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Ensuring a lasting legacy

Wayne Kuni's succession plan enables him to donate his business proceeds to charity yet keep his stores intact

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How much is enough? Wayne Kuni has pondered that question at length, especially since he learned two years ago that he has lung cancer. Kuni, 74, is chairman and founder of Kuni Automotive, which operates 10 auto dealerships in four Western states. His net worth tops nine figures. He expects his business to clear \$700 million this year.

Kuni has given his family a comfortable life. He has groomed talented executives to succeed him and ensure that his business thrives. Now he is planning his legacy. "What do you do with the rest of the money?" he asks. "You've got to give it to somebody. You can't take it with you."

His response is an unusual succession plan. It will enable him to donate most of his business proceeds to charity while keeping his dealership group intact. Kuni wants the foundation that he has created and that bears his name to benefit several causes, notably cancer research and care for mentally disabled adults.

Kuni Automotive, of Vancouver, Wash., reports that in 2004 its net earnings before taxes exceeded 3 percent of sales. The average dealership netted 1.7 percent of sales before taxes last year, the National Automobile Dealers Association says. Automotive News estimates that Kuni Automotive's revenue was \$538.0 million in 2004.

When Kuni dies, his 37 percent stake in the dealership group will go to the Kuni Foundation. The stock will become nonvoting shares.

Kuni's ex-wife, Joan, is the company's third-largest shareholder. Her 18.5 percent interest will go to the foundation as nonvoting shares when she dies. At that point, only company CEO Greg Goodwin and CFO Carl Christoferson will have voting shares in Kuni Automotive.

Kuni's succession plan protects the investment his general managers and corporate executives have made in the company because the foundation will not have a controlling interest.

"They have nurtured this business and brought it along," he says. "They are entitled to go through their working life running the business."

Sheldon Sandler, a Skillman, N.J., investment banker who brokers dealership sales and has worked with Kuni in the past, says that many dealers make big donations to charity.

"But turning over his business to a charitable foundation upon death is unique within the dealership community, if not within privately owned businesses overall," Sandler says.

More than enough

Kuni won't disclose his net worth. He says only that he has made "more money than many could spend in a lifetime." He has a 4,400-square-foot house in Rancho Mirage, Calif., and a 4,000-square-foot penthouse that overlooks the Columbia River in Vancouver, Wash. He once owned a 60-foot yacht.

"I am not living a shepherd's life," Kuni concedes. "But I have never taken a dime out of the business other than my salary and bonus. That's why the capital is there."

Kuni seeks to provide for his family without turning over his entire fortune. He believes his earnings should benefit his community.

"You can damage your family much more by giving them too much than you will by giving them too little," he says. "You take away all their inherent right to accomplish on their own."

Kuni's 42-year-old son, Sean, owns 23 percent of Kuni Automotive and is its second-largest shareholder. His stock was converted to nonvoting shares in 2003. Sean Kuni ran one of the group's dealerships before he retired at the end of 2003. He intends to be active in the foundation, Goodwin says.

Kuni has set up trust funds to provide for two other children - Mike, 48, who is mentally disabled, and daughter Kim, 36.

If Kuni simply were to donate the company's stock to charity, he notes, the business would be in jeopardy. "Charities typically sell the stock right away," he says.

Kuni says his objectives in creating the foundation have little to do with avoiding estate taxes.

Company CEO Goodwin agrees. "This is not a tax scheme," he says. "It is a decision by Wayne to leave most of his remaining assets to charity. Wayne believes that by taking these steps and restructuring the company for long-term succession, the charity and all other Kuni Automotive stakeholders will derive the greatest benefit."

Mentors and values

Kuni says his early career with General Motors cemented his ethical values and inspired the concepts he has used as a dealer to motivate managers and executives. The experience also contributed to his succession strategy, he says.

Kuni, a Detroit native, joined GM in 1954 as a service representative in Chevrolet's Flint, Mich., zone office. In 1955, he began working with retailers for Motors Holding, a business unit of GM that supervises struggling and startup dealerships.

His boss at Motors Holding, William Harvey III, displayed strong ethics and genuine concern for others, Kuni says. Harvey insisted "there was never a justification to lie, misrepresent or exaggerate in any circumstance," he adds.

Kuni's experience overseeing troubled dealerships taught him to make tough decisions. While working for Motors Holding's Chicago office, he bought, sold or closed a dozen stores in a single year.

"I had tremendous authority," he says. "I had full responsibility for those stores. I was a full, voting shareholder."

Partnership model

Kuni left GM to open his first dealership in 1970. He embraced the Motors Holding partnership model, which requires entrepreneurs to make a significant investment in a dealership to operate it.

"If you don't have (dealers') money, you don't have the commitment," Kuni says.

Kuni Automotive requires its general managers to invest most of their net worth when they take responsibility for their dealerships. They also invest a percentage of their annual earnings until they achieve a 20 percent equity stake. Kuni Automotive keeps a majority stake in its stores.

Kuni's top executives also must invest hundreds of thousands of dollars to join top management. Goodwin, Kuni's CEO, owns 10 percent of Kuni Automotive. Christoferson, Kuni's CFO, owns 5 percent. The dealership group and the foundation it will support need committed leadership for a stable future, Kuni says.

Goodwin says Kuni's succession plan has inspired the commitment of company employees. Some were moved to tears when they learned of the Kuni Foundation, he adds.

Monte Phillips, general sales manager of Kuni BMW in Beaverton, Ore., says the foundation makes him feel good about his job. "We can drive home at night knowing the cars we sell are going toward helping others," Phillips says. "A lot of times, you can't say that in the car business."

As Kuni battles his aggressive form of cancer, he says he wants to set an example for others who have earned wealth and influence in the auto industry.

That example, he hopes, includes a commitment to community service and an appropriate answer to the question: How much is enough?

Taking stock

Who: Wayne Kuni, chairman, Kuni Automotive, Vancouver, Wash. **Dealerships:** Hubacher Cadillac-Land Rover, Sacramento, Calif.; Stevens Creek Buick-Pontiac-GMC, Santa Clara, Calif.; Roseville Volkswagen, Roseville, Calif.; Lexus of Seattle, Lynnwood, Wash.; Burt Kuni Honda, Centennial, Colo.; Lexus of Colorado Springs, Colorado Springs, Colo.; Kuni Lexus, Littleton, Colo.; Kuni Cadillac-Saab, Beaverton, Ore.; Kuni BMW, Beaverton, Ore.; Lexus of Portland, Portland, Ore. **2004 sales:** 14,735 new and used **Idea:** He set up a charity, Kuni Foundation, that will be the majority owner of Kuni Automotive when he and his ex-wife die. **Quote:** "Innovation is simply the byproduct of being proactive in determining solutions to problems and recognizing and pursuing opportunities."