date has past and thus could impact available working capital most especially credit card deposits.
   c) How will existing advance deposits, in-house ledger accounts and accounts receivable be treated at closing.

PRE-ACQUISITION

3. d. What treatment will be applied for operating inventories? Bulk sale or purchased at closing.

4. e. Who is responsible for obtaining the proper operating permits and registrations prior to the closing. Sales & Use Taxes, Occupancy Taxes etc. will need to be obtained prior to the close of the deal. Will there be any licenses or permits that transfer at the closing. Permits in the name of the property, not the owner, often need not be reapplied for.

5. f. If a liquor license is being obtained, what is the projected timing of the issuance and what interim plans are in place for continued service.

6. g. Will the staff remain intact? Often the Executive team will transfer with the prior manager. This leads to a need for both interim and permanent replacements.

7. h. Schedule a call with the Onsite personnel to review any pre-acquisition items.

8. i. Have any Day One items (deposit tickets, endorsement stamps, etc.) shipped to the site.
DAY OF CLOSING / TRANSITION

**A.** Insure that all items that were to be accounted for from the final night audit reports are available.

**B.** Insure that any final deliverables required by closing parties have been transmitted in sufficient time to be reviewed by the Buyer / Seller.

**C.** Meet with the Finance team to review:
   
   I. What expectations, from the purchase agreement were made for the closing up of the prior owners business.
   
   II. Deliver any company specific SOP's for the team to review and distribute.

**DAY OF CLOSING / TRANSITION**

**III.** Review treatment of any post-closing items that need to be split between parties. There is typically a 90 – 120 day “True-Up” period for any post closing items to insure all parties have any expenses or incomes that might have been missed.

**IV.** Make sure that the Finance team is aware of who their “go to” people are on the buyer/managers end for questions.

**D.** “DO WHAT IS ABSOLUTELY NECESSARY AND GET OUT OF THE WAY”

**E.** Remind all of the team that nothing is perfect and if there has been a process in place – keep doing it until told otherwise.
DAY 2-60 FOCUS ITEMS

A. Spent time with each member of the finance team. Learn what they have been doing and what their future aspirations are. Many team members are happy just doing what they do.

B. Begin the rollout of any new systems or processes. 1-2 at a time. Look to the most critical ones and Quadrant 2 (important but not urgent) for later.

C. Begin the budget process, communicating any specific underwriting concerns and listening to what hurdles might impact it (renovations, PIP items, staffing changes).

D. Ask a lot of questions. Processes previously in place might just be better than you thought.

ONGOING (60+ DAYS)

A. Arrange to have a standing weekly call to go over any perceived issues or questions.

B. Arrange for a “baseline” Internal Audit. This will assist the onsite team members to know the framework they will be expected to maintain. Timing for this should occur around the 90 day mark.
FINALLY…..

An acquisition and management transition is a time filled with a lot doubt. The more you interact with all of the players, the smoother it will go.

Unlike a new opening, where the team grows together in the Pre-Opening Process, acquisitions may often be a culture clash. For the process to be successful, PATIENCE is the most important skill.

Questions and Comments.